

OTAY WATER DISTRICT

BOARD OF DIRECTORS MEETING
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
June 24, 2015
3:30 P.M.

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. APPROVE THE MINUTES OF THE SPECIAL BOARD MEETING OF APRIL 29, 2015
5. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

CONSENT CALENDAR

6. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:
 - a) ADOPT RESOLUTION NO. 4292 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 (ID 27) AT \$0.004 FOR FISCAL YEAR 2015-2016
 - b) ADOPT RESOLUTION NO. 4293 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS FOR FISCAL YEAR 2015-2016 TO BE COLLECTED THROUGH PROPERTY TAX BILLS
 - c) AUTHORIZE AN AGREEMENT WITH BROWNSTEIN HYATT FARBER SCHRECK (BHFS) FOR STATE AND FEDERAL LEGISLATIVE ADVOCACY SERVICES FOR FISCAL YEARS 2015 THROUGH 2017 IN AN

AMOUNT NOT-TO-EXCEED \$50,000 ANNUALLY (\$100,000 TOTAL ENDING JUNE 30, 2017)

- d) CONSIDER CASTING THE DISTRICT'S VOTE TO ELECT A REPRESENTATIVE TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION'S BOARD OF DIRECTORS, REGION 6, SEAT A
- e) CONSIDER THE CANDIDATES FOR THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S BOARD OF DIRECTORS ELECTION AND CAST THE DISTRICT'S VOTE BY ELECTING UP TO THREE (3) CANDIDATES AND ADOPTING RESOLUTION NO. 4291

ACTION ITEMS

7. GENERAL MANAGER

- a) AUTHORIZE THE BOARD PRESIDENT, OR HIS DESIGNEE, TO SEND LETTERS TO LEGISLATORS AND THE GOVERNOR IN OPPOSITION TO ASSEMBLY BILL 115 AND SENATE BILL 88 RELATING TO WATER SYSTEM CONSOLIDATION (BUELNA)

8. BOARD

- a) DISCUSSION OF THE 2015 BOARD MEETING CALENDAR

REPORTS

9. GENERAL MANAGER'S REPORT

- a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

10. DIRECTORS' REPORTS/REQUESTS

11. PRESIDENT'S REPORT/REQUESTS

RECESS TO CLOSED SESSION

12. CLOSED SESSION

- a) CONFERENCE WITH REAL PROPERTY NEGOTIATORS [GOVERNMENT CODE §54956.8]

PROPERTY: SALT CREEK GOLF COURSE
525 HUNTE PARKWAY
CHULA VISTA, CA 91914

AGENCY NEGOTIATOR: MARK WATTON , GENERAL MANAGER

AGENDA ITEM 4

**MINUTES OF A SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THE
OTAY WATER DISTRICT
April 29, 2015**

1. The meeting was called to order by President Lopez at 3:37 p.m.

2. ROLL CALL

Directors Present: Lopez, Robak, Smith and Thompson

Directors Absent: Croucher (due to a work commitment)

Staff Present: General Manager Mark Watton, General Counsel Dan Shinoff, Asst. GM German Alvarez, Chief of Engineering Rod Posada, Chief Financial Officer Joe Beachem, Chief of Information Technology Geoff Stevens, Chief of Operations Pedro Porras, Asst. Chief of Administration and Information Technology Adolfo Segura, Asst. Chief of Operations Jose Martinez, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

A motion was made by Director Thompson, and seconded by Director Smith and carried with the following vote:

Ayes: Directors Lopez, Robak, Smith and Thompson

Noes: None

Abstain: None

Absent: Director Croucher

to approve the agenda.

5. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

No one wished to be heard.

6. DISCUSSION ON THE DISTRICT'S DROUGHT AND WATER CONSERVATION EFFORTS TO COMPLY WITH THE STATE WATER BOARD'S EMERGENCY CONSERVATION REGULATIONS AND THE STATE'S MANDATORY CONSERVATION OF POTABLE URBAN WATER USE

President Lopez indicated that this issue was brought to his attention last week and he felt there was a need to inform the board on the matter before the June 3, 2015 board meeting. General Manager Watton also indicated that he felt it was in the best interest of the District to update the board.

General Manager Watton indicated that staff has prepared a report and a slide presentation (attached) which is meant to encourage conversation on the drought mandates and receive the board's view and where they would like to head with the budget.

Accounting Manager Rita Bell presented the District's historical residential gallons per capita per day (GPCD). She stated that the 2014 GPCD for residential and master metered customers is 105 and the total annual revenue for all customer types is approximately \$63.7 million. Ms. Bell presented a chart showing where a majority of potential water savings can be obtained which will help the District focus its conservation efforts. She noted that tier 2 and tier 3 usage is 68% residential and indicated that the District's potable irrigation customers use 13% of the potable water. She stated that this is an area where conservation efforts can be focused as well.

Ms. Bell presented an example, provided by the State of California, of how they would track and report each agency's monthly and cumulative savings once the reporting process begins in June. She also presented, based on the State's example, a chart showing what the District's report may look like. The chart indicates the monthly savings at a 16% cutback in water use. Staff can also provide the monthly savings at a 20% cutback if the board is interested.

Customer Service Manager Andrea Carey reviewed areas where the District may have additional opportunities for conservation. She indicated that staff is proposing implementing, in addition to the public outreach campaigns already in use to promote conservation (such as, bill inserts, social media campaigns, high usage phone calls, and leak alarm notifications), the following:

- Temporary staff to assist with outreach and water conservation violation enforcement.
- Revision to current leak alarm process to increase frequency of notification and expand contact of customer base.
 - The District's AMR meters will provide a "leak" alarm if there is continuous water use for 24 hours. The alarm is received when the meters are electronically read for usage (when a field employee drives by). Staff noted that the District's meter software was updated in 2013 and the new software version allows the District to pick-up reads every time a field representative drives by. In some areas the District is picking up reads daily and sometimes weekly. The District is receiving approximately 3000 leak alarms a month.

As staff cannot visit all 3000 alarm sites, the District utilizes a formula for those meters with a leak alarm. The system will review last month's and last year's usage and prorate the new reads that are causing the leak alarm. If the customer has 120% of usage over last month or last year, then this customer is contacted. Staff noted that some leak alarms will resolve themselves (leaking toilet, a faucet was left running, etc.) or, if usage stops for three (3) hours or more, the alarm will clear itself. If the customer's usage is ten (10) units over their average usage, then the District does a site visit. If it is less than 10 units, then an automated phone call is made to the customer.

- Autodial and email campaigns to promote conservation and alert customers to high water usage. The District currently has email addresses for more than 60% of its customers and has phone numbers on nearly all accounts. Messages through phone and email are an inexpensive way to give our customers notifications in a timely manner.
- Increase frequency of large meter testing to ensure our largest water users are accurately billed for all usage flowing through their meters.
- Targeted outreach to high residential users via email, autodial and regular mail.
- Targeted outreach to landscape irrigation customers via mail and phone calls from Water Conservation staff.
- Targeted outreach to mixed-use multi-residential customers via mail and phone calls from Water Conservation staff.
- Additional advertising to all customers (bill messaging, emails, bill inserts, bill envelope messages, social media campaigns, and signage throughout District).
- Individual conservation targets for all customers printed on bills.
- Conservation packets to mail or handout to high users or those interested in conserving more.
- Seminars on water conservation tips.
- Drought rates.
- Increasing the number of CWA water audits.

Accounting Manager Bell indicated that if there were a 16% reduction in water sales, the impact to rates (using the fiscal year 2015 rate model) in fiscal year (FY) 2016 is an additional 7.7% increase over the 4.7% increase estimated in the FY 2015 model. Thus, the total increase required to balance the budget would be 12.4% in FY 2016. Staff noted that Proposition 218 limits how much rates can be increased and staff verified that the 12.4% increase would not violate the District's Proposition 218 limit. She stated the 12.4% increase assumes no use of reserves to offset the reduced sales. She indicated that the board does have the option to draw on reserves to lower the necessary rate increase, however, the use of reserves is limited by the how much the debt coverage ratio would be impacted. To keep rates at 4.7% in FY 2016, the estimated required draw on reserves would be approximately \$2.5 million. This would lower the debt

coverage ratio to 138%, which is below the District's target of 150%. To maintain the debt coverage ratio at the District's target, a partial use of reserves in the amount of \$1.5 million and a rate increase of 7.6% would be required. She stated that if no reserves are utilized, then a 12.4% increase would be required, which would provide for a debt coverage ratio of 169%. She explained that lowering the debt coverage ratio below the 150% target carries the risk that there may be a negative effect to the District's credit rating. She noted that the percentages are rough estimates based on the FY 2015 rate study.

Customer Service Manager Carey shared what neighboring agencies' were doing in response to the State mandate. She stated that staff met with conservation and finance staff from Helix WD, Padre Dam MWD and Sweetwater Authority last week to discuss each agency's initial thought on how to address the mandate. Since this is all happening very quickly and was still evolving at the time of the meeting, each agency was still in the brainstorming and research stage. Sweetwater Authority and Helix WD both anticipate hiring temporary staff to assist with the additional outreach to customers and enforcement of waterwaste violations and none of the agencies had a firm idea of where they were headed in terms of rates. Helix WD is exploring the possibility of instituting a surcharge or penalty for high users to offset some of the revenue decreases and Padre Dam MW is looking at possibly using reserves and potential penalty rates to offset revenue reductions. Sweetwater Authority has penalty rates that can be added into an allocation system that they already have in place. She stated that at this time, none of these ideas have been discussed with their board.

She noted that the staff report highlights important conservation efforts that the District has supported over the years. Unfortunately, these efforts are not being considered in the State's regulations. She stated the next steps in the State's action is a May 4, 2015 comment deadline for the current draft of regulations which will be followed by a Water Resources Control Board hearing and consideration to adopt the regulation on May 5 and 6, 2015.

General Manager Watton indicated that the District was interested in San Diego County Water Authority (CWA) providing an advisory on its actual supply. He stated that part of the rates that the agencies pay to CWA have gone:

- Back to the agencies
- To CWA for CIP projects (San Vicente Dam Raise, Olivenhain Reservoir, Carlsbad Desalination Project, Imperial Irrigation District Water Transfer, All American Canal Lining, etc.)

He indicated that a number of years ago, the Governor mandated that all cities reduce their water use by 20% by 2020. He stated the County of San Diego did all the planning to meet that goal and prepare for drought and the San Diego County is no longer vulnerable to MWD supply cuts due to this planning. He

presented a slide (attached) showing San Diego County's water supply with a 15% supply cutback that was approved by MWD's board last month. With MWD's supply cut, the San Diego Region would only need to cut back 1% with the available water supply from CWA. If San Diego County had decided to not utilize water from the State water project, it would require that the region cut an additional 2% in their water use for a total 3% cutback. He stated that San Diego is in good shape despite the drought.

General Manager Watton additionally shared that with drought management planning, the Urban Water Management Plans for the region and planning for future water supplies, growth is not an issue. He stated that the Governor's proposed cutback suggests that growth is an issue, but from a water supply planning standpoint it is not an issue in the San Diego region. The San Diego region has prepared for drought and has sent letters to the State Water Resources Control Board to consider this preparation in their mandate (copies attached to staff's report). However, none of this preparation is receiving credit from the State Board.

Chief of Operations Pedro Porrás presented a review of the District's Leak Detection and Repair Program. He indicated that it is one of the main components for water conservation and it is also an important part of asset management. The Leak Detection and Repair Program was instituted in early 2013. He reviewed the areas within the District's service area where the leak detection program was performed; 70 miles of pipeline in the La Presa System, 108 miles (15% of the potable system) in a portion of the City of Chula Vista, and 148 miles (20% of the potable system) in another part of the City of Chula Vista. A total of 326 miles of potable pipelines (45%) and 19 miles of recycled pipelines (18%) have been surveyed. He stated a leak was detected on a main, 26 leaks were detected on service lines, 119 leaks were at the meter, 1 hydrant leak was identified and 60 leaks on the customers' side of the system for a total savings of 214.13 acre feet (AF) a year. The total cost to detect the leaks was \$90,156 with a total savings in water loss of \$303,700. He stated with the success of the leak detection program over the last few years, the District would like to inspect the remaining 55% of the District's potable system next year at an approximate cost of \$150,000. He noted that the leaks that have been detected by this program did not surface and, thus, they would not have been detected. The leaks that are detected are generally called in by the public due to water pooling on the ground. He indicated that the Leak Detection and Repair Program has proven to be very cost effective and would save hundreds of AF of water lost to leaks, as well as, costly repairs and impacts to the District's customers. It was noted that water lost to leaks on the customers side of the meter were not included in the calculation.

Director Smith noted that the water saved through the Leak Detection Program represents approximately 1% of the District's total water purchases. Thus, the District has saved 1% of the 20% savings mandated by the State Governor. He

also noted that there is additional savings from leaks detected on the customers' side of the meter.

In response to an inquiry from Director Smith, Chief of Water Operations Porras indicated that the District's staff does handle the repair of any leaks detected by the program. Staff prioritizes the repair work so it does not impact workload and, thus, does not require the hiring of additional staff. Staff does not anticipate finding as much leaks in the remaining 55% of the District's pipelines as these pipelines are newer. The program had first concentrated on the District's older areas.

General Manager Watton indicated that another thing that the Governor is targeting is system reliability. A 20% cut in water use is hard to get, but we want to be able to show the Governor that we are doing all we can to meet the savings objective.

He indicated that staff will be increasing its communications with customers to make them aware of the Governor's mandates and the need to conserve more water. He noted that the Governor's mandates/regulations are a draft at this time and they have a public comment period open through May 4, 2015. The District will be submitting its comments on the regulations, which will include the District's concerns regarding the regulatory structure, for the record. It is anticipated that the mandates/regulations presented will not be changed and will be adopted by the State Board of Water Resources on May 5 and 6, 2015.

In response to an inquiry from Director Smith, Accounting Manager Bell indicated that the District's Proposition 218 allows the District to pass through 100% of the increase in cost by the District's providers (CWA, MWD and City of San Diego) to its customers. The notice also allows an increase of up to 10% for internal reasons, which would include lower sales due to conservation. If the District draws on the reserves temporarily or imposes penalty rates, the rate increase can be reduced. She stated the District has a lot of options to consider.

General Manager Watton indicated in response to another inquiry from Director Smith that Governor Brown had indicated that a fine of \$500, \$1000 or \$10,000 per day may be imposed on agencies who do not comply with the drought mandate. Director Smith suggested that staff add to the District's water bills the customers 2013 water use and their use today so customers can determine their conservation targets. He also suggested that the District include the tier levels in the bill as he felt that saving money is a good incentive for customers to conserve. General Manager Watton indicated that staff is exploring these options and seeking advise from the District's billing vendor on how we can reorganize the bill to include this information.

Director Thompson felt that by grading our customers on how they are contributing towards our conservation goal, similar to grades in school (A, B, C, D

or F), it could encourage conservation as well. He suggested that it could be special messaging advising the customer that they are doing average, below average, etc. in conserving water; a friendly message that encourages them to continue to try and conserve. The District could also share how they are doing conservation-wise in comparison to other customers (based on statistics). He asked that staff come up with some kind of messaging plan and also include in the messaging how the District is doing overall to conserve (what percentage the District, as a whole, has conserved).

President Lopez indicated that considering the efforts that the District's customers have already done, customers may feel that they have cut as much water use as they can and now they must cutback another 20%. He stated we need to consider how we communicate the message to our customers as we do not want to be hard handed.

Director Robak inquired on the Governor's legal authority as he feels that there is a good chance that the District's customers will not be able to save the additional 20% that is mandated. General Counsel Shinoff indicated that the Governor does not have unilateral authority. The legal remedy is an agency could file a petition through a mandate arguing that the Governor has exceeded his authority. Such a filing will likely come from districts in eastern Sacramento who have senior pre-1914 water rights who will not want to let those water rights sit as they risk losing those water rights if they do not utilize them. The board requested that the District's legal counsel do some analysis on legal remedies so the District can be prepared and strategize should its customers not meet their 20% conservation mandate. Director Smith warned that the District needs to be careful that it does not spend more money on legal fees versus potential fines. Also, he noted that filing a lawsuit could cause issues with the State.

It was discussed that there is no mandate in the Governor's order that there will be or shall be fines. The language is permissive. It is not certain how the Governor will act if District's do not meet their conservation mandates. There may be different results based on the District's efforts in encouraging its customers to conserve. It was discussed that this is the first time that a Governor has ordered mandatory regulations, so there is no precedence on how the State will act.

General Manager Watton indicated, with regard to the City of San Juan Capistrano's lawsuit, that the District has a defensible case as its rates are based on the rate analysis that was done with the District's rate study. He stated that some agencies do not perform a rate study or they do not utilize the outcome of their rate study and just decided to implement a penalty for their high water users and keep their low users rates the same. He indicated that this is not a defensible position because their District's rates are not based on a cost-of-service analysis through a rate study. Director Thompson indicated that this case brings up the fundamental question of what is fair. He stated that he felt the

system should be fair and inquired if it costs Otay WD less to produce water for lower users. He also questioned the cost-of-service for multi-residential users versus single-family users as he feels that the District's multi-residential customers are paying more for their water service. General Manager Watton indicated that the District could review this area in the next cost-of-service study.

Director Smith indicated that he felt customers could self-evaluate, but if there are customers that the District decides to penalize, that the District should notify/warn them prior to imposing the fine. Staff should also consider a temporary staff member to provide support to the conservation office and enforcement. He stated that he supported staff's conservation outreach plan, but he was not certain with regard to the drought rates and asked if staff could clarify what they are considering for fines.

General Manager Watton indicated that if penalties were implemented, the District would need an administrative process to handle appeals, up to presenting appeals for the board's consideration. District staff is proposing against fines. Staff is looking at other ways like turning the meter off for those customers who are really egregious; will not fix leaks or manage their water use. Staff will discuss this more with the board.

General Manager Watton noted that CWA will be taking all the water it is allocated from MWD and CWA is not planning to cut its member agencies allocations.

There was discussion that the Chairman of CWA, Mr. Mark Weston, attended a meeting with the Governor and the ten largest wholesale agencies in the State. The Governor was discussing the removal of 50 million square feet of turf or 1.8 square miles and CWA Chairman Weston commented to Ms. Felicia Marcus, Chairman of the State Water Resources Control Board, that that would only represent savings of 4000 AF per year. General Manager Watton indicated that the other side of it is if you look at it on a drought emergency basis, when people remove their lawns, most are installing low water use landscapes which, statistically, will take as much or more water to establish the new low water use landscape. He noted that not many residents are not putting in artificial turf. Removing turf, thus, is something that should be categorized in the long term planning for conservation and not for the short term or within the year.

Director Smith indicated with regard to the impact to the District's rates with a 16% water sales reduction, that his preference would be to spread the increase over several fiscal years.

Director Thompson indicated that he would like to look at the impact to the District's financials if it utilizes its reserves to soften the impact of the reduced water sales due to conservation and also spread the required rate increase over a couple fiscal years as suggested by Director Smith. He indicated that he did

not wish to be close to a 9.15% increase unless it has detrimental impacts to the District in the long haul. He stated that the District needed to take a hard look at all parts of the District's operations and make sure that we are being as efficient as we can be. Director Smith indicated that the board should also look at becoming more efficient.

General Manager Watton indicated that the advantage of the drought occurring during the budget process is the board will have an opportunity to review the administrative budget next month. The District has a zero based budget and has reduced staffing from 176 to 138 employees. Some agencies have chosen to do layoffs, but Otay WD decided to reduce its headcount through attrition. He indicated that there may be some discreet functions that the board may wish the District to no longer do to reduce costs and the board will have an opportunity to review this during the budget workshop. He stated that if there is a perception that the District is overstaffed or over budgeted, staff certainly wishes to address this. Staff does not believe that the District is overstaffed or over budgeted and staff has taken good measures to enhance efficiency. General Manager Watton stated that staff has received a lot of input from the board and staff will review and focus on some of the suggestions from the board.

7. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:35 p.m.

President

ATTEST:

District Secretary

AGENDA ITEM 6a



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	June 24, 2015
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Jeanette Ziomek, Senior Accountant		
	Rita Bell, Finance Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer		
	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager		
	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4292 to Establish the Tax Rate for Improvement District No. 27 (ID 27) for Fiscal Year 2015-2016		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4292 to establish the tax rate for Improvement District No. 27 (ID 27) at \$0.004 for fiscal year 2015-2016.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

Improvement District No. 27 (ID 27) has outstanding general obligation bonds which mature in fiscal year 2023 and is the only improvement district with general obligation debt service. As of July 1, 2015, the outstanding debt will be \$5.2 million with interest rates from 3% to 4%. The bonds are non-callable.

At the beginning of each fiscal year staff must provide the County of San Diego, Property Tax Services, with the tax rate to be charged upon all property within ID 27 to ensure the amount of tax

collections will support the annual debt service requirement. Staff recommends that the Board adopt Resolution No. 4292 to establish the tax rate for ID 27 at \$0.004 for fiscal year 2015-2016.

BACKGROUND :

In December 1992, the District sold \$11,500,000 of general obligation bonds in ID 27 for the construction of the 30mg reservoir. At the time of the formation of ID 27, the District intended to have a maximum tax rate of \$0.10 per \$100 of assessed valuation. The tax rate has remained well below the intended maximum rate.

The District refinanced the bonds in fiscal year 1998 and again in fiscal year 2010 which resulted in a reduction in the annual debt schedule. Property valuations continued to increase and reached its peak in fiscal year 2008 at \$12.5 billion. With the recession the assessed values dropped below \$10 billion in fiscal year 2011 and is now valued at more than \$11 billion. The combination of the reduced debt service requirement and the increased assessed values resulted in the District's reserve levels to exceed the target.

Since 2009, the tax rate has been \$.005 and the District has covered the tax collection shortfall from the ID 27 reserves.

With new residential development in east Chula Vista and the recovery of the housing market, it is anticipated that the assessed values will continue to grow. Therefore, staff proposes to decrease the fiscal year 2015-2016 tax rate to \$.004 and to continue to cover the tax collection shortfall from the ID 27 reserves. Staff projects that a \$.004 tax rate will maintain reserve levels above the target until it is time to wind down the reserve for the expiration of the debt.

FISCAL IMPACT:

The tax proceeds are legally restricted for the sole purpose of the repayment of this debt. These proceeds will be collected until the debt obligation is fully paid, at which time the fund will have a zero balance. The \$0.004 tax rate is projected to generate \$609,623 in revenue in fiscal year 2016. The projected revenue, given the recommended tax rate combined with the current fund balance, will meet the annual ID 27 debt service payment of \$751,663. Lowering the tax rate to \$.004 reduces the fund balance and brings it closer to the target level of six months of bond payments while maintaining a positive cash balance for the foreseeable future.

STRATEGIC GOAL:

Through well-established financial policies and wise management of funds, the District will continue to guarantee fiscal responsibility to its ratepayers and the community at large.

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action Form
- B) Resolution No. 4292
- C) ID 27 Tables



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4212 to Establish the Tax Rate for Improvement District No. 27 (ID 27) for Fiscal Year 2015-2016
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 16, 2015 and the following comments were made:

- Staff presents this item each year to formally set the tax rate for the outstanding General Obligation Bonds for ID 27.
- Since 2009, the tax rate has been set at \$0.005 per \$100 of assessed property value.
- Staff indicated that the highest assessed property values in ID 27 was \$12.5 million. With the recession, assessed property values dropped below \$10 million. Today it has been increasing steadily and is back over \$11 million. Staff believes the assessed property values will continue to grow.
- Staff developed an annual projection (reference Attachment C) based on what has been collected in taxes to date, the outstanding debt, and the assessed property values for FY 2016. Staff is proposing that the tax rate be dropped to \$.004. This will allow for the collection of sufficient revenues to pay the bond debt and maintain reserve levels at target.
- In projecting further out into the future, it is believed that the tax rate will continue to be reduced and will no longer be collected before 2023 as the District does not want to over collect as the funds collected may only be utilized to make payments on the bond. The District will use the remaining proceeds to pay the remaining debt.
- The committee inquired why the District does not continue to collect \$.005 and just stop collecting the tax early. Staff indicated that they wished to match the use of the facility to the payment for the facility as much as reasonably possible, meaning that we would like

to keep the taxes as close to the maturity of the debt as possible without collecting more than is needed..

- In response to another inquiry from the committee, staff indicated that the tax rate should have been indicated as \$0.004 for FY 2016 in Attachment C to staff's report. Staff will update the tax rate for FY 2016 and provide a new copy of Attachment C.
- It was indicated that the total outstanding debt is \$5.2 million.

Upon completion of the discussion, the committee supported staffs' recommendation and presentation to the board as a consent item.

RESOLUTION NO. 4292

A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT FIXING TAX RATES FOR FISCAL YEAR 2015-2016 FOR PAYMENT OF PRINCIPAL AND INTEREST ON GENERAL OBLIGATION BONDS OF IMPROVEMENT DISTRICTS (GF 1600)

WHEREAS, California Water Code Section 72091 authorizes the Otay Water District, as a municipal water district, to levy an ad valorem property tax which is equal to the amount required to make annual payments for principal and interest on general obligation bonds approved by the voters prior to July 1, 1978.

NOW, THEREFORE, the Board of Directors of the Otay Water District resolves, determines and orders as follows:

1. Findings. It is necessary that this Board of Directors cause taxes to be levied in fiscal year 2015-2016 for Improvement District No. 27 of the Otay Water District to pay the amount of the principal and interest on the bonded debt of such improvement district.

2. Amounts to be Raised by Taxes. The amount required to be raised by taxation during fiscal year 2015-2016 for the principal and interest on the bonded debt of Improvement District No. 27 is as follows:

Improvement District No. 27 \$609,623

3. Tax Rates. The tax rates per one hundred dollars (\$100) of the full value of all taxable property within said improvement district necessary to pay the aforesaid amounts of principal and interest on the bonded debt of said improvement district for fiscal year 2015-2016 is hereby determined and fixed as follows:

Improvement District No. 27 \$0.004

4. Certification of Tax Rates. Pursuant to Water Code Section 72094, this Board of Directors hereby certifies to the Board of Supervisors and the County Auditor of the County of San Diego the tax rates hereinbefore fixed, and said County Auditor shall, pursuant to Section 72095 of said Code, compute and enter in the County assessment roll the respective sums to be paid as tax on the property in Improvement District No. 27, using the rate of levy hereinabove fixed for such improvement district and the full value as found on the assessment roll for the property therein, and the Secretary of this Board of Directors is hereby authorized and directed to transmit certified copies of this resolution, Attachment B, and made a part hereof, to said Board of Supervisors and said Auditor.

PASSED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 24th day of June, 2015.

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

Secretary

IMPROVEMENT DISTRICT 27

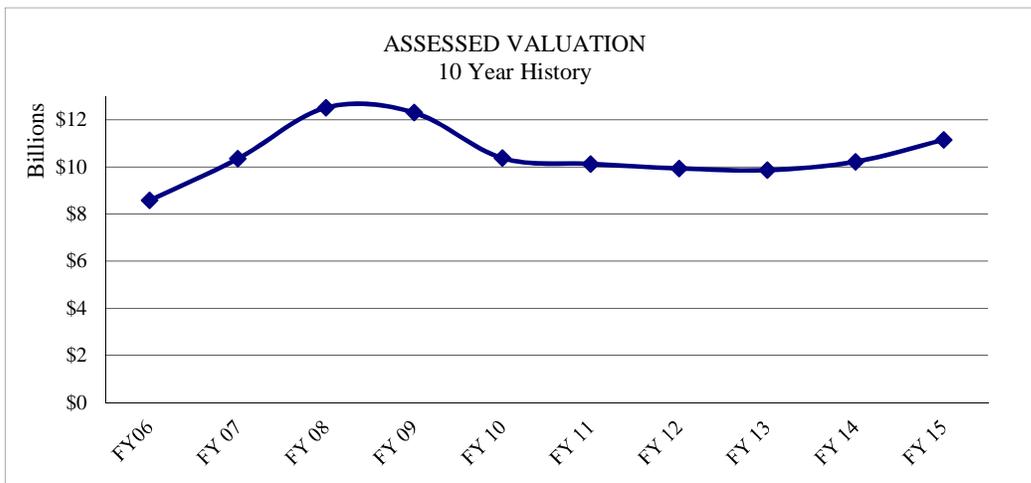
History

- 1989** Improvement District 27 was formed with \$100,000,000 bonding authorized.
- 1992** District issued \$11,500,000 in General Obligation Bonds primarily for the construction of a 30 million gallon storage reservoir.
- 1998** District refinanced outstanding debt of \$10,900,000.
- 2009** District refinanced again outstanding debt of \$7,780,000.

Historical Data						
	TAXES COLLECTED	DEBT SERVICE	NET	TAX RATE	ASSESSED VALUATION	INC%
FY03	\$725,085	\$848,600	(\$123,515)	\$0.01500	\$3,837,693,353	37%
FY04	\$829,036	\$848,700	(\$19,664)	\$0.01400	\$5,047,625,296	32%
FY05	\$994,501	\$840,800	\$153,701	\$0.01200	\$6,454,909,846	28%
FY06	\$1,081,991	\$840,385	\$241,606	\$0.01000	\$8,579,576,581	33%
FY 07	\$862,795	\$837,936	\$24,859	\$0.00700	\$10,348,663,242	21%
FY 08	\$917,168	\$835,017	\$82,151	\$0.00600	\$12,518,643,676	21%
FY 09	\$747,175	\$830,823	(\$83,648)	\$0.00500	\$12,308,043,285	-2%
FY 10	\$605,405	\$934,674	(\$329,269)	\$0.00500	\$10,378,404,507	-16%
FY 11	\$606,966	\$781,144	(\$174,178)	\$0.00500	\$10,131,397,697	-2.4%
FY 12	\$597,799	\$752,976	(\$155,177)	\$0.00500	\$9,941,622,812	-1.9%
FY 13	\$650,587	\$773,863	(\$123,276)	\$0.00500	\$9,869,377,173	-0.7%
FY 14	\$664,270	\$750,088	(\$85,818)	\$0.00500	\$10,226,148,004	3.6%
FY 15 ⁽¹⁾	\$727,506	\$748,663	(\$21,157)	\$0.00500	\$11,157,255,925	9.1%

⁽¹⁾ Due to timing of the report, taxes collected is an estimate.

Change in Fund Balance						
	TAXES COLLECTED	DEBT SERVICE	NET	TAX RATE	ASSESSED VALUATION	INC%
	Est Fund Balance 6/30/15		\$793,925			
FY16	\$609,623	\$751,663	(\$142,040)	\$0.00400	\$11,491,973,602	3.0%
	Interest		\$3,562			
	Est Fund Balance 6/30/16		\$655,447			



AGENDA ITEM 6b



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	June 24, 2015
	Alicia Mendez-Schomer, Customer Service Manager	PROJECT:	DIV. NO. All
SUBMITTED BY:			
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4293 to Continue Water and Sewer Availability Charges for District Customers for Fiscal Year 2015-2016 to be Collected through Property Tax Bills		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4293 to continue water and sewer availability charges for District customers for fiscal year 2015-2016 to be collected through property tax bills.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

That the Board consider the adoption of Resolution No. 4293 to continue water and sewer availability charges for District customers for fiscal year 2015-2016 to be collected through property tax bills.

ANALYSIS:

State Water Code Section 71630-71637 authorizes the District to access such availability charges. The District levies availability charges each year on property in both developed and undeveloped

areas. In order to place these charges on the tax roll, the County of San Diego requires the District to provide a resolution authorizing the charges. Each year, the District provides a resolution along with the listing of charges by parcel. Current legislation provides that any amount up to \$10 per parcel (one acre or less) is for general use and any amount over \$10 per parcel (\$30 per acre for parcels over one acre) is restricted, to be expended in and for that Improvement District. The District uses amounts over \$10 per parcel to develop water and sewer systems within the Improvement Districts where the funds are collected. In accordance with legislation, the District places amounts up to \$10 per parcel in the General Fund.

FISCAL IMPACT:

The availability charges, as budgeted, will generate approximately \$1.2 million in revenue.

STRATEGIC GOAL:

This revenue source will help the District meet its fiscal responsibility to its ratepayers.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Form
Attachment B - Resolution No. 4293



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4293 to Continue Water and Sewer Availability Charges for District Customers for Fiscal Year 2015-2016 to be Collected through Property Tax Bills
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 16, 2015 and the following comments were made:

- Staff is requesting that the Board adopt Resolution No. 4293 to continue water and sewer availability fees in Fiscal Year 2015-2016.
- The availability fees are collected through property tax bills and are authorized through the State Water Code.
- In order to place these fees on the property tax bills, the County of San Diego requires that the District's Board adopt a resolution annually authorizing the fees.
- The District collects approximately \$1.2 million each year through this assessment.
- The fees collected are \$10 per parcel that are one (1) acre or less and \$30/acre for parcels larger than one acre. These fees have not changed for many years.
- The committee indicated that following the ruling in the San Juan Capistrano lawsuit, they wanted to be sure the collection of availability fees is defensible; that there is a nexus between the charge and benefit to customers. It was indicated that land (undeveloped or developed) benefit from having water service available to the parcels. The availability of water increases property value. The San Juan Capistrano lawsuit was contending rates and Proposition 218. The authority to assess availability fees is in the Water Code and is separate from commodity rates.
- In response to an inquiry from the committee, staff indicated that the first \$10 collected in availability fees is unrestricted and any fees collected after the first \$10 goes into a restricted fund which

may only be utilized for capital facilities (CIP) in their area. The unrestricted fees go into the Betterment Fund and are used for upsizing facilities, etc.

Upon completion of the discussion, the committee supported staffs' recommendation and presentation to the board as a consent item.

The above signatures attest that the attached document has been reviewed and to the best of their ability the signers verify that it meets the District quality standard by clearly and concisely conveying the intended information; being grammatically correct and free of formatting and typographical errors; accurately presenting calculated values and numerical references; and being internally consistent, legible and uniform in its presentation style.

RESOLUTION NO. 4293

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT CONTINUING PREVIOUSLY ESTABLISHED WATER AND SEWER AVAILABILITY CHARGES FOR FISCAL YEAR 2015-2016; REQUESTING THE COUNTY TO COLLECT SUCH AVAILABILITY CHARGES ON THE 2015-2016 SECURED TAX ROLL AND TAKING OTHER RELATED ACTIONS

WHEREAS, the Otay Water District (herein "District") is a member of the San Diego County Water Authority and the Metropolitan Water District of Southern California and, as a member, the District is entitled to purchase water for distribution within the District and water so purchased is available to property in the District that is also within the San Diego County Water Authority and the Metropolitan Water District of Southern California, without further need for annexation to any agency; and

WHEREAS, Improvement District No. 18 has been formed within the Otay Water District (herein "District") and sanitary sewers have been constructed and sewer service is available to land within the said district; and

WHEREAS, in consideration of the benefit that water availability confers upon property within the District, and in further consideration of the need for revenue to pay the cost of water storage and transmission facilities which directly and specifically benefit property within the District, the District has previously determined that water availability charges be fixed and established under applicable provisions of law; and

WHEREAS, in consideration of the benefit which sewer availability confers upon property within Improvement District No. 18, and in further consideration of the need to pay the cost of

sanitary sewers which directly and specifically benefit those properties, the District has previously determined that sewer availability charges be fixed and established for Improvement Districts No. 18 as provided under applicable provisions of law; and

WHEREAS, the District desires to continue the collection of such water and sewer availability charges without increases or revisions in methodology or application.

NOW, THEREFORE, the Board of Directors of the Otay Water District resolves, determines and orders as follows:

1. SCHEDULE OF WATER CHARGES

(A) The water availability charges previously fixed and established are hereby continued for Fiscal Year 2015-2016 at the existing rates, as follows:

- (1) In Improvement District No. 22 the charge shall be \$30.00 per acre of land and \$10.00 per parcel of land less than one acre.
- (2) For land located outside an improvement district and within one mile of a District water line, the charge shall be \$10.00 per acre of land and \$10.00 for each parcel less than one acre.
- (3) For land located outside an improvement district and greater than one mile from District facilities, the charge shall be \$3.00 per acre of land and \$3.00 for each parcel less than one acre.

(B) Modifications The charges provided for in subparagraphs (1) through (3) in (A) above shall be modified upon petition by the

property owner where the property does not receive water from the District as follows:

- (1) where a parcel of land or a portion thereof is within an open space easement approved by San Diego County, the charge for such parcel or portion thereof shall be fifty percent (50%) of the charge determined pursuant to paragraph (A), provided the owner files with the District proof, satisfactory to the District, that said parcel of land or portion thereof is within such a designated permanent open space area;
- (2) where a parcel of land or portion thereof is in an agricultural reserve under a Land Conservation Contract with the County of San Diego, pursuant to the Land Conservation Act of 1965 as amended, the charge for such parcel shall be \$3.00 per acre, provided the owner files with the District proof, satisfactory to the District, that said parcel of land or portion thereof is within such an agricultural preserve;
- (3) where a parcel of land or a portion thereof is within an area designated as a floodplain by the County of San Diego, the charge for such a parcel or portion thereof shall be \$3.00 per acre, provided the owner files with the District proof, satisfactory to the District, that said parcel of land or portion thereof is within such designated floodplain; and

- (4) where a parcel of land or portion thereof exceeds a 30% slope, and where such is not within a legal subdivision, lot-split or planned residential development, the charge for the slope portion shall be \$3.00 per acre, or if such a parcel is less than one acre and more than one-half of the area exceeds 30% slope, \$3.00 for the parcel, provided the owner files with the District proof, satisfactory to the District, that said parcel of land or portion thereof meets or exceeds the slope.

(C) Exceptions The charges provided for in (A) and (B) above shall not apply, upon petition by the property owner, to the following:

- (1) land located within an area designated as a floodway by the County of San Diego;
- (2) land designated as a vernal pool area by a governmental agency authorized to make such a designation and which designation prohibits use of such area for any purpose;
- (3) land owned by non-profit, tax-exempt conservation organizations specializing in identifying and protecting the natural habitat of rare species; or
- (4) land that is located within the boundaries of the Otay Water District but not within the boundaries of the Metropolitan Water District of Southern California and the San Diego County Water Authority.

2. SCHEDULE OF SEWER CHARGES

(A) Sewer standby assessment or availability charges are hereby fixed and established for Fiscal Year 2015-2016 as follows:

(1) In Improvement District No. 18 the charges shall be \$30.00 per acre of land and \$10.00 per parcel of land less than one acre. The preceding charges shall not apply, upon petition by the property owner, to the following:

- (a) any portion of a parcel which is undeveloped and maintained in its natural state within an Open Space Area as a requirement under the San Diego County General Plan, provided the owner of such parcel files proof, satisfactory to the District, of such designed Open Space Area;
- (b) any portion of a parcel located within an area designated by the County of San Diego as a floodway or floodplain; or
- (c) any portion of a parcel of land which exceeds a slope of 30% and which is not within a legal subdivision, lot split or planned lot split or planned residential development.

3. DEFERRALS

(A) Deferral of Charge, Purpose Situations may arise when an owner of a parcel of land does not use and has no present intention of using water and/or sewer provided by the District on a parcel of land, as defined in Section 4. The purpose of this section is to permit an evaluation by the District, on a case-by-case basis, of the circumstances which pertain to such situations to determine

whether a deferral of charges should be approved according to the terms and conditions herein provided.

Any owner of a parcel of land who believes that the amount of the water and/or sewer availability charges fixed against such parcel should be deferred may file an application with the District for deferral of the charge, as follows:

- (a) Application The application shall include a statement describing the circumstances and factual elements which support the request for deferral.
- (b) The General Manager shall consider the request within sixty (60) days after the filing of a completed application. If the application for deferral meets the established criteria, the General Manager may decide whether to approve the request and order the charge deferred accordingly. If the request is denied, the applicant shall be notified in writing stating the reasons for the denial.

(B) Appeal to Board of Directors If the General Manager denies a request, the owner may file an appeal with the Board of Directors within sixty (60) days after such denial. No new application for deferral need be considered by the General Manager until expiration of twelve (12) months from the date of a denial, unless differently directed by the Board of Directors.

(C) Deferred Charges on Restricted Parcels, Criteria The levy of the charge may be deferred annually as to any parcel of land which meets each of the following criteria:

- (a) The owner of such parcel makes a timely application requesting deferral of the charge.
- (b) The parcel, which is the subject of the request, will become subject to enforceable restrictions which prohibits the connection to the District sewer system or use of water on the parcel, except by means of natural precipitation or runoff; provided, however, if considered appropriate by the General Manager, local water may be used for limited domestic stock watering and irrigation uses.
- (c) The owner executed a recordable agreement which includes provisions that:
 - (1) set forth the enforceable restrictions pertinent to the subject parcel;
 - (2) the agreement may be terminated upon written request by the owner and payment of all deferred water and/or sewer availability charges, plus interest thereon, compounded annually, and accruing at the legal rate from the date such charges would have been otherwise due and payable;
 - (3) no water and/or sewer service from the District shall be provided to such parcel for a period of ten (10) years after the total amount due for the charges deferred, plus annually compounded interest, is paid in full to the District, unless a surcharge penalty as

described below is paid to the District prior to connection of any water and/or sewer service;

- (4) if the surcharge is not paid, during the ten (10) year period, while water and/or sewer service is not available to the subject land, the owner shall pay all annual water or availability charges as fixed; and
- (5) contains such other provisions considered by the General Manager to be appropriate.

(D) Surcharge Upon termination of the deferral agreement, an owner may elect to receive water and/or sewer service prior to the expiration of the ten (10) year penalty period upon payment of a surcharge. The surcharge shall be equal to the amount of the annual water and/or sewer availability charges fixed for the parcel(s) of land in the year of election to receive water and/or sewer service multiplied by the number of years remaining of the ten (10) year penalty period. This surcharge shall also apply if a property owner develops a parcel that is subject to a deferral agreement without termination of said agreement.

(E) Enforcement Procedures In order to insure that terms and conditions of the recordable agreement are being met, the General Manager shall:

- (1) Maintain a record of all parcels approved for deferral of the water assessments or availability charges.

(2) Report to the Board of Directors any instances where the terms of the agreement are being violated.

(3) Take such other actions or procedures considered appropriate.

4. DEFINITION OF PARCEL The term "parcel" as used herein shall mean a parcel of land as shown on the assessment rolls of the County Assessor of San Diego County as of March, 2015.

5. NOTICE AND REQUEST TO THE BOARD OF SUPERVISORS AND AUDITOR As provided in Sections 71634 to 71637, on or before the third Monday in August, 2015, the Secretary of this District shall furnish, in writing to the Board of Supervisors of San Diego County and to the County Auditor, a description of the land within the District upon which availability charges are to be levied and collected for Fiscal Year 2015-2016 together with the amount of the assessments or charges. At the time and in the manner required by law for the levying of taxes for county purposes, the Board of Supervisors of San Diego County shall levy, in addition to taxes it levies, water and/or sewer availability charges in the amounts fixed by this Resolution for the respective parcels of land described in Section 1 of this Resolution. All County officers charged with the duty of collecting taxes shall collect the charges with the regular property tax payments in the same form and manner as County taxes are collected. Such availability charges are a lien on the property with respect to which they are fixed. Collection of the charges may be enforced by the same means as provided for the enforcement of liens for state and county taxes.

6. CERTIFICATION TO COUNTY BOARD OF SUPERVISORS The District certifies that this Resolution complies with the provisions of Article XIIIID of the California Constitution in that the availability charges are existing charges first set by the Board of Directors of the District prior to November 6, 1996. At the time the availability charges were initially established, the District followed the applicable provisions of law then in effect, and the District has continued to comply with such provisions, including any requirements for notices or hearings, as from time to time in effect. Therefore, pursuant to Section 71632 and Section 71638 of the California Water Code, as currently in effect, the District may continue the availability charges in successive years at the same rate. The District further certifies that the charge is not increased hereby and the methodology for the rate is the same as in previous years. The charge is imposed exclusively to finance the capital costs, maintenance and operating expenses of the water or sewer system of the District, as applicable.

7. CERTIFIED COPIES The Secretary of this District shall deliver certified copies of this Resolution to the Board of Supervisors and to the Auditor of San Diego County with the list of charges described in Section 4 above.

8. CORRECTIONS; OTHER ACTIONS The General Manager of the District is hereby authorized to correct any clerical error made in any assessment or charge pursuant to this Resolution and to make an appropriate adjustment in any assessment or charge made in error. Furthermore, the General Manager and the Secretary of this District are hereby directed to take any further actions and deliver such

documents and certificates as necessary to carry out the purpose of this Resolution.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 24th day of June, 2015.

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

Secretary

I HEREBY CERTIFY that the foregoing Resolution No. 4293 was duly adopted by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT at a regular meeting thereof held on the 24th day of June, 2015 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

District Secretary

AGENDA ITEM 6c



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	June 24, 2015		
SUBMITTED BY:	Armando Buelna Communications Officer	PROJECT:	Various	DIV. NO.	ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager				
SUBJECT:	Authorize Agreement with Brownstein Hyatt Farber Schreck (BHFS) for State and Federal Legislative Advocacy				

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors authorize the General Manager to execute a two-year agreement with Brownstein Hyatt Farber Schreck (BHFS) in an amount not-to-exceed \$50,000 annually (\$100,000 total ending June 30, 2017) for state and federal legislative advocacy.

COMMITTEE ACTION:

See "Attachment A".

PURPOSE:

To obtain Board authorization for the General Manager to enter into a consulting services agreement with Brownstein Hyatt Farber Schreck for an amount not-to-exceed \$50,000 annually commencing July 1, 2015 for two years (\$100,000 total ending June 30, 2017) for professional and consulting services for District related state and federal legislative advocacy.

ANALYSIS:

Procedures governing the selection of general consultants in the performance of District work are outlined in the District's Purchasing Procedures Manual.

The District has a time and service consulting agreement with BHFS for legislative advocacy services. This action will replace the consultant's Legislative Issues and Service Agreement that expires on June 30, 2015 and authorizes the General Manager to execute a two-year agreement with BHFS in an amount not-to exceed \$50,000 annually (\$100,000 total) through June 30, 2017 for state and federal legislative issues advocacy. This action would provide for a continuation of services with BHFS acting as the government relations advocate and counsel in Sacramento and Washington DC.

Based on past work, experience, knowledge, contacts and access to key legislators both in Sacramento and Washington DC, the District feels BHFS is uniquely qualified to best meet the District's needs for state and federal legislative advocacy.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

Legislative advocacy is included in the General Manager's Outside Services budget. The total Fiscal Year 2015 budget for Legislative Advocacy is \$35,000. Due to the increased use of legislative advocacy, total expenditures to date are \$37,672. Recognizing the increased need for legislative advocacy in coming fiscal year, staff increased the budget request to \$45,000 in FY 2016. Based on a review of the General Manager's budget, the Communications Officer has determined that the FY 2016 budget is sufficient to support the revised legislative advocacy services agreement through the end of the 2016 fiscal year at the \$50,000 level. A funding request at this level will be included in the FY 2017 proposed budget. Funds will be expended in FY 2016 and FY 2017.

STRATEGIC GOAL:

This action supports the District's goal for providing the best quality water service to the customers of the Otay Water District.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action
 Attachment B - Contract



ATTACHMENT A

SUBJECT/PROJECT:	Authorize Agreement with Brownstein Hyatt Farber Schreck (BHYSF) for State and Federal Legislative Issues Advocacy
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 18, 2014 and the following comments were made:

- Staff is requesting that the Board authorize a two-year consulting services agreement (beginning July 1, 2015 and ending June 20, 2017) with Brownstein Hyatt Farber Schreck (BHFS) for state, federal and District-related legislative advocacy services for an amount not-to-exceed \$50,000 or \$100,000 over the term of the agreement.
- The District has an existing time and service agreement with BHFS. This action will replace the consultant's existing agreement that expires on June 30, 2015. By extending the agreement, it provides for a continuation of services with BHFS acting as the government relations advocate.
- Ms. Chris Frahm would continue to be our primary representation counsel, supported by Ms. Rosanna Carvacho, Mr. Don Perata and, in Washington DC, Mr. David Bernhardt for services related to the Desalination Project.
- Based on past work, experience, knowledge, contacts and access to key legislators both in Sacramento and Washington DC, the District feels BHFS is uniquely qualified to best meet the District's needs for legislative advocacy.
- The committee inquired how many agencies engage a legislative advocate firm. Staff indicated that it was not certain, but they are aware that the City of San Diego, Olivenhain MWD and CWA utilize legislative advocacy firms.
- The committee inquired why the District requires a legislative advocacy firm. Staff indicated that the District will require BHFS services on the Desalination project. BHFS also provides the District notice on upcoming legislation that could impact Otay WD as

they keep abreast of legislation that is being proposed/changed. This allows the District the opportunity to provide comments and, hopefully, help shape proposed legislation.

- BHFS' contract amount was increased as the District felt that there will likely be more advocacy and action around the conservation mandate and possibly lawsuits that are filed by other parties in response to the mandate.
- In response to an inquiry from the committee, staff indicated that BHFS does work for CWA, however, they are handling CWA's lawsuit with MET. CWA does have a handful of legislative advocacy firms that they engage and 90% of what the District does is complimentary to CWA. Though it is unusual, sometimes the District and CWA may have a different view on a matter and it is nice to have a separate "voice" for the District. It is also helpful for the District to have a voice in Sacramento. If CWA did not have advocacy services, Otay WD would likely need to increase it's use of BHFS.
- The committee inquired on the cost of BHFS' services. Staff indicated that the cost is a little over \$500 an hour. The monthly expenditures are very low as the District manages the expenditures. Staff indicated that if the time and cost is reviewed, it is pretty reasonable given the caliber of the firm.
- It was noted that BHFS' rate did not go up. The committee requested that they be informed if BHFS' rate and/or cost goes up significantly.

Upon completion of the discussion, the committee supported staffs' recommendation and presentation to the board as a consent item.

 **Brownstein Hyatt
Farber Schreck**

June 10, 2015

Peter Brown
Attorney at Law
805.882.1401
805.965.4333 fax
PBrown@bhfs.com

Mark Watton
General Manager
Otay Water District
2554 Sweetwater Springs Road
Spring Valley, CA 91978-2096

RE: Fee Agreement for Representation
Client-Matter No. 041018.12

Dear Mr. Watton:

You have asked us, and we have agreed to continue to act as government relations counsel for Otay Water District ("District"). The purpose of this letter is to confirm the terms and conditions of Brownstein Hyatt Farber Schreck's ("BHFS") representation.

The scope of BHFS representation shall be as described on Exhibit A ("Services"). Chris Frahm will be the principal representative for the provision of services in California with support from Rosanna Carvacho, Don Perata and any other lobbyists as assigned in our Sacramento office. In the performance of Services, BHFS shall report to and receive instructions from you as General Manager on behalf of the District, or, as otherwise directed by you.

The term of this Agreement shall commence on July 1, 2015 and shall end on June 30, 2017, with the understanding that the agreement shall be subject to review from time to time to determine if the monthly retainer for state advocacy services should be adjusted upward, downward or the agreement terminated. BHFS shall be paid in accordance with the terms described on Exhibit B. We will bill you for services rendered and disbursements and charges on a monthly basis in accordance with our Standard Terms and Conditions and billing rates, a copy of which is attached. You agree to pay these statements within 30 (thirty) days of your receipt of the billing statement.

BHFS provides a wide array of legal and advocacy services to many clients around the world. These services include legislative and administrative representation on policy matters which you believe may affect your interests, directly or indirectly. Therefore, as a condition of our undertaking to represent any client on a particular matter as described in the engagement letter, we hereby ask you, as we do each of our clients, to waive objection to any conflict of interest that might be deemed to be created by our representation of other clients in legislative or administrative policy matters that are unrelated to the specific representation we have been asked to undertake on your behalf. Your waiver will permit us to represent another client in advocating a change in law or policy areas such as, but not limited to business regulation, international trade, telecommunications or taxation, even if the policy we advocate would or might have a direct or indirect adverse impact upon your interests.

You also agree that the work product of our attorneys, public policy professionals, and staff, including notes, research, and documents which we prepare, is the property of the District. It is our policy to destroy all client files (including all documents and materials therein), eight years after we close such files upon

1020 State Street
Santa Barbara, CA 93101-2706
main 805.963.7000

Mark Watton
June 10, 2015
Page 2

completion of each matter. This file destruction procedure is automatic and you will not receive further notice prior to the destruction of these files.

We are very pleased and privileged to continue to work with you and the District. Occasionally, we may provide lists of representative clients to various publications and may use your company name in marketing materials. Unless you instruct us to the contrary, you hereby consent that such use is acceptable.

Please indicate your agreement to the terms of this letter by executing the enclosed copy and returning it to me. We appreciate the opportunity to represent you.

Very truly yours,

Peter Brown
California Managing Shareholder
BROWNSTEIN HYATT FARBER SCHRECK, LLP

Enclosures: Exhibit A: Scope of Work
Exhibit B: Rate Schedule
Standard Terms and Conditions

ACCEPTED AND AGREED TO:

OTAY WATER DISTRICT

By: _____
Mark Watton
General Manager

Date: _____

By: _____
Richard Romero
General Counsel

Date: _____

ACCEPTED AND AGREED TO:

BROWNSTEIN HYATT FARBER SCHRECK, LLP

By: _____
Peter Brown
Managing Shareholder, California

Date: _____

Exhibit A
Scope of Work

1. Track all pending and introduced legislation including bill amendments and report to the General Manager on legislation of interest to the District.
2. Monitor and attend Senate and Assembly Water Committee agendas and hearings as requested by the General Manager.
3. Monitor ACWA and other water agencies and other special district lobbying group activities and report to the General Manager on matters of interest to the District.
4. Schedule meetings and communications with legislators and the Administration as requested by the client.
5. Prepare and distribute support and opposition letters to proposed legislation.
6. Draft and distribute advocacy positions as requested.
7. Ongoing consulting with Ms. Frahm regarding pending and introduced legislation and bill amendments, hearings and agendas, and other matters of interest to the District in Sacramento.
8. Report quarterly, or as requested, on the progress of legislative activities.

Exhibit B
Rate Schedule

1. BHFS shall be compensated for actual services performed in accordance with this Agreement.
2. All state advocacy services shall be billed at the firm's standard hourly rates in an amount not to exceed \$50,000 annually for all state advocacy services under this Agreement.

BHFS will be reimbursed for all reasonable out of pocket expenses incurred in performance of Services under this Agreement. BHFS shall request written pre-approval of any single expense in excess of \$250 or any monthly sum of expenses in excess of \$500. BHFS shall submit to the District detailed receipts and a detailed invoice for all out-of-pocket expenses. Any entertainment or meal expenses must be pre-approved by the District. Failure to obtain pre-approval may result in denial of reimbursement.

041018\9000\12288627.1

BROWNSTEIN HYATT FARBER SCHRECK, LLP

STANDARD TERMS AND CONDITIONS

Scope of Representation: The scope of our representation is set forth in the attached Letter. Our representation of you on any particular matter will end when we have completed our essential work on that matter.

Duties of the Parties: We agree to provide all legal services reasonably required to represent you, consistent with our ethical obligations. It is our intent to provide you with thorough, prompt and cost-efficient legal services, keep you informed of significant developments in the matter, and respond to your inquiries. You agree to fully cooperate with us, be open and truthful and provide us with all information pertaining to the matter, keep us informed of developments, to pay our bills in a timely manner, and keep us advised of your address, telephone number and whereabouts. You also agree to appear at any proceeding we deem necessary and to cooperate fully with us on all matters related to the investigation, preparation and presentation of your matter.

Fees: We review all billing statements before they are issued to ensure that the amount charged is appropriate. The statement for fees is simply the product of the hours worked multiplied by the hourly rates for the attorneys and legal assistants who did the work. The current range of hourly rates for our professional services is:

Partners:	From \$350 to \$1195 per hour
Of Counsels:	From \$300 to \$1065 per hour
Associates:	From \$210 to \$400 per hour
Land Use Planners:	From \$150 to \$285 per hour
Paralegals:	From \$150 to \$265 per hour
Legal Assistants:	From \$100 to \$150 per hour

We adjust our rate structure at the beginning of each calendar year. You agree to pay all fees billed at the then-current rate.

Outside Contract Attorneys and Legal Assistants: You agree that we may utilize specialized contract attorneys and legal assistants as necessary. You agree to pay the reasonable hourly rate for these legal services.

In-House Costs and External Expenses: In addition to charging fees for legal work, we will charge for certain out-of-pocket costs incurred by our firm in representing clients. Charges for long distance telephone calls, facsimile charges, in-office copying, ordinary postage and deliveries made by in-house staff are covered by a 2.5% administrative fee, calculated at 2.5% of fees incurred. This administrative fee is in lieu of itemizing those costs. Other fees, such as computer-assisted legal research and third party vendor fees including document copying, transcript production, overnight delivery service charges, travel, meals and hotel accommodations will be itemized and billed separately.

Other in-house costs and expenses include, but are not limited to, secretarial overtime, extraordinary administrative, technical or accounting support; computer legal research; messenger and other delivery fees; mileage, and the cost of licensing and other installation of special computer programming to manage your case. These are directly billed to you at our cost.

External expenses are also charged at cost. These include, but are not limited to, the following: Notary fees; consultant costs, investigative costs, professional mediator, arbitrator

and/or special master fees; travel costs, including parking, transportation, meals and hotels. External expenses will either be passed through to you for direct payment to the vendor or included on your statement. We may select experts, consultants and investigators who in our judgment are necessary to aid in the preparation of your matter and will inform you of the persons selected and their charges. You authorize us to incur all reasonable costs and to hire such experts, consultants and investigators. We will not incur any major external expenses on your behalf without your prior approval.

Billing Period and Payments: We will bill you for services rendered and disbursements and charges on a monthly, or such other periodic, basis as we may determine. If you require additional statements, you agree to request them at intervals of no less than 30 days and we agree to respond within 10 days.

You agree to inform us of any dispute you may have with respect to a statement within 10 days of the statement date. If you do not object, the statement will be deemed correct. If you do object, we will consider our right to the fees and costs set forth on that statement as "disputed." Absent a dispute, you agree to pay all statements upon receipt, and no later than the last day of the month in which you receive the statement. Even if you dispute a portion of a statement, you agree to pay the undisputed portion not later than the last day of the month in which you receive the statement. If payment is not timely received, we may assess a monthly delinquency charge of 1.25% (15% per year) of the amount not paid until paid in full. Payments will be applied to the longest outstanding charges in the following order: first, costs, then delinquency charges, and then fees.

Retainers: If required, you agree to pay an advance fee retainer upon execution of this agreement and agree that we may, at our discretion, withdraw the undisputed amount of any statement, whether fees or costs, from any retainer you have on deposit. You agree to replenish the retainer monthly to maintain a credit toward fees. That means that, even though you have a retainer on account, you still must pay your statements as they become due. If we expect significant additional expenses, you agree to provide a further retainer within 15 days of our request.

Your retainer will be held on your behalf in our trust account without interest to you, because California law requires all interest earned on such funds to be forwarded to the California State Bar for its Legal Service Trust Fund Program. If you prefer, you may request that we hold your funds in a non-interest bearing account, or in an interest bearing account for your benefit. If you make such a request, you agree to pay administrative costs of a one-time \$75 set-up charge and a \$25 per month service charge. At the conclusion of our representation, we will return any unearned retainer to you.

As an additional retainer and as security for the payment of our fees, costs and expenses, you agree that we have a first priority lien on all claims and causes of action that are the subject of our representation under this Agreement and on all proceeds or property obtained or recovered, whether by agreement, settlement, mediation, arbitration award, court judgment, cost or fee award or otherwise resulting from our representation.

No Guarantee: Our comments about the potential outcome of your matter or any phase thereof are expressions of opinion only. We cannot guarantee the outcome or make any promises in that regard.

Discharge: Our goal is to maintain at all times a constructive and positive relationship with you, to the conclusion of this matter and in future matters. However, you have the right to discharge us as your lawyers at any time, and we have the right to withdraw from your representation at any time, consistent with our ethical obligations. If you discharge us or we elect to withdraw, you agree to immediately secure new counsel. If we are your attorneys of record in any proceeding, you agree to cooperate fully in substituting such new counsel as your attorneys of record. At the time of discharge or withdrawal, you agree to immediately pay us for all services rendered to you and for all costs and expense paid or incurred by us on your behalf.

Files: At the conclusion of our services, your files will be transferred to you upon request. You agree to pay the cost of accessing, copying and delivering the file to you. If you do not request the return of your files within five (5) years from either the completion of our essential work on the matter or the termination of our relationship by discharge or withdrawal, we have the right, but not the obligation, to destroy any files created and maintained by us with respect to the matter.

Disputes: Any controversy or claim arising out of or relating to fees and/or costs incurred under this Agreement shall be resolved pursuant to Business and Professions Code section 6200 *et seq.* All other disputes arising out of or relating to this Agreement or the professional services rendered under this Agreement shall be determined in accordance with the laws of the State of California. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. Each side shall bear its own costs and attorney fees in said arbitration.

Miscellaneous: Unless you instruct us to the contrary in writing, we will utilize facsimile, e-mail, cellular phone, PDA and similar communication methods, and we disclaim any liability for unauthorized third-party interception of communications. You agree that we may use your name and information generally available to the public in our marketing efforts.

Interpretation and Effective Date: This agreement is our entire and only agreement and is governed by California law. If any provision is found unenforceable, the remainder of the agreement will remain in effect. This agreement will not take effect until you sign and return the enclosed copy of the letter with these terms and conditions attached and until the agreement has been countersigned by the firm's Managing Partner. This agreement will then be retroactive to the date services were first provided. If this agreement does not take effect, you will still be required to pay us the reasonable value of any services we have performed for you.



AGENDA ITEM 6d

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	June 24, 2015
SUBMITTED BY:	Mark Watton, General Manager	PROJECT:	Various DIV.NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	California Special Districts Association (CSDA) Region 6 Board Election		

GENERAL MANAGER'S RECOMMENDATION:

That the Board consider casting a vote to elect a representative to the California Special Districts Association (CSDA) Board of Directors, Region 6, Seat A.

PURPOSE:

To present for the board's consideration the ballot to elect a representative to Region 6, Seat A, on CSDA's Board of Directors.

COMMITTEE ACTION:

N/A

ANALYSIS:

CSDA is holding an election to fill Seat A of Region 6 on its Board of Directors. Ms. Jo MacKenzie, Vista Irrigation District, is the current incumbent of Seat A and is seeking re-election. The individual elected will serve a three (3) year term. There are a total of six [6] regions with each region having three seats on the Board.

Attached is a copy of the mail-in ballot and the candidates' Statement of Qualifications. The ballot must be mailed and received by CSDA by 5:00 p.m. on Friday, August 7, 2015.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Participating would support the strategic goal of maintaining effective communications with other cities, special districts, State and Federal governments, community organizations and Mexico.

LEGAL IMPACT:

None.

Attachment A: Committee Action

Attachment B: Ballot

Attachment C: Candidates' Statements (2)

ATTACHMENT A

SUBJECT/PROJECT:	California Special Districts Association (CSDA) Region 6 Board Election
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on June 16, 2015 and recommended that the board cast its vote in the CSDA board election for Ms. Jo MacKenzie, Vista Irrigation District and presentation to the full board as a consent item.

CSDA BOARD OF DIRECTORS 2015 ELECTION



**SOUTHERN
NETWORK**

Jo MacKenzie*
Vista Irrigation District

Gloria Dizmang
Palmdale Water District

SEAT A
term ends 2018

Please vote for only one.

All fields must be completed for ballot to be counted.

** incumbent running for re-election*

SIGNATURE:	DATE:
MEMBER DISTRICT:	

Must be received by **5pm, August 7, 2015**. CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814



Candidate statement Southern network Seat A

Jo MacKenzie

PROVEN EXPERIENCE LEADING SPECIAL DISTRICTS

It would be an honor to continue serving special districts on the CSDA Board of Directors.

I am committed to building on the present foundation of CSDA's educational programs and legislative and public outreach, so that CSDA continues to be recognized as the voice of all special districts. My enthusiasm, commitment, and comprehensive knowledge of special districts and LAFCO, along with my years of experience, will help me to be of service to your district as a member of the CSDA Board of Directors.

Representing the Southern Network, I will bring to the organization years of experience in local government and a strong understanding of how the California Special Districts Association can best serve its members.

I have served as CSDA President, Treasurer and the Chair of Legislative Committee. I know the commitment and time it takes to be an effective board member. A flexible schedule is paramount to being a successful Director. I have attended all board of director and assigned committee meetings, read through a myriad of legislation in order to relate to the Advocacy and Public Affairs Department what impact I think such legislation may have on districts' ability to provide local services

I have completed CSDA's Special District Leadership Academy which is a requirement to serve on the CSDA Board. Under my leadership, my district, Vista Irrigation District, has obtained the Special District Leadership Foundation District of Distinction Designation and the District Transparency Certificate of Excellence.

I believe it is important to the continued success and growth of CSDA that the Board of Directors remain committed to its mission: to provide legislative advocacy education and member services for all special districts.

Your District's vote will be greatly appreciated!

CANDIDATE STATEMENT FOR GLORIA A. DIZMANG

In December of 2011, I was sworn in as a Director of the Palmdale Water District Board. I knew little about water but I had agreed to serve an agency that was fairly beaten up—legally, economically, and in the area of morale. PWD was engaged in three lawsuits with the City of Palmdale. We had dropped in our credit rating and could no longer receive loans/grants. The employees were split into two warring camps.

Today, we are on our way to a stable and professional future, due to the actions of the new Board, on which I serve. This is what we have achieved:

- Low and consistent rate increases improved our credit to the point that we issued an \$8.5 million revenue bond for infrastructure.
- Provided a legal water rate assistance program for seniors.
- Settled all lawsuits with the City of Palmdale.
- Developed a Customer Care program to assist our rate-payers.
- Replaced 80% of our infrastructure from the 1950s.
- Reordered the organizational chart, without lay-offs, for more efficiency.
- Developed and implemented educational programs for our rate-payers. (top contender in ACWA's Best in Blue)
- Developed and continue to offer an intern program to train young people in the basic facets of the water industry.

As part of our Board, I was a leading member to move in these directions.

I believe my background in education can be of assistance in the CSDA. My experience in the area looks small in comparison to others who have served on many boards and in many organizations. Nevertheless, I can see things with a different perspective and am not afraid to speak up and to actively support change.

I would be honored to receive your vote. Thank you.

AGENDA ITEM 6e



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 1, 2015
		PROJECT:	Various DIV.NO. ALL
SUBMITTED BY:	Adolfo Segura Assistant Chief, Admin & IT Services		
APPROVED BY:	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	ADOPT RESOLUTION NO. 4291 TO ELECT UP TO THREE (3) CANDIDATES FOR SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S (SDRMA) BOARD OF DIRECTORS		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Board consider the candidates for Special District Risk Management Authority's (SDRMA) Board of Directors election and cast the District's vote by adopting Resolution No. 4291.

COMMITTEE ACTION:

See "Attachment A".

PURPOSE:

To present for the Otay Board's consideration, the ballot to elect up to three (3) candidates for the Special District Risk Management Authority's (SDRMA) Board of Directors.

ANALYSIS:

SDRMA is holding an election to fill up to three (3) seats on its Board of Directors. Presented to the Otay Board in this staff report is each candidate's qualifications, background, experience and expertise for their review (Attachment B).

In an effort to provide a good balance of representation (based on agencies represented) on SDRMA's Board, staff recommends that the Board consider the following candidates:

Robert Swan
Director/President, Groveland Community Services District

Ed Gray (Incumbent)
Director/President, Chino Valley Independent Fire District

R. Michael Wright
Director/President, Los Osos Community Services District

Sandy Seifert-Raffelson (Incumbent)
District Clerk, Herlong Public Utility District

Attached are statements of qualifications (Attachment B) as submitted by each candidate, along with the official election resolution (Attachment C) and ballot (Attachment D), which SDRMA requires to ensure the integrity of the balloting process. The ballot requests that the District select up to three (3) candidates when placing its vote.

The ballot must be sealed and received by 5:00 pm on Tuesday, August 25, 2015.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Maintaining effective communications with other cities, special districts, State and Federal governments, community organizations, and Mexico.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Report
 Attachment B - Candidates' Statement of Qualifications
 Attachment C - Resolution No. 4291
 Attachment D - Election Ballot



ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION NO. 4291 TO ELECT UP TO THREE (3) CANDIDATES FOR SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S (SDRMA) BOARD OF DIRECTORS
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 16, 2015 and the following comments were made:

- Staff is requesting that the Board consider the candidates for SDRMA's Board of Directors and cast the District's vote by adopting Resolution No. 4291.
- SDRMA has a seven (7) member board and is holding an election to fill three (3) seats on its Board of Directors.
- SDRMA provides the District comprehensive insurance that includes workers' compensation insurance.
- Attached to staffs' report is the candidate's qualifications, background, experience and expertise.
- Incumbent, Terry Burkhart, Director, Bighorn-Desert View Water Agency, is not running for re-election to his/her seat. The two incumbents running for re-election are Mr. Ed Gray, Director/President, Chino Valley Independent Fire District, and Ms. Sandy Seifer-Raffelson, District Clerk, Herlong Public Utility District. Staff noted that Mr. Michael Wright, Los Osos Community Services District, has a background in insurance.
- The committee inquired how the District's interactions with SDRMA have been, especially when there are issues to be resolved, and if staff felt that SDRMA is well run. Staff indicated that the District has been satisfied with their rates, rebates, how they administer the policies with regard to claims, etc. SDRMA has been very responsive and staff has been happy with the services provided by SDRMA.

- The committee inquired about SDRMA's financial stability. Staff indicated that SDRMA keeps a good reserve level and have a well run program. Following the meeting staff acquired a copy of SDRMA's financial statements (attached):
 - SDRMA's financial position has declined by \$2.2 million from \$55.6 million to \$53.4 million. The decline is due to SDRMA's decision to utilize reserves and not to raise rates. SDRMA has done this for the last 6-7 years.
 - Regarding SDRMA's reinsurance to manage risk. The Annual Report includes the reinsurance information for each type of coverage along with the reinsurance providers, A.M. Best Ratings.
 - The lowest A.M. Best Rating of the reinsurance providers is an "A". An "A" rating means, in A.M. Best's opinion, they have an excellent ability to meet their ongoing financial obligations.
 - SDRMA does not have an A.M. Best rating because they are not an insurance company. SDRMA is a joint-power authority government risk pool. They do have established reserve requirements that serve a purpose similar to the District's reserve policy. In addition, SDRMA has established a policy of maintaining an actuarial confidence level on an undiscounted basis of 90% for property/liability and 85% for workers' compensation. Currently, both the property/liability and workers' compensation confidence levels exceed 95%. The industry average is 75% to 85%.
- SDRMA's services is an integral part of the District's business. Staff has done some comparison shopping and feels that it would be very difficult to find a company that could provide the coverage SDRMA provides for the same rate because of the District's claim activity. The District is a good size organization, but it is much smaller than most organizations. Also, if the District were to move to another medical provider, it would get very complicated because of the post-retirement coverage. The District does shop around to assure it is getting the best value and the last time the District bid out the services, the District found that SDRMA's rates are competitive. SDRMA also provides the District access to CSAC Excess Insurance Authority, and thus, they are a very large pool and are very cost effective. Staff has been very

happy with the services SDRMA provides and they have been good at maintaining their costs.

Upon completion of the discussion, the committee supported electing, Mr. Ed Gray, Mr. Michael Wright, and Ms. Sandy Seifert-Raffelson and presentation to the board as a consent item.



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY



2013-14 ANNUAL FINANCIAL AUDIT
Financial Statements with Independent Auditor's Report

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND 2013**

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS

PRESIDENT

David Aranda

North of the River Municipal Water District

VICE-PRESIDENT

Muril Clift

Cambria Community Services District

SECRETARY

Jean Bracy

Mojave Desert Air Quality Management District

DIRECTORS

Terry Burkhart

Bighorn-Desert View Water Agency

Ed Gray

Chino Valley Independent Fire District

Sandy Seifert-Raffelson

Herlong Public Utility District

Mike Scheafer

Costa Mesa Sanitary District

Gregory S. Hall, ARM

Chief Executive Officer

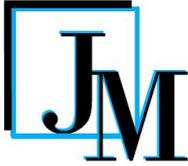
C. Paul Frydendal, CPA

Chief Financial Officer

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Special District Risk Management Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of Special District Risk Management Authority (Authority) as of June 30, 2014 and 2013, and the related Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special District Risk Management Authority as of June 30, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Reconciliation of Claims Liabilities by Type of Contract, Claims Development Information and Schedule of Funding Progress For Other Postemployment Benefits on pages 4 through 16, 41, 42 through 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position and the Graphical Presentation of Claims are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position and Graphical Presentation of Claims are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of Special District Risk Management Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Background

The Special District Risk Management Authority (SDRMA) is a Joint Powers Authority (JPA) formed in 1986, under Section 6500 et seq. of the California Government Code for the purpose of providing coverage protection programs and risk management services including risk financing, risk control and loss prevention services for California's local government agencies. On July 1, 2003, the Special Districts Workers Compensation Authority (SDWCA), originally formed in 1982, merged with SDRMA. In August 2006, SDRMA partnered with California State Association of Counties (CSAC-EIA Health), to begin offering a small group Medical Benefits Program to public agencies with 250 employees or less. In May 2007, SDRMA again partnered with CSAC-EIA Health to begin offering an Ancillary Coverage Program which includes dental, vision, life, long-term disability (LTD) and an employee assistance program (EAP).

At fiscal year-end, SDRMA had 476 members in the Property/Liability Program, 402 members in the Workers' Compensation Program and 103 groups participating in the Health Benefits Program. The public agencies participating in these programs are generally special districts and joint powers authorities, but also include several cities, counties and Superior Courts of California.

SDRMA is governed by a seven-member Board of Directors. Directors are elected at-large from the membership to serve four-year terms. The Board of Directors has assigned the organization's administrative responsibilities to the Chief Executive Officer (CEO). The CEO is responsible for: ensuring that SDRMA is meeting its mission statement, strategic business plan goals and commitments to its members; implementing policies established by the Board of Directors as set forth in organizational documents and bylaws; and improving overall operational efficiency and organizational integrity.

Financial Highlights

- Net Rental Income decreased by \$37,591 or 30.7% from 2012-13 because two suites were vacant for a combined total of twelve months during the 2013-14 fiscal year.
- Investment Income in 2013-14 increased by \$1,129,855 or 319% from 2012-13 as a result of improved interest earnings and an overall net market valuation gain during the 2013-14 fiscal year. The Property/Liability Program increased \$436,529 and the Workers' Compensation Program increased \$693,326 over 2012-13 earnings. Capital Assets - Gain increased by \$103,091 as a result of insurance proceeds received for partially depreciated property damaged during a flood loss.
- Change in Net Position improved in 2013-14 by \$873,983 or 28% from 2012-13. The improved reduction in 2013-14 is primarily the result of investment earnings. These and other line items are discussed in further detail below.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014

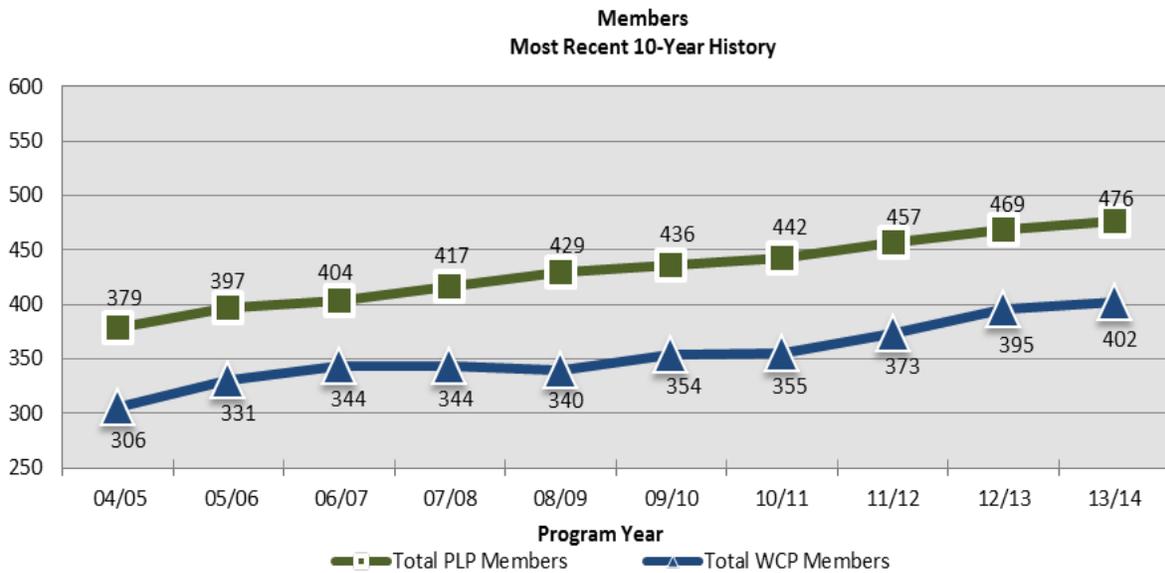
Membership Programs

SDRMA offers two programs of membership; the Property/Liability Program and the Workers’ Compensation Program. The membership is comprised of public agencies throughout California. SDRMA serves its members by providing coverage protection related services such as workers’ compensation, property and liability, errors and omissions, and auto comprehensive and collision. Each of SDRMA’s programs and services are designed to reduce the risks of its members.

Membership Growth

Every 3 years the Board of Directors adopts a new 3-year strategic business plan. One of the primary goals of the plan is to develop programs and services to help our members with their safety and loss prevention efforts at their public agencies. Another goal sets member retention levels.

Goals are reviewed annually with the Board to ensure progress and/or determine whether modification of particular goals may be required. As part of this review, the Board strives to ensure that staff is properly underwriting exposures and not adversely affecting the pool’s profile. SDRMA believes that it is meeting the goals and is providing the following information as supporting documentation:



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Services and Programs

SDRMA is generally able to reduce members’ risk financing/risk management costs by utilizing the combined purchasing power and financial size of the pool. Member agencies determine the level of coverage they need for their general liability, auto liability and public official’s errors and omissions coverages.

Property/Liability Program

The Property/Liability Program began in 1986 as a self-insured Program and used various third party administrators (TPAs) to administer the claims until 1998, when claims management moved “in-house” to be performed by SDRMA staff.

SDRMA purchased excess property insurance through the Alliant Insurance Services, Inc. sponsored Public Entity Property Insurance Program (PEPIP) with a \$200,000 Self-Insured Retention (SIR) for the year ended June 30, 2014. Excess general liability, auto liability and public officials’ errors and omissions coverage was purchased through Genesis Re and Munich Re to provide a layered program with a \$250,000 SIR, an aggregate stop loss limit and coverage limits from \$2.5 million to \$10 million. Additional excess coverages are available on a per-member basis if requested. In addition to the major coverage programs, SDRMA makes available coverages for rental interruption, lease purchase, cyber, course of construction, employee dishonesty coverage, and auto comprehensive/collision coverage. SDRMA also works with the members and the excess insurance markets to obtain special coverages for airport liability, earthquake coverage, pollution coverage, and a variety of other special policies. In 2009-10, the SDRMA Board of Directors approved a 15% rate reduction to help members financially during the difficult economic times. Rates have remained flat the last four years.



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

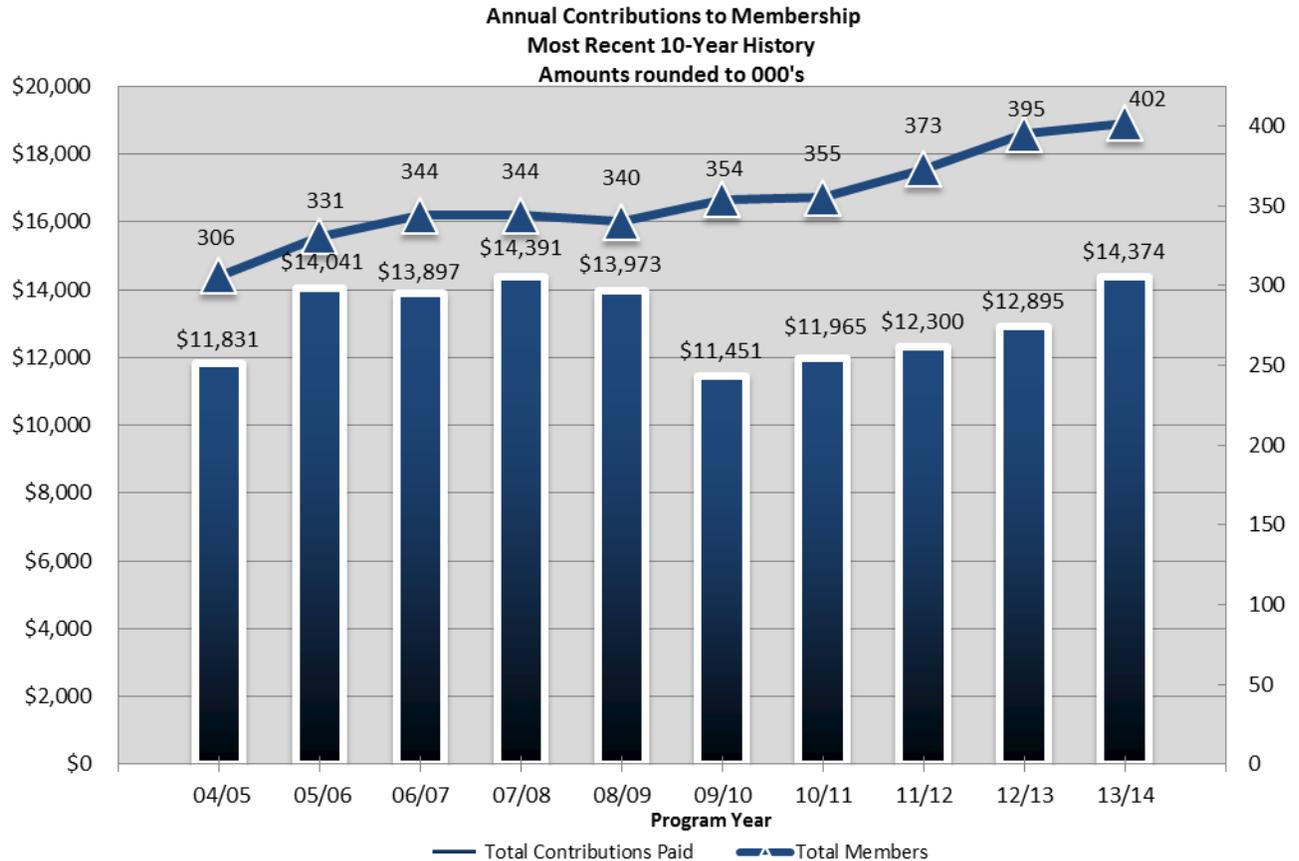
JUNE 30, 2014

Workers’ Compensation Program

On July 1, 2003, the Special Districts Workers Compensation Authority (SDWCA), originally formed in 1982, merged with SDRMA. The merger allowed many members in each program to obtain new coverage without leaving SDRMA and enticed other members to join who in the past were looking for an entity to provide all of their coverages. Thus, in the 2003-04 year and a few years after that, the growth of new membership was significant as shown in the graph below.

For the 2013-14 program year, the Authority purchased excess Workers’ Compensation coverage through the California State Association of Counties – Excess Insurance Authority (CSAC-EIA) with a \$250,000 Self-Insured Retention (SIR). SDRMA contracts with York Risk Services Group (TPA) to provide outside claims management services. Also, SDRMA contracted with Company Nurse to formalize the claim reporting process for all members to reduce First Aid and Medical Only claims.

In 2009-10, the SDRMA Board of Directors approved a 15% rate reduction to help members financially during the difficult economic times and since then have adjusted rates based on the Workers’ Compensation Insurance Rating Bureau (WCIRB) rate recommendations by class code.



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

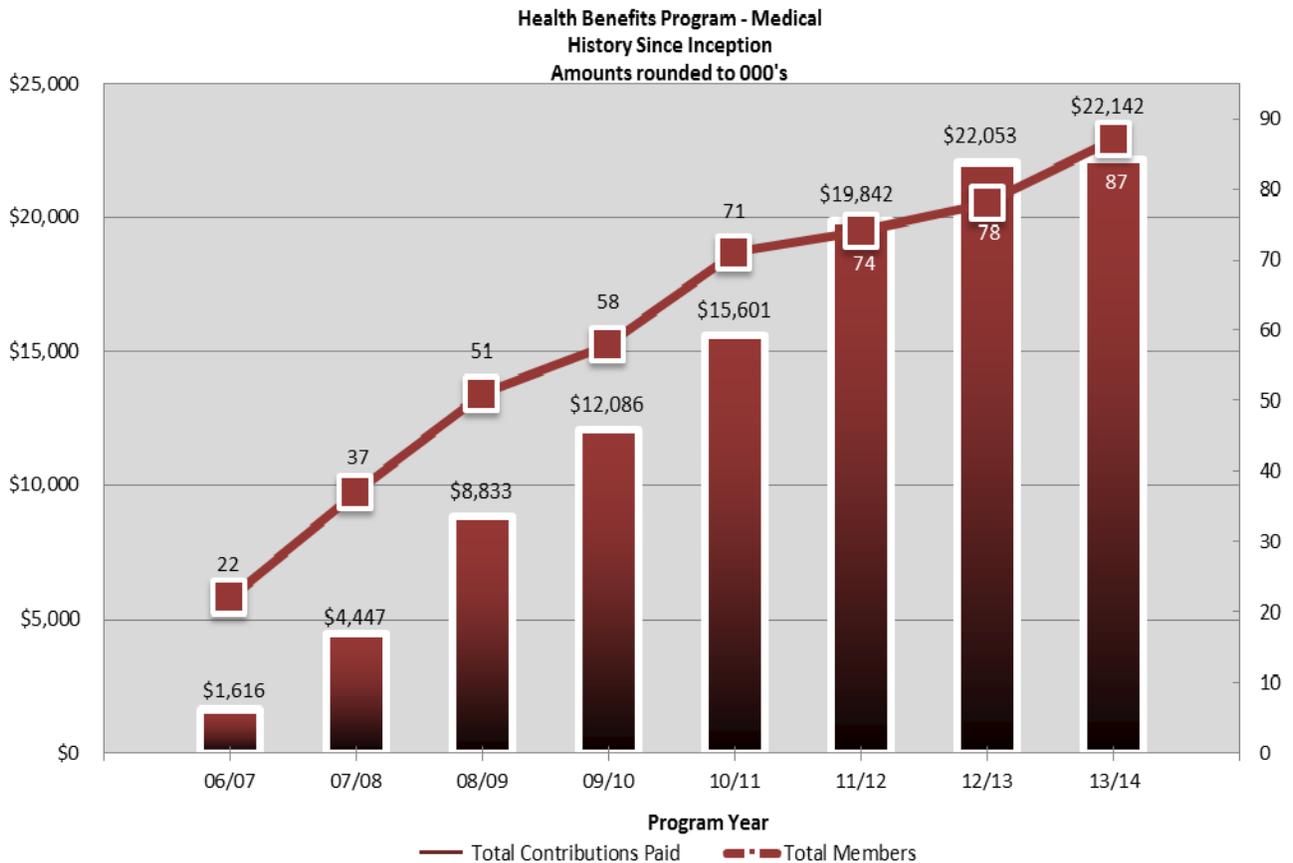
JUNE 30, 2014

Health Benefits Program

In August 2006, SDRMA partnered with California State Association of Counties (CSAC-EIA Health), to offer a small group Medical Benefits Program to public agencies with 250 employees or less. In May 2007, SDRMA also began offering an Ancillary Coverages Program including dental, vision, life, long term disability (LTD) and an employee assistance program (EAP) to public agencies with 50 employees or less. SDRMA functions as the small group program administrator by marketing the program, signing up new groups, answering day to day questions, performing monthly billing, collecting monthly premiums and remitting payments to CSAC-EIA Health. To join either program, entities are required to meet certain eligibility requirements including executing a Memorandum of Understanding and Resolution.

CSAC-EIA Health sets the rates for both programs based on; the charges by the various carriers, a review of SDRMA participant’s medical and pharmacy claims experience, the program’s overall experience and projected increases in medical and pharmacy costs.

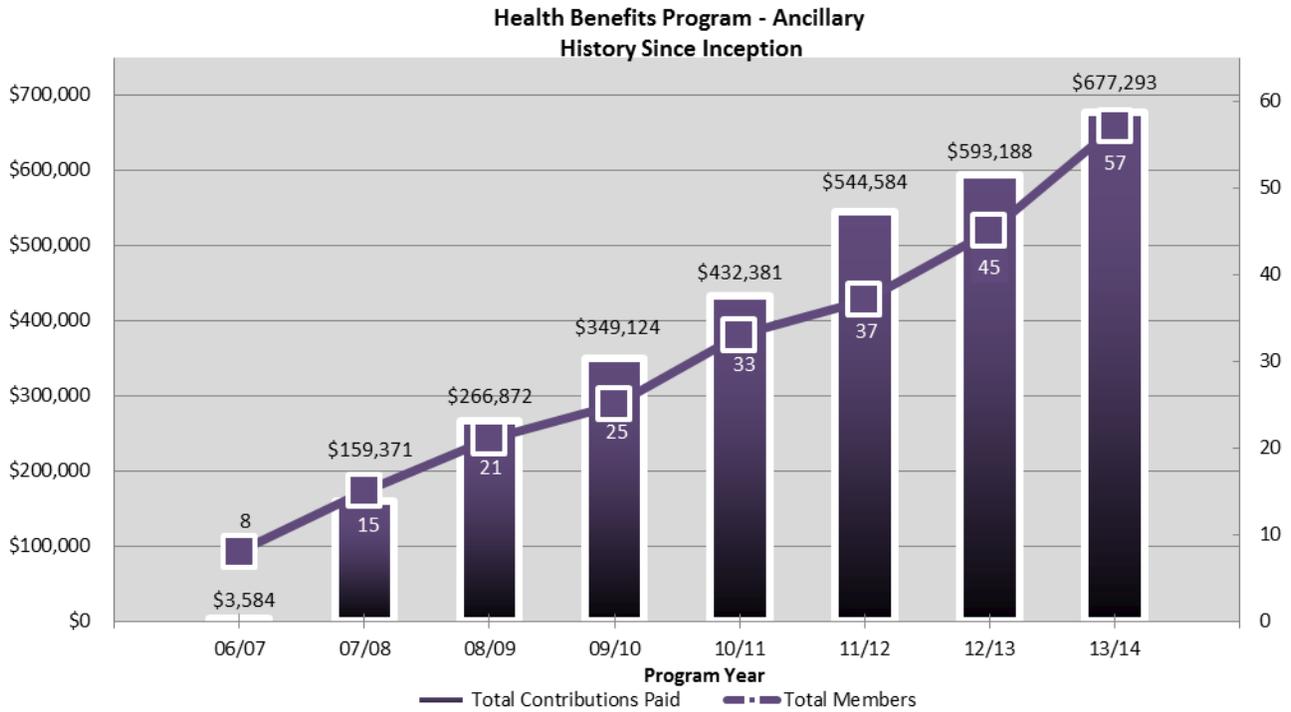
As of June 30, 2014, there were 87 groups (1,709 employees) participating in the Medical Benefits Program and 57 groups (549 employees) participating in the Ancillary Coverages Program.



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014



Expanded Services and Programs

SDRMA provides ongoing safety and loss prevention services to its members throughout California and continues to explore new areas that might provide benefits from the pooling of resources and/or group purchase arrangements. Such services include: property appraisals, claim services, safety services, online safety/risk management training, ergonomic reviews, playground inspections, and ADA compliance services.

Financial Management and Control

SDRMA management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles.

SDRMA has adopted a conservative investment policy according to state guidelines designed to ensure the safety of the funds, optimize the rate of return on available assets not required for current operations and make these assets readily available to pay claims or meet other needs of the Authority. At June 30, 2014, approximately four percent of these funds were invested in the Local Agency Investment Fund (LAIF) in Sacramento administered by the State Treasurer’s Office. SDRMA has contracted with Public Financial Management, LLC as the investment advisor for both the Property/Liability Program and the Workers’ Compensation Program.

Budgetary control is provided by verification of budgeted amounts prior to expenditure and quarterly analysis of all account totals compared to budgeted amounts. Detailed reports of the budget-to-actual comparisons are provided to the JPA Board at least quarterly.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The Board has also adopted a conservative funding and reserving policy to ensure that both the Property/Liability or "Package Program" and the Workers' Compensation Program are adequately funded. This policy established confidence level benchmarks of 90% undiscounted for the Property/Liability Program and 85% undiscounted for the Workers' Compensation Program and requires that both programs have at least annual reviews by an independent actuary to confirm the confidence levels of these programs.

Description of the Basic Financial Statements

The Authority's financial statements are prepared in conformity with generally accepted accounting principles and include amounts based upon reliable estimates and judgments. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

The *Statement of Net Position* provides information on all the Authority assets and liabilities, with the difference reported as Net Position. Net Position may be an indicator of the overall pool financial status. The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing total revenue and expense and the resulting effect on Net Position. The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year.

James Marta & Company LLP, Certified Public Accountants performed an independent audit of our financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report.

Bickmore Risk Services provides an annual independent actuarial review of both the Property/Liability Program and the Workers' Compensation Program. Both reviews confirm the adequacy and reasonableness of the liabilities recorded as outstanding claim reserves for these programs. Bickmore's most recent report for their review of the Property/Liability Program is dated December 6, 2013 and their most recent review of the Workers' Compensation Program is dated December 11, 2013.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CONDENSED FINANCIAL INFORMATION

<u>Statement of Net Position</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase/ Decrease 2013 to 2014</u>	<u>June 30, 2012</u>	<u>Increase/ Decrease 2012 to 2013</u>
Assets					
Current and Other Assets	\$ 98,763,849	\$ 99,327,447	-0.6%	\$ 97,380,967	2.0%
Capital Assets	4,684,135	4,608,904	1.6%	5,294,996	-13.0%
Total Assets	<u>103,447,984</u>	<u>103,936,351</u>	<u>-0.5%</u>	<u>102,675,963</u>	<u>1.2%</u>
Liabilities					
Accounts Payable & Other Liabilities	50,078,187	48,290,854	3.7%	43,880,783	10.1%
Total Liabilities	<u>50,078,187</u>	<u>48,290,854</u>	<u>3.7%</u>	<u>43,880,783</u>	<u>10.1%</u>
Net Position					
Net Position	53,369,797	55,645,497	-4.1%	58,795,180	-5.4%
Total Net Position	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>	<u>-4.1%</u>	<u>\$ 58,795,180</u>	<u>-5.4%</u>

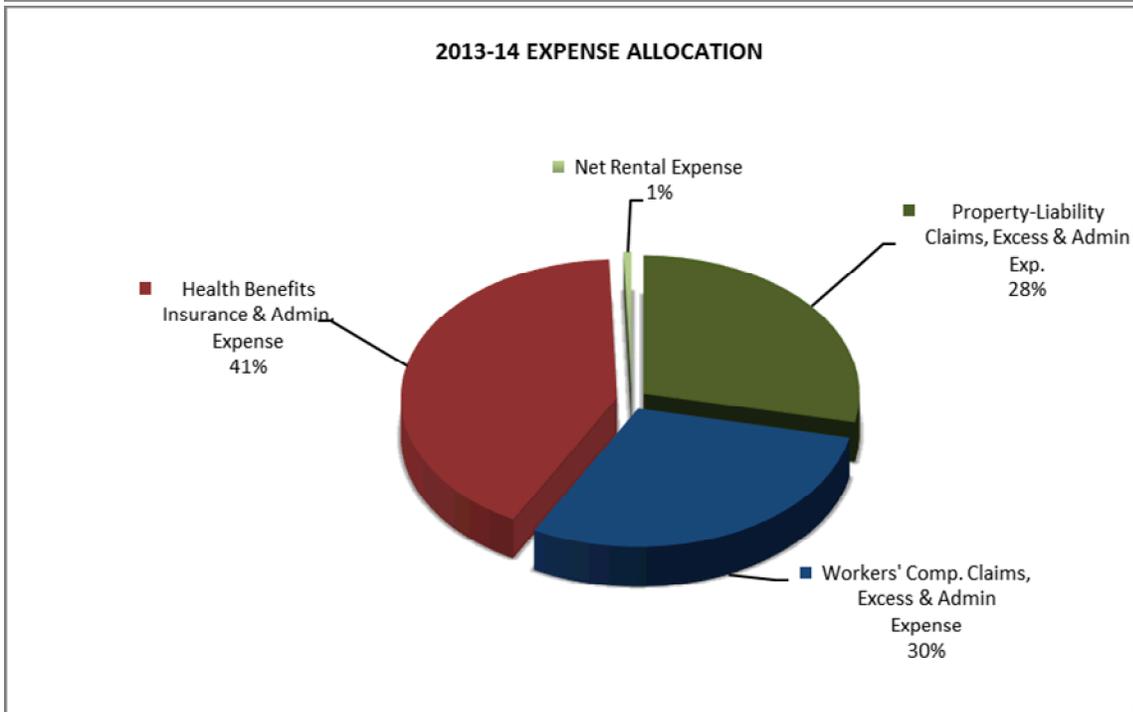
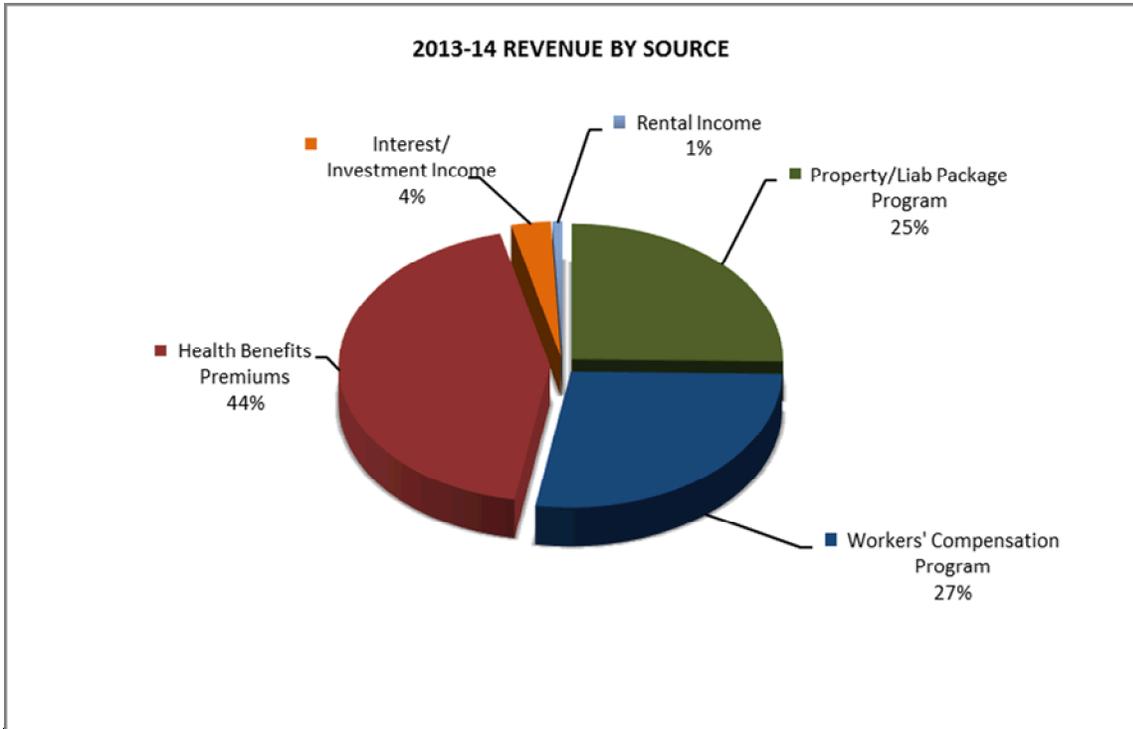
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase/ Decrease 2014 to 2013</u>	<u>June 30, 2012</u>	<u>Increase/ Decrease 2012 to 2013</u>
Operating Revenues					
Member Contributions & Other Income	\$ 27,619,059	\$ 25,300,706	9.2%	\$ 24,092,233	5.0%
Health Benefits Premiums & Refunds	22,819,070	22,645,770	0.8%	20,430,284	10.8%
Total Operating Revenues	<u>50,438,129</u>	<u>47,946,476</u>	<u>5.2%</u>	<u>44,522,517</u>	<u>7.7%</u>
Operating Expenses					
Claims, Insurance, Admin Expense	32,046,062	29,498,811	8.6%	18,794,012	57.0%
Health Insurance Expenses	22,340,180	22,074,406	1.2%	19,940,834	10.7%
Total Operating Expenses	<u>54,386,242</u>	<u>51,573,217</u>	<u>5.5%</u>	<u>38,734,846</u>	<u>33.1%</u>
Operating Income (Loss)	<u>(3,948,113)</u>	<u>(3,626,741)</u>	<u>8.9%</u>	<u>5,787,671</u>	<u>-162.7%</u>
Other Nonoperating Income and Expenses					
Net Rental Income (Loss)	84,911	122,502	-30.7%	133,238	-8.1%
Investment Income & Capital Assets - Gain	1,587,502	354,556	347.7%	1,991,689	-82.2%
Total Nonoperating Income (Expense)	<u>1,672,413</u>	<u>477,058</u>	<u>250.6%</u>	<u>2,124,927</u>	<u>-77.5%</u>
Change in Net Position	<u>(2,275,700)</u>	<u>(3,149,683)</u>	<u>-27.7%</u>	<u>7,912,598</u>	<u>-139.8%</u>
Beginning Net Position	<u>55,645,497</u>	<u>58,795,180</u>	<u>-5.4%</u>	<u>50,882,582</u>	<u>15.6%</u>
Ending Net Position	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>	<u>-4.1%</u>	<u>\$ 58,795,180</u>	<u>-5.4%</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014

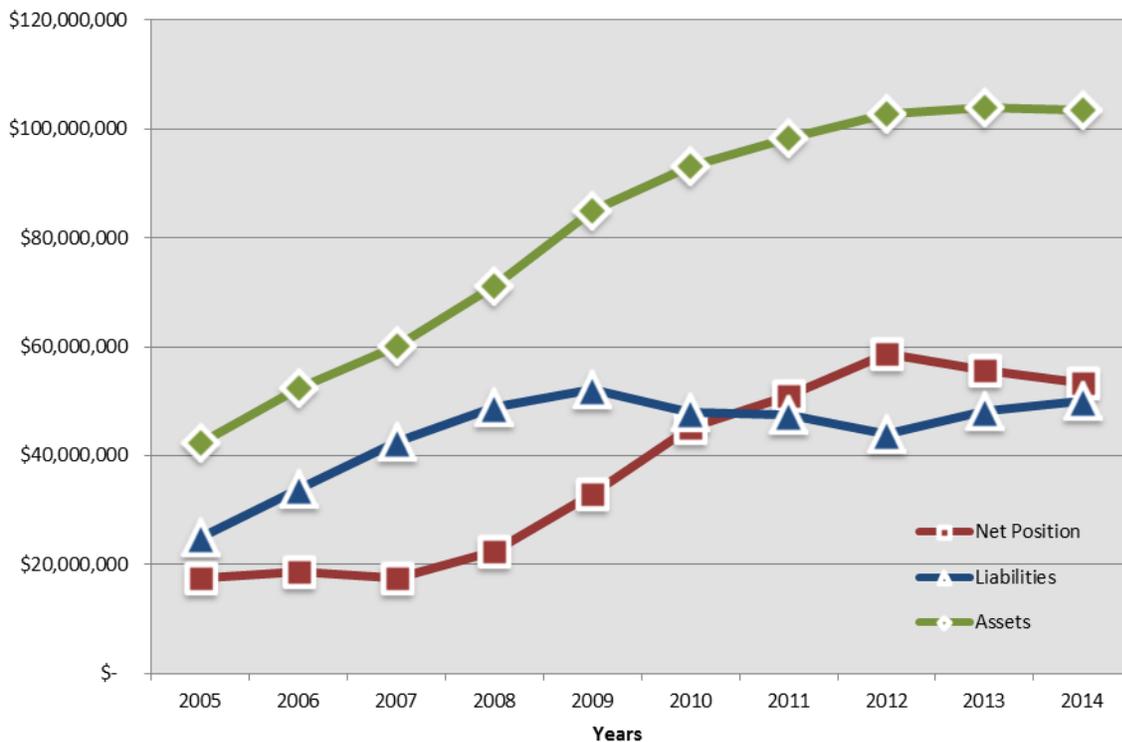
Analysis of Overall Financial Position & Results of Operations

SDRMA’s strong financial position slightly decreased in 2013-14. Although operating revenues increased by \$2,491,653 or 5.2% from 2012-13, operating expenses increased by \$2,813,025 or 5.5% (a majority of which is related to claims) resulting in a net operating loss of \$2,275,700 which is a 27.8% reduction from the 2012-13 fiscal year. Most of the loss was due to the approval of the SDRMA Board of Directors’ to utilize reserves for budgetary shortages to keep rates flat during both 2013-14 and 2012-13 fiscal years.

Total Assets decreased in 2013-14 by \$488,367 or .5% from 2012-13 because expenses exceeded revenues in both 2013-14 and 2012-13 fiscal years. The cash and investments related to claims liabilities are held on deposit until claims payments are realized, which may be many years in the future.

Total Liabilities increased in 2013-14 by \$1,787,333 or 3.7% from 2012-13 primarily related to higher actuarial projected losses. Therefore, Net Position decreased in 2013-14 by \$2,275,700, as shown in the Statement of Net Position and in the graph below.

Financial Growth Over Past Ten Years



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Property/Liability and Workers' Compensation Program contributions increased in 2013-14 by a total of \$2,321,447 or 9% as membership continued to grow. The increase in membership is the result of the decision of SDRMA's Board to hold the line on member rates.

Claims, Insurance and Administrative Expenses increased in 2013-14 by \$2,863,762 or 10% from 2012-13, which increased \$10,704,819 or 57% from 2011-12. The increase in 2013-14 is primarily related to two issues: 1) Claims expenses increased for the Property/Liability Program by \$2,407,681 or 59.6% due to adjustments to the actuarial projections of ultimate losses based on claims development at year-end and 2) Excess Insurance expenses increased for the Workers' Compensation Program by \$2,254,395 or 101.7%.

The Health Benefits program including the number of enrolled participants continued to grow. As a result, both the Health Benefits premiums of \$22,819,070 and Health Benefits expenses \$22,669,942 reflect increases (.77% and 1.06% respectively) over the prior year. The premiums reported are "pass-through" for group insurance premiums purchased for the participants in this program after amounts for administrative fees are deducted.

Analysis of Balances & Transactions of Individual Funds

Property/Liability Program

Member contributions increased \$842,677 or 6.8% from 2012-13 due to increased exposures and membership growth. Claims expense increased by \$2,407,681 or 59.6% primarily due to the combined \$1.8M increase to the actuarial claims projections for 2012-13 and 2013-14. Contract Services and CSDA Fees increased by \$95,113 or 22.6% as a result of the bi-annual claims audit, the addition of the new budget item for the employer legal help line which is set up to assist members with employment issues and mitigate potential claims. Net Rental Income from the SDRMA building reduced to \$43,175 or 28.6% from prior year, due to vacant suites during the 2013-14 year and Investment Income increased by \$436,456 or 351.9%. These factors contributed to the 2013-14 Change in Net Position of (\$1,545,858).

The actuarial review required by Board policy continues to verify that this program is funded at a confidence level in excess of 95%, which is above the Board's policy of a 90% confidence level for this program.

Workers' Compensation Program

Member contributions increased \$1,478,770 or 11.5% from 2012-13 due to increased payroll and membership growth. Claims expense decreased by \$2,741,993 or 23.6% due to lowering the SIR (to \$250K) and Insurance expense increased by \$2,254,395 or 101.7% because the SIR was reduced from \$500K in 2012-13 to \$250K in 2013-14 and member payroll growth. Contract Services and CSDA Fees increased by \$194,941 or 13.4% as a result of the addition of the new budget item for the employer legal help line which is set up to assist members with employment issues and mitigate potential claims and increased member safety visits. These factors contributed to the Change in Net Position of (\$880,036).

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The actuarial review required by Board policy confirmed that we were able to maintain the confidence level above 95% on an undiscounted basis, which exceeds the Board's policy of funding this program to at least an 85% confidence level on an undiscounted basis. This increase in the confidence level provides additional comfort the program will consistently have sufficient funds to pay claims.

Health Benefits Program

As mentioned earlier in this report, SDRMA has partnered with California State Association of Counties (CSAC-EIA Health), to offer a small group health benefits program to public agencies with 250 employees or less. SDRMA functions as the administrator of the small group program and receives revenue from a small administrative fee added to the monthly health benefit premiums. The Health Benefits program and the number of enrolled participants continued to grow, as previously mentioned.

Description of Facts or Conditions that are Expected to have a Significant Effect on the Financial Position or Results of Operations

California Economic Condition and Outlook

The state's economy continues to recover. As a result, the Legislative Analyst's Office (LAO) notes California's substantial progress in addressing prior and persistent budgetary problems. Thereby allowing debt reduction to be the focus of the 2015-16 proposed budget which proposes a \$2.3 billion reserve (surplus) at the end of 2014-15. Despite the positive outlook, caution is warranted as future changes in assumptions could dramatically lower, or even eliminate projected surpluses.

As a result of this cautious outlook, the pressure on SDRMA's local agency members "to do more with less" will undoubtedly remain. Therefore, it's not entirely clear how or if our member operating budgets and payroll will be impacted.

Insurance Market Condition and Outlook

SDRMA's mission is to provide its members with stable, *"renewable, efficiently priced risk financing and risk management services . . ."*. The ability to meet that mission is, in part, dependent on conditions in the commercial insurance market. The commercial insurance market has business cycle(s) that result in fluctuating rates, availability of coverage and policy limits. These fluctuations are referred to as *"soft"* or *"hard"* markets. In a *soft-market cycle*, pricing is lower, competition is greater, and generally, the market has excess capacity that increases the availability of coverages and higher policy limits. A *soft-market cycle* is a favorable condition for pools and insurance consumers. The trend in a *hard-market cycle* is higher/increasing rates with fewer options in availability of coverages and limits. A *hard-market cycle* is an unfavorable condition for pools and insurance consumers. Historically, insurance market cycles occur every 3-7 years and we are currently in a fairly soft market cycle for liability programs and a hardening market cycle for property and workers' compensation coverage.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

For the 2015-16 program year, the property market is expected to soften slightly due to new competition; falling reinsurance prices and the lack of catastrophic events/losses may allow rates to decline 5-10% - barring any catastrophic events. In the liability market, we expect the new entrants that are familiar with the public entity market will manage to keep the downward pressure on liability pricing resulting in a semi-soft market, regardless of the legal environment or legal cost inflation.

For workers' compensation coverage, class code rates continue to increase along with retentions. This is primarily due to medical cost inflation but the number of carriers writing excess workers' compensation for public entities has been diminishing the last 4 to 5 years as well. The recent Workers' Compensation reform in California is still being reviewed to determine the full impact on future rates which are predicted to increase by as much as 10-20% for the 2015-16 program year.

SDRMA continues to maintain sufficient reserves to adjust the SIR to respond to changes in market conditions and to explore various options to maintain our goal of rate stability and our mission to provide our members with stable, renewable, and efficiently priced coverages. SDRMA anticipates increased marketing interest and continued growth in pool membership.

Respectively Submitted,



Gregory S. Hall, ARM
Chief Executive Officer



C. Paul Frydendal, CPA
Chief Financial Officer

BASIC FINANCIAL STATEMENTS

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,192,822	\$ 4,984,811
Current investments	1,463,238	4,062,902
Receivables	1,580,708	1,471,569
Prepaid expenses	2,113,318	1,911,500
Total Current Assets	<u>11,350,086</u>	<u>12,430,782</u>
Noncurrent Assets		
Investments, at market	87,228,462	86,631,364
Note receivable	185,301	265,301
Capital assets:		
Land	762,850	762,850
Other capital assets, net	3,921,285	3,846,054
Total Noncurrent Assets	<u>92,097,898</u>	<u>91,505,569</u>
Total Assets	<u>103,447,984</u>	<u>103,936,351</u>
Liabilities		
Current Liabilities		
Accounts payable	247,458	237,200
Accrued payroll	83,119	80,054
Member payable	510,136	1,096,580
Unearned contributions	4,505,887	3,834,731
Current portion of claim-related liabilities	11,500,000	10,500,000
Total Current Liabilities	<u>16,846,600</u>	<u>15,748,565</u>
Noncurrent Liabilities		
Noncurrent portion of claim-related liabilities	<u>33,231,587</u>	<u>32,542,289</u>
Total Liabilities	<u>50,078,187</u>	<u>48,290,854</u>
Net Position		
Invested in capital assets, net of related debt	4,684,135	4,608,904
Unrestricted	48,685,662	51,036,593
Total Net Position	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Members' contribution	\$ 27,618,022	\$ 25,296,575
Health benefits premium	22,819,070	22,645,770
Other income	1,037	4,131
Total Operating Revenues	<u>50,438,129</u>	<u>47,946,476</u>
Operating Expenses		
Claims expense	15,317,964	15,652,276
Insurance expense	11,446,847	8,839,506
Health insurance expense	22,340,180	22,074,406
Contract services and CSDA fees	2,215,909	1,932,942
Salaries and benefits	1,746,486	1,520,809
General and administrative	929,462	874,888
Depreciation expense	389,394	678,390
Total Operating Expenses	<u>54,386,242</u>	<u>51,573,217</u>
Operating Income (Loss)	<u>(3,948,113)</u>	<u>(3,626,741)</u>
Nonoperating Revenues and Expenses		
Rental revenue	399,821	391,766
Rental expense	(314,910)	(269,264)
Net Rental Income (Loss)	84,911	122,502
Investment income	1,484,432	354,577
Gain (Loss) on sale of capital assets	103,070	(21)
Total Nonoperating Revenues and Expenses	<u>1,672,413</u>	<u>477,058</u>
Change in Net Position	(2,275,700)	(3,149,683)
Beginning Net Position	<u>55,645,497</u>	<u>58,795,180</u>
Ending Net Position	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Member contributions and dues received	\$ 50,814,443	\$ 48,854,711
Cash paid for claims	(14,064,664)	(12,081,740)
Cash paid for insurance premiums	(33,988,845)	(30,814,808)
Cash paid for salaries	(1,743,421)	(1,525,043)
Cash paid for administrative expenses	(3,135,113)	(2,623,723)
Net Cash Provided (Used) By Operating Activities	<u>(2,117,600)</u>	<u>1,809,397</u>
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital expenditures	(464,625)	(102,519)
Proceeds from sale of capital assets	103,070	-
Net Cash Provided (Used) By Capital & Related Financing Activities	<u>(361,555)</u>	<u>(102,519)</u>
Cash Flows From Investing Activities		
Investment income received	1,662,760	(2,270)
Cash paid for purchase of investments	(29,176,275)	(63,176,414)
Proceeds from sale of investments	30,965,700	63,792,208
Cash received from lessees	399,821	(654,156)
Cash paid for rent expenses	(164,840)	(159,043)
Net Cash Provided (Used) By Investing Activities	<u>3,687,166</u>	<u>(199,675)</u>
Net Increase (Decrease) in Cash	1,208,011	1,507,203
Cash, Beginning of year	<u>4,984,811</u>	<u>3,477,608</u>
Cash, End of year	<u>\$ 6,192,822</u>	<u>\$ 4,984,811</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (3,948,113)	\$ (3,626,762)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation included in operating income (loss)	389,394	678,390
Decrease (increase) in:		
Receivables	(144,396)	198,103
Prepaid expenses	(201,818)	158,811
Increase (decrease) in:		
Accounts payable	10,258	124,421
Member payable	(586,444)	1,096,580
Accrued payroll	3,065	(4,234)
Unearned contributions	671,156	(380,483)
Claim related liabilities	1,689,298	3,573,787
Net Cash Provided (Used) By Operating Activities	<u>\$ (2,117,600)</u>	<u>\$ 1,809,397</u>
Supplemental Disclosures		
Schedule of Noncash Investing and Financing Transactions		
Unrealized gain (loss) on investments	<u>\$ 63,071</u>	<u>\$ (446,447)</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

1. GENERAL INFORMATION

A. ORGANIZATION

Pursuant to California Government Code Section 6500 et seq. and 990 et seq. the Special District Risk Management Authority (SDRMA) was formed effective August 1, 1986. SDRMA provides its members with coverage protection related services such as workers' compensation, property and liability, errors and omissions, and auto comprehensive and collision and health benefits. SDRMA was established to provide risk financing coverage as well as to pay the costs of administration, risk management services, and other such costs that are approved by the Board of Directors.

B. MEMBERSHIP

The Authority is comprised of special districts, cities, and joint powers authorities located throughout California.

C. ADMISSION AND WITHDRAWAL OF MEMBERSHIP

Admission

Any public agency organized under the laws of the State of California, which is a member of the California Special Districts Association (CSDA), is eligible for membership in SDRMA upon approval of its membership by the SDRMA Board of Directors. Members shall be required to pay their applicable pro rata contributions and the Board of Directors may determine assessments.

Withdrawal

Any participating member may voluntarily withdraw from any particular joint projection program at the end of any coverage year of participation if:

- a. They give not less than ninety days advance written notice of withdrawal to the Board of Directors of the Authority prior to the end of the coverage year; and
- b. The entity shall have participated in the Property/Liability or Workers' Compensation Program for not less than three full program years.

The effect of withdrawal (or termination), for the pooling programs, does not terminate the responsibility of the Member to continue paying its share of assessments. Such Member, by withdrawing or being involuntarily terminated, shall not be entitled to payment, return or refund of any Contribution, Assessment, consideration, or other property paid, or donated by the Member to the Authority, or to any return of any loss reserve contribution, or to any distribution of assets (except payment of any Retained Earnings). Upon such withdrawal from or cancellation of participation in any Program by any Member, said Member shall be entitled to receive its pro rata share of any Retained Earnings distribution declared by the Board of Directors after the date the said Member withdraws or is involuntarily terminated.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

D. REPORTING ENTITY

The SDRMA reporting entity includes all activities (operations of its administrative staff, officers, executive committee, and board of directors) as they relate to the Authority. This includes financial activity relating to all of the membership years.

SDRMA has developed criteria to determine whether other entities with activities that benefit the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationships.

SDRMA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, SDRMA is not aware of any entity that would exercise such oversight responsibility that would result in the Authority being considered a component unit of that entity.

In determining its reporting entity, SDRMA considered all governmental units that were members of the Authority since inception. The criteria did not require that inclusion of these entities in their financial statements principally because the Authority does not exercise oversight responsibility over any members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been rendered, except when a premium deficiency exists where unearned premiums are recognized currently in accordance with GASB pronouncements.

B. DESCRIPTION OF PROGRAMS

Property/Liability Program

The Property/Liability Program was established in order to provide the members with a risk sharing pool for general liability, auto liability and property damage risk financing, as well as public official's errors and omissions coverage's and crime and fidelity. As of June 30, 2014 and 2013, there were 476 and 469 members, respectively, participating in the Property/Liability Program.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

Property/Liability Program (continued)

The following table reflects the risk financing limits provided by the Program at June 30, 2014:

Type of Coverage	Deductible	Per Occurrence	
		Self-Insurance Retention	Total Risk Financing Limits
PROPERTY/LIABILITY PROGRAM:			
Building and Contents	\$ 1,000 (8)	\$ 199,000	(1)
Equipment Floater	1,000 (8)	199,000	(1)
Boiler/Machinery	(2)	10,000	(1)
General Liability	(3)	250,000	\$2,500,000 (6)
Auto Liability	(4)	250,000	2,500,000 (6)
Public Officials' and Employees':			
Errors & Omissions		250,000	2,500,000 (5,6)
Blanket Bond	-	25,000	400,000
Personal Liability for Board Members			
	-	500,000	(9)
Comprehensive and Collision	250-1,000	(7)	(7)

- (1) Repair or replacement cost, if replaced; stated cost less depreciation, if not replaced.
- (2) \$1,000 deductible for most items; up to \$250,000 for very large generators and transformers.
- (3) Subject to a \$500 per occurrence deductible for third party property damage; no deductible for third party bodily injury.
- (4) Subject to a \$1,000 per occurrence deductible for third party property damage; no deductible for third party bodily injury.
- (5) Public Officials and Employee's Liability is subject to an annual per occurrence/aggregate per member of \$2.5 million.
- (6) As of July 1, 2013, the total risk finance limit is \$2.5 million and the self-insured retention is \$250,000. Members may also purchase two additional layers of coverage, \$2.5 million to a total of \$5 million and an additional \$5 million to a total of \$10 million. Higher limits are available upon request. From July 1, 2008 through June 30, 2011 the self insured retention was \$500,000.
- (7) The lesser of a.) The actual cash value; b.) The stated value; c.) The actual cost to repair.
- (8) Deductible subject to change due to policy coverage such as flood.
- (9) Self insured retention is \$500,000 per board member with no limit on the number of board members covered.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

Property/Liability Program (continued)

All of the risk financing limits are subject to change by the Board of Directors and are subject to specific limitations as specified in the memorandum of coverage provided to each Member. It is the policy of the Authority to charge to expense the payments to be made for claims in cases where the amounts are reasonably determinable and where the likelihood of liability exists. In addition, the Authority has established a contingency reserve for losses by designation of the risk margin.

Workers' Compensation Program

The Workers' Compensation Program was established in 1982 for the purpose of operating and maintaining a self-insurance or group insurance program. Effective July 1, 2003, this program merged into SDRMA. The Workers' Compensation fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Insurance premiums
- Claims administration expenses
- Investigative, legal, and audit costs

As of June 30, 2014 and 2013, there were 402 and 395 members, respectively, participating in the Workers' Compensation program. The following table reflects the risk financing limits provided by the Program at June 30, 2014:

Type of Coverage	Per Occurrence		
	Deductible	Self-Insurance Retention	Total Risk Financing Limits
Workers' Compensation	\$ 0	\$ 250,000	Statutory

Health Benefits Program

In August 2006, SDRMA partnered with California State Association of Counties (CSAC-EIA Health), to offer a small group Medical Benefits Program to public agencies with 250 employees or less. In May 2007, SDRMA through CSAC-EIA Health began offering an Ancillary Coverages Program including dental, vision, life, long term disability (LTD) and an employee assistance program (EAP) to public agencies with 50 employees or less. SDRMA functions as the small group program administrator by marketing the program, signing up new groups, answering day to day questions, performing monthly billing, collecting monthly premiums and remitting payments to CSAC-EIA Health. As of June 30, 2014 and 2013, there were 87 and 78 groups, respectively, participating in the Medical Benefits program and 57 groups in the Ancillary Coverage program.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

C. FUND ACCOUNTING

The accounts of SDRMA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The JPA's funds have been combined for the presentation of the financial statements. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The JPA maintains three funds that are considered Proprietary-Enterprise Funds.

SDRMA has three enterprise funds: Property/Liability, Workers' Compensation and Health Benefits. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing services to the members on a continuing basis be financed or recovered primarily through fees and premiums or where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. STATEMENTS OF CASH FLOWS

The Authority considers interest on investments to be nonoperating revenue; therefore, investment income is presented in the investing section of the Statements of Cash Flows.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all checking and savings accounts, cash in bank, cash with the Local Agency Investment Fund, and all highly liquid debt instruments purchased with original maturity of three months or less.

F. RECEIVABLES

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2014 and 2013, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

G. INVESTMENTS

The Authority records its investments at fair market value. Changes in fair market value are reported as revenue in the Statements of Revenues, Expenses and Changes in Net Position. The effect of recording investments at fair market value is reflected as a net increase or decrease in the fair value of investments on the Statements of Revenues, Expenses and Changes in Net Position and on the Statements of Net Position. Fair market values of investments have been determined by the sponsoring government based on quoted market prices.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

H. FIXED ASSETS AND DEPRECIATION

SDRMA capitalizes all assets costing one thousand dollars (\$1,000) or more and records the asset value at cost. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful life used for buildings and improvements is thirty years. The estimated useful lives used for furniture and equipment range from three to five years. The original Navrisk Policy software purchased in 2001 is depreciated over twenty five years. However, software purchases since that time are depreciated over three years. Land is carried at cost and is not depreciated.

I. CLAIM RELATED LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies by the coverage involved. Estimated amounts of salvage and subrogation and excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

Claims liabilities are re-computed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

J. CONTRIBUTION INCOME

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Revenues mainly consist of premium contributions from members. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. The activities of the Authority consist solely of risk management programs and claims management activities related to the coverages described above.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

J. CONTRIBUTION INCOME (continued)

The reporting entity does not include any other component units with the criterion prescribed by GAAP.

Member contributions are recognized as revenues in the period for which coverage protection is provided. If the Board of Directors determines that the funds for a program are insufficient to pay losses, the Authority may impose a supplemental assessment on all participating members. Anticipated investment income is not considered in determining supplemental assessments. Supplemental assessments are recognized as income in the period assessed.

K. UNALLOCATED LOSS ADJUSTMENT EXPENSE (ULAE)

The liability for ULAE includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim. For the Property/Liability Program management has estimated the accrual based upon past experience and consultation with its actuary and for the Workers' Compensation Program management relied on the estimate provided by the actuary.

L. COMPENSATED ABSENCES

Vested or accumulated paid leave is recorded as an expense and liability of the Authority as the benefits accrue to employees. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

M. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term are described elsewhere in this report.

N. INCOME TAXES

SDRMA income is exempt from federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

3. CASH AND INVESTMENTS

A. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash in Bank	\$ 2,367,960	\$ 2,617,396
Cash on Hand	300	300
Local Agency Investment Fund	<u>3,824,562</u>	<u>2,367,115</u>
Total Cash and Cash Equivalents	<u>\$ 6,192,822</u>	<u>\$ 4,984,811</u>

Cash in Bank

The carrying amount of the Authority's cash in bank is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Local Agency Investment Fund

The Authority is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the Authority's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. This fund currently yields approximately .22% interest annually and has an average life of 232 days. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

B. INVESTMENTS

Under provision of SDRMA’s investment policy and state statutes, SDRMA may invest in the following types of investments:

	Maximum % of Portfolio
	<hr/>
US Government & Agency Obligations	100%
Local Agency Investment Fund	Maximum allowed by the Local Investment Advisory Board
Federal National Mortgage Association	100%
Federal Home Loan Mortgage Corporation	100%
Federal Home Loan Banks	100%
Medium Term Corporate Notes	30%
Negotiable Certificates of Deposits	30%
Money Market Funds	20%
Bank Deposits	20%
Commercial Paper	25%
Local Government Investment Pools	10%

Interest Rate Risk

Interest Rate Risk is the risk that the value of investments will decrease as a result of a rise in interest rates. SDRMA’s investment policy limits its investment portfolio maturities to no more than five years from purchase date to maturity date unless the legislative body has granted express authority to exceed that limit. As of June 30, 2014, SDRMA had the following investments held in a managed portfolio:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>< 1yr</u>	<u>1-3 yrs</u>	<u>>3 yrs</u>
US Treasuries	\$ 25,043,811	\$ -	\$ 19,520,367	\$ 5,523,444
Federal Agencies	29,213,428	-	15,756,801	13,456,627
Corporate Notes	24,946,546	-	16,731,342	8,215,204
Municipal Obligations	4,891,517	1,260,156	1,825,178	1,806,183
Certificate of Deposits	4,596,398	203,082	4,393,316	-
Total Investments	<u>\$ 88,691,700</u>	<u>\$ 1,463,238</u>	<u>\$ 58,227,004</u>	<u>\$ 29,001,458</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. It is SDRMA’s general investment policy to apply the prudent person standard; that is, investments shall be made with 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 probable safety of their capital as well as the probable income to be derived.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

B. INVESTMENTS (continued)

As of June 30, 2014, investments in Federal Agencies had a Moody rating of AAA, and investments in corporate notes at the time of purchase had a Moody rating of BAA or better. Investments in US Treasuries carry the explicit guarantee of the US Government. Certificate of Deposits are not rated but they are covered by FDIC.

Concentration of Credit Risk

Investments in securities of any one issuer consisting of five percent or more of total investments are as follows:

	<u>Fair Value</u>	<u>% of Portfolio</u>
Fannie Mae	\$ 19,286,877	21.75%
Freddie Mac	6,438,535	7.26%

4. NOTE RECEIVABLE

SDRMA has a Note Receivable with David Corporation valued at \$185,301 and \$265,301 as of June 30, 2014 and 2013, respectively. The Note Receivable was not paid when it became due on June 11, 2011. Instead, according to Amendment No. 1 to the Second Amended and Restated Agreement, SDRMA will off-set annual support costs for NavRisk Claims against this balance. In addition, based upon contract terms with David Corporation, SDRMA will not be required to pay \$20,000 in annual support costs for NavRisk Policy until the note is paid in full. SDRMA will continue to use the software and support.

5. CAPITAL ASSETS

SDRMA's capital assets consist of the following:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Non-Depreciable Assets:				
Land	\$ 762,850	\$ -	\$ -	\$ 762,850
Other Assets:				
Building	\$ 3,252,150	-	-	\$ 3,252,150
Building Improvements	1,750,292	94,046	-	1,844,338
Software	2,512,031	21,179	36,454	2,496,756
Furniture, Fixtures, and Equipment	712,180	174,581	255,589	631,172
Construction in Progress	-	330,905	-	330,905
Total Other Assets	8,226,653	620,711	292,043	8,555,321
Less Accumulated Depreciation	(4,380,599)	(539,464)	(286,027)	(4,634,036)
Net Depreciable Assets (1)	\$ 3,846,054	\$ 81,247	\$ 6,016	\$ 3,921,285

(1) A portion of these balances is subject to lien imposed under a capital lease obligation as disclosed in Note 6.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

For the fiscal years ended June 30, 2014 and 2013 depreciation expense was \$539,464 and \$788,611, respectively. For the year ended June 30, 2014, \$389,394 of the depreciation expense was classified as an operating expense and \$150,070 classified as a component of rent expense.

6. OPERATING LEASES REVENUE

On June 30, 2004, SDRMA purchased a 25,076 square foot office building at 1112 I Street in Sacramento. The Authority occupies approximately 6,864 square feet of the building and leases out the remainder.

As of June 30, 2014, the cost of the portion of the property leased is \$3,701,438. Accumulated Depreciation on the lease is \$1,263,800 as of June 30, 2014. The following is a schedule by years, based on the minimum revenue amount for future rentals from operating leases as of June 30, 2014:

Year Ended June 30	Principal
2014	\$ 290,194
2015	324,091
2016	272,084
2017	190,943
2018	176,835
2019-2022	462,048
Total minimum future rentals	<u>\$ 1,716,195</u>

Lease income for the years ended June 30, 2014 and 2013 was \$399,821 and \$391,766, respectively.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

7. UNPAID CLAIM LIABILITIES

The Authority establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities for all programs during the year ended June 30:

	<u>2014</u>	<u>2013</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	<u>\$ 43,042,289</u>	<u>\$ 39,468,502</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	16,826,000	16,067,000
Increase (Decrease) in Provision of Insured Events of the Prior Years	(41,204)	(785,397)
Change in unallocated loss adjustment expense (ULAE)	<u>(1,466,832)</u>	<u>370,673</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>15,317,964</u>	<u>15,652,276</u>
Payments:		
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	3,543,095	2,410,544
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>10,085,571</u>	<u>9,670,348</u>
Total Payments	<u>13,628,666</u>	<u>12,080,892</u>
Total Unpaid Claims and Claims Adjustment Expenses	<u>\$ 44,731,587</u>	<u>\$ 43,039,886</u>
Detail of Claim Related Liabilities:		
Claims Payable	\$ 22,792,415	\$ 20,993,903
Claims Incurred But Not Reported	19,657,371	18,299,753
Unallocated Loss Adjustment Expenses	<u>2,281,801</u>	<u>3,748,633</u>
Totals	<u>\$ 44,731,587</u>	<u>\$ 43,042,289</u>
Current Portion	\$ 11,500,000	\$ 10,500,000
Long-term Portion	<u>33,231,587</u>	<u>32,542,289</u>
Totals	<u>\$ 44,731,587</u>	<u>\$ 43,042,289</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

8. NET POSITION

Net Position represents the accumulation of funds for unexpected catastrophic losses and future discounts or reductions of contributions. A reservation of net position has been made to establish a contingency reserve at June 30, 2014 and 2013. The contingency reserve (which is not included in current expenses) is established to provide for claims where liability amounts, if any, are not determinable. The contingency reserve has been established at a certain confidence level of the estimated outstanding liabilities. For the property/liability program, this is based on a 90% confidence level on an undiscounted basis. For the workers' compensation program, this is based on an 85% confidence level on an undiscounted basis. The balance of the reserve at June 30, 2014 and 2013 has been determined based on actuarial analysis and management's past experience.

Based upon Board Policy No. 2014-07, the following are the components of the Authority's Net Position at June 30, 2014 and 2013 allocated between various reserve fund accounts (RFA's):

Net Position by program as of June 30, 2014 and 2013 follows:

	2014	2013
Deferred Maintenance Fund	\$ 3,811,098	\$ 3,633,307
Longevity Distribution Funds	600,000	-
Special Projects for Add'l Rate Stabilization	28,875,655	34,386,120
Rate Stabilization Fund	5,564,497	5,037,455
Catastrophic Loss Fund	2,490,000	2,970,000
Risk Margin Fund	7,344,412	5,009,711
Invested in Capital Assets, net of related debt	4,684,135	4,608,904
Totals	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>

Net Position by program as of June 30, 2014 and 2013 as follows:

	2014	2013
Property & Liability	\$ 24,397,882	\$ 25,943,740
Workers' Compensation	27,585,785	28,465,821
Health Benefits	1,386,130	1,235,936
Totals	<u>\$ 53,369,797</u>	<u>\$ 55,645,497</u>

9. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. ING Institutional Plan Services, LLC administers the plan. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are held in trust (until paid or made available to the employee or other beneficiary) for the exclusive benefit of the participants and their beneficiaries.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

10. RETIREMENT PROGRAMS

A. PLAN DESCRIPTION

The Authority contracts with the California Public Employees Retirement System (CalPERS) to provide retirement benefits for Authority employees, through its defined benefit pension plan.

On September 12, 2012, Governor Brown signed into law the California Public Employees' Pension Reform Act of 2012 (PEPRA) which impacts the retirement benefits that the Authority offers through CalPERS. Among other provisions, PEPRA adopts a compulsory formula and mandatory contributions for certain employees that are deemed to be "new members." Pursuant to Government Code Section 7522.04(f), the term "New Member", as it applies to individuals employed by the Authority, refers to the following:

- (1) An employee who enrolls in CalPERS for the first time on or after January 1, 2013 and who has no prior membership in any other California public retirement system; or
- (2) An employee who enrolls in CalPERS for the first time on or after January 1, 2013 and who was a member of another California public retirement system prior to January 1, 2013 but is not eligible for reciprocity pursuant to Government Code Section 7522.02(c) and Section 579.3 of Title 2 of the California Code of Regulations; or
- (3) An employee who established CalPERS membership prior to January 1, 2013 with a different CalPERS employer, and who is hired by the Authority after January 1, 2013, after a break in service of greater than six (6) months.

As a result of PEPRA, the Authority must have two tiers of retirement benefits the application of which depends on an employee's status as a New Member. Authority employees that were enrolled in CalPERS as a result of their employment with the Authority before January 1, 2013 and CalPERS-eligible employees hired on or after January 1, 2013 that are not New Members, as defined above, are referred to as "Classic Members."

Tiered Pension Benefits

The monthly retirement allowance of both Classic Members and New Members is determined by age at retirement, years of service credit and final compensation. To be eligible for service retirement, a Classic Member must be at least age 50 and have five years of CalPERS credited service and a New Member must be at least age 52 and have five years of CalPERS credited service. There is no compulsory retirement age. This retirement benefit will be paid exclusively by CalPERS in accordance with the Public Employees' Retirement Law.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

1. Classic Members

The retirement benefit formula for Classic Members is 2% @ 55. The Authority's contract with CalPERS provides for calculating final compensation based on the highest average PERSable compensation for thirty-six (36) consecutive months of employment with the Authority.

The Authority pays the employer portion of the costs associated with this retirement program. In addition, the Authority currently pays the seven percent (7%) employee share known as the normal member contribution on behalf of Classic Members as an employer paid member contribution ("EPMC") pursuant to Government Code Section 20691. The Authority reserves the right to periodically increase, reduce, or eliminate the EPMC, as authorized by Section 20691.

2. New Members

The retirement benefit formula for New Members is 2% @ 62. Final compensation for purposes of calculating a New Member's retirement allowance is equal to the New Member's highest average PERSable compensation for thirty-six (36) consecutive months of employment with the Authority.

As of January 1, 2013, the PERSable compensation of New Members will be capped at \$113,700, an amount that is subject to adjustment by CalPERS. In addition, the items of compensation used to determine benefits or contributions to CalPERS will be limited to those items of compensation deemed "pensionable compensation" under Government Code Section 7522.34.

New Members are required to pay for a portion of the cost of the 2% @ 62 retirement formula. This mandatory member contribution is not a fixed amount. Rather, it will be set by CalPERS based on the following formula. The mandatory contribution will be equal to 50% of the total normal costs attributable to the 2% @ 62 benefit plan, rounded to the nearest quarter of 1 percent. The Authority will inform New Members of the amount of the mandatory employee contribution when CalPERS informs the Authority of the rate.

B. FUNDING POLICY

The Authority contributes the employees required contribution of 7% of their annual covered salary for all "Classic" plan members in the Authority's retirement plan. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions used are those by the CalPERS Board of Administration. The required employer contribution rate for fiscal years 2013-14 was 10.282%, and 2012-13 was 9.716% for all employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

C. ANNUAL PENSION COST

For fiscal year 2013-14, the Authority's annual pension cost was \$107,112 and the Authority actually contributed \$91,443. The required contribution for fiscal year 2013-14 was determined as part of the June 30, 2011 actuarial valuation. A summary of principle assumptions and methods used to determine the annual required contributions is shown below:

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Amortization Method:	Level Percent of Payroll
Average Remaining Period:	20 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market
Actuarial Assumptions:	
Inflation Rate:	2.75%
Investment Rate of Return:	7.50% (net of administrative expenses)
Projected Salary Increases:	3.30% to 14.20% depending on Age, Service and type of employment
Payroll Growth:	3.00%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed inflation growth of 2.75% and an annual production growth of 0.25%.

D. THREE YEAR TREND INFORMATION - AUTHORITY'S RETIREMENT PLAN

Fiscal Year Ending	Annual Pensions Obligation		
	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/2012	\$ 94,809	135%	\$0
6/30/2013	\$ 102,632	172%	\$0
6/30/2014	\$ 107,112	85%	\$0

11. OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The Authority provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides the medical insurance coverage for the life of eligible retiree capped at 50% of the single insurance premium. Benefit provisions are established by the Board of Directors. The plan does not issue a financial report.

B. FUNDING POLICY

The Authority's Board of Directors will not be fully funding the plan in the current year. The Board will review the funding requirements and policy annually.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

C. ANNUAL OPEB COST

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 29 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 21,508
Interest on net OPEB Obligation	-
Adjustments to annual required contribution	-
Annual OPEB Cost	<u>21,508</u>
Estimated Contributions	<u>21,508</u>
Change in net OPEB obligation	-
Net OPEB Obligation - beginning of year	-
Net OPEB Obligation - end of year	<u><u>\$ -</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year Ended	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 15,118	100%	\$ -
6/30/2013	15,118	100%	-
6/30/2014	21,508	100%	-

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the actuarial accrued liability (AAL) for benefits was \$301,391, of which \$63,374 was unfunded. The amount was subsequently paid on August 1, 2014.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

E. ACTUARIAL METHOD AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Valuation Date	July 1, 2013
Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percent of Payroll
Amortization Period:	30 Years
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Investment Rate of Return:	6.39%
Payroll Growth Rate:	2.0% annually

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums is based on the most recent projections made by the Office of Actuary at the Centers for Medicare and Medicaid Services as published in National Health Care Expenditures Projections: 2012-2021. For 2013 and beyond the initial trend rate is 9.0% decreasing 0.5% until the ultimate rate of 4.5% is reached.

F. PLAN FOR FUNDING

The Authority plans to fully fund its accrued actuarial liability and will continue to fully fund at least the annual required contributions.

G. SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ((a-b)/c)
7/1/2013	\$ 301,391	\$ 238,017	\$ 63,374	79%	\$ 1,066,993	5.9%

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

12. JOINT VENTURE

Effective July 1, 2003, SDRMA participated in a joint venture under a Joint Powers Agreement (JPA) with CSAC Excess Insurance Authority (CSAC EIA). The relationship between SDRMA and CSAC EIA is such that CSAC EIA is not a component unit of the Authority for financial reporting purposes.

SDRMA withdrew from LAWCX effective July 1, 2003; however, SDRMA has a continuing obligation related to potential policy year deficits and related future assessments. Full financial statements are available separately by contacting these agencies.

A. <u>Entity</u>	<u>LAWCX</u>	<u>CSAC EIA</u>
B. <u>Purpose</u>	To self-insure and pool excess workers' compensation losses.	To provide workers' compensation coverage and employers' liability coverage from \$500,000 to \$100 million and \$250,000 to \$5 million, respectively.
C. <u>Participants</u>	Twenty-two municipalities, eleven joint power authorities and two special districts.	One hundred sixty-six members including cities, school districts, special districts and JPA's.
D. <u>Governing Board</u>	Consisting of one member from each participating agency.	One representative from each member county and seven members elected by the public entity membership.
E. <u>Payments for the Current Year</u>	\$ <u>-</u>	\$ <u>4,770,375</u>
F. <u>Condensed Financial Information</u>		
	<u>June 30, 2013*</u>	<u>June 30, 2013*</u>
Total Assets	\$ <u>65,962,653</u>	\$ <u>588,152,525</u>
Total Liabilities	39,812,621	469,537,129
Net Position	<u>26,150,032</u>	<u>118,615,396</u>
Total Liabilities and Net Position	<u>\$ 65,962,653</u>	<u>\$ 588,152,525</u>
Total Revenues	\$ 9,171,005	\$ 538,524,288
Total Expenses	<u>(10,963,129)</u>	<u>(525,460,712)</u>
Net Income (Loss)	<u>\$ (1,792,124)</u>	<u>\$ 13,063,576</u>

Member Agencies Share of Year-End Assets, Liabilities, or Net Position

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* Most recent information available.

** Has not been calculated.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

13. THREATENED LITIGATION

Towns v. SDRMA and Frydendal, Sacramento Superior Court, Case No. 34-2013-00156587-CU-BC-GDS:

Plaintiff James W. Towns is the retired Chief Executive Officer of SDRMA. On June 19, 2013, he filed a tort claim with SDRMA asserting that SDRMA breached a purported contract by which it agreed to guarantee that the pension Towns receives from the California Public Employees' Retirement System ("CalPERS") would not be reduced. Prior to the claim being filed, CalPERS had taken administrative action to reduce Towns' pension. On June 25, 2013, SDRMA rejected Towns' tort claim. Towns then filed a civil lawsuit in Sacramento Superior Court on December 24, 2013 against SDRMA, alleging causes of action for breach of contract, estoppel, constitutional violations and due process violations in an attempt to make SDRMA liable for the difference should CalPERS implement a reduction of Towns' pension benefits. CalPERS reduced Towns' pension on May 1, 2014. On May 30, 2014, Towns filed a "First Amended" tort claim with SDRMA and a First Amended Complaint, which added Paul Frydendal as a defendant. On July 3, 2014, SDRMA and Frydendal filed a demurrer and motion to strike regarding the First Amended Complaint. The demurrer and motion to strike were heard on July 28, 2014 and the court sustained the demurrer without leave to amend based, in part, on the fact that Towns failed to exhaust his administrative remedies, namely the appeal he filed with the CalPERS Board. The court ordered that the matter be stayed pending resolution of the CalPERS appeal. Based upon the information presently known, we believe an outcome favorable to SDRMA is likely.

South San Luis Obispo County Sanitation District v. SDRMA, San Luis Obispo County Superior Court, Case No. CV130473:

On September 23, 2013, South San Luis Obispo County Sanitation District (the "District") filed a complaint alleging that SDRMA failed to defend and indemnify the District in connection with Administrative Civil Liability Complaint No. R3-2012-0030 ("ACLCL") issued by the Regional Water Quality Control Board, Central Coast Region ("RWB") on June 18, 2012, and Order No. R3-2012-0041 issued by the RWB on October 3, 2012, assessing an "administrative civil liability" award against the District in the amount of \$1,109,812.80 (\$1,034,812.80 for "total base liability" plus \$75,000 for "staff costs"). The lawsuit against SDRMA seeks recovery of the amount of the penalty plus the District's defense costs, and also seeks "general and special damages" from SDRMA. SDRMA had previously denied coverage to the District on the grounds that ACLCL fails to seek "damages" under the Liability Coverage Agreement (LCA), a term which is defined by the LCA, in part, to mean "monetary compensation" and "does not include injunctive relief, declaratory relief, restitution, attorneys' fees, fines or penalties." While SDRMA believes it can obtain a favorable result, the Court may agree with the District that the LCA was "reasonably susceptible" to the District's interpretations. If SDRMA is found liable for the fees and costs incurred by the District, such amount may be covered by SDRMA's reinsurance available from Munich Reinsurance America, Inc. and General Reinsurance, Inc. Further, SDRMA is being defended under an Errors & Omissions Insurance Policy issued by Certain Underwriters at Lloyd's of London with liability limits of \$7,000,000 for each claim/aggregate and which may cover the "general and special damages" alleged.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND 2013

14. CONTINGENT LIABILITY - UNEMPLOYMENT INSURANCE

The Authority has elected to cover itself for unemployment insurance under the reimbursement method. Under this method the Authority does not make periodic payments to the State Unemployment Compensation Disability Fund but is required to fund any claims as they are incurred. The amount of the contingent liability, if any, at June 30, 2014 and 2013 is not determinable. However, the Authority is not aware of any claims currently pending.

15. SUBSEQUENT EVENTS

The Authority's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2014 through October 29, 2014, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	Property/Liability		Workers' Compensation		Totals	
	2014	2013	2014	2013	2014	2013
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 9,469,618	\$ 10,046,806	\$ 33,572,671	\$ 29,421,696	\$ 43,042,289	\$ 39,468,502
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	6,183,000	4,792,000	10,643,000	11,275,000	16,826,000	16,067,000
Increase (Decrease) in Provision of Insured Events of the Prior Years	276,060	(757,795)	(317,264)	(27,602)	(41,204)	(785,397)
Change in unallocated loss adjustment expense (ULAE)	(14,771)	2,403	(1,452,061)	368,270	(1,466,832)	370,673
Total Incurred Claims and Claim Adjustment Expenses	<u>6,444,289</u>	<u>4,036,608</u>	<u>8,873,675</u>	<u>11,615,668</u>	<u>15,317,964</u>	<u>15,652,276</u>
Payments:						
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	1,738,216	1,441,040	1,804,879	969,504	3,543,095	2,410,544
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>3,166,671</u>	<u>3,175,159</u>	<u>6,918,900</u>	<u>6,495,189</u>	<u>10,085,571</u>	<u>9,670,348</u>
Total Payments	<u>4,904,887</u>	<u>4,613,796</u>	<u>8,723,779</u>	<u>7,464,693</u>	<u>13,628,666</u>	<u>12,080,892</u>
Total Unpaid Claims and Claims Adjustment Expenses	<u>\$ 11,009,020</u>	<u>\$ 9,469,618</u>	<u>\$ 33,722,567</u>	<u>\$ 33,572,671</u>	<u>\$ 44,731,587</u>	<u>\$ 43,039,886</u>
Detail of Claim Related Liabilities:						
Claims Payable	\$ 6,430,973	\$ 4,891,625	\$ 16,361,442	\$ 16,102,278	\$ 22,792,415	\$ 20,993,903
Claims Incurred But Not Reported	3,896,246	3,881,421	15,761,125	14,418,332	19,657,371	18,299,753
Unallocated Loss Adjustment Expenses	<u>681,801</u>	<u>696,572</u>	<u>1,600,000</u>	<u>3,052,061</u>	<u>2,281,801</u>	<u>3,748,633</u>
Totals	<u>\$ 11,009,020</u>	<u>\$ 9,469,618</u>	<u>\$ 33,722,567</u>	<u>\$ 33,572,671</u>	<u>\$ 44,731,587</u>	<u>\$ 43,042,289</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – PROPERTY/LIABILITY PROGRAM

AS OF JUNE 30, 2014

	Fiscal and Policy Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Required Contribution and Investment Revenue	\$ 8,103,397	\$ 9,561,185	\$ 11,521,258	\$ 13,659,754	\$ 14,897,719	\$ 13,697,652	\$ 13,000,521	\$ 12,966,263	\$ 12,585,662	\$ 13,950,516
Ceded	2,691,075	3,126,072	3,529,445	4,155,565	5,227,540	5,820,402	5,955,167	5,834,855	6,681,883	6,975,122
(1) Net Earned Required Contribution and Investment Revenues	5,412,322	6,435,113	7,991,813	9,504,189	9,670,179	7,877,250	7,045,354	7,131,408	5,903,779	6,975,394
(2) Unallocated Expenses	1,351,667	1,669,079	1,657,176	2,834,329	1,876,696	2,082,912	1,934,215	1,775,769	1,911,616	2,076,963
(3) Estimated Incurred Claims and Expense										
End of Year	6,969,278	8,441,294	9,167,032	11,540,833	12,378,169	12,418,027	12,210,167	10,626,855	11,473,883	13,158,122
Ceded	2,691,075	3,126,072	3,529,445	4,155,565	5,227,540	5,820,402	5,955,167	5,834,855	6,681,883	6,975,122
Net Incurred	4,278,203	5,315,222	5,637,587	7,385,268	7,150,629	6,597,625	6,255,000	4,792,000	4,792,000	6,183,000
(4) Paid (Cumulative)										
End of Year	1,091,578	894,291	916,982	1,351,156	839,971	1,294,868	917,621	1,441,040	1,820,235	1,738,216
One Year Later	1,792,326	2,102,697	1,546,153	2,418,344	1,533,659	2,094,025	2,302,198	2,186,244	2,566,498	
Two Years Later	2,381,253	2,471,041	2,647,337	3,145,693	2,020,075	3,056,088	3,306,542	3,684,372		
Three Years Later	3,051,937	2,651,431	3,524,737	3,128,160	2,606,166	3,497,454	3,676,503			
Four Years Later	3,336,707	2,652,497	3,773,585	3,142,887	3,110,297	3,714,182				
Five Years Later	3,419,347	2,659,443	3,839,720	3,130,457	3,367,673					
Six Years Later	3,423,548	2,659,443	3,935,496	3,130,137						
Seven Years Later	3,423,548	2,659,443	4,014,465							
Eight Years Later	3,423,548	2,659,519								
Nine Years Later	3,423,548									
(5) Reestimated Ceded Claims and Expenses	1,731,230	948,657	1,729,478	8,104,454	506,089	3,310,003	1,501,573	1,133,869	1,081,909	412,262
(6) Reestimated Incurred Claims and Expense										
End of Year	4,278,203	5,315,222	5,637,587	7,385,268	7,150,629	6,597,625	6,255,000	4,792,000	4,792,000	6,183,000
One Year Later	4,469,050	6,112,297	6,316,321	6,530,789	7,082,074	6,518,857	5,379,000	4,982,375	5,629,099	
Two Years Later	5,141,360	3,371,413	5,235,166	4,701,431	4,906,809	4,600,876	5,105,920	4,971,530		
Three Years Later	4,366,830	4,212,958	4,200,059	4,348,190	3,667,695	4,269,766	4,527,059			
Four Years Later	4,841,986	3,011,071	4,164,879	3,407,286	3,452,195	4,165,541				
Five Years Later	3,413,995	2,850,597	3,893,879	3,147,668	3,582,218					
Six Years Later	3,465,728	2,659,443	4,009,847	3,130,137						
Seven Years Later	3,423,548	2,659,443	4,030,681							
Eight Years Later	3,423,548	2,659,519								
Nine Years Later	3,423,548									
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	\$ (854,655)	\$ (2,655,703)	\$ (1,606,906)	\$ (4,255,131)	\$ (3,568,411)	\$ (2,432,084)	\$ (1,727,941)	\$ 179,530	\$ 837,099	\$ -

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – WORKERS’ COMPENSATION PROGRAM

AS OF JUNE 30, 2014

	Fiscal and Policy Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Required Contribution and Investment Revenue	\$ 12,268,296	\$ 14,444,257	\$ 15,427,234	\$ 16,653,213	\$ 16,808,215	\$ 13,361,572	\$ 13,215,319	\$ 13,250,617	\$ 13,191,133	\$ 15,399,890
Ceded	1,812,625	2,138,449	2,500,235	1,629,472	1,205,734	1,311,011	1,379,132	2,045,218	2,217,330	4,471,725
(1) Net Earned Required Contribution and Investment Revenues	10,455,671	12,305,808	12,926,999	15,023,741	15,602,481	12,050,561	11,836,187	11,205,399	10,973,803	10,928,165
(2) Unallocated Expenses	2,249,413	1,763,538	2,766,089	2,092,995	2,085,983	2,008,593	1,841,551	2,474,138	2,678,429	2,874,526
(3) Estimated Incurred Claims and Expense										
End of Year	7,458,797	9,234,917	11,170,235	12,203,786	11,159,034	10,421,011	9,697,132	10,877,218	13,492,330	15,114,725
Ceded	1,812,625	2,138,449	2,500,235	1,629,472	1,205,734	1,311,011	1,379,132	2,045,218	2,217,330	4,471,725
Net Incurred	5,646,172	7,096,468	8,670,000	10,574,314	9,953,300	9,110,000	8,318,000	8,832,000	11,275,000	10,643,000
(4) Paid (Cumulative)										
End of Year	901,792	942,376	1,190,701	1,262,398	1,206,540	1,243,562	1,369,701	969,054	1,652,610	1,804,879
One Year Later	1,957,887	2,569,494	2,553,737	2,619,026	2,693,983	2,958,197	2,918,209	3,011,645	4,025,215	
Two Years Later	2,615,955	3,439,561	3,406,648	3,437,941	3,395,128	4,203,374	4,160,250	4,693,380		
Three Years Later	3,321,389	4,144,924	3,977,034	3,962,948	4,019,600	5,284,201	5,158,034			
Four Years Later	3,660,171	4,649,809	4,405,251	4,258,642	4,711,614	6,199,575				
Five Years Later	3,988,621	4,906,589	4,613,316	4,505,318	5,128,243					
Six Years Later	4,212,062	5,088,993	4,768,208	4,663,864						
Seven Years Later	4,274,558	5,237,467	4,851,486							
Eight Years Later	4,319,900	5,339,046								
Nine Years Later	4,330,848									
(5) Reestimated Ceded Claims and Expenses	309,016	122,342	209,884	34,230	22,801	93,349	1,031,223	521,278	7,017	1,417
(6) Reestimated Incurred Claims and Expense										
End of Year	5,646,172	7,096,468	8,670,000	10,574,314	9,953,300	9,110,000	8,318,000	8,832,000	11,275,000	10,643,000
One Year Later	6,036,704	7,650,000	8,750,000	8,350,000	8,075,000	8,217,000	7,684,000	8,826,000	11,024,000	
Two Years Later	6,350,000	7,600,000	7,500,000	7,081,000	7,445,000	8,283,000	7,785,000	8,678,000		
Three Years Later	6,275,000	6,500,000	6,173,000	6,629,000	6,997,000	8,750,000	8,108,000			
Four Years Later	5,750,000	6,034,000	6,114,000	6,249,000	7,073,000	8,834,000				
Five Years Later	5,453,000	6,078,000	6,040,000	6,018,000	6,994,000					
Six Years Later	5,301,000	5,926,000	6,018,000	5,645,000						
Seven Years Later	5,156,191	5,779,000	6,172,000							
Eight Years Later	4,931,000	5,983,000								
Nine Years Later	5,004,000									
(7) Increase (Decrease) in Estimated Incurred Claims Expense from End of Policy Year	\$ (642,172)	\$ (1,113,468)	\$ (2,498,000)	\$ (4,929,314)	\$ (2,959,300)	\$ (276,000)	\$ (210,000)	\$ (154,000)	\$ (251,000)	\$ -

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ((a-b)/c)
7/1/2010	\$ 151,061	\$ -	\$ 151,061	0%	\$ 1,370,746	11.0%
7/1/2011	\$ 211,975	\$ 161,548	\$ 20,427	90%	\$ 921,795	2.2%
7/1/2013	\$ 301,391	\$ 238,017	\$ 63,374	79%	\$ 1,066,993	5.9%

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1) RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM

The schedules represent the changes in claims liabilities for the current and past year for all of the Authority's programs.

2) CLAIMS DEVELOPMENT INFORMATION

The following tables illustrate the Authority's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the year. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of ceded premiums.
2. This line shows the Authority's other operating costs including overhead and claims adjustment expenses not allocable to individual claims.
3. This line shows the Authority's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year, net of claims in excess of the Authority's self-insured retention.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

3) SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

This schedule represents funding progress for retiree health benefits (OPEB).

SUPPLEMENTARY INFORMATION

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2014

Assets	Property/Liability	Workers' Compensation	Health Benefits	Total
Current Assets				
Cash and cash equivalents	\$ 1,627,936	\$ 3,516,350	\$ 1,048,536	\$ 6,192,822
Current investments	639,916	823,322	-	1,463,238
Receivables	580,971	992,872	6,865	1,580,708
Prepaid expenses	170,025	99,351	1,843,942	2,113,318
Total Current Assets	3,018,848	5,431,895	2,899,343	11,350,086
Noncurrent Assets				
Investments, at market	32,484,210	54,744,252	-	87,228,462
Notes receivable	185,301	-	-	185,301
Capital assets:				
Land	381,425	381,425	-	762,850
Other capital assets, net	1,810,763	2,110,522	-	3,921,285
Total Noncurrent Assets	34,861,699	57,236,199	-	92,097,898
Total Assets	37,880,547	62,668,094	2,899,343	103,447,984
Liabilities				
Current Liabilities				
Accounts payable	166,777	78,803	1,878	247,458
Accrued payroll	43,222	31,585	8,312	83,119
Member payable	257,476	252,660	-	510,136
Unearned contributions	2,006,170	996,694	1,503,023	4,505,887
Current portion of claim-related liabilities	4,200,000	7,300,000	-	11,500,000
Total Current Liabilities	6,673,645	8,659,742	1,513,213	16,846,600
Noncurrent Liabilities				
Noncurrent portion of claim-related liabilities	6,809,020	26,422,567	-	33,231,587
Total Liabilities	13,482,665	35,082,309	1,513,213	50,078,187
Net Position				
Invested in capital assets, net of related debt	2,192,188	2,491,947	-	4,684,135
Unrestricted	22,205,694	25,093,838	1,386,130	48,685,662
Total Net Position	\$ 24,397,882	\$ 27,585,785	\$ 1,386,130	\$ 53,369,797

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

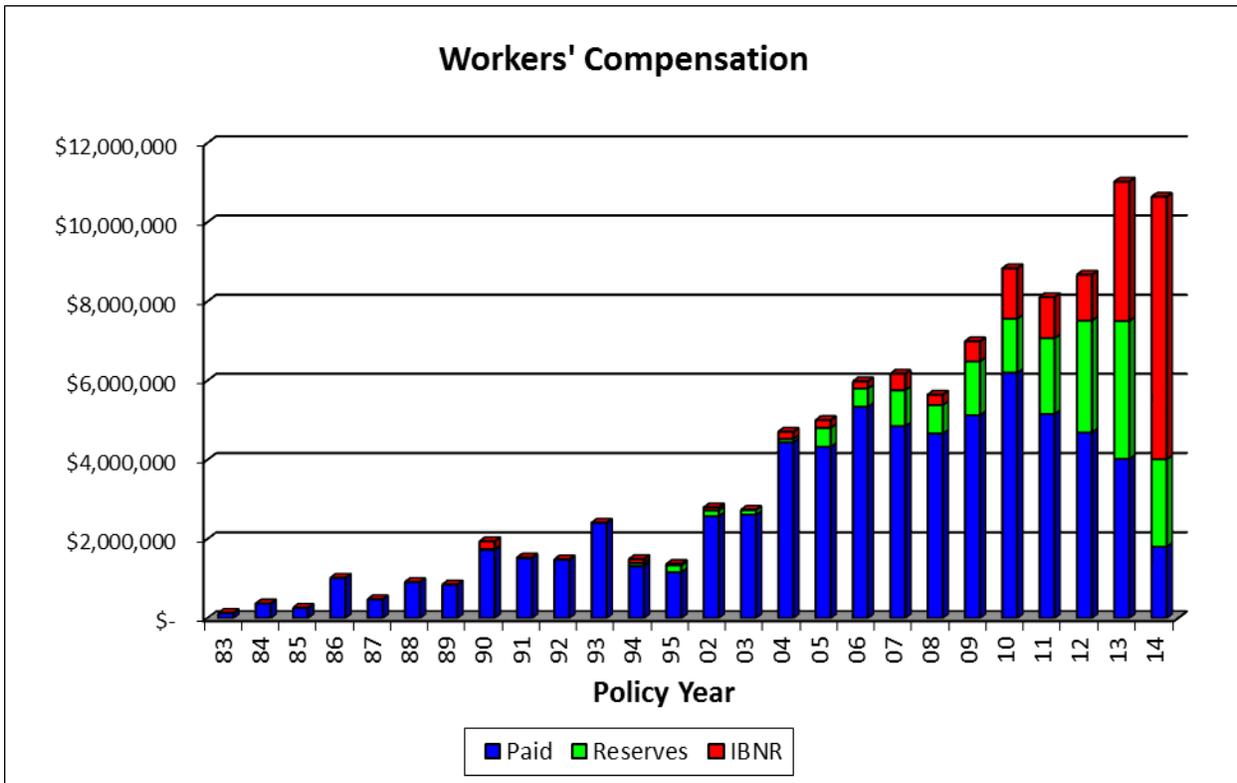
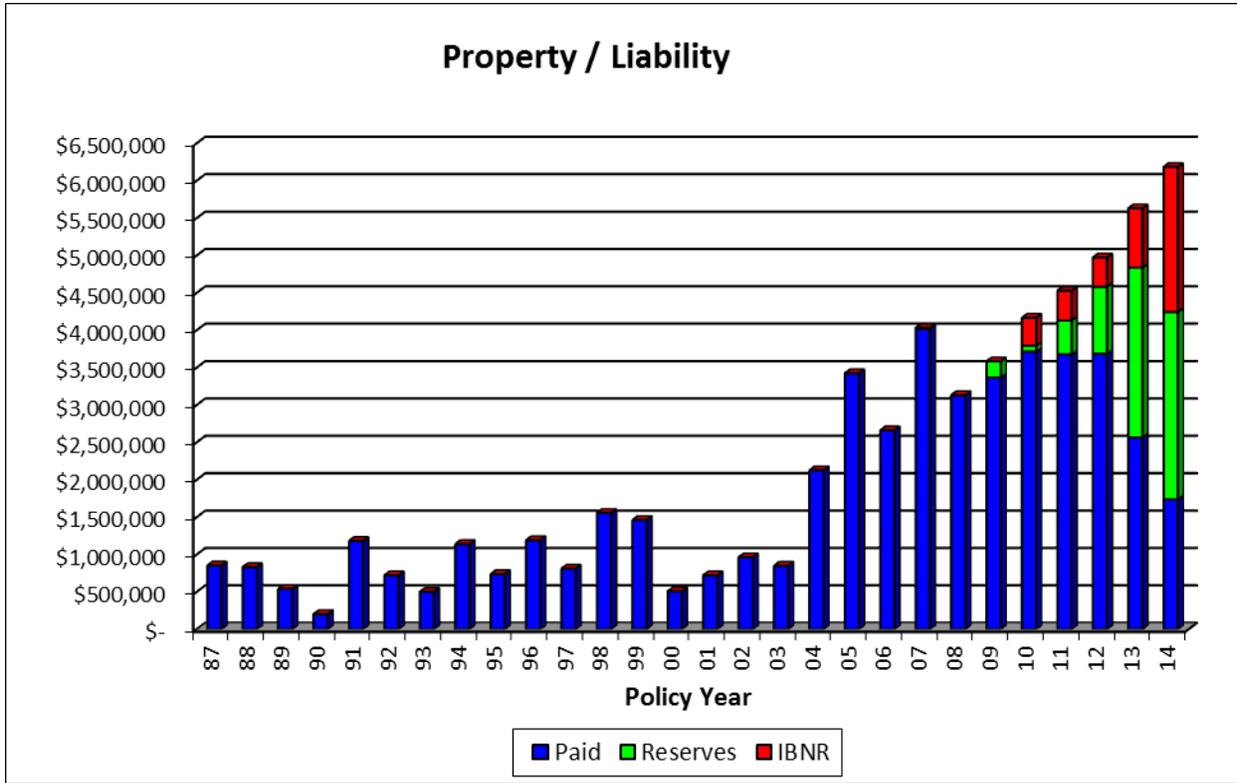
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Property/Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>Total</u>
Operating Revenues				
Members' contribution	\$ 13,243,784	\$ 14,374,238	\$ -	\$ 27,618,022
Health benefits premium	-	-	22,819,070	22,819,070
Other income	19	1,014	4	1,037
Total Operating Revenues	<u>13,243,803</u>	<u>14,375,252</u>	<u>22,819,074</u>	<u>50,438,129</u>
Operating Expenses				
Claims expense	6,444,289	8,873,675	-	15,317,964
Insurance expense	6,975,122	4,471,725	-	11,446,847
Health insurance expense	-	-	22,340,180	22,340,180
Contract services and CSDA fees	515,361	1,678,971	21,577	2,215,909
Salaries and benefits	908,172	663,665	174,649	1,746,486
General and administrative	306,556	489,370	133,536	929,462
Depreciation expense	346,874	42,520	-	389,394
Total Operating Expenses	<u>15,496,374</u>	<u>16,219,926</u>	<u>22,669,942</u>	<u>54,386,242</u>
Operating Income (Loss)	<u>(2,252,571)</u>	<u>(1,844,674)</u>	<u>149,132</u>	<u>(3,948,113)</u>
Nonoperating Revenues and Expenses				
Rental revenue	200,627	199,194	-	399,821
Rental expense	(157,452)	(157,458)	-	(314,910)
Net Rental Income (Loss)	43,175	41,736	-	84,911
Investment income	560,468	922,902	1,062	1,484,432
Gain on sale of capital assets	103,070	-	-	103,070
Total Nonoperating Revenues and Expenses	<u>706,713</u>	<u>964,638</u>	<u>1,062</u>	<u>1,672,413</u>
Change in Net Position	<u>(1,545,858)</u>	<u>(880,036)</u>	<u>150,194</u>	<u>(2,275,700)</u>
Beginning Net Position	<u>25,943,740</u>	<u>28,465,821</u>	<u>1,235,936</u>	<u>55,645,497</u>
Ending Net Position	<u>\$ 24,397,882</u>	<u>\$ 27,585,785</u>	<u>\$ 1,386,130</u>	<u>\$ 53,369,797</u>

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

GRAPHICAL PRESENTATION OF CLAIMS

JUNE 30, 2014



1112 I Street, Suite 300
Sacramento, California 95814-2865
T 916.231.4141
T 800.537.7790
F 916.231.4111
www.sdrma.org



2013-14 ANNUAL FINANCIAL AUDIT
Financial Statements with Independent Auditor's Report



2013-14 ANNUAL REPORT

Providing Unparalleled Property/Liability, Workers' Compensation and Health Benefits Programs

BOARD PRESIDENT'S MESSAGE



“Our partnerships with CSDA, the CSDA Finance Corporation and the Special District Leadership Foundation provide our members access to valuable services, resources, education and training opportunities.”

2013-14

Special District Risk Management Authority (SDRMA) remains committed to its founding values of quality service, fiscal integrity and stability, and member focused programs that maximize protection and minimize risk.

Our goal is to serve as an extension of your agency's staff and provide the best value through proactive loss prevention, effective claims cost containment and enhanced member services. Our partnerships with CSDA, the CSDA Finance Corporation and the Special District Leadership Foundation provide our members access to valuable services, resources, education and training opportunities.

Significant Highlights for Fiscal Year 2013-14

- * 44 new members joined
- * Approved keeping rates flat for the Property/Liability Program for the 4th year in a row
- * Approved New Complimentary Employment Law Legal Hotline for Property/Liability Members
- * Received Favorable Opinion on our Annual Financial Audit Report
- * Received an overall 99% score on our Property/Liability Claims Audit
- * Approved Longevity Distribution credits of over \$257,000 for Property/Liability Program members and over \$252,000 for Workers' Compensation Program members
- * Approved 10% rate increase for the Workers' Compensation Program

Additionally, during the CSDA Annual Conference held in Palm Springs in October, the SDRMA Board of Directors presented the 2014 Safety Awards. The Earl F. Sayre Excellence in Safety Award was presented to Property/Liability program members demonstrating a commitment to loss prevention and public safety including their participation in SDRMA and CSDA safety and governance training sessions throughout the year. The large member category recipient was Rosamond Community Services District and the small member category recipient was Grizzly Flats Community Services District. The McMurchie Excellence in Safety Award was presented to the Workers' Compensation program members demonstrating a commitment to employee safety and training to reduce workplace injuries. The large member category recipient was East Valley Water District and the small member category recipient was Nipomo Community Services District.

SDRMA is also offering a new Safety Specialist Certificate Program with 2 levels; General Safety Specialist and Supervisor Safety Specialist. The Certificate Program was developed with specific course criteria for either individual or member agencies with classes focused on loss prevention and safety training. Once the required criteria is completed, the individual or member agency will receive recognition with a special Certificate of Completion. The certificate will be valid for two years and can be renewed. SDRMA will track this information for the member and the member agency will also receive Credit Incentive Points.

Finally, we greatly appreciate our members' excellent safety and loss prevention efforts which are demonstrated by either reduced claims or no claims and their efforts are recognized through the No Claims Recognition and President's Special Acknowledgement Award Programs. The No Claims Recognition is to recognize members with no "paid" claims during the prior program year. The President's Special Acknowledgement Award is to recognize members with no "paid" claims during the prior 5 consecutive program years. For the Property/Liability Program, 406 members had no claims for the prior year and 275 members had no claims over 5 years. For the Workers' Compensation Program, 244 members had no paid claims for the prior year and 115 members had no paid claims over 5 years.

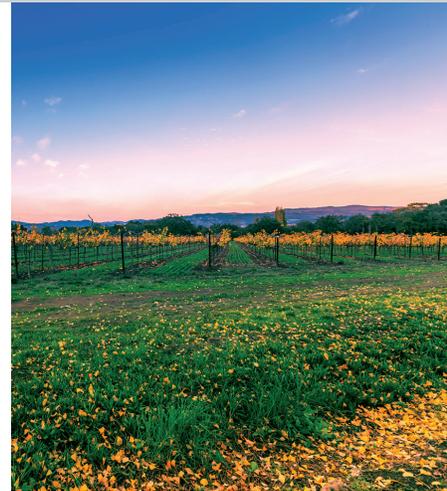
In closing, on behalf of the Board of Directors, thank you for your support and continued participation in helping make SDRMA the premier risk management program in California!

A handwritten signature in blue ink that reads "David Aranda". The signature is fluid and cursive, written in a professional style.

Board President David Aranda

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ABOUT SDRMA



NOT-FOR-PROFIT PUBLIC AGENCY

SDRMA is a not-for-profit public agency formed in 1986, under California Government Code Section 6500 et seq., and was established to provide property, liability, and workers' compensation coverage protection and risk management services statewide exclusively for California public agencies. SDRMA's primary objective is to serve as a single comprehensive resource providing quality coverage protection, risk management services, claims management, as well as a world-class safety and loss prevention program tailored to meet the complex needs of public agencies.

SDRMA MISSION

SDRMA's mission is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool to CSDA members, delivered in a timely, cost-efficient manner, responsive to the needs of our members. SDRMA's professional expertise, technical knowledge, and understanding of public agency operations, coupled with our commitment to responsive, in-house claims management, pro-active loss prevention and cost containment enables our members to allocate more of their vital resources to providing essential community programs and services to their constituents.

CAJPA ACCREDITATION WITH EXCELLENCE

In order to measure the effectiveness of its services and programs, SDRMA participates in the California Association of Joint Powers Authorities (CAJPA) Accreditation Program. Since 2005, SDRMA has been awarded their highest designation, "Accreditation with Excellence". The CAJPA Accreditation program has been operating since 1989 and reviews the organizational structure and activities of a joint powers authority (JPA), comparing the JPA with standards adopted by the Association believed to be advantageous to the preservation and performance of the individual JPA and JPAs in California as a whole.

Compliance with the standards results in a status of "Full Accreditation" or "Accreditation With Excellence" for a three-year period. The process included a detailed review by independent consultants applying a detailed set of standards that have been accepted by the industry as "best practices." The consultant prepares a detailed report that is reviewed by the CAJPA Accreditation Committee. The purpose of the program is to promote professional management and fiscally sound practices, provide industry standards, assure governing boards of management's compliance with accepted standards, and maintain a self-regulating process that is ultimately less expensive and more meaningful than State or Federal regulation.

JPAs such as SDRMA operate comprehensive risk management programs and provide important services for member entities including loss prevention services. CAJPA Accreditation is a measure of how well a pool is being managed and is evidence of the JPA Board's commitment to high standards.



The Accreditation Standards span 24 pages including nine broad categories of review including:

- * Governing Documents and Administrative Contracts
- * Government Rules
- * Insurance and Coverages
- * Accounting and Finance
- * Investment of Funds
- * Funding and Actuarial Standards
- * Risk Control
- * Claims Management
- * Operations and Administrative Management

ORGANIZATION OVERVIEW

SDRMA MEMBERS

SDRMA BOARD OF DIRECTORS

Fulfills the mission of the Authority by establishing policies and providing general direction and oversight for the benefit of our members.

- David Aranda**, President
- Muril Clift**, Vice President
Cambria Community Services District
- Jean Bracy**, Secretary
Mojave Desert Air Quality Management District
- Terry Burkhart**, Director
Bighorn-Desert View Water Agency
- Ed Gray**, Director
Chino Valley Independent Fire District
- Sandy Seifert-Raffelson**, Director
Herlong Public Utility District
- Michael Scheafer**, Director
Costa Mesa Sanitary District



David Aranda



Muril Clift



Jean Bracy



Terry Burkhart



Ed Gray



Sandy Seifert-Raffelson



Michael Scheafer

CHIEF EXECUTIVE OFFICER

Develops programs for the benefit of the pool. Manages the Authority in accordance with Board policy and direction. Maintains administrative and operational responsibilities.

Gregory S. Hall, ARM

CONSULTANTS

- General Counsel
- Defense Counsel
- Coverage Counsel
- Reinsurance Brokers

CLAIMS MANAGEMENT LOSS PREVENTION

Manages entire claims process. Assists members in reducing and controlling losses, provides proactive safety training, member safety inspections.

- Dennis Timoney**, ARM
Chief Risk Officer
- Debbie Yokota**
Claims Manager
- Karen Lafferty**, AIC
Senior Claims Examiner
- Jennifer Ng**
Claims Assistant

ADMINISTRATION

Manages the Authority's business operations and ensures continuity and efficiency in the Authority's programs and operations. Coordinates coverages with carriers. Manages human resource programs.

- C. Paul Frydendal**, CPA
Chief Operating Officer
- Alana Batzianis**
HR/Health Benefits Specialist II

FINANCE

Manages the Authority's funds and financial activities. Ensures financial integrity and accountability. Monitors budgeted expenses with actual expenditures.

- Nicole Rushing**
Finance Manager
- Shawn Vang**
Accountant
- Rajnish Raj**
Accounting Technician

MEMBER SERVICES

Serves as the primary contact between the Authority and its members. Ensures effective communication and information for members. Provides administration and marketing for member growth and retention.

- Ellen Doughty**
Chief Member Services Officer
- Wendy Tucker**
Senior Member Services Specialist
- Rachel Saldaña**
Administrative Assistant

CONTRACT SERVICES

Third Party Administrator – Workers' Compensation
Safety Consultants

CONTRACT SERVICES

Investment Managers

CONTRACT SERVICES

Auditors
Actuaries

CONTRACT SERVICES

IT Consultants

PROGRAM OVERVIEW



SDRMA is a Joint Powers Authority (JPA) with over 28 years of trusted experience. SDRMA has a proven reputation for stable, competitive rates, actuarial based fiscal management, and sound underwriting practices. Our goal is to establish a long-term partnership with our members to positively impact the overall cost of claims and risk management by providing member focused services and safety training. Members can annually reduce their future year premiums up to 15% for completion of SDRMA approved risk management and training programs.

A TRUSTED COMMITMENT TO OUR MEMBERS

- * Reflecting the Values of Our Members: SDRMA is committed to conducting business on behalf of our members by doing the right thing in the right way and at the right time based on the highest professional standards and integrity.
- * Maximizing Coverage and Minimizing Risk: Since formation, SDRMA has successfully met its stated mission by working with and on behalf of its members to develop programs and coverages that provide maximum protection and minimize losses.
- * Protecting Member's Assets: SDRMA protects its members by identifying their exposures, assessing their risks and recommending the optimal deductible and coverage limits. We aggressively manage and defend claims for damages and maintain a zero tolerance for fraud.
- * Covering our Members: Coverage documents are broad form manuscript policies written on an "occurrence form" to ensure the highest level of coverage and maximum protection of assets for governmental entities providing municipal services.
- * Managing our Financial Responsibility: SDRMA's expenditures on operations, claims, excess coverages and other aspects of the financial strategy are continually monitored and evaluated to ensure a high ranking and ability to surpass industry benchmarks, which results in consistently lower rates for our members.

OVER
28
YEARS OF
EXPERIENCE

- ✦ Maintaining a Fiscally Sound Pool: SDRMA's combined ratios are significantly below the industry average. This consistent performance allows SDRMA to maintain a fiscally sound pool, as well as provide rates that are on average 15% below the commercial marketplace.
- ✦ Providing Confidence in our Programs: SDRMA's Board of Directors has an established policy of maintaining an actuarial confidence level on an undiscounted basis of 90% for Property/Liability and 85% for Workers' Compensation. Currently, both our Property/Liability and Workers' Compensation confidence levels exceed 95%. The actuarial industry average is 75% - 85%.
- ✦ A seven-member Board of Directors govern SDRMA and possess a firsthand understanding of the complex issues of operating municipal services. Elected from within the SDRMA's program membership the Board establishes policy, direction and the vision of the organization. Board members are directors or managers of member agencies.



MEMBER PROFILE



A PROPERTY/LIABILITY, WORKERS' COMPENSATION AND HEALTH BENEFITS PROGRAM FOR PUBLIC AGENCIES

SDRMA members provide a wide variety of public services ranging from air quality management to wastewater collection and treatment, as well as municipal services. The diversity of services and risk exposure is beneficial for obtaining the lowest reinsurance cost and in providing stable rates.

Property/Liability Members	478
Workers' Compensation Members	404
Health Benefit Members	105

2013-14 Program Members	PLP	WCP	HBP
Air Pollution Control / Air Quality Management	11	11	2
Airport Districts	3	6	0
Ambulance / Emergency Services / Life Support	0	1	0
Animal Services	2	1	0
Cemetery	19	26	7
Children Services	1	2	1
Community Services Districts	128	90	15
Economic Development Commission	1	1	1
Emergency / Safety Communications	4	3	1
Fire Protection	17	20	1
Flood Control / Levee / Reclamation / Drainage	19	8	1
Harbor / Port	2	5	0
Healthcare / Medical Services / In Home Support	7	5	5
Housing Authority	2	1	0
Irrigation	8	13	1
JPA	19	16	5
Library	10	10	2
Local Agency Formation Commission	19	12	4
Memorial	11	6	0
Municipal Improvement / Resort Improvement	5	3	1
Municipalities	1	4	18
Pest Control / Mosquito Abatement / Mosquito Vector Control	20	11	7
Police Protection	1	1	0
Public Utility	16	14	4
Recreation and Park	15	8	1
Resource Conservation	48	40	6
Sanitary / Sewer / Wastewater	25	18	8
Solid Waste / Waste Management	9	6	2
Transit / Transportation	3	5	5
Water	52	57	7
Totals	478	404	105

NEW MEMBERS

PROPERTY/LIABILITY PROGRAM

Bell Canyon Community Services District
 Bethel Island Municipal Improvement District
 Buckingham Park Water District
 Dixon Watershed Real Property Acquisition JPA
 Gold Ridge Resource Conservation District
 Imperial Valley Resource Management Authority
 Lava Beds/Butte Valley Resource Conservation District
 South Placer Municipal Utility District
 South Santa Clara Valley Memorial Special District
 Special District Risk Management Authority

WORKERS' COMPENSATION PROGRAM

Alpaugh Community Services District
 Exeter Veterans Memorial District
 Friant Water Authority
 Heartland Communications Facility Authority
 Igo-Ono Community Services District
 Lower Lake County Waterworks District No. 1
 Murphys Cemetery District
 Pine Cove Water District

PROPERTY/LIABILITY AND WORKERS' COMPENSATION

El Camino Irrigation District
 Midway City Sanitary District
 Mountain House Community Services District
 Northern Rural Training and Employment Consortium
 Orange County Cemetery District
 West Contra Costa Transportation Advisory Committee

HEALTH BENEFITS PROGRAM

Bear Valley Water District
 Delano Mosquito Abatement District
 Grizzly Lake Community Services District
 Groveland Community Services District
 Hidden Valley Lake Community Services District
 Kern County Local Agency Formation Commission
 Lompico County Cemetery District
 Northern Rural Training and Employment Consortium
 Rodeo Sanitary District
 San Miguel Community Services District
 Santa Maria Valley Water Conservation District
 Susanville Sanitary District
 Sutter-Yuba Mosquito Vector Control District
 Washington Colony Cemetery District



44

NEW MEMBERS

Membership in our programs continues to grow. We believe this is a reflection of our quality of service and programs, member confidence and competitive rates. We extend a warm welcome to the 44 new members that joined in 2013-14.



STRAIGHTFORWARD UNCOMPLICATED PROGRAM

SDRMA offers a straightforward uncomplicated program. Coverage documents are broad form manuscript policies written on an “occurrence form” to ensure the highest level of coverage and maximum protection of assets for governmental entities providing municipal services. Our programs have a proven reputation for stable, competitive rates, actuarially based fiscal management, and sound underwriting practices. Responsive, in-house claims management and cost containment, combined with a tailored safety and loss prevention, provides members an unequalled risk management program.

PROPERTY/LIABILITY PACKAGE PROGRAM COVERAGES:

General Liability

Coverage for claims and losses arising from third-party personal injury, bodily injury and property damages. Coverage includes: subsidence (associated with main leaks and breaks), sudden & accidental release of chlorine, water & wastewater as a completed product (not pollution), failure to supply (except for administrative acts), sewer overflow/backups, hazardous material loading/unloading and volunteer/employees.

Auto Liability

Auto liability coverage protects members from lawsuits for bodily injury and property damage to the public arising out of ownership, maintenance or use of a covered vehicle. Coverage includes: owned vehicles, non-owned and hired vehicles and uninsured/underinsured motorists.

Auto Physical Damage

Auto physical damage (comprehensive and collision) provides protection for damage or loss to a member’s owned vehicle. Comprehensive coverage includes: fire, theft, vandalism, windstorm, hail, flood, glass breakage, damage caused by riot or civil commotion and damage from hitting or being hit by birds and animals. Collision coverage provides coverage for repair or replacement for like kind, type and condition based on actual cash value.

Public Officials Errors and Omissions

Coverage for public officials’ and directors’ “wrongful acts”, alleged or actual negligence, errors or omissions, breach of duty, misfeasance, malfeasance, nonfeasance and defamation.

Elected Officials Personal Liability

This highly specialized unique coverage protects elected and/or appointed officials from claims and settlements arising outside the course and scope of their duties. Coverage includes invasion of privacy, libel, slander, defamation of character, discrimination, false arrest and malicious protection.

Employment Practices Liability

Coverage for claims and losses arising from “wrongful” employment practices. Coverage includes wrongful termination, sexual harassment and discrimination.

Employment Benefits Liability

Coverage for claims and settlements resulting from the negligent administration of employee benefit plans.

Employment and Officials Fidelity Blanket Bond

Coverage protection for member losses resulting from fraudulent or dishonest acts committed by employees, volunteers or board members. Coverage includes: larceny, theft, embezzlement, forgery and wrongful misappropriation.

Property Coverage

Coverage provided for the replacement cost value of reported buildings and contents. Additional extensions provided for accounts receivable, builders’ risk, business interruption, commandeered property, cost of construction, debris removal, electronic data processing (items not scheduled) extra expense, fine art (appraised value), flood coverage (annual aggregate), terrorism, pollution clean-up (related to property loss), personal property of others and valuable papers. Valuation: Replacement Cost (w/o depreciation).

Boiler and Machinery

Coverage for the “sudden and accidental” breakdown of mechanical and electrical machinery. Coverage includes expediting expenses, business income, extra expense, spoilage, water damage, ammonia contamination, hazardous substances, error in description and newly acquired property.

Ancillary Coverages

Ancillary coverages are offered on a member-by-member basis (such as: pollution liability and earthquake).



LIABILITY PROGRAM STRUCTURE



An important safeguard and strength of our programs is the use of reinsurance to protect the membership from catastrophic losses. As a result of the financial strength and sound financial management of our programs, SDRMA has been able to obtain superior reinsurance coverage for our membership. Currently, our Liability Program reinsurance partners Genesis Re and Munich Re are ranked the number one and two reinsurers worldwide.

Currently, our Liability Program reinsurance partners are; Genesis Re (A.M. Best Rating A++ Superior) and Munich Re (A.M. Best Rating A+ Superior).

SDRMA self-insures the first \$250,000 of each occurrence.

General Liability (1)	Public Officials E&O (2)	
Genesis Re Reinsurance	Genesis Re Reinsurance	\$ 10,000,000
Genesis Re Reinsurance	Genesis Re Reinsurance	\$ 5,000,000
Genesis Re Reinsurance	Genesis Re Reinsurance	\$ 2,500,000
Genesis Re Reinsurance	Genesis Re Reinsurance	\$ 500,000
Munich Re Reinsurance	Munich Re Reinsurance	\$ 250,000
SDRMA Self-Insured Retention \$ 250,000		
\$ 0 Member Deductible		

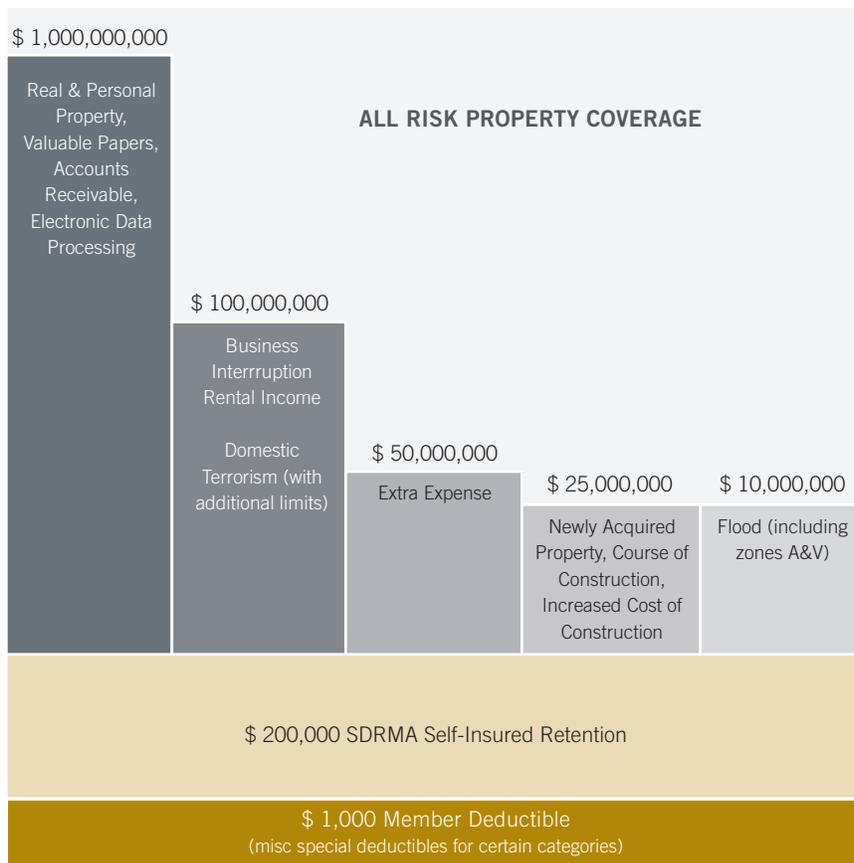
(1) Specific per Occurrence per Member (No Annual Aggregate)

(2) Includes: Employment Practices Liability, Employee Benefits (Annual Aggregate)

PROPERTY PROGRAM STRUCTURE

Currently, our Property Program reinsurance partner is Public Entity Property Insurance Program (PEPIP). Formed in 1993 to meet the unique property insurance needs faced by public entities, they are the largest single property placement in the world.

INSURED BY: LEXINGTON INSURANCE COMPANY*
(A.M. BEST RATING A EXCELLENT)



NOTES: Property Coverage also includes Boiler & Machinery, Contractors Equipment Schedule, Lease Purchase and Fire Vehicles Scheduled

* The Lexington Insurance Company is the primary carrier for SDRMA's coverage limits in the PEPIP program administered by Alliant Insurance Services, Incorporated

WORKERS' COMPENSATION PROGRAM



PROVIDING COVERAGE

As California's trusted risk management advisor, SDRMA provides special districts, joint powers authorities, cities and other public agencies with comprehensive workers' compensation coverage. Our Workers' Compensation Program has a proven reputation for tremendous stability, competitive rates, actuarially based fiscal management, and sound underwriting practices. Moreover, our responsive claims management and cost containment, combined with tailored safety and loss prevention, provide Members an unrivaled full-service Workers' Compensation Program.

PROTECTING OUR MEMBERS

Our primary objective is proactive prevention - to control and prevent losses, and to lower workers' compensation contributions. Our commitment is to create a safe environment for your employees - which is why our programs are geared to prevent employee injuries, not just provide coverage after they occur. Monthly safety and prevention bulletins are sent directly to all Members and employees.

LOSS CONTROL

Our excellent loss ratio is the direct result of the efforts of our Members and a proactive loss prevention program. New Members receive a comprehensive on-site safety analysis by a certified safety officer and are provided a written safety report. We provide our Members with a safety claims procedure manual and training sessions to assist them with preliminary claims processing. In addition, if a Member's Experience Modification calculations are higher than average, SDRMA takes extra steps to help Members bring down their Experience Modification Factor (EMOD).

All Workers' Compensation Programs in California are required by law to provide the same coverage. The difference is, with an SDRMA Program, you receive superior claims management and unequalled value-for-value services.

WORKERS' COMPENSATION PROGRAM STRUCTURE

Currently, our reinsurance partners, National Union Fire Insurance Company of Pittsburg A (Excellent), Ace American Insurance Company A+ (Superior), Wesco Insurance Company A (Excellent) and California State Association of Counties (CSAC) Excess Insurance Authority provide insurance coverage for the various structured layers of the Workers' Compensation Program.



National Union Fire Insurance Company Per Occurrence (A.M. Best Rating A Excellent)	Statutory
Ace American Insurance Company Per Occurrence (A.M. Best Rating A++ Superior)	\$ 50,000,000
Wesco Insurance Company Per Occurrence (A.M. Best Rating A Excellent) CSAC Excess Insurance Authority	\$ 5,000,000
SDRMA Self-Insured Retention \$250,000	\$ 250,000
\$0 Member Deductible	

CLAIMS MANAGEMENT AND ADMINISTRATION



SDRMA recognizes that claims management is a critical component of a risk management program. SDRMA takes a pro-active approach to claims management. Responsive claims management and cost containment, combined with tailored safety and loss prevention, provides our members unequaled full-service programs.

POSITIVELY IMPACTING CLAIMS COST

We consider claims our product: Our primary program objective is to provide responsive claims management, cost containment, loss control and prevention services that positively impacts the overall cost of property/liability coverages.

- * **Claims Philosophy:** Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims, not only within the self-insured retention level, but also within the excess insurance layers.
- * **Claims Management:** We aggressively manage and defend claims for damages. SDRMA maintains a zero tolerance for fraud.
- * **Claims Communication:** All claims activity is closely communicated and discussed with our members.
- * **State-of-the-Art Claims Software:** SDRMA uses state-of-the-art claims management software to provide accurate, up-to-date status of each claim, loss run reports and financial information.
- * **Claims Activity Evaluation:** SDRMA member's loss activity is continually monitored and evaluated by our claims management professionals. In the event that a member's loss activity exceeds the pool average, our claims management team will develop an action plan to assist members in claims reduction.
- * **Claims Settlement Authority:** SDRMA's Board of Directors and management team retain ultimate settlement authority and approval of claims within the self-insured retention. We defend claims aggressively and the Board of Directors has instructed staff to make every effort to resolve claims to the benefit of our members.
- * **Claims Education:** SDRMA believes the key to a successful risk management program is quality and relevant education. Our members are provided with a variety of seminars, online and local regional training such as: confined spaces, employment practices and board member ethics and responsibilities.
- * **Claims Manual:** Members are provided with a Claims procedure manual and the necessary forms.

CLAIMS ARE OUR PRODUCT

Our philosophy and established practice is to work with and on behalf of our members to satisfactorily resolve claims, not only within the self-insured retention level, but also within the excess insurance layers.

Industry Average Cost Per Workers' Compensation Indemnity Claim: \$86,845
 SDRMA Average Cost Per Workers' Compensation Indemnity Claim: \$7,131

Average Cost per Claim		
Program Year	Workers' Compensation (Indemnity only)	Property/Liability
2013-14	\$7,131	\$17,730
2012-13	\$15,148	\$19,898
2011-12	\$16,156	\$19,110
2010-11	\$24,681	\$15,998
2009-10	\$20,605	\$19,619

Property/Liability Claims Management Program: Property/Liability claims are processed, managed and adjusted “in-house.” SDRMA utilizes state-of-the-art claims management software and members have online access to claims and loss history information.

Workers' Compensation Claims Management Program: Under the direct supervision of SDRMA's Chief Risk Officer, we utilize the third-party administrator expertise of York Risk Services Group, Inc. for our workers' compensation claims management. Members have online access to claims and loss history information.



RESOLVING CLAIMS

HEALTH BENEFITS PROGRAM



SDRMA in partnership with California State Association of Counties (CSAC-EIA Health - current life pool with over 80,000 participants), offers a small group Medical Benefits Program to public agencies with 250 employees or less. Blue Shield is the network provider and there are 8 plan offerings; Two HMOs, Platinum PPO, Gold PPO, Silver PPO, EPO and two High Deductible HSA Compatible Plans. Express Scripts and Blue Shield are the prescription providers.

SDRMA also offers an Ancillary coverages package including Delta Dental, VSP Vision, VOYA Financial Life, Long Term Disability (LTD) and an MHN Employee Assistance Program (EAP). There are several available options for each coverage providing maximum flexibility and savings.

SDRMA functions as the administrator of the small group program by marketing the program, enrolling new groups, answering day to day questions, billing (using a third party TPA, Employee Benefit Specialists - EBS), collecting and remitting the monthly medical premiums. Since SDRMA only serves as the administrator of the Health Benefits Programs, there is no liability risk to SDRMA members.

Groups must be public agencies and are not required to participate in other SDRMA programs.

MEMBERPLUS SERVICES™

In an effort to help our members prevent and reduce claims, SDRMA provides Complimentary MemberPlus Services.™ These are just a few of the types of MemberPlus Services™ provided to our members:

- * Personalized Online Member Resources – MemberPlus Online™ Portal
- * State-of-the-Art Online Safety/Compliance Training – TargetSolutions™
- * Employment Law Legal Hotline
- * Telephone Triage - Company Nurse (Workers' Compensation members only)
- * Discounts for CSDA training including Webinars
- * Training Workshops (safety, loss prevention)
- * Safety, Claims Handling and Risk Reduction Training
- * On-site Loss Control Visits and Risk Analysis
- * Comprehensive Safety & Risk Management Multimedia Library
- * Contribution-reduction Credit Incentive Program (CIP)
- * Occupational Safety & Health Program
- * Hazard Identification Survey
- * Claims Policy/Procedure Manual
- * Monthly Review of Claims Loss Reports
- * Monthly Safety Management Meeting Materials
- * Ergonomic Evaluations of Work Areas
- * Contract Review and Transfer of Risk Analysis
- * DMV Record Review - EPN Pull Notice Program
- * Defensive Driver Training Program*
- * Special Events Liability Assistance*

* Additional fees may apply



ESTABLISHING A
STRATEGIC
PARTNERSHIP



FINANCIAL INFORMATION

STATEMENT OF NET POSITION – JUNE 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,192,822	\$ 4,984,811
Current investments	1,463,238	4,062,902
Receivables	1,580,708	1,471,569
Prepaid expenses	2,113,318	1,911,500
Total Current Assets	11,350,086	12,430,782
NONCURRENT ASSETS		
Investments at market	87,228,462	86,631,364
Note receivable	185,301	265,301
Capital assets:		
Land	762,850	762,850
Other capital assets, net	3,921,285	3,846,054
Total Noncurrent Assets	92,097,898	91,505,569
Total Assets	\$ 103,447,984	\$ 103,936,351

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	247,458	237,200
Accrued payroll	83,119	80,054
Member payable	510,136	1,096,580
Unearned contributions	4,505,887	3,834,731
Current portion of claim-related liabilities	11,500,000	10,500,000
Total Current Liabilities	16,846,600	15,748,565
NONCURRENT LIABILITIES		
Noncurrent portion of claim-related liabilities	33,231,587	32,542,289
Total Noncurrent Liabilities	32,231,587	32,542,289
Total Liabilities	\$ 50,078,187	\$ 48,290,854

NET POSITION		
Invested in capital assets, net of related debt	4,684,135	4,608,904
Unrestricted	48,685,662	51,036,593
Total Net Position	\$ 53,369,797	\$ 55,645,497

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Members' contributions	\$ 27,618,022	\$ 25,296,575
Health benefits premiums	22,819,070	22,645,770
Other income	1,037	4,131
Total Operating Revenues	50,438,129	47,946,476
OPERATING EXPENSES		
Claims expense	15,317,964	15,652,276
Insurance expense	11,446,847	8,839,506
Health insurance expense	22,340,180	22,074,406
Contract services and CSDA fees	2,215,909	1,932,942
Salaries	1,746,486	1,520,809
General and administrative	929,462	874,888
Depreciation expense	389,394	678,390
Total Operating Expenses	54,386,242	51,573,217
Operating Income	(3,948,113)	(3,626,741)
OTHER NONOPERATING REVENUES AND EXPENSES		
Rental revenue	399,821	391,766
Rental expense	(314,910)	(269,264)
Net Rental Income (Loss)	84,911	122,502
Investment income	1,484,432	354,577
Gain (Loss) on sale of capital assets	103,070	(21)
Total Nonoperating Income	1,672,413	477,079
Change in Net Position	(2,275,700)	(3,149,683)
Beginning Net Position	55,645,497	58,795,180
Ending Net Position	\$ 53,369,797	\$ 55,645,497

PROPERTY/LIABILITY COMBINED RATIOS

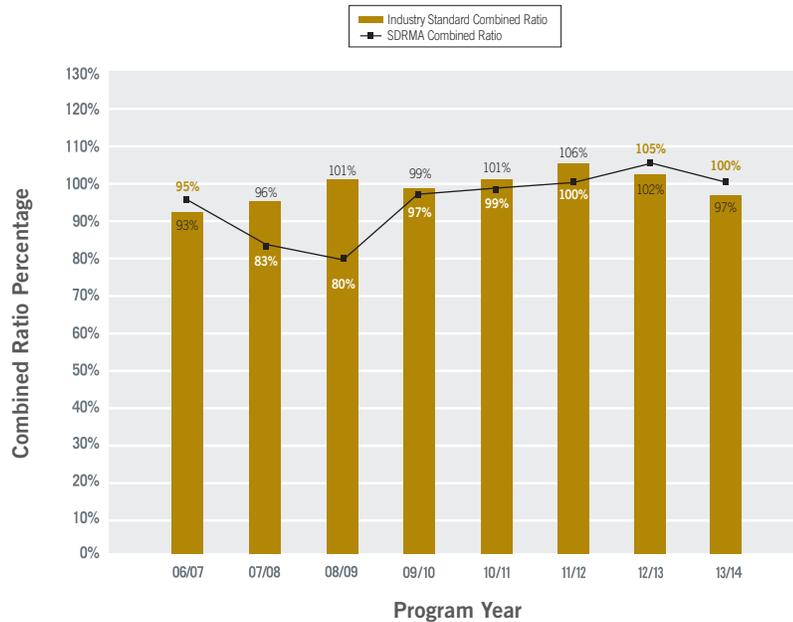


Combined ratios are a statistical measurement used to evaluate an organization's underwriting performance and takes into consideration annual operating costs, including claims and excess insurance expenditures compared to premiums collected.

SDRMA's high ranking exceeds industry benchmarks resulting in lower rates for our members. This graphical illustration demonstrates that SDRMA's combined pool losses are consistently below the combined ratio of the commercial insurance market.

LOWER RATES FOR MEMBERS

PROPERTY/LIABILITY PROGRAM COMBINED RATIO TREND ANALYSIS

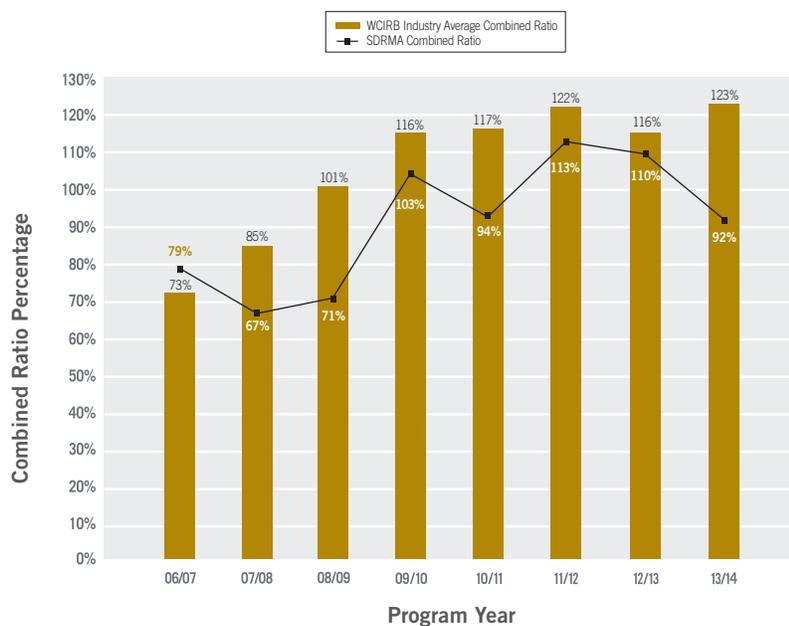


WORKERS' COMPENSATION COMBINED RATIOS

Combined ratios are an indicator of the organization's sound underwriting principles and skill at mitigating risk. Combined ratios provide a measurement of expenses to premiums collected - ratios greater than 100% indicate that more is paid out in claims and expenses than is collected in premiums. Typically the combined ratio's goal is 90% - 92%.



WORKERS' COMPENSATION PROGRAM COMBINED RATIO TREND ANALYSIS



SDRMA
SURPASSES
INDUSTRY
BENCHMARKS

2013-14 ANNUAL REPORT

Maximizing Protection. Minimizing Risk.

1112 J Street, Suite 300
Sacramento, California 95814-2865
T 916.231.4141
T 800.537.7790
F 916.231.4111
www.sdrma.org

www.sdrma.org

**Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications**

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Nominee/Candidate	<u>Robert Swan</u>
District/Agency	<u>Groveland Community Services District</u>
Work Address	<u>P.O. Box 350, Groveland, CA 95321</u>
Work Phone	<u>209-962-7161</u> Home Phone <u>209-962-6535</u>

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

SDRMA's services are particularly important to the successful operation of smaller special districts, such as the one I serve. I would like to contribute what I can to ensuring that SDRMA continues to provide its vital services to its member agencies, prudently and cost-effectively.

Board oversight can be time-consuming. Due to my personal circumstances (retired, single, two hours from Sacramento). I will be able to participate regularly in Board activities.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

I have been a member of the governing Board of the Groveland Community Services District (water, sewer, fire and parks district) since June 2013. I've served as Board President since January 2014.

Since February of 2010, member of the Board of Pine Cone Performers, a community choral and drama organization.

During 1995 to 2001, I was a delegate to the Institute of Electrical and Electronics Engineers (IEEE) committees working on standards development in the area of wireless communications.

**Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications**

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA.

Nominee/Candidate Ed Gray
District/Agency Chino Valley Independent Fire District
Work Address 14011 City Center Drive, Chino Hills, CA 91709
Work Phone 909 902-5260 Home Phone 909 9627-4821

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

When appointed to the Board of Directors of SDRMA in November of 2010, and my election to the Board 2012, I made a commitment to be an effective member of the SDRMA team and to work hard to ensure the continued success of the organization. As a Board member, I believe I have shown that I seek to understand issues and use common sense when making decisions. I wish to continue my service to SDRMA, as I can be a positive member of the SDRMA team and an asset to the members, Board and staff.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

I currently serve on the Board of Directors of the SDRMA and serve as Secretary. I have been an elected Director of the Chino Valley Independent Fire District since 2004. During my tenure, I have served multiple terms as President and Vice-President, and as a member of our Finance, Planning, and Personnel Committees. I have served as Liaison to the City Councils of Chino and Chino Hills and to the San Bernardino County Board of Supervisors. I am also the District's representative and current Chairman of the Citizens Advisory Committee for the California Institution for Men in Chino. I am a member of the Chino Valley Lions Club. I also serve on the Governing Board of the Green Valley Lake Mutual Water Company.

**Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications**

**What special skills, talents, or experience (including volunteer experience) do you have?
(Response Required)**

After serving in the US Army, I enjoyed a lengthy career in law enforcement retiring in 2004 as a Police Lieutenant. I learned early in my career, that to be an effective individual and leader, it was important to actively listen to people; to seek understanding of all sides of an issue; and make decisions based on common sense and "rightness".

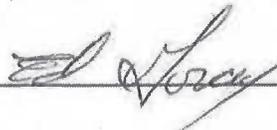
My experience as an elected official has broadened my knowledge and reinforced my belief that decisions must be made based on what is right, and not on what is a personal preference.

What is your overall vision for SDRMA? (Response Required)

I see SDRMA as continuing its journey as a successful, effective and efficient service provider through innovation, right thinking and conservative business strategies. I can visualize the organization exploring other avenues of financial endeavors that will benefit our customers.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature _____



Date _____

3-30-2015

**Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications**

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – **no attachments will be accepted.** No statements are endorsed by SDRMA.

Nominee/Candidate R MICHAEL WRIGHT
District/Agency LOS OSOS COMMUNITY SERVICES DISTRICT
Work Address 2122 9TH STREET, LOS OSOS CA 93402
Work Phone 805-528-9370 Home Phone 805-234-4513

Why do you want to serve on the SDRMA Board of Directors? (Response Required)

WITH 38 YEARS EXPERIENCE IN THE INSURANCE FIELD, I BELIEVE I HOLD THE SKILL SET THAT WILL BENEFIT THE OPERATIONS OF THE SDRMA. I HAVE OWNED AND OPERATED MY OWN INSURANCE AGENCY SUCCESSFULLY AND HAVE SOLD AND SERVICED ALL LINE OF INSURANCE INCLUDING COMMERCIAL AND WORK COMP.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization) (Response Required)

I AM CURRENTLY THE PRESIDENT OF THE LOS OSOS CSD. I WAS VICE PRESIDENT THE YEAR BEFORE. BEFORE I WAS ON THE LOS OSOS BOARD, I WAS A MEMBER OF THE LOS OSOS CSD EMERGENCY SERVICES COMMITTEE FOR SIX YEARS.

**Special District Risk Management Authority
Board of Directors
Candidate's Statement of Qualifications**

What special skills, talents, or experience (including volunteer experience) do you have?

(Response Required)

LICENSED PROPERTY CASUALTY INSURANCE AGENT
SINCE 1977, OVER 730 HOURS OF INSURANCE
CONTINUING EDUCATION
I ALSO HOLD A 6 AND 63 SECURITIES LICENSE.

What is your overall vision for SDRMA? (Response Required)

THE OVERALL VISION OF THE SDRMA IS TO
PROVIDE THE BEST POSSIBLE COVERAGE AND SERVICE
TO ITS MEMBERS AND TO ALSO EDUCATE THEIR MEMBERS
TO ALERT THEM TO COST EFFECTIVE SAFETY PROGRAMS
TO SAFE GUARD THEIR EMPLOYEES HEALTH AND WELFARE.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as a director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature R Michael Wright

Date April 20, 2015

**Special District Risk Management Authority
Board of Directors
Candidates' State of Qualifications**

This information will be distributed to the membership with the ballot, "exactly as submitted" by the candidates – no attachments will be accepted. No statements are endorsed by SDRMA

Nominee/Candidate: Sandy Seifert-Raffelson
District/Agency: Herlong Public Utility District
Work Address: 447-855 Plumas St, P O Box 515, Herlong CA 96113
Work Phone: (530) 827-3150 Home Phone: (530) 254-0234

Why do you want to serve on the SDRMA Board of Directors?

I am a current Board member of SDRMA and feel that I have added my financial background to make better informed decisions for our members. As a Board member, I have learned a lot about insurance issues and look forward to representing small District's and Northern California as a voice on the SDRMA Board. I feel I am an asset to the Board with my degree in business and my 29 years' experience in accounting and auditing. I have audited small districts and know what they need and what they can afford.

I understand the challenges that small District face every day when it comes to managing liability insurance and worker's compensation for a few employees with limited revenues and staff. My education and experience gives me an appreciation of the importance of risk management services and programs, especially for smaller district's that lack expertise with insurance issues on a daily basis.

I feel I am an asset to this Board and would love a chance to stay on the Board for 4 more years.

What Board or committee experience do you have that would help you to be an effective Board Member? (SDRMA or any other organization)

I have worked as the District Clerk for the Herlong PUD for the last 7 years. Before that, I served as the Secretary to the Board of Herlong Utilities, Inc. and Office Administrator. I worked directly with the formation of our District which included working for 2 separate Board's of Directors and the transfer of assets from a public benefit corporation to a special district. As part of the team that worked to form the District I was directly involved with LAFCo, Lassen County Board of Supervisors and County Clerk to establish the District's initial Board of Directors as well as the transfer of multiple permits and closure procedures from multiple agencies for the seamless transition of our District operations. I closed out the Corporation books and established the books for the District transitioning to fund accounting. I have also administered the financial portion of a large capital improvement project with USDA as well as worked on the first ever successful water utility privatization project with the US Army and Department of Defense. I am currently working on HPUD's 2nd loan/grant for 4.8 million with USDA to improve the community's sewer system. I also am the primary administrator of a federal contract for utility services with the Federal Bureau of Prison.

While on the SDRMA Board, I have served on the nomination committee and SDLF Board. I have enjoyed learning and completing my duties on both boards and feel I have been an asset to both. I have served on CSDA's Audit and Financial Committee's for the last 2 years. In the last 20 years I have served on several Boards including school, church, 4-H, County and U.C. Davis.

**Special District Risk Management Authority
Board of Directors
Candidates' State of Qualifications**

What special skills, talents, or experience (including volunteer experience) do you have?

I have my Bachelors Degree in Business with a minor in Sociology. I have audited Small Districts for 5 years, worked for a Small District for 10 years and have 25 years of accounting experience. I am a good communicator and organizer. I have served on several Boards and feel I work well within groups or special committees. I am willing to go that extra mile to see things get completed.

I believe in recognition for jobs well done. I encourage Incentive programs that get members motivated to participate and strive to do their very best to keep all losses at a minium and reward those with no losses.

I have completed my Certificate for Special District Board Secretary/Clerk Program in both regular and advance coursework through CSDA and co-sponsored by SDRMA. I have completed the CSDA Special District Leadership Academy and Special District Governance Academy. I have helped my small District obtain their District of Transparency and currently we are working on the District of Distinction.

I work for a District in Northeastern California that has under gone major changes from a Cooperative Company to a 501c12 Corporation, to finally a Public Utility District. I have worked with LAFCo to become a District. Also my District is currently working on a consolidation through LAFCo with another small District to better serve our small community. Through past experience I feel I make a great Board member representing the small districts of Northern California and their unique issues and will make decisions that would help all rural/small districts.

What is your overall vision for SDRMA?

For SDRMA to be at the top of the risk management field and have all of the Special Districts in the State utilizing their quality insurance and support at a price all California Special Districts can afford.

I certify that I meet the candidate qualifications as outlined in the SDRMA election policy. I further certify that I am willing to serve as director on SDRMA's Board of Directors. I will commit the time and effort necessary to serve. Please consider my application for nomination/candidacy to the Board of Directors.

Candidate Signature: _____

Jandy Infort-Rappelsen

Date: _____

4/2/15

RESOLUTION NO. 4291

A RESOLUTION OF THE GOVERNING BODY OF THE
OTAY WATER DISTRICT
FOR THE ELECTION OF DIRECTORS TO THE
SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS

WHEREAS, Special District Risk Management Authority (SDRMA) is a Joint Powers Authority formed under California Government Code Section 6500 et seq., for the purpose of providing risk management and risk financing for California special districts and other local government agencies; and

WHEREAS, SDRMA'S Sixth Amended and Restated Joint Powers Agreement specifies SDRMA shall be governed by a seven member Board of Directors nominated and elected from the members who have executed the current operative agreement and are participating in a joint protection program; and

WHEREAS, SDRMA's Sixth Amended and Restated Joint Powers Agreement Article 7 - Board of Directors specifies that the procedures for director elections shall be established by SDRMA's Board of Directors; and

WHEREAS, SDRMA's Board of Directors approved Policy No. 2015-01 Establishing Guidelines for Director Elections specifies director qualifications, terms of office and election requirements; and

WHEREAS, Policy No. 2015-01 specifies that member agencies desiring to participate in the balloting and election of candidates to serve on SDRMA's Board of Directors must be made by resolution adopted by the member agency's governing body.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the Otay Water District selects the following candidates to serve as Directors on the SDRMA Board of Directors:

(continued)



OFFICIAL 2015 ELECTION BALLOT
SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS

VOTE FOR ONLY THREE (3) CANDIDATES

Mark each selection directly onto the ballot, voting for no more than three (3) candidates. Each candidate may receive only one (1) vote per ballot. A ballot received with more than three (3) candidates selected will be considered invalid and not counted. All ballots must be sealed and received by mail or hand delivery in the enclosed self-addressed, stamped envelope at SDRMA on or before 5:00 p.m., Tuesday, August 25, 2015. Faxes or electronic transmissions are NOT acceptable.

- ROBERT SWAN
Director/President, Groveland Community Services District
ED GRAY (INCUMBENT)
Director/President, Chino Valley Independent Fire District
R. MICHAEL WRIGHT
Director/President, Los Osos Community Services District
SANDY SEIFERT-RAFFELSON (INCUMBENT)
District Clerk, Herlong Public Utility District

ADOPTED this ___ day of ___, 2015 by the Otay Water District by the following roll call votes listed by name:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: APPROVED:

AGENDA ITEM 7a



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	June 24, 2015
SUBMITTED BY:	Armando Buelna Communications Officer	PROJECT:	DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Oppose Assembly Bill 115 and Senate Bill 88, Water System Consolidation		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District's Board of Directors authorize the Board President, or his designee, to send letters to legislators and the governor in opposition to Assembly Bill 115 and Senate Bill 88 relating to Water System Consolidation.

COMMITTEE ACTION:

Legislative matters are normally considered by the Finance, Administrative and Communications Committee. The request from the California Special Districts Association to send letters in opposition to Assembly Bill 115 and Senate Bill 88 was received after the Committee met on June 16, 2015.

PURPOSE:

To obtain authorization from the Board of Directors for the Board President, or his designee, to send letters to legislators and the governor in opposition to Assembly Bill 115 and Senate Bill 88 relating to Water System Consolidation.

ANALYSIS:

Otay Water District maintains a set of legislative policy guidelines to direct staff and legislative advocates on issues important to the District. While the guidelines can be used when responding quickly to proposed legislation, potentially complicated legislation or sensitive matters are to be presented to the Board directly for guidance in advance of any position being taken.

Assembly Bill 115 and Senate Bill 88 are being rushed through the legislative process, however, each is politically complex and both are highly sensitive.

The proposed legislation would authorize the State Water Resources Control Board to order consolidation of water districts. The legislation would grant the Water Board the ability to bypass the Local Agency Formation Commission's public review process, potentially order the extension of service to an area that does not have access to an adequate supply of safe drinking water, and potentially impose new unfunded mandates on local agencies. It also provides no guarantee the State will cover the costs involved with consolidation, strips away the right of self-determination for local residents who would be forced into new agencies with no opportunity to vote, and although framed as a response to the drought, the legislation has no sunset date and is in no way limited to the drought state of emergency.

The California Special Districts Association (CSDA), the Association of California Water Agencies (ACWA), as well as other local government associations, have asked member agencies to contact their local legislators asking that they oppose AB 115 and SB 88. They feel strongly that consolidation of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. The issues under consideration in AB 115 and SB 88 are too important to be rushed through the legislative process and ill-conceived alterations to this area of law could exacerbate, rather than resolve, the plight of local communities.

The 2015 Legislative Program states, in Governance/Local Autonomy section, that it is the District's policy to oppose legislative efforts that:

- (a) Assume the state legislature is better able to make local decisions that affect special district governance;
- (d) Usurp local control from special districts regarding decisions involving local special district finance, operations or governance;
- (e) Limit the board of directors' ability to govern the district;
- (f) Create unfunded local government mandates; and
- (g) Create costly, unnecessary or duplicative oversight roles for the state government of special district affairs.

This action would authorize the District to send a letter to legislators and the governor in opposition to AB 115 and SB 88.

FISCAL IMPACT:

Joe Beachem, Chief Financial Officer



...Dedicated to Community Service

2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91978-2004

TELEPHONE: 670-2222, AREA CODE 619

www.otaywater.gov

June 24, 2015

The Honorable Chair Mark Leno
Senate Budget and Fiscal Review Committee
State Capitol Building
Sacramento, CA 95814

RE: Water System Consolidation

Dear Senator Leno:

On behalf of the Otay Water District's Board of Directors, I am writing to respectfully oppose AB 115 and SB 88 relating to water system consolidation. Otay Water District recognizes and appreciates the plight small water agencies in disadvantaged communities are facing dealing with a fourth straight year of drought. However, we stand with the California Special Districts Association (CSDA), the Association of California Water Agencies (ACWA), as well as other special districts and local government associations in opposing AB 115 and SB 88.

AB 115 and SB 88 represent major changes in law and public policy. These proposals are being rapidly moved through the legislative process and we do not feel there has been given adequate time for analysis or public input as to the consequences to local water providers. As you are aware, they would grant the Water Resources Control Board unprecedented unilateral power to take ownership and operation of a water system from one entity and force it upon another. It would do so with no guarantee the state will cover the costs. It would also strip away the right of self-determination for local residents who would be forced into new agencies with no opportunity to participate in the decision making process. The provision of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. The issues under consideration in AB 115 and SB 88 are too important to be rushed through the legislative process and we fear ill-conceived alterations to this area of law could only exacerbate, rather than resolve, the plight of local communities.

Although framed as a response to the drought, the new state powers have no sunset date and are in no way limited to the drought state of emergency. Further, they would do little to provide immediate relief to affected communities. Local agencies are expert in working

with the communities they serve to find workable solutions to community water challenges. This bill is not the right way to do it, and this process is not the right process.

We respectfully ask that you reject these bills and allow local government the opportunity to work with you to find real, workable solutions. For these reasons we respectfully request you reject AB 115 and SB 88.

Sincerely,

Jose Lopez, President
Board of Directors

CC: Office of Governor Edmund G. Brown, Jr. (fax: 916-558-3160)
Catherine Freeman, Senate Budget and Fiscal Review Committee (fax: 916-668-7004)
Rocel Bettencourt, Senate Republican Caucus (fax: 916-445-3105)
Gabrielle Meindl, Assembly Budget Committee (fax: 916-319-2199)
Chris Holtz, Assembly Republican Caucus (fax: 916-319-3902)
California Special Districts Association (fax: 916-442-7889)
San Diego Legislative Delegation



**California Special
Districts Association**

CSDA

Districts Stronger Together

June 18, 2015

The Honorable Mark Leno
Chair, Senate Budget and Fiscal Review Committee
State Capitol Building
Sacramento, CA 95814

RE: AB 115 and SB 88 (Water System Consolidation) – OPPOSE

Dear Senator Leno:

AB 115 and SB 88 would grant the State unprecedented unilateral power to take ownership and operation of a water system from one entity and force it upon another. CSDA appreciates the goal of this legislation to find solutions to failing water systems and stands prepared to work constructively with stakeholders toward that end. Regrettably, AB 115 and SB 88 are not the solution, and we must oppose.

Existing law in this area, under Cortese-Knox-Hertzberg, has taken decades to develop. Yet this legislation seeks to subvert that law in a matter of weeks, and without substantive analysis or public testimony. Our concerns include, but are not limited to:

- **Expansive Authority Goes Far Beyond Stated Needs.** Proponents claim the bill is needed for a narrow set of egregious examples and the bill says a water system must “consistently fail” to provide safe water before the State can act. However, the bill redefines the term “consistently fails” to merely mean “a failure”. In doing so, the language grants wide-ranging power to the State and could subject virtually any water system in California to consolidation. What if a system fails momentarily or shuts down for one day or one hour?
- **Eliminates Right to Vote.** Under existing law, Local Agency Formation Commissions (LAFCOs) provide an open and public process for consolidation proceedings that includes an objective analysis. Following a thorough review, the residents who receive the local services have the right to protest and ultimately vote on the decision. This legislation subverts that local process and empowers the State Water Board to direct where people must get their water from and place people under a new local government—all without the people’s consent.
- **Imposes Long-Term Costs with No Funding Guarantee.** While the bill *allows* for State funding of certain up-front costs associated with consolidation, it offers *no requirement* that the State fund all associated costs. This could lead to enormous new unfunded state mandates on local agencies. Propositions 13, 26 and 218 will constrain local agencies from raising the revenues necessary to meet these inevitable costs. This will be compounded by the fact that voters will be reluctant to approve higher fees and taxes for a consolidated agency forced upon residents without their consent.
- **Real Solutions Exist.** Whether it is through LAFCOs via Government Code Section 56133, receivership via Health and Safety Code Section 116665, Integrated Regional Water Management Plans or other tools, real solutions exist. Stakeholders with local expertise would like to build off of these workable solutions.

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Consolidation of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. Ill-conceived alterations to this area of law could exacerbate, rather than resolve, the plight of communities. Therefore, we respectfully request you reject AB 115 and SB 88.

Sincerely,



Kyle Packham

Advocacy & Public Affairs Director

CC: The Honorable Edmund G. Brown Jr., Governor
The Honorable Members, Senate Budget and Fiscal Review Committee
Martha Guzman-Aceves, Deputy Legislative Secretary, Office of Governor Brown
Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee
Catherine Freeman, Consultant, Senate Budget and Fiscal Review Committee
Rocel Bettencourt, Senate Republican Consultant



**California Special
Districts Association**

CSDA

Districts Stronger Together

May 29, 2015

The Honorable Mark Leno
Chair, Conference Committee on the Budget
State Capitol Building
Sacramento, CA 95814

RE: Water System Consolidation Budget Trailer Bill 825 – OPPOSE

Senator Leno:

Budget Trailer Bill (TB) 825 would grant the State unprecedented unilateral power to take ownership and operation of a water system from one entity and force it upon another. CSDA appreciates the goal of this legislation to find solutions to failing water systems and stands prepared to work constructively with stakeholders toward that end. Regrettably, TB 825 is not the solution, and we must oppose.

Existing law in this area, under Cortese-Knox-Hertzberg, has taken decades to develop. The most appropriate place for considering changes to such policy is through the deliberative legislative policy process, not the truncated budget process. Our concerns include, but are not limited to:

- **Goes Beyond Droughts or Emergencies.** By not defining “fails”, “reliably” or “adequate supply”, the new authority could be used on virtually any water system in California. What if a system shuts down for one day or one hour? What if a system only has one source of water? When is it failing and when is it unreliable or inadequate?
- **Places Water Rights in Jeopardy.** Water systems and water rights are intimately connected, TB 825 could upend these rights and create legal gridlock.
- **Exposes Ratepayers to Unlimited Liabilities.** Ratepayers taking on failing systems would take on major new costs, including environmental cleanup, regulatory penalties, vendor and employee claims and other legal and financial risks.
- **Real Solutions Exist.** Whether it is through LAFCOs via Government Code Section 56133, receivership via Health and Safety Code Section 116665, Integrated Regional Water Management Plans or other tools, real solutions exist. Stakeholders with local expertise would like to build off of these workable solutions.

Consolidation of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. Ill-conceived alterations to this area of law could exacerbate, rather than resolve, the plight of communities. Therefore, we respectfully request you reject TB 825.

Sincerely,

Kyle Packham
Advocacy & Public Affairs Director

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CC: The Honorable Edmund G. Brown Jr., Governor
The Honorable Members, Joint Budget Conference Committee
Martha Guzman-Aceves, Deputy Legislative Secretary, Office of Governor Brown
Liz Haven, Deputy Director Division of Financial Assistance, State Water Resources Control Board
Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee
Catherine Freeman, Consultant, Senate Budget and Fiscal Review Committee
Rocel Bettencourt, Senate Republican Consultant
Christian Griffith, Chief Consultant, Assembly Budget Committee
Gabrielle Meindl, Consultant, Assembly Budget Committee
Chris Holtz, Consultant, Assembly Republican Consultant



**California Special
Districts Association**



Districts Stronger Together

May 21, 2015

The Honorable Edmund G. Brown, Jr.
Governor, State of California
State Capitol Building
Sacramento, CA 95814

RE: Drought Water System Consolidation Budget Trailer Bill 825 – COMMENTS

Governor Brown:

We appreciate the opportunity to have met with your staff on May 20 regarding your proposed drought water system consolidation budget trailer bill 825, which was posted May 18. We thank your staff for taking the time to hear from a delegation of CSDA members who have extensive first-hand experience in consolidations of water systems. Due to the imminent June 15 deadline associated with this proposal, we have placed our initial feedback in writing for further consideration by you and your staff. We are continuing to vet this proposal with our membership and would like to continue our dialogue with your staff as the legislative process moves forward.

Process

In this letter, we have outlined both policy principles regarding local agency consolidation and our initial feedback as to the specific language used for the trailer bill. However, prior to that discussion, we must share our strong concerns with regard to the avenue through which this policy is currently proposed. Consolidation of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. Ill-conceived alterations to this area of law could lead to years of legal wrangling that could exacerbate the plight of communities already struggling with a lack of resources.

Existing law in this area, under Cortese-Knox-Hertzberg, has taken decades to develop. The most appropriate place for considering changes to such policy is through the deliberative legislative policy process, not the truncated budget process. To the extent it requires urgent action, the legislature has the authority to enact the policy through urgency, rather than budget language.

Principles

In approaching this challenge, CSDA encourages the administration to consider the following principles:

1. **Key Distinction**—In terms of both democratic accountability and performance, public water systems managed by public agencies, like special districts, are distinct from those managed by private agencies, like mutual water companies. This distinction is borne out in terms of the number of systems identified as failing to provide potable water as well as the transparency and accountability provisions required under current law.

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We encourage the administration to recognize this distinction in how it approaches the consolidation of water systems. Consolidations affecting public agencies should recognize and allow for a local democratic process.

2. **A Local Process**—No two water systems, no two consolidations and no two communities are the same. Only a local process at the local level will adequately assess the unique, case-by-case nature of these circumstances. Local Agency Formation Commissions (LAFCOs) include the representation to provide a local process.
3. **Stakeholder Involvement**—Any consideration of reorganization or process for facilitating reorganization should be balanced and include consultation with representatives of all affected agencies. LAFCOs provide the forum to facilitate stakeholder involvement.
4. **Objective Analysis**—Reorganizations involve complex managerial, legal and engineering feats. Bigger is not always better, and combining a failing system with a non-failing system may not achieve savings. It may even exacerbate challenges. An objective analysis and feasibility study is important to provide guidance to decision-makers and transparency to the process. LAFCOs possess the experience and expertise in conducting and contracting for such analyses.
5. **Voter Rights**—Ultimately, the residents receiving a local service and paying for the service should choose the service. CSDA respects and values the role of the public in self-determining the local government entities that deliver its services. LAFCOs allow for public protest and vote on actions related to public agency consolidations.

Proposal

While CSDA is still in the process of vetting the proposal with our membership, we wanted to enumerate the initial concerns we shared in our meeting with your staff due to the approaching deadline:

1. **Sunset Date**—As stated above, this proposal seeks to urgently address a highly complex area of law. Therefore, we encourage the administration consider adding a sunset date to allow for an evaluation as to the consequences and potentially unintended consequences of the new policy. Consolidations in the process at the time of the sunset should be permitted to continue under the proposal.
2. **Backstop**—We appreciate the administration’s intent this proposal serve as a backstop to existing processes for the consolidation of water systems. We encourage the addition of language to make it clear the exercise of this proposal would serve as a last resort. Before authorizing the State Water Resources Control Board (Water Board) to consolidate water systems, it should require the local LAFCO to conduct an objective analysis and attempt to address the failed system through its recommended course of action using the LAFCO process. This LAFCO action may occur through an enhanced Government Code Section 56133 process, as discussed in the next section of this letter.
3. **Definition of “Public Water System”**—This term should be cross-referenced with the appropriate code sections to facilitate clarification and understanding of the proposed process.
4. **Definitions of “Fails” and “Adequate Supply”** —These definitions are critical as they trigger the new powers afforded the Water Board. How would the failure be measured? What is considered an adequate supply? How long and/or how many and how severe must the failures be? Would there be opportunity for prior notification or warning?

5. **Consultation of All Stakeholders**—Subsection (a) of the proposal requires consultation with the LAFCO. We encourage this consultation requirement be expanded to all affected stakeholders, including the receiving agency, the subsumed agency and the Public Utilities Commission where appropriate.
6. **Definition of “Feasible”**—The proposed paragraph (1) of subsection (c) requires a finding that consolidation is “feasible.” We encourage the administration define feasibility in a manner that encompasses economic and technical feasibility. We further suggest the proposal require use of the existing LAFCO process for conducting a feasibility study.
7. **Standard for “Best Means Available”**—The proposed paragraph (2) of subsection (c) requires a finding that consolidation is the best means of water provision. We encourage the inclusion of standards for this determination.
8. **Adequate and Affordable Financial Assistance**—We appreciate the inclusion of language in subsection (d) to provide the receiving agency with adequate and affordable financial assistance for the infrastructure needed to complete the consolidation. However, the proposal is unclear as to who will make this determination and what standard will be used in that determination. We encourage the amount of assistance be determined by the receiving agency and the feasibility study conducted by the LAFCO.
9. **Fair Market Value**—We appreciate the inclusion of language in proposed subsection (e) to provide state funding to pay privately held companies fair market value when their failed water systems are subsumed. We encourage the administration to clarify the funding source within the proposal. Furthermore it is important that liabilities, outstanding fees and penalties and the degraded state of the system are all factored into the assessed valuation.

Existing Solutions

In addressing the challenges facing failing water systems, CSDA encourages the administration to first and foremost work within the framework of existing solutions:

1. **Government Code Section 56133**—This is an existing remedy to circumstances where there exists a threat to public health and safety. To the extent this remedy is inadequate or underutilized, we encourage the administration to enhance this section or incentivize its use to address the concern as effectively as possible through the existing framework. This would be preferable to creating an entirely new process through the Water Board.
2. **Integrated Regional Water Management**—The IRWM process provides an ideal framework for identifying and addressing failing water systems. The North Coast IRWM is an example of a successful plan making real progress. We encourage the administration build off of existing successful models, such as this, and work within an existing framework.
3. **Joint Powers Agreements**—The establishment of a JPA may be preferable to a direct consolidation as it would allow for the region to share technical support and spread financial risk.
4. **Functional Consolidations**—Authorizing for the management of a system and the sharing of resources, while maintaining local control and fiscal autonomy can sometimes mitigate drawbacks of standard consolidations while improving results.

5. **Simple Fixes**—There are times when simple fixes, such as funding wellhead treatment for small agencies will resolve circumstances threatening public health and safety. Funding and technical support for these simple fixes may be the most effective emergency solution.

Additional Critical Considerations

Before forcing consolidations, the State could reduce the existing barriers to consolidation. Without eliminating these barriers, forced consolidations may lead to unintended consequences. Among the considerations CSDA members have identified:

1. **Liability and Indemnification**—The liability a receiving agency—both retail and wholesale—must assume. We encourage the inclusion of language similar to what was provided for in SB 1130 of 2014 in order to protect agencies associated with the receiving of a failed water system.
2. **Litigation**—The litigation public agencies may face when taking on a failed system. The administration may want to consider avenues for providing legal support to receiving local agencies or LAFCOs. There may also need to be reforms to the legal process.
3. **Grant Funding Caps**—Consolidations under emergency circumstances typically require the receiving public agency to make significant infrastructure investments to bring the failing system into compliance and incorporate them into the public system. Examples of cost could include the establishment of a “lifeline” system, engineering and design, final system construction, well abandonment and closure, as well as annexation of the failed system into the public agency sphere of influence. The funding caps on existing grant opportunities can make these projects infeasible for the assuming agency. Providing state agencies with the flexibility to assess the needs of the system and make the appropriate funding award based on the demand for system improvements and water quality concerns would better facilitate the process.
4. **Receivership**—Consolidations can be a lengthy process and are rarely linear in nature, as negotiations may take a number of avenues. The receivership process is an available resource that can assist with resolving complicated issues and facilitating the transfer of the failing system to the assuming agency. As a result, reforms to streamline access to the court system in a timely manner may be appropriate.
5. **Operations and Maintenance Funding**—Operations and maintenance costs in disadvantaged communities. Most grant programs and revolving fund programs cover only design and construction costs. Two appropriate funding sources might include:
 - a. Restore local property tax revenues, diverted away from these communities since 1992 under the Educational Revenue Augmentation Fund (ERAF), to a public agency that takes on a failing water system. This would provide a sustainable funding source for operations and maintenance.
 - b. Dedicate a portion of the Cap and Trade Expenditure Plan to public agencies that take on a failing water system for purposes of assisting with the associated ongoing operations and maintenance costs.

Once again, CSDA is thankful for the opportunity to share the experience of our membership with your administration as you continue your efforts to address the challenge of failing water systems. We look forward to ongoing dialogue and wish to continue serving as a resource to you and the Legislature.

Sincerely,



Kyle Packham

Advocacy & Public Affairs Director

CC: The Honorable Mark Leno, Chair Senate Budget and Fiscal Review Committee
The Honorable Shirley Weber, Chair Assembly Budget Committee
Martha Guzman-Aceves, Deputy Legislative Secretary, Office of Governor Brown
Liz Haven, Deputy Director Division of Financial Assistance, State Water Resources Control Board
Debbie Franco, Community and Rural Affairs Advisor, Office of Planning and Research
Chris Calfee, Senior Counsel, Office of Planning and Research
Cindy Forbes, Deputy Director, Division of Drinking Water, State Water Resources Control Board
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Chris Holtz, Consultant, Assembly Republican Consultant



California
LEGISLATIVE INFORMATION

AB-115 Water. (2015-2016)

AMENDED IN SENATE JUNE 18, 2015

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

ASSEMBLY BILL

No. 115

Introduced by Committee on Budget (Weber (Chair), Bloom, Bonta, Campos, Chiu, Cooper, Gordon, Jones-Sawyer, McCarty, Mullin, Nazarian, O'Donnell, Rodriguez, Thurmond, Ting, and Williams)

January 09, 2015

An act ~~relating to the Budget Act of 2015.~~ *to add Sections 116680, 116681, 116682, and 116684 to the Health and Safety Code, to add and repeal Sections 21080.08, 21080.45, and 21080.46 of the Public Resources Code, and to amend Sections 375, 375.5, 377, 1058.5, 1552, 1846, 5103, and 5104 of, to add Sections 377.5, 79708.5, and 79716.5 to, and to add Article 3 (commencing with Section 1840) to Chapter 12 of Part 2 of Division 2 of, the Water Code, relating to water, and making an appropriation therefor, to take effect immediately, bill related to the budget.*

LEGISLATIVE COUNSEL'S DIGEST

AB 115, as amended, Committee on Budget. ~~Budget Act of 2015.~~ *Water.*

(1) Existing law, the California Safe Drinking Water Act, provides for the operation of public water systems, and imposes on the State Water Resources Control Board various responsibilities and duties. Existing law requires the state board to conduct research, studies, and demonstration projects relating to the provision of a dependable, safe supply of drinking water, to adopt regulations to implement the California Safe Drinking Water Act, and to enforce provisions of the federal Safe Drinking Water Act. Existing law prohibits a person from operating a public water system unless the person first submits an application to the state board and receives a permit issued by the state board, as specified.

This bill would authorize the state board to order consolidation with a receiving water system where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water. This bill would authorize the state board to order the extension of service to an area that does not have access to an adequate supply of safe drinking water so long as the extension of service is an interim extension of service in preparation for consolidation. The bill would require the state board, prior to ordering consolidation or extension of service, to conduct an initial public meeting and a public hearing and to make specified findings. The bill would limit the liability of a consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, as specified.

(2) Existing law, the California Environmental Quality Act (CEQA), requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. CEQA exempts certain projects from its requirements.

This bill would, until January 1, 2017, or a specified date, whichever is earlier, exempt from CEQA certain groundwater replenishment projects.

This bill would, until July 1, 2017, exempt from CEQA the development and approval of building standards by state agencies for recycled water systems.

This bill would, with specified exceptions and until July 1, 2017, or a specified date, whichever is later, exempt from CEQA the adoption of an ordinance to impose stricter conditions on the issuance of well permits or changes in the intensity of land use that would increase demand on groundwater.

(3) The California Constitution declares that the general welfare of the state requires that the water resources of the state be put to beneficial use to the fullest extent of which they are capable, and that the right to the use of water does not extend to the waste or unreasonable use, method of use, or method of diversion of water. Existing law requires the state board to take all appropriate proceedings or actions to prevent waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion of water in this state. Existing law states the intent of the Legislature that the state take vigorous action to enforce the terms and conditions of permits, licenses, certifications, and registrations to appropriate water, to enforce state board orders and decisions, and to prevent the unlawful diversion of water.

This bill would, commencing January 1, 2016, require a person who diverts 10 acre-feet of water per year or more under a permit or license to install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage, as specified, and with certain exceptions. This bill would require the permittee or licensee to maintain a record of all diversion monitoring and the total amount of water diverted and submit these records to the state board, as prescribed. This bill would require a person who diverts water under a registration, permit, or license to report to the state board, at least annually. This bill would authorize the state board to adopt regulations requiring measurement and reporting of water diversion and use by specified persons and would require that the initial regulations be adopted as emergency regulations and that these emergency regulations remain in effect until revised by the state board. This bill would exempt from CEQA the adoption of the initial regulations by the state board.

(4) Existing law authorizes a person or entity in violation of a term or condition of a permit, license, certificate, or registration issued by, an order adopted by, or certain emergency regulations adopted by, the state board to be civilly liable for an amount not to exceed \$500 for each day in which the violation occurs.

This bill would expand this civil liability to any violation of any regulation adopted by the state board.

Existing law makes this civil liability applicable only in a critically dry year immediately preceded by 2 or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency based on drought conditions.

This bill would eliminate this requirement.

(5) Existing law, with certain exceptions, requires each person who diverts water after December 31, 1965, to file with the state board a statement of diversion and use, and to include specified information. Existing law requires supplemental statements of diversion and use to be filed at 3-year intervals prior to July 1 of the year next succeeding the end of each interval, and requires, if there is a change in the name or address of the person diverting water, a supplemental statement be filed with the state board that includes the change. Existing law provides that the making of a material misstatement in connection with these provisions is a misdemeanor punishable as prescribed.

This bill would require supplemental statements of diversion and use to be filed annually prior to July 1, as provided. By expanding the definition of a crime, this bill would impose a state-mandated local program.

Existing law requires each statement of diversion and use, on and after January 1, 2012, to include monthly records of water diversions using best available technologies and best professional practices. Existing law prohibits this requirement from being construed to require the implementation of technologies or practices by a person who provides to the state board documentation demonstrating that the implementation of those practices is not locally cost effective.

This bill would require each statement to include at least monthly records of water diversions and would eliminate the above-described prohibition.

(6) Under existing law, emergency regulations of the state board are not subject to review by the Office of Administrative Law if the state board adopts findings that the emergency regulations are adopted to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water to promote wastewater reclamation, or to promote water conservation, and that the emergency regulations are adopted in response to conditions which exist, or are threatened, in a critically dry year immediately preceded by 2 or more consecutive dry or critically dry years. Under existing law, a person who violates an emergency regulation adopted by the state board pursuant to these provisions or violates certain cease and desist orders relating to the enforcement of water rights may be liable for specified amounts. Revenues generated from these penalties are deposited into the Water Rights Fund, which are available, upon appropriation, for specified purposes.

This bill would require that a civil liability imposed for a violation of an emergency conservation regulation, as defined, that is adopted pursuant to these provisions, or a violation of a cease and desist order of that emergency conservation regulation, be deposited, and separately accounted for, in the Water Rights Fund. The bill would require those funds to be available, upon appropriation by the Legislature, for water conservation activities and programs.

(7) Existing law authorizes any public entity, as defined, that supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity to, by ordinance or resolution, adopt and enforce a water conservation program to reduce the quantity of water used for the purpose of conserving the water supplies of the public entity. Existing law provides that a violation of a requirement of a water conservation program is a misdemeanor punishable by imprisonment in the county jail for not more than 30 days, or by fine not exceeding \$1,000, or both.

This bill would provide that a court or public entity may hold a person civilly liable in an amount not to exceed \$10,000 for a violation of a water conservation program ordinance or resolution, or certain emergency regulations adopted by the state board. This bill would prohibit the civil liability assessed by a court or public entity for the first violation by a residential water user from exceeding \$1,000, except as specified. This bill would provide that commencing on the 31st day after the public entity has notified the person of the violation, the person additionally may be civilly liable for an amount not to exceed \$10,000 plus \$500 for each additional day on which the violation continues. This bill would require civil liability imposed pursuant to these provisions to be paid to the public entity and to be expended solely for the purposes of the water conservation program. In addition to these remedies, this bill would authorize a public entity to enforce water use limitations by a volumetric penalty in an amount established by the public entity.

(8) Existing law, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, approved by the voters as Proposition 1 at the November 4, 2014, statewide general election, authorizes the issuance of general obligation bonds in the amount of \$7,545,000,000 to finance a water quality, supply, and infrastructure improvement program. The act requires each state agency that receives an appropriation from the funding made available by the act to administer a competitive grant or loan program under the act's provisions to develop and adopt project solicitation and evaluation guidelines before disbursing the grants or loans. The act requires the Secretary of the Natural Resources Agency to publish and post on the Natural Resources Agency's Internet Web site a list of expenditures pursuant to the act not less than annually, as prescribed, and to post on that Internet Web site the guidelines submitted by state agencies and the secretary's verification that the guidelines are consistent with applicable statutes and the purposes of the act.

This bill would require the secretary to post on the Natural Resources Agency's Internet Web site information on changes to project timelines and project spending, in order to facilitate oversight of funding and projects.

The act requires each state agency that receives an appropriation of funding made available by the act to be responsible for establishing metrics of success and reporting the status of projects and all uses of the funding on the state's bond accountability Internet Web site.

This bill would require each state agency that receives an appropriation of funding made available by the act to evaluate the outcomes of projects, report this evaluation on the state's bond accountability Internet Web site, and to hold a grantee of funds accountable for completing projects funded by the act on time and within scope.

(9) The bond act provides that the sum of \$810,000,000 is to be available, upon appropriation by the Legislature, for expenditures on, and competitive grants and loans to, projects that are included in and implemented in an adopted integrated regional water management plan and respond to climate change and contribute to regional water security. The bond act authorizes the use of \$100,000,000 of those funds for direct expenditures, and for grants and loans, for certain water conservation and water use efficiency plans, projects, and programs. Existing law establishes the CalConserve Water Use Efficiency Revolving Fund and provides that the moneys in the fund are available to the Department of Water Resources, upon appropriation by the Legislature, for the purpose of water use efficiency projects. Existing law requires moneys in the fund to be used for purposes that include, but are not limited to, at or below market interest rate loans to local agencies, as defined, and permits the department to enter into agreements with local agencies that provide water or recycled water service to provide loans.

Existing law transferred to the fund the sum of \$10,000,000 of the proceeds of these bonds for water conservation and water use efficiency projects and programs to achieve urban water use targets. Existing law requires the department to use \$5,000,000 for a pilot project for local agencies to provide water efficiency upgrades to eligible residents and requires the department to use the other \$5,000,000 for local agencies to provide low-interest loans to customers to finance the installation of onsite improvements to repair or replace, as necessary, cracked or leaking water pipes to conserve water.

This bill would appropriate the sum of \$10,000,000 available in the fund from the proceeds of the bond act for the purpose of these provisions.

(10) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(11) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

~~*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2015.*~~

Vote: majority Appropriation: ~~no~~yes Fiscal Committee: ~~no~~yes Local Program: ~~no~~yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *Section 116680 is added to the Health and Safety Code, to read:*

116680. *The Legislature finds and declares as follows:*

(a) It is the policy of the state to encourage orderly growth and development, which are essential to the social, fiscal, and economic well-being of the state. The Legislature recognizes that the logical formation, consolidation, and operation of water systems is an important factor in promoting orderly development and in balancing that development against sometimes competing state interests of discouraging urban sprawl, preserving open space and prime agricultural lands, and efficiently extending other government services. Therefore, the policy of the state should be affected by the logical formation, consolidation, and operation of water systems.

(b) The powers set forth in Section 116682 for consolidation of water systems are consistent with the intent of promoting orderly growth.

SEC. 2. *Section 116681 is added to the Health and Safety Code, to read:*

116681. *The following definitions shall apply to this section and Sections 116682 and 116684:*

(a) "Adequate supply" means sufficient water to meet residents' health and safety needs.

(b) "Affected residence" means a residence reliant on a water supply that is either inadequate or unsafe.

(c) "Consistently fails" means a failure to provide an adequate supply of safe drinking water.

(d) "Consolidated water system" means the public water system resulting from the consolidation of a public water system with another public water system, state small water system, or affected residences not served by a public water system.

(e) "Consolidation" means joining two or more public water systems, state small water systems, or affected residences not served by a public water system, into a single public water system.

(f) "Disadvantaged community" means a disadvantaged community, as defined in Section 79505.5 of the Water Code, that is in an unincorporated area or is served by a mutual water company.

(g) "Extension of service" means the provision of service through any physical or operational infrastructure arrangement other than consolidation.

(h) "Receiving water system" means the public water system that provides service to a subsumed water system through consolidation or extension of service.

(i) "Safe drinking water" means water that meets all primary and secondary drinking water standards.

(j) "Subsumed water system" means the public water system, state small water system, or affected residences not served by a public water system consolidated into or receiving service from the receiving water system.

SEC. 3. Section 116682 is added to the Health and Safety Code, to read:

116682. (a) Where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water, the State Water Resources Control Board may order consolidation with a receiving water system as provided in this section and Section 116684. The consolidation may be physical or operational. The State Water Resources Control Board may also order the extension of service to an area that does not have access to an adequate supply of safe drinking water so long as the extension of service is an interim extension of service in preparation for consolidation. The State Water Resources Control Board may set timelines and performance measures to facilitate completion of consolidation.

(b) Prior to ordering consolidation or extension of service as provided in this section, the State Water Resources Control Board shall do all of the following:

(1) Encourage voluntary consolidation or extension of service.

(2) Consider other enforcement remedies specified in this article.

(3) Consult with, and fully consider input from, the relevant local agency formation commission regarding the provision of water service in the affected area, the recommendations for improving service in a municipal service review, and any other relevant information.

(4) Consult with, and fully consider input from, the Public Utilities Commission when the consolidation would involve a water corporation subject to the commission's jurisdiction.

(5) Consult with, and fully consider input from, the local government with land use planning authority over the affected area, particularly regarding any information in the general plan required by Section 65302.10 of the Government Code.

(6) Notify the potentially receiving water system and the potentially subsumed water system, if any, and establish a reasonable deadline of no less than six months, unless a shorter period is justified, for the potentially receiving water system and the potentially subsumed water system, if any, to negotiate consolidation or another means of providing an adequate supply of safe drinking water.

(A) During this period, the State Water Resources Control Board shall provide technical assistance and work with the potentially receiving water system and the potentially subsumed water system to develop a financing package that benefits both the receiving water system and the subsumed water system.

(B) Upon a showing of good cause, the deadline may be extended by the State Water Resources Control Board at the request of the potentially receiving water system, potentially subsumed water system, or the local

agency formation commission with jurisdiction over the potentially subsumed water system.

agency formation commission with jurisdiction over the potentially subsumed water system.

(7) Obtain written consent from any domestic well owner for consolidation or extension of service. Any affected resident within the consolidation or extended service area who does not provide written consent shall be ineligible, until the consent is provided, for any future water-related grant funding from the state other than funding to mitigate a well failure, disaster, or other emergency.

(8) Hold at least one public meeting at the initiation of this process in a place as close as feasible to the affected areas. The State Water Resources Control Board shall make reasonable efforts to provide a 30-day notice of the meeting to the ratepayers, renters, and property owners to receive water service through service extension or in the area of the subsumed water system and all affected local government agencies and drinking water service providers. The meeting shall provide representatives of the potentially subsumed water system, affected ratepayers, renters, property owners, and the potentially receiving water system an opportunity to present testimony. The meeting shall provide an opportunity for public comment.

(c) Upon expiration of the deadline set by the State Water Resources Control Board pursuant to paragraph (6) of subdivision (b), the State Water Resources Control Board shall do the following:

(1) Consult with the potentially receiving water system and the potentially subsumed water system, if any.

(2) Conduct a public hearing, in a location as close as feasible to the affected communities.

(A) The State Water Resources Control Board shall make reasonable efforts to provide a 30-day notice of the hearing to the ratepayers, renters, and property owners to receive water service through service extension or in the area of the subsumed water system and to all affected local government agencies and drinking water service providers.

(B) The hearing shall provide representatives of the potentially subsumed water system, affected ratepayers, renters, property owners, and the potentially receiving water system an opportunity to present testimony.

(C) The hearing shall provide an opportunity for public comment.

(d) Prior to ordering consolidation or extension of service, the State Water Resources Control Board shall find all of the following:

(1) The potentially subsumed water system has consistently failed to provide an adequate supply of safe drinking water.

(2) All reasonable efforts to negotiate consolidation or extension of service were made.

(3) Consolidation of the receiving water system and subsumed water system or extension of service is appropriate and technically and economically feasible.

(4) There is no pending local agency formation commission process that is likely to resolve the problem in a reasonable amount of time.

(5) Concerns regarding water rights and water contracts of the subsumed and receiving water systems have been adequately addressed.

(6) Consolidation or extension of service is the most effective and cost-effective means to provide an adequate supply of safe drinking water.

(7) The capacity of the proposed interconnection needed to accomplish the consolidation is limited to serving the current customers of the subsumed water system.

(e) Upon ordering consolidation or extension of service, the State Water Resources Control Board shall do all of the following:

(1) As necessary and appropriate, make funds available, upon appropriation by the Legislature, to the receiving water system for the costs of completing the consolidation or extension of service, including, but not limited to, replacing any capacity lost as a result of the consolidation or extension of service, providing additional capacity needed as a result of the consolidation or extension of service, and legal fees. Funding pursuant to this paragraph is available for the general purpose of providing financial assistance for the infrastructure needed for the consolidation or extension of service and does not need to be specific to each individual consolidation

project. The State Water Resources Control Board shall provide appropriate financial assistance for the

project. The State Water Resources Control Board shall provide appropriate financial assistance for the infrastructure needed for the consolidation or extension of service. The State Water Resources Control Board's existing financial assistance guidelines and policies shall be the basis for the financial assistance.

(2) Ensure payment of standard local agency formation commission fees caused by State Water Resources Control Board-ordered consolidation or extension of service.

(3) Adequately compensate the owners of a privately owned subsumed water system for the fair market value of the system as determined by the Public Utilities Commission for water corporations subject to the commission's jurisdiction or the State Water Resources Control Board for all other water systems.

(4) Coordinate with the appropriate local agency formation commission and other relevant local agencies to facilitate the change of organization or reorganization.

(f) For the purposes of this section, the consolidated water system shall not increase charges on existing customers of the receiving water system solely as a consequence of the consolidation or extension of service unless the customers receive a corresponding benefit.

(g) Division 3 (commencing with Section 56000) of Title 5 of the Government Code shall not apply to the consolidation or extension of service required pursuant to this section.

SEC. 4. *Section 116684 is added to the Health and Safety Code, to read:*

116684. *(a) Liability of a consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system shall be limited as described in this section.*

(b) (1) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or those who consumed water provided through the subsumed water system concerning the operation and supply of water from the subsumed water system during the interim operation period specified in subdivision (d) for any good faith, reasonable effort using ordinary care to assume possession of, to operate, or to supply water to the subsumed water system.

(2) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system for any injury that occurred prior to the commencement of the interim operation period specified in subdivision (d).

(c) (1) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system concerning the provision of supplemental imported water supplies to the subsumed water system during the interim operation period specified in subdivision (d) for any good faith, reasonable effort using ordinary care to supply water to the subsumed water system.

(2) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system concerning the operation and supply of water from the subsumed water system for any injury that occurred prior to the commencement of the interim operation period specified in subdivision (d).

(3) This subdivision shall only apply if the water supplied by the consolidated water system through a temporary potable service pipeline to the subsumed water system meets or exceeds federal and state drinking water quality standards.

(d) (1) The interim operation period shall commence upon the connection of a temporary potable service pipeline by the consolidated water system to the subsumed water system, or upon the execution of an agreement between the consolidated water system, subsumed water system, and any other signatories to provide service to the customers of the subsumed water system, whichever occurs first.

(2) (A) Except as provided in subparagraph (B), the interim operation period shall last until permanent replacement facilities are accepted by the consolidated water system with the concurrence of the State Water

Resources Control Board and the facilities and water supply meet drinking water and water quality standards.

Resources Control Board and the facilities and water supply meet drinking water and water quality standards.

(B) Upon the showing of good cause, the interim operation period shall be extended by the State Water Resources Control Board for up to three successive one-year periods at the request of the consolidated water system.

(3) The acceptance date of permanent replacement facilities shall be publicly noticed by the consolidated water system.

(e) Subdivision (b) shall only apply if the consolidated water system provides water to the subsumed water system in accordance with all of the following conditions:

(1) Water provided by the consolidated water system through a temporary potable service pipeline to the subsumed water system shall meet or exceed federal and state drinking water quality standards.

(2) Reasonable water system flow and pressure through a temporary potable service pipeline shall be maintained during the interim operation period based upon the condition and integrity of the existing subsumed water system, and any disruptions to water delivery resulting from construction-related activities associated with the installation of permanent replacement facilities shall be minimal.

(3) The consolidated water system shall notify fire officials serving the subsumed water system service area of the condition and firefighting support capabilities of the subsumed water system and planned improvements with the installation of permanent replacement facilities thereto. The consolidated water system shall maintain or improve the condition and firefighting support capabilities of the subsumed water system during the interim operation period.

(4) Customers of the subsumed water system shall receive written notice upon any change in possession, control, or operation of the water system.

(f) Nothing in this section shall be construed to do any of the following:

(1) Relieve any water district, water wholesaler, or any other entity from complying with any provision of federal or state law pertaining to drinking water quality.

(2) Impair any cause of action by the Attorney General, a district attorney, a city attorney, or any other public prosecutor, or impair any other action or proceeding brought by or on behalf of a regulatory agency.

(3) Impair any claim alleging the taking of property without compensation within the meaning of either the Fifth Amendment to the United States Constitution or Section 19 of Article I of the California Constitution.

SEC. 5. The Legislature finds and declares all of the following:

(a) Section 7 of Article XI of the California Constitution authorizes a county or city to "make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws."

(b) The California Supreme Court has held that local regulations affecting economic interests in property are within local governments' police power (*Birkenfeld v. City of Berkeley* (1976) 17 Cal.3d 129, 158).

(c) Counties may reasonably regulate land use under their police powers (*Associated Home Builders etc., Inc., v. City of Livermore* (1976) 18 Cal.3d 582).

(d) Counties may regulate groundwater, including well permitting, under their police powers (*Baldwin v. County of Tehama* (1994) 31 Cal.App.4th 166, 175-76), and numerous counties have exercised this authority through ordinances.

(e) The Legislature enacted the Sustainable Groundwater Management Act (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code) to ensure that local agencies manage their high- and medium-priority groundwater basins sustainably. That act does not require the adoption of local groundwater sustainability plans until 2020 or 2022. Under the act, counties retain their authority to issue well permits.

(f) As local agencies are transitioning to the implementation of the Sustainable Groundwater Management Act, unregulated well permitting in stressed high- and medium-priority groundwater basins during the ongoing drought emergency is causing risks to the health, safety, and well-being of citizens.

SEC. 6. Section 21080.08 is added to the Public Resources Code. to read:

21080.08. (a) This division does not apply to a project that satisfies both of the following:

(1) The project is approved or carried out by a public agency for the purpose of mitigating drought conditions for which a state of emergency was proclaimed by the Governor on January 17, 2014, pursuant to Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code.

(2) The project consists of construction or expansion of recycled water pipeline and directly related infrastructure within existing rights of way, and directly related groundwater replenishment, if the project does not affect wetlands or sensitive habitat, and where the construction impacts are fully mitigated consistent with applicable law.

(b) This section shall remain operative until the state of emergency due to drought conditions declared by the Governor in the proclamation issued on January 17, 2014, has expired or until January 1, 2017, whichever occurs first, and as of January 1, 2017, is repealed unless a subsequent statute amends or repeals that date.

SEC. 7. *Section 21080.45 is added to the Public Resources Code, to read:*

21080.45. (a) *This division does not apply to the development and approval of building standards by state agencies for recycled water systems.*

(b) *This section shall become inoperative on July 1, 2017, and, as of January 1, 2018, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2018, deletes or extends the dates on which it becomes inoperative and is repealed.*

SEC. 8. *Section 21080.46 is added to the Public Resources Code, to read:*

21080.46. (a) Without limiting any other statutory exemption or categorical exemption, this division does not apply to the adoption of an ordinance by a city, county, or city and county to limit or prohibit the drilling of new or deeper groundwater wells, or to limit or prohibit increased extractions from existing groundwater wells, through stricter conditions on the issuance of well permits or changes in the intensity of land use that would increase demand on groundwater.

(b) (1) This section shall remain operative until July 1, 2017, or so long as the state of emergency due to drought conditions declared by the Governor in the proclamation of a state of emergency issued on January 17, 2014, remains in effect, whichever is later.

(2) This section is repealed on January 1 of the year following the date on which this section becomes inoperative.

(c) Notwithstanding subdivision (a) or (b), this section does not apply to either of the following:

(1) The issuance of any permit for a new or deeper groundwater well by a city, county, or city and county.

(2) The adoption of any ordinance affecting or relating to new residential, commercial, institutional, or industrial projects or any mix of these uses, or any change in the intensity or use of land for these purposes, if that project or change in use requires approval by a city, county, or city and county. Nor does this section apply to the adoption of any ordinance that would limit or prohibit new or deeper groundwater wells, or increased extraction from existing groundwater wells, that may be needed to serve these projects.

SEC. 9. *Section 375 of the Water Code is amended to read:*

375. (a) Notwithstanding any other ~~provision of the~~ law, any public entity ~~which that~~ supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity may, by ordinance or resolution adopted by a majority of the members of the governing body after holding a public hearing upon notice and making appropriate findings of necessity for the adoption of a water conservation program, adopt and enforce a water conservation program to reduce the quantity of water used by those persons for the purpose of conserving the water supplies of the public entity.

(b) With regard to water delivered for other than agricultural uses, the ordinance or resolution may specifically require the installation of water-saving devices ~~which that~~ are designed to reduce water consumption. The ordinance or resolution may also encourage water conservation through rate structure design.

(c) For the purposes of this ~~section, chapter~~, "public entity" means a city, whether general law or chartered, county, city and county, special district, agency, authority, any other municipal public corporation or district, or any other political subdivision of the state.

(d) For the purposes of this section and subdivisions (b) and (c) of Section 377, "person" means any person, firm, association, organization, partnership, business, trust, corporation, company, or public agency, including any city, county, city and county, district, joint powers authority, or any agency or department of a public agency.

SEC. 10. *Section 375.5 of the Water Code is amended to read:*

375.5. (a) A public ~~entity, as defined by Section 375,~~ *entity* may undertake water conservation and public education programs in conjunction with school districts, public libraries, or any other public entity.

(b) (1) A public entity may undertake water conservation and public education programs using an information booklet or materials for use in connection with the use or transfer of real estate containing up to four residential units. For the purposes of this subdivision, the public entity may use water conservation materials prepared by the department.

(2) It is the intent of the Legislature that on or before December 31, 2007, a review of the program be conducted to obtain information on both of the following matters:

(A) The extent to which public entities have undertaken water conservation and public education programs referred to in paragraph (1).

(B) The extent to which water conservation may be attributable to the implementation of water conservation and public education programs referred to in paragraph (1).

(c) A public entity may take into account any programs undertaken pursuant to this section in a rate structure design implemented pursuant to Section 375.

(d) The Legislature finds and declares that a program undertaken pursuant to this section is in the public interest, serves a public purpose, and will promote the health, welfare, and safety of the people of the state.

SEC. 11. *Section 377 of the Water Code is amended to read:*

377. (a) From and after the publication or posting of any ordinance or resolution pursuant to Section 376, violation of a requirement of a water conservation program adopted pursuant to Section 376 is a misdemeanor. ~~Upon conviction thereof such person~~ *A person convicted under this subdivision* shall be punished by imprisonment in the county jail for not more than 30 days, or by fine not exceeding one thousand dollars (\$1,000), or by both.

(b) A court or public entity may hold a person civilly liable in an amount not to exceed ten thousand dollars (\$10,000) for a violation of any of the following:

(1) An ordinance or resolution adopted pursuant to Section 376.

(2) An emergency regulation adopted by the board under Section 1058.5, unless the board regulation provides that it cannot be enforced under this section.

(c) Commencing on the 31st day after the public entity notified a person of a violation described in subdivision (b), the person additionally may be civilly liable in an amount not to exceed ten thousand dollars (\$10,000) plus five hundred dollars (\$500) for each additional day on which the violation continues.

(d) Remedies prescribed in this section are cumulative and not alternative, except that no liability shall be recoverable under this section for any violation of paragraph (2) of subdivision (b) if the board has filed a complaint pursuant to Section 1846 alleging the same violation.

(e) A public entity may administratively impose the civil liability described in subdivisions (b) and (c) after providing notice and an opportunity for a hearing. The public entity shall initiate a proceeding under this subdivision by a complaint issued pursuant to Section 377.5. The public entity shall issue the complaint at least

30 days before the hearing on the complaint and the complaint shall state the basis for the proposed civil

liability order.

(f) (1) In determining the amount of civil liability to assess, a court or public entity shall take into consideration all relevant circumstances, including, but not limited to, the nature and persistence of the violation, the extent of the harm caused by the violation, the length of time over which the violation occurs, and any corrective action taken by the violator.

(2) The civil liability calculated pursuant to paragraph (1) for the first violation of subdivision (b) by a residential water user shall not exceed one thousand dollars (\$1,000) except in extraordinary situations where the court or public entity finds all of the following:

(A) The residential user had actual notice of the requirement found to be violated.

(B) The conduct was intentional.

(C) The amount of water involved was substantial.

(g) Civil liability imposed pursuant to this section shall be paid to the public entity and expended solely for the purposes of this chapter.

(h) An order setting administrative civil liability shall become effective and final upon issuance of the order and payment shall be made. Judicial review of any final order shall be pursuant to Section 1094.5 of the Code of Civil Procedure.

(i) In addition to the remedies prescribed in this section, a public entity may enforce water use limitations established by an ordinance or resolution adopted pursuant to this chapter, or as otherwise authorized by law, by a volumetric penalty in an amount established by the public entity.

SEC. 12. *Section 377.5 is added to the Water Code, to read:*

377.5. *(a) A complaint or citation under subdivision (b) of Section 377 or subdivision (d) of Section 1058.5 may be issued by any of the following:*

(1) A code enforcement officer, as defined in Section 829.5 of the Penal Code.

(2) A designee of the chief executive officer of a public entity authorized to adopt an ordinance or resolution under Section 375.

(3) A designee of the chief executive officer of a city, county, or city and county.

(b) For purposes of this section, the term "chief executive officer" includes a city manager, general manager, or other employee of the public entity who is the highest ranking officer or employee, other than a member of a multimember governing body, with responsibility for the operations of the public entity.

SEC. 13. *Section 1058.5 of the Water Code is amended to read:*

1058.5. *(a) This section applies to any emergency regulation adopted by the board for which the board makes both of the following findings:*

(1) The emergency regulation is adopted to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports.

(2) The emergency regulation is adopted in response to conditions which exist, or are threatened, in a critically dry year immediately preceded by two or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions.

(b) Notwithstanding Sections 11346.1 and 11349.6 of the Government Code, any findings of emergency adopted by the board, in connection with the adoption of an emergency regulation under this section, are not

subject to review by the Office of Administrative Law.

(c) An emergency regulation adopted by the board under this section may remain in effect for up to 270 days, as determined by the board, and is deemed repealed immediately upon a finding by the board that due to changed conditions it is no longer necessary for the regulation to remain in effect. An emergency regulation adopted by the board under this section may be renewed if the board determines that the conditions specified in paragraph (2) of subdivision (a) are still in effect.

(d) In addition to any other applicable civil or criminal penalties, any person or entity who violates a regulation adopted by the board pursuant to this section is guilty of an infraction punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs.

(e) (1) Notwithstanding subdivision (b) of Section 1551, subdivision (d) of Section 1845, and subdivision (f) of Section 1846, a civil liability imposed under Chapter 12 (commencing with Section 1825) of Part 2 of Division 2 by the board or a court for a violation of an emergency conservation regulation adopted pursuant to this section shall be deposited, and separately accounted for, in the Water Rights Fund. Funds deposited in accordance with this subdivision shall be available, upon appropriation, for water conservation activities and programs.

(2) For purposes of this subdivision, an "emergency conservation regulation" means an emergency regulation that requires an end user of water, a water retailer, or a water wholesaler to conserve water or report to the board on water conservation. Water conservation includes restrictions or limitations on particular uses of water or a reduction in the amount of water used or served, but does not include curtailment of diversions when water is not available under the diverter's priority of right or reporting requirements related to curtailments.

SEC. 14. *Section 1552 of the Water Code is amended to read:*

1552. ~~The money~~ *Except as provided in subdivision (e) of Section 1058.5, moneys* in the Water Rights Fund ~~is~~ *are* available for expenditure, upon appropriation by the Legislature, for the following purposes:

(a) For expenditure by the State Board of Equalization in the administration of this chapter and the Fee Collection Procedures Law (Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code) in connection with any fee or expense subject to this chapter.

(b) For the payment of refunds, pursuant to Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code, of fees or expenses collected pursuant to this chapter.

(c) For expenditure by the board for the purposes of carrying out this division, Division 1 (commencing with Section 100), Part 2 (commencing with Section 10500) and Chapter 11 (commencing with Section 10735) of Part 2.74 of Division 6, and Article 7 (commencing with Section 13550) of Chapter 7 of Division 7.

(d) For expenditures by the board for the purposes of carrying out Sections 13160 and 13160.1 in connection with activities involving hydroelectric power projects subject to licensing by the Federal Energy Regulatory Commission.

(e) For expenditures by the board for the purposes of carrying out Sections 13140 and 13170 in connection with plans and policies that address the diversion or use of water.

SEC. 15. *Article 3 (commencing with Section 1840) is added to Chapter 12 of Part 2 of Division 2 of the Water Code, to read:*

Article 3. Monitoring and Reporting

1840. *(a) (1) Except as provided in subdivision (b), a person who, on or after January 1, 2016, diverts 10 acre-feet of water per year or more under a permit or license shall install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage. The measurements shall be made using the best available technologies and best professional practices, as defined in Section 5100, using a device or methods satisfactory to the board, as follows:*

(A) A device shall be capable of continuous monitoring of the rate and quantity of water diverted and shall be properly maintained. The permittee or licensee shall provide the board with evidence that the device has been

installed with the first report submitted after installation of the device. The permittee or licensee shall provide

the board with evidence demonstrating that the device is functioning properly as part of the reports submitted at five-year intervals after the report documenting installation of the device, or upon request of the board.

(B) In developing regulations pursuant to Section 1841, the board shall consider devices and methods that provide accurate measurement of the total amount diverted and the rate of diversion. The board shall consider devices and methods that provide accurate measurements within an acceptable range of error, including the following:

- (i) Electricity records dedicated to a pump and recent pump test.*
- (ii) Staff gage calibrated with an acceptable streamflow rating curve.*
- (iii) Staff gage calibrated for a flume or weir.*
- (iv) Staff gage calibrated with an acceptable storage capacity curve.*
- (v) Pressure transducer and acceptable storage capacity curve.*

(2) The permittee or licensee shall maintain a record of all diversion monitoring that includes the date, time, and diversion rate at time intervals of one hour or less, and the total amount of water diverted. These records shall be included with reports submitted under the permit or license, as required under subdivision (c), or upon request of the board.

(b) (1) The board may modify the requirements of subdivision (a) upon finding either of the following:

- (A) That strict compliance is infeasible, is unreasonably expensive, would unreasonably affect public trust uses, or would result in the waste or unreasonable use of water.*
- (B) That the need for monitoring and reporting is adequately addressed by other conditions of the permit or license.*

(2) The board may increase the 10-acre-foot reporting threshold of subdivision (a) in a watershed or subwatershed, after considering the diversion reporting threshold in relation to quantity of water within the watershed or subwatershed. The board may increase the 10-acre-foot reporting threshold to 25 acre-feet or above if it finds that the benefits of the additional information within the watershed or subwatershed are substantially outweighed by the cost of installing measuring devices or employing methods for measurement for diversions at the 10-acre-foot threshold.

(c) At least annually, a person who diverts water under a registration, permit, or license shall report to the board the following information:

- (1) The quantity of water diverted by month.*
- (2) The maximum rate of diversion by months in the preceding calendar year.*
- (3) The information required by subdivision (a), if applicable.*

(d) Compliance with the applicable requirements of this section is a condition of every registration, permit, or license.

1841. *(a) The board may adopt regulations requiring measurement and reporting of water diversion and use by either of the following:*

- (1) Persons authorized to appropriate water under a permit, license, registration for small domestic, small irrigation, or livestock stockpond use, or certification for livestock stockpond use.*
- (2) Persons required to comply with measurement and reporting regulations pursuant to subparagraph (B) of paragraph (1) of subdivision (e) of Section 5103.*

(b) The initial regulations that the board adopts pursuant to this section shall be adopted as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The adoption of the initial regulations is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, any emergency regulations adopted under this section shall remain in effect

voluntary agreement that is acceptable to the board to reduce the statement tiler's diversions during the 2015 irrigation season.

(2) (A) The terms of, and eligibility for, any grant or loan awarded or administered by the department, the board, or the California Bay-Delta Authority on behalf of a person that is subject to paragraph (1) shall be conditioned on compliance with that paragraph.

(B) Notwithstanding subparagraph (A), the board may determine that a person is eligible for a grant or loan even though the person is not complying with paragraph (1), if both of the following apply:

(i) The board determines that the grant or loan will assist the grantee or loan recipient in complying with paragraph (1).

(ii) The person has submitted to the board a one-year schedule for complying with paragraph (1).

(C) It is the intent of the Legislature that the requirements of this subdivision shall complement and not affect the scope of authority granted to the board by provisions of law other than this article.

(f) The purpose of use.

(g) A general description of the area in which the water was used. The location of the place of use shall be depicted on a specific United States Geological Survey topographic map and on any other maps with identifiable landmarks. If assigned, the public land description to the nearest 40-acre subdivision and the assessor's parcel number shall also be provided.

(h) The year in which the diversion was commenced as near as is known.

SEC. 18. *Section 5104 of the Water Code is amended to read:*

5104. (a) Supplemental statements shall be filed ~~at three year intervals, prior to~~ *annually, before* July 1 of ~~year next succeeding the end of each three year interval.~~ *each year.* They shall contain the quantity of water diverted and the rate of diversion by months in ~~each of the preceding three calendar years~~ *year* and any change in the other information contained in the preceding statement.

(b) If there is a change in the name or address of the person diverting the water, a supplemental statement shall be filed with the board that includes the change in name or address.

(c) A supplemental statement filed prior to July 1, 2016, shall include data satisfying the requirements of subdivision (a) for any diversion of water in the 2012, 2013, and 2014 calendar years, that was not reported in a supplemental statement submitted prior to July 1, 2015.

(d) This section does not limit the authority of the board to require additional information or more frequent reporting under any other law.

SEC. 19. *Section 79708.5 is added to the Water Code, to read:*

79708.5. *In addition to the information required pursuant to Section 79708, in order to facilitate oversight of funding and projects, the secretary shall post on the Natural Resources Agency's Internet Web site information on changes to project timelines and project spending.*

SEC. 20. *Section 79716.5 is added to the Water Code, to read:*

79716.5. *Each state agency that receives an appropriation of funding made available by this division shall do the following:*

(a) Evaluate the outcomes of projects funded by this division.

(b) Include in the agency's reporting pursuant to Section 79716 the evaluation described in subdivision (a).

(c) Hold a grantee of funds accountable for completing projects funded by this division on time and within scope.

SEC. 21. *The sum of ten million dollars (\$10,000,000) available in the CalConserve Water Use Efficiency*

Revoiving Funa from the proceeds or donas issued pursuant to DIVISION 26.7 (commencing with Section 19700) of the Water Code, is hereby appropriated for the purpose of Section 81023 of the Water Code.

SEC. 22. *No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.*

SEC. 23. *This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.*

~~SECTION 1. It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2015.~~



California
LEGISLATIVE INFORMATION

SB-88 Water. (2015-2016)

AMENDED IN ASSEMBLY JUNE 17, 2015

CALIFORNIA LEGISLATURE— 2015–2016 REGULAR SESSION

SENATE BILL

No. 88

Introduced by Committee on Budget and Fiscal Review

January 09, 2015

~~An act relating to the Budget Act of 2015.~~ *An act to add Sections 116680, 116681, 116682, and 116684 to the Health and Safety Code, to add and repeal Sections 21080.08, 21080.45, and 21080.46 of the Public Resources Code, and to amend Sections 375, 375.5, 377, 1058.5, 1552, 1846, 5103, and 5104 of, to add Sections 377.5, 79708.5, and 79716.5 to, and to add Article 3 (commencing with Section 1840) to Chapter 12 of Part 2 of Division 2 of, the Water Code, relating to water, and making an appropriation therefor, to take effect immediately, bill related to the budget.*

LEGISLATIVE COUNSEL'S DIGEST

SB 88, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2015.~~ *Water.*

(1) Existing law, the California Safe Drinking Water Act, provides for the operation of public water systems, and imposes on the State Water Resources Control Board various responsibilities and duties. Existing law requires the state board to conduct research, studies, and demonstration projects relating to the provision of a dependable, safe supply of drinking water, to adopt regulations to implement the California Safe Drinking Water Act, and to enforce provisions of the federal Safe Drinking Water Act. Existing law prohibits a person from operating a public water system unless the person first submits an application to the state board and receives a permit issued by the state board, as specified.

This bill would authorize the state board to order consolidation with a receiving water system where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water. This bill would authorize the state board to order the extension of service to an area that does not have access to an adequate supply of safe drinking water so long as the extension of service is an interim extension of service in preparation for consolidation. The bill would require the state board, prior to ordering consolidation or extension of service, to conduct an initial public meeting and a public hearing and to make specified findings. The bill would limit the liability of a consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, as specified.

(2) Existing law, the California Environmental Quality Act (CEQA), requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project

that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. CEQA exempts certain projects from its requirements.

This bill would, until January 1, 2017, or a specified date, whichever is earlier, exempt from CEQA certain groundwater replenishment projects.

This bill would, until July 1, 2017, exempt from CEQA the development and approval of building standards by state agencies for recycled water systems.

This bill would, with specified exceptions and until July 1, 2017, or a specified date, whichever is later, exempt from CEQA the adoption of an ordinance to impose stricter conditions on the issuance of well permits or changes in the intensity of land use that would increase demand on groundwater.

(3) The California Constitution declares that the general welfare of the state requires that the water resources of the state be put to beneficial use to the fullest extent of which they are capable, and that the right to the use of water does not extend to the waste or unreasonable use, method of use, or method of diversion of water. Existing law requires the state board to take all appropriate proceedings or actions to prevent waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion of water in this state. Existing law states the intent of the Legislature that the state take vigorous action to enforce the terms and conditions of permits, licenses, certifications, and registrations to appropriate water, to enforce state board orders and decisions, and to prevent the unlawful diversion of water.

This bill would, commencing January 1, 2016, require a person who diverts 10 acre-feet of water per year or more under a permit or license to install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage, as specified, and with certain exceptions. This bill would require the permittee or licensee to maintain a record of all diversion monitoring and the total amount of water diverted and submit these records to the state board, as prescribed. This bill would require a person who diverts water under a registration, permit, or license to report to the state board, at least annually. This bill would authorize the state board to adopt regulations requiring measurement and reporting of water diversion and use by specified persons and would require that the initial regulations be adopted as emergency regulations and that these emergency regulations remain in effect until revised by the state board. This bill would exempt from CEQA the adoption of the initial regulations by the state board.

(4) Existing law authorizes a person or entity in violation of a term or condition of a permit, license, certificate, or registration issued by, an order adopted by, or certain emergency regulations adopted by, the state board to be civilly liable for an amount not to exceed \$500 for each day in which the violation occurs.

This bill would expand this civil liability to any violation of any regulation adopted by the state board.

Existing law makes this civil liability applicable only in a critically dry year immediately preceded by 2 or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency based on drought conditions.

This bill would eliminate this requirement.

(5) Existing law, with certain exceptions, requires each person who diverts water after December 31, 1965, to file with the state board a statement of diversion and use, and to include specified information. Existing law requires supplemental statements of diversion and use to be filed at 3-year intervals prior to July 1 of the year next succeeding the end of each interval, and requires, if there is a change in the name or address of the person diverting water, a supplemental statement be filed with the state board that includes the change. Existing law provides that the making of a material misstatement in connection with these provisions is a misdemeanor punishable as prescribed.

This bill would require supplemental statements of diversion and use to be filed annually prior to July 1, as provided. By expanding the definition of a crime, this bill would impose a state-mandated local program.

Existing law requires each statement of diversion and use, on and after January 1, 2012, to include monthly

records of water diversions using best available technologies and best professional practices. Existing law prohibits this requirement from being construed to require the implementation of technologies or practices by a person who provides to the state board documentation demonstrating that the implementation of those practices is not locally cost effective.

This bill would require each statement to include at least monthly records of water diversions and would eliminate the above-described prohibition.

(6) Under existing law, emergency regulations of the state board are not subject to review by the Office of Administrative Law if the state board adopts findings that the emergency regulations are adopted to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water to promote wastewater reclamation, or to promote water conservation, and that the emergency regulations are adopted in response to conditions which exist, or are threatened, in a critically dry year immediately preceded by 2 or more consecutive dry or critically dry years. Under existing law, a person who violates an emergency regulation adopted by the state board pursuant to these provisions or violates certain cease and desist orders relating to the enforcement of water rights may be liable for specified amounts. Revenues generated from these penalties are deposited into the Water Rights Fund, which are available, upon appropriation, for specified purposes.

This bill would require that a civil liability imposed for a violation of an emergency conservation regulation, as defined, that is adopted pursuant to these provisions, or a violation of a cease and desist order of that emergency conservation regulation, be deposited, and separately accounted for, in the Water Rights Fund. The bill would require those funds to be available, upon appropriation by the Legislature, for water conservation activities and programs.

(7) Existing law authorizes any public entity, as defined, that supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity to, by ordinance or resolution, adopt and enforce a water conservation program to reduce the quantity of water used for the purpose of conserving the water supplies of the public entity. Existing law provides that a violation of a requirement of a water conservation program is a misdemeanor punishable by imprisonment in the county jail for not more than 30 days, or by fine not exceeding \$1,000, or both.

This bill would provide that a court or public entity may hold a person civilly liable in an amount not to exceed \$10,000 for a violation of a water conservation program ordinance or resolution, or certain emergency regulations adopted by the state board. This bill would prohibit the civil liability assessed by a court or public entity for the first violation by a residential water user from exceeding \$1,000, except as specified. This bill would provide that commencing on the 31st day after the public entity has notified the person of the violation, the person additionally may be civilly liable for an amount not to exceed \$10,000 plus \$500 for each additional day on which the violation continues. This bill would require civil liability imposed pursuant to these provisions to be paid to the public entity and to be expended solely for the purposes of the water conservation program. In addition to these remedies, this bill would authorize a public entity to enforce water use limitations by a volumetric penalty in an amount established by the public entity.

(8) Existing law, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, approved by the voters as Proposition 1 at the November 4, 2014, statewide general election, authorizes the issuance of general obligation bonds in the amount of \$7,545,000,000 to finance a water quality, supply, and infrastructure improvement program. The act requires each state agency that receives an appropriation from the funding made available by the act to administer a competitive grant or loan program under the act's provisions to develop and adopt project solicitation and evaluation guidelines before disbursing the grants or loans. The act requires the Secretary of the Natural Resources Agency to publish and post on the Natural Resources Agency's Internet Web site a list of expenditures pursuant to the act not less than annually, as prescribed, and to post on that Internet Web site the guidelines submitted by state agencies and the secretary's verification that the guidelines are consistent with applicable statutes and the purposes of the act.

This bill would require the secretary to post on the Natural Resources Agency's Internet Web site information on changes to project timelines and project spending, in order to facilitate oversight of funding and projects.

The act requires each state agency that receives an appropriation of funding made available by the act to be responsible for establishing metrics of success and reporting the status of projects and all uses of the funding on the state's bond accountability Internet Web site.

This bill would require each state agency that receives an appropriation of funding made available by the act to evaluate the outcomes of projects, report this evaluation on the state's bond accountability Internet Web site, and to hold a grantee of funds accountable for completing projects funded by the act on time and within scope.

(9) The bond act provides that the sum of \$810,000,000 is to be available, upon appropriation by the Legislature, for expenditures on, and competitive grants and loans to, projects that are included in and implemented in an adopted integrated regional water management plan and respond to climate change and contribute to regional water security. The bond act authorizes the use of \$100,000,000 of those funds for direct expenditures, and for grants and loans, for certain water conservation and water use efficiency plans, projects, and programs. Existing law establishes the CalConserve Water Use Efficiency Revolving Fund and provides that the moneys in the fund are available to the Department of Water Resources, upon appropriation by the Legislature, for the purpose of water use efficiency projects. Existing law requires moneys in the fund to be used for purposes that include, but are not limited to, at or below market interest rate loans to local agencies, as defined, and permits the department to enter into agreements with local agencies that provide water or recycled water service to provide loans.

Existing law transferred to the fund the sum of \$10,000,000 of the proceeds of these bonds for water conservation and water use efficiency projects and programs to achieve urban water use targets. Existing law requires the department to use \$5,000,000 for a pilot project for local agencies to provide water efficiency upgrades to eligible residents and requires the department to use the other \$5,000,000 for local agencies to provide low-interest loans to customers to finance the installation of onsite improvements to repair or replace, as necessary, cracked or leaking water pipes to conserve water.

This bill would appropriate the sum of \$10,000,000 available in the fund from the proceeds of the bond act for the purpose of these provisions.

(10) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(11) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

~~*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2015.*~~

Vote: majority Appropriation: ~~no~~yes Fiscal Committee: ~~no~~yes Local Program: ~~no~~yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *Section 116680 is added to the Health and Safety Code, to read:*

116680. *The Legislature finds and declares as follows:*

(a) It is the policy of the state to encourage orderly growth and development, which are essential to the social, fiscal, and economic well-being of the state. The Legislature recognizes that the logical formation, consolidation, and operation of water systems is an important factor in promoting orderly development and in balancing that development against sometimes competing state interests of discouraging urban sprawl, preserving open space and prime agricultural lands, and efficiently extending other government services. Therefore, the policy of the state should be affected by the logical formation, consolidation, and operation of water systems.

(b) The powers set forth in Section 116682 for consolidation of water systems are consistent with the intent of promoting orderly growth.

SEC. 2. *Section 116681 is added to the Health and Safety Code, to read:*

116681. *The following definitions shall apply to this section and Sections 116682 and 116684:*

(a) "Adequate supply" means sufficient water to meet residents' health and safety needs.

(b) "Affected residence" means a residence reliant on a water supply that is either inadequate or unsafe.

(c) "Consistently fails" means a failure to provide an adequate supply of safe drinking water.

(d) "Consolidated water system" means the public water system resulting from the consolidation of a public water system with another public water system, state small water system, or affected residences not served by a public water system.

(e) "Consolidation" means joining two or more public water systems, state small water systems, or affected residences not served by a public water system, into a single public water system.

(f) "Disadvantaged community" means a disadvantaged community, as defined in Section 79505.5 of the Water Code, that is in an unincorporated area or is served by a mutual water company.

(g) "Extension of service" means the provision of service through any physical or operational infrastructure arrangement other than consolidation.

(h) "Receiving water system" means the public water system that provides service to a subsumed water system through consolidation or extension of service.

(i) "Safe drinking water" means water that meets all primary and secondary drinking water standards.

(j) "Subsumed water system" means the public water system, state small water system, or affected residences not served by a public water system consolidated into or receiving service from the receiving water system.

SEC. 3. Section 116682 is added to the Health and Safety Code, to read:

116682. (a) Where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water, the State Water Resources Control Board may order consolidation with a receiving water system as provided in this section and Section 116684. The consolidation may be physical or operational. The State Water Resources Control Board may also order the extension of service to an area that does not have access to an adequate supply of safe drinking water so long as the extension of service is an interim extension of service in preparation for consolidation. The State Water Resources Control Board may set timelines and performance measures to facilitate completion of consolidation.

(b) Prior to ordering consolidation or extension of service as provided in this section, the State Water Resources Control Board shall do all of the following:

(1) Encourage voluntary consolidation or extension of service.

(2) Consider other enforcement remedies specified in this article.

(3) Consult with, and fully consider input from, the relevant local agency formation commission regarding the provision of water service in the affected area, the recommendations for improving service in a municipal service review, and any other relevant information.

(4) Consult with, and fully consider input from, the Public Utilities Commission when the consolidation would involve a water corporation subject to the commission's jurisdiction.

(5) Consult with, and fully consider input from, the local government with land use planning authority over the affected area, particularly regarding any information in the general plan required by Section 65302.10 of the Government Code.

(6) Notify the potentially receiving water system and the potentially subsumed water system, if any, and establish a reasonable deadline of no less than six months, unless a shorter period is justified, for the potentially receiving water system and the potentially subsumed water system, if any, to negotiate consolidation or another means of providing an adequate supply of safe drinking water.

(A) During this period, the State Water Resources Control Board shall provide technical assistance and work with the potentially receiving water system and the potentially subsumed water system to develop a financing package that benefits both the receiving water system and the subsumed water system.

(B) Upon a showing of good cause, the deadline may be extended by the State Water Resources Control Board at the request of the potentially receiving water system, potentially subsumed water system, or the local

agency formation commission with jurisdiction over the potentially subsumed water system.

agency formation commission with jurisdiction over the potentially subsumed water system.

(7) Obtain written consent from any domestic well owner for consolidation or extension of service. Any affected resident within the consolidation or extended service area who does not provide written consent shall be ineligible, until the consent is provided, for any future water-related grant funding from the state other than funding to mitigate a well failure, disaster, or other emergency.

(8) Hold at least one public meeting at the initiation of this process in a place as close as feasible to the affected areas. The State Water Resources Control Board shall make reasonable efforts to provide a 30-day notice of the meeting to the ratepayers, renters, and property owners to receive water service through service extension or in the area of the subsumed water system and all affected local government agencies and drinking water service providers. The meeting shall provide representatives of the potentially subsumed water system, affected ratepayers, renters, property owners, and the potentially receiving water system an opportunity to present testimony. The meeting shall provide an opportunity for public comment.

(c) Upon expiration of the deadline set by the State Water Resources Control Board pursuant to paragraph (6) of subdivision (b), the State Water Resources Control Board shall do the following:

(1) Consult with the potentially receiving water system and the potentially subsumed water system, if any.

(2) Conduct a public hearing, in a location as close as feasible to the affected communities.

(A) The State Water Resources Control Board shall make reasonable efforts to provide a 30-day notice of the hearing to the ratepayers, renters, and property owners to receive water service through service extension or in the area of the subsumed water system and to all affected local government agencies and drinking water service providers.

(B) The hearing shall provide representatives of the potentially subsumed water system, affected ratepayers, renters, property owners, and the potentially receiving water system an opportunity to present testimony.

(C) The hearing shall provide an opportunity for public comment.

(d) Prior to ordering consolidation or extension of service, the State Water Resources Control Board shall find all of the following:

(1) The potentially subsumed water system has consistently failed to provide an adequate supply of safe drinking water.

(2) All reasonable efforts to negotiate consolidation or extension of service were made.

(3) Consolidation of the receiving water system and subsumed water system or extension of service is appropriate and technically and economically feasible.

(4) There is no pending local agency formation commission process that is likely to resolve the problem in a reasonable amount of time.

(5) Concerns regarding water rights and water contracts of the subsumed and receiving water systems have been adequately addressed.

(6) Consolidation or extension of service is the most effective and cost-effective means to provide an adequate supply of safe drinking water.

(7) The capacity of the proposed interconnection needed to accomplish the consolidation is limited to serving the current customers of the subsumed water system.

(e) Upon ordering consolidation or extension of service, the State Water Resources Control Board shall do all of the following:

(1) As necessary and appropriate, make funds available, upon appropriation by the Legislature, to the receiving water system for the costs of completing the consolidation or extension of service, including, but not limited to, replacing any capacity lost as a result of the consolidation or extension of service, providing additional capacity needed as a result of the consolidation or extension of service, and legal fees. Funding pursuant to this paragraph is available for the general purpose of providing financial assistance for the infrastructure needed for the consolidation or extension of service and does not need to be specific to each individual consolidation

project. The State Water Resources Control Board shall provide appropriate financial assistance for the

project. The State Water Resources Control Board shall provide appropriate financial assistance for the infrastructure needed for the consolidation or extension of service. The State Water Resources Control Board's existing financial assistance guidelines and policies shall be the basis for the financial assistance.

(2) Ensure payment of standard local agency formation commission fees caused by State Water Resources Control Board-ordered consolidation or extension of service.

(3) Adequately compensate the owners of a privately owned subsumed water system for the fair market value of the system as determined by the Public Utilities Commission for water corporations subject to the commission's jurisdiction or the State Water Resources Control Board for all other water systems.

(4) Coordinate with the appropriate local agency formation commission and other relevant local agencies to facilitate the change of organization or reorganization.

(f) For the purposes of this section, the consolidated water system shall not increase charges on existing customers of the receiving water system solely as a consequence of the consolidation or extension of service unless the customers receive a corresponding benefit.

(g) Division 3 (commencing with Section 56000) of Title 5 of the Government Code shall not apply to the consolidation or extension of service required pursuant to this section.

SEC. 4. Section 116684 is added to the Health and Safety Code, to read:

116684. (a) Liability of a consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system shall be limited as described in this section.

(b) (1) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or those who consumed water provided through the subsumed water system concerning the operation and supply of water from the subsumed water system during the interim operation period specified in subdivision (d) for any good faith, reasonable effort using ordinary care to assume possession of, to operate, or to supply water to the subsumed water system.

(2) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system for any injury that occurred prior to the commencement of the interim operation period specified in subdivision (d).

(c) (1) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system concerning the provision of supplemental imported water supplies to the subsumed water system during the interim operation period specified in subdivision (d) for any good faith, reasonable effort using ordinary care to supply water to the subsumed water system.

(2) The consolidated water system, wholesaler, or any other agency in the chain of distribution that delivers water to a consolidated water system, shall not be held liable for claims by past or existing customers or by those who consumed water provided through the subsumed water system concerning the operation and supply of water from the subsumed water system for any injury that occurred prior to the commencement of the interim operation period specified in subdivision (d).

(3) This subdivision shall only apply if the water supplied by the consolidated water system through a temporary potable service pipeline to the subsumed water system meets or exceeds federal and state drinking water quality standards.

(d) (1) The interim operation period shall commence upon the connection of a temporary potable service pipeline by the consolidated water system to the subsumed water system, or upon the execution of an agreement between the consolidated water system, subsumed water system, and any other signatories to provide service to the customers of the subsumed water system, whichever occurs first.

(2) (A) Except as provided in subparagraph (B), the interim operation period shall last until permanent replacement facilities are accepted by the consolidated water system with the concurrence of the State Water

Resources Control Board and the facilities and water supply meet drinking water and water quality standards.

Resources Control Board and the facilities and water supply meet drinking water and water quality standards.

(B) Upon the showing of good cause, the interim operation period shall be extended by the State Water Resources Control Board for up to three successive one-year periods at the request of the consolidated water system.

(3) The acceptance date of permanent replacement facilities shall be publicly noticed by the consolidated water system.

(e) Subdivision (b) shall only apply if the consolidated water system provides water to the subsumed water system in accordance with all of the following conditions:

(1) Water provided by the consolidated water system through a temporary potable service pipeline to the subsumed water system shall meet or exceed federal and state drinking water quality standards.

(2) Reasonable water system flow and pressure through a temporary potable service pipeline shall be maintained during the interim operation period based upon the condition and integrity of the existing subsumed water system, and any disruptions to water delivery resulting from construction-related activities associated with the installation of permanent replacement facilities shall be minimal.

(3) The consolidated water system shall notify fire officials serving the subsumed water system service area of the condition and firefighting support capabilities of the subsumed water system and planned improvements with the installation of permanent replacement facilities thereto. The consolidated water system shall maintain or improve the condition and firefighting support capabilities of the subsumed water system during the interim operation period.

(4) Customers of the subsumed water system shall receive written notice upon any change in possession, control, or operation of the water system.

(f) Nothing in this section shall be construed to do any of the following:

(1) Relieve any water district, water wholesaler, or any other entity from complying with any provision of federal or state law pertaining to drinking water quality.

(2) Impair any cause of action by the Attorney General, a district attorney, a city attorney, or any other public prosecutor, or impair any other action or proceeding brought by or on behalf of a regulatory agency.

(3) Impair any claim alleging the taking of property without compensation within the meaning of either the Fifth Amendment to the United States Constitution or Section 19 of Article I of the California Constitution.

SEC. 5. The Legislature finds and declares all of the following:

(a) Section 7 of Article XI of the California Constitution authorizes a county or city to "make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws."

(b) The California Supreme Court has held that local regulations affecting economic interests in property are within local governments' police power (*Birkenfeld v. City of Berkeley* (1976) 17 Cal.3d 129, 158).

(c) Counties may reasonably regulate land use under their police powers (*Associated Home Builders etc., Inc., v. City of Livermore* (1976) 18 Cal.3d 582).

(d) Counties may regulate groundwater, including well permitting, under their police powers (*Baldwin v. County of Tehama* (1994) 31 Cal.App.4th 166, 175-76), and numerous counties have exercised this authority through ordinances.

(e) The Legislature enacted the Sustainable Groundwater Management Act (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code) to ensure that local agencies manage their high- and medium-priority groundwater basins sustainably. That act does not require the adoption of local groundwater sustainability plans until 2020 or 2022. Under the act, counties retain their authority to issue well permits.

(f) As local agencies are transitioning to the implementation of the Sustainable Groundwater Management Act, unregulated well permitting in stressed high- and medium-priority groundwater basins during the ongoing drought emergency is causing risks to the health, safety, and well-being of citizens.

SEC. 6. Section 21080.08 is added to the Public Resources Code. to read:

21080.08. (a) This division does not apply to a project that satisfies both of the following:

(1) The project is approved or carried out by a public agency for the purpose of mitigating drought conditions for which a state of emergency was proclaimed by the Governor on January 17, 2014, pursuant to Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code.

(2) The project consists of construction or expansion of recycled water pipeline and directly related infrastructure within existing rights of way, and directly related groundwater replenishment, if the project does not affect wetlands or sensitive habitat, and where the construction impacts are fully mitigated consistent with applicable law.

(b) This section shall remain operative until the state of emergency due to drought conditions declared by the Governor in the proclamation issued on January 17, 2014, has expired or until January 1, 2017, whichever occurs first, and as of January 1, 2017, is repealed unless a subsequent statute amends or repeals that date.

SEC. 7. *Section 21080.45 is added to the Public Resources Code, to read:*

21080.45. (a) *This division does not apply to the development and approval of building standards by state agencies for recycled water systems.*

(b) *This section shall become inoperative on July 1, 2017, and, as of January 1, 2018, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2018, deletes or extends the dates on which it becomes inoperative and is repealed.*

SEC. 8. *Section 21080.46 is added to the Public Resources Code, to read:*

21080.46. (a) Without limiting any other statutory exemption or categorical exemption, this division does not apply to the adoption of an ordinance by a city, county, or city and county to limit or prohibit the drilling of new or deeper groundwater wells, or to limit or prohibit increased extractions from existing groundwater wells, through stricter conditions on the issuance of well permits or changes in the intensity of land use that would increase demand on groundwater.

(b) (1) This section shall remain operative until July 1, 2017, or so long as the state of emergency due to drought conditions declared by the Governor in the proclamation of a state of emergency issued on January 17, 2014, remains in effect, whichever is later.

(2) This section is repealed on January 1 of the year following the date on which this section becomes inoperative.

(c) Notwithstanding subdivision (a) or (b), this section does not apply to either of the following:

(1) The issuance of any permit for a new or deeper groundwater well by a city, county, or city and county.

(2) The adoption of any ordinance affecting or relating to new residential, commercial, institutional, or industrial projects or any mix of these uses, or any change in the intensity or use of land for these purposes, if that project or change in use requires approval by a city, county, or city and county. Nor does this section apply to the adoption of any ordinance that would limit or prohibit new or deeper groundwater wells, or increased extraction from existing groundwater wells, that may be needed to serve these projects.

SEC. 9. *Section 375 of the Water Code is amended to read:*

375. (a) Notwithstanding any other ~~provision of the~~ law, any public entity ~~which that~~ supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity may, by ordinance or resolution adopted by a majority of the members of the governing body after holding a public hearing upon notice and making appropriate findings of necessity for the adoption of a water conservation program, adopt and enforce a water conservation program to reduce the quantity of water used by those persons for the purpose of conserving the water supplies of the public entity.

(b) With regard to water delivered for other than agricultural uses, the ordinance or resolution may specifically require the installation of water-saving devices ~~which that~~ are designed to reduce water consumption. The ordinance or resolution may also encourage water conservation through rate structure design.

(c) For the purposes of this ~~section, chapter~~, "public entity" means a city, whether general law or chartered, county, city and county, special district, agency, authority, any other municipal public corporation or district, or any other political subdivision of the state.

(d) For the purposes of this section and subdivisions (b) and (c) of Section 377, "person" means any person, firm, association, organization, partnership, business, trust, corporation, company, or public agency, including any city, county, city and county, district, joint powers authority, or any agency or department of a public agency.

SEC. 10. *Section 375.5 of the Water Code is amended to read:*

375.5. (a) A public ~~entity, as defined by Section 375,~~ *entity* may undertake water conservation and public education programs in conjunction with school districts, public libraries, or any other public entity.

(b) (1) A public entity may undertake water conservation and public education programs using an information booklet or materials for use in connection with the use or transfer of real estate containing up to four residential units. For the purposes of this subdivision, the public entity may use water conservation materials prepared by the department.

(2) It is the intent of the Legislature that on or before December 31, 2007, a review of the program be conducted to obtain information on both of the following matters:

(A) The extent to which public entities have undertaken water conservation and public education programs referred to in paragraph (1).

(B) The extent to which water conservation may be attributable to the implementation of water conservation and public education programs referred to in paragraph (1).

(c) A public entity may take into account any programs undertaken pursuant to this section in a rate structure design implemented pursuant to Section 375.

(d) The Legislature finds and declares that a program undertaken pursuant to this section is in the public interest, serves a public purpose, and will promote the health, welfare, and safety of the people of the state.

SEC. 11. *Section 377 of the Water Code is amended to read:*

377. (a) From and after the publication or posting of any ordinance or resolution pursuant to Section 376, violation of a requirement of a water conservation program adopted pursuant to Section 376 is a misdemeanor. ~~Upon conviction thereof such person~~ *A person convicted under this subdivision* shall be punished by imprisonment in the county jail for not more than 30 days, or by fine not exceeding one thousand dollars (\$1,000), or by both.

(b) A court or public entity may hold a person civilly liable in an amount not to exceed ten thousand dollars (\$10,000) for a violation of any of the following:

(1) An ordinance or resolution adopted pursuant to Section 376.

(2) An emergency regulation adopted by the board under Section 1058.5, unless the board regulation provides that it cannot be enforced under this section.

(c) Commencing on the 31st day after the public entity notified a person of a violation described in subdivision (b), the person additionally may be civilly liable in an amount not to exceed ten thousand dollars (\$10,000) plus five hundred dollars (\$500) for each additional day on which the violation continues.

(d) Remedies prescribed in this section are cumulative and not alternative, except that no liability shall be recoverable under this section for any violation of paragraph (2) of subdivision (b) if the board has filed a complaint pursuant to Section 1846 alleging the same violation.

(e) A public entity may administratively impose the civil liability described in subdivisions (b) and (c) after providing notice and an opportunity for a hearing. The public entity shall initiate a proceeding under this subdivision by a complaint issued pursuant to Section 377.5. The public entity shall issue the complaint at least

30 days before the hearing on the complaint and the complaint shall state the basis for the proposed civil

liability order.

(f) (1) In determining the amount of civil liability to assess, a court or public entity shall take into consideration all relevant circumstances, including, but not limited to, the nature and persistence of the violation, the extent of the harm caused by the violation, the length of time over which the violation occurs, and any corrective action taken by the violator.

(2) The civil liability calculated pursuant to paragraph (1) for the first violation of subdivision (b) by a residential water user shall not exceed one thousand dollars (\$1,000) except in extraordinary situations where the court or public entity finds all of the following:

(A) The residential user had actual notice of the requirement found to be violated.

(B) The conduct was intentional.

(C) The amount of water involved was substantial.

(g) Civil liability imposed pursuant to this section shall be paid to the public entity and expended solely for the purposes of this chapter.

(h) An order setting administrative civil liability shall become effective and final upon issuance of the order and payment shall be made. Judicial review of any final order shall be pursuant to Section 1094.5 of the Code of Civil Procedure.

(i) In addition to the remedies prescribed in this section, a public entity may enforce water use limitations established by an ordinance or resolution adopted pursuant to this chapter, or as otherwise authorized by law, by a volumetric penalty in an amount established by the public entity.

SEC. 12. *Section 377.5 is added to the Water Code, to read:*

377.5. *(a) A complaint or citation under subdivision (b) of Section 377 or subdivision (d) of Section 1058.5 may be issued by any of the following:*

(1) A code enforcement officer, as defined in Section 829.5 of the Penal Code.

(2) A designee of the chief executive officer of a public entity authorized to adopt an ordinance or resolution under Section 375.

(3) A designee of the chief executive officer of a city, county, or city and county.

(b) For purposes of this section, the term "chief executive officer" includes a city manager, general manager, or other employee of the public entity who is the highest ranking officer or employee, other than a member of a multimember governing body, with responsibility for the operations of the public entity.

SEC. 13. *Section 1058.5 of the Water Code is amended to read:*

1058.5. *(a) This section applies to any emergency regulation adopted by the board for which the board makes both of the following findings:*

(1) The emergency regulation is adopted to prevent the waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion, of water, to promote water recycling or water conservation, to require curtailment of diversions when water is not available under the diverter's priority of right, or in furtherance of any of the foregoing, to require reporting of diversion or use or the preparation of monitoring reports.

(2) The emergency regulation is adopted in response to conditions which exist, or are threatened, in a critically dry year immediately preceded by two or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions.

(b) Notwithstanding Sections 11346.1 and 11349.6 of the Government Code, any findings of emergency adopted by the board, in connection with the adoption of an emergency regulation under this section, are not

subject to review by the Office of Administrative Law.

(c) An emergency regulation adopted by the board under this section may remain in effect for up to 270 days, as determined by the board, and is deemed repealed immediately upon a finding by the board that due to changed conditions it is no longer necessary for the regulation to remain in effect. An emergency regulation adopted by the board under this section may be renewed if the board determines that the conditions specified in paragraph (2) of subdivision (a) are still in effect.

(d) In addition to any other applicable civil or criminal penalties, any person or entity who violates a regulation adopted by the board pursuant to this section is guilty of an infraction punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs.

(e) (1) Notwithstanding subdivision (b) of Section 1551, subdivision (d) of Section 1845, and subdivision (f) of Section 1846, a civil liability imposed under Chapter 12 (commencing with Section 1825) of Part 2 of Division 2 by the board or a court for a violation of an emergency conservation regulation adopted pursuant to this section shall be deposited, and separately accounted for, in the Water Rights Fund. Funds deposited in accordance with this subdivision shall be available, upon appropriation, for water conservation activities and programs.

(2) For purposes of this subdivision, an "emergency conservation regulation" means an emergency regulation that requires an end user of water, a water retailer, or a water wholesaler to conserve water or report to the board on water conservation. Water conservation includes restrictions or limitations on particular uses of water or a reduction in the amount of water used or served, but does not include curtailment of diversions when water is not available under the diverter's priority of right or reporting requirements related to curtailments.

SEC. 14. *Section 1552 of the Water Code is amended to read:*

1552. ~~The money~~ *Except as provided in subdivision (e) of Section 1058.5, moneys* in the Water Rights Fund ~~is~~ *are* available for expenditure, upon appropriation by the Legislature, for the following purposes:

(a) For expenditure by the State Board of Equalization in the administration of this chapter and the Fee Collection Procedures Law (Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code) in connection with any fee or expense subject to this chapter.

(b) For the payment of refunds, pursuant to Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code, of fees or expenses collected pursuant to this chapter.

(c) For expenditure by the board for the purposes of carrying out this division, Division 1 (commencing with Section 100), Part 2 (commencing with Section 10500) and Chapter 11 (commencing with Section 10735) of Part 2.74 of Division 6, and Article 7 (commencing with Section 13550) of Chapter 7 of Division 7.

(d) For expenditures by the board for the purposes of carrying out Sections 13160 and 13160.1 in connection with activities involving hydroelectric power projects subject to licensing by the Federal Energy Regulatory Commission.

(e) For expenditures by the board for the purposes of carrying out Sections 13140 and 13170 in connection with plans and policies that address the diversion or use of water.

SEC. 15. *Article 3 (commencing with Section 1840) is added to Chapter 12 of Part 2 of Division 2 of the Water Code, to read:*

Article 3. Monitoring and Reporting

1840. *(a) (1) Except as provided in subdivision (b), a person who, on or after January 1, 2016, diverts 10 acre-feet of water per year or more under a permit or license shall install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage. The measurements shall be made using the best available technologies and best professional practices, as defined in Section 5100, using a device or methods satisfactory to the board, as follows:*

(A) A device shall be capable of continuous monitoring of the rate and quantity of water diverted and shall be properly maintained. The permittee or licensee shall provide the board with evidence that the device has been

installed with the first report submitted after installation of the device. The permittee or licensee shall provide

the board with evidence demonstrating that the device is functioning properly as part of the reports submitted at five-year intervals after the report documenting installation of the device, or upon request of the board.

(B) In developing regulations pursuant to Section 1841, the board shall consider devices and methods that provide accurate measurement of the total amount diverted and the rate of diversion. The board shall consider devices and methods that provide accurate measurements within an acceptable range of error, including the following:

- (i) Electricity records dedicated to a pump and recent pump test.*
- (ii) Staff gage calibrated with an acceptable streamflow rating curve.*
- (iii) Staff gage calibrated for a flume or weir.*
- (iv) Staff gage calibrated with an acceptable storage capacity curve.*
- (v) Pressure transducer and acceptable storage capacity curve.*

(2) The permittee or licensee shall maintain a record of all diversion monitoring that includes the date, time, and diversion rate at time intervals of one hour or less, and the total amount of water diverted. These records shall be included with reports submitted under the permit or license, as required under subdivision (c), or upon request of the board.

(b) (1) The board may modify the requirements of subdivision (a) upon finding either of the following:

- (A) That strict compliance is infeasible, is unreasonably expensive, would unreasonably affect public trust uses, or would result in the waste or unreasonable use of water.*
- (B) That the need for monitoring and reporting is adequately addressed by other conditions of the permit or license.*

(2) The board may increase the 10-acre-foot reporting threshold of subdivision (a) in a watershed or subwatershed, after considering the diversion reporting threshold in relation to quantity of water within the watershed or subwatershed. The board may increase the 10-acre-foot reporting threshold to 25 acre-feet or above if it finds that the benefits of the additional information within the watershed or subwatershed are substantially outweighed by the cost of installing measuring devices or employing methods for measurement for diversions at the 10-acre-foot threshold.

(c) At least annually, a person who diverts water under a registration, permit, or license shall report to the board the following information:

- (1) The quantity of water diverted by month.*
- (2) The maximum rate of diversion by months in the preceding calendar year.*
- (3) The information required by subdivision (a), if applicable.*

(d) Compliance with the applicable requirements of this section is a condition of every registration, permit, or license.

1841. *(a) The board may adopt regulations requiring measurement and reporting of water diversion and use by either of the following:*

- (1) Persons authorized to appropriate water under a permit, license, registration for small domestic, small irrigation, or livestock stockpond use, or certification for livestock stockpond use.*
- (2) Persons required to comply with measurement and reporting regulations pursuant to subparagraph (B) of paragraph (1) of subdivision (e) of Section 5103.*

(b) The initial regulations that the board adopts pursuant to this section shall be adopted as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The adoption of the initial regulations is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, any emergency regulations adopted under this section shall remain in effect

until revised by the board.

(c) The adoption of the initial regulations pursuant to this article is exempt from Division 13 (commencing with Section 21000) of the Public Resources Code.

SEC. 16. *Section 1846 of the Water Code is amended to read:*

1846. (a) A person or entity may be liable for a violation of any of the following in an amount not to exceed five hundred dollars (\$500) for each day in which the violation occurs:

(1) A term or condition of a permit, license, certificate, or registration issued under this division.

(2) A regulation ~~adopted by the board under Section 1058.5~~ or ~~an~~ order adopted by the board.

(b) Civil liability may be imposed by the superior court. The Attorney General, upon the request of the board, shall petition the superior court to impose, assess, and recover those sums.

(c) Civil liability may be imposed administratively by the board pursuant to Section 1055.

(d) In determining the appropriate amount of civil liability, the court, pursuant to subdivision (b), or the board, pursuant to subdivision (c), may take into consideration all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and the corrective action, if any, taken by the violator.

(e) No liability shall be recoverable under this section for any violation for which liability is recovered under Section 1052.

(f) All funds recovered pursuant to this section shall be deposited in the Water Rights Fund established pursuant to Section 1550.

~~(g) This section applies only in a critically dry year immediately preceded by two or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions.~~

SEC. 17. *Section 5103 of the Water Code is amended to read:*

5103. Each statement shall be prepared on a form provided by the board. The statement shall include all of the following information:

(a) The name and address of the person who diverted water and of the person filing the statement.

(b) The name of the stream or other source from which water was diverted, and the name of the next major stream or other body of water to which the source is tributary.

(c) The place of diversion. The location of the diversion works shall be depicted on a specific United States Geological Survey topographic map, or shall be identified using the California Coordinate System, or latitude and longitude measurements. If assigned, the public land description to the nearest 40-acre subdivision and the assessor's parcel number shall also be provided.

(d) The capacity of the diversion works and of the storage reservoir, if any, and the months in which water was used during the preceding calendar year.

(e) (1) ~~On and after January 1, 2012, monthly~~ *(A) At least monthly* records of water diversions. The measurements of the diversion shall be made ~~using best available technologies and best professional practices. Nothing in this paragraph shall be construed to require the implementation of technologies or practices by a person who provides to the board documentation demonstrating that the implementation of those practices is not locally cost effective.~~ *in accordance with Section 1840.*

(B) (i) On and after July 1, 2016, the measurement of a diversion of 10 acre-feet or more per year shall comply with regulations adopted by the board pursuant to Article 3 (commencing with Section 1840) of Chapter 12 of Part 2.

(ii) The requirement of clause (i) is extended to January 1, 2017, for any statement filer that enters into a

voluntary agreement that is acceptable to the board to reduce the statement tiler's diversions during the 2015 irrigation season.

(2) (A) The terms of, and eligibility for, any grant or loan awarded or administered by the department, the board, or the California Bay-Delta Authority on behalf of a person that is subject to paragraph (1) shall be conditioned on compliance with that paragraph.

(B) Notwithstanding subparagraph (A), the board may determine that a person is eligible for a grant or loan even though the person is not complying with paragraph (1), if both of the following apply:

(i) The board determines that the grant or loan will assist the grantee or loan recipient in complying with paragraph (1).

(ii) The person has submitted to the board a one-year schedule for complying with paragraph (1).

(C) It is the intent of the Legislature that the requirements of this subdivision shall complement and not affect the scope of authority granted to the board by provisions of law other than this article.

(f) The purpose of use.

(g) A general description of the area in which the water was used. The location of the place of use shall be depicted on a specific United States Geological Survey topographic map and on any other maps with identifiable landmarks. If assigned, the public land description to the nearest 40-acre subdivision and the assessor's parcel number shall also be provided.

(h) The year in which the diversion was commenced as near as is known.

SEC. 18. *Section 5104 of the Water Code is amended to read:*

5104. (a) Supplemental statements shall be filed ~~at three year intervals, prior to~~ *annually, before* July 1 of ~~year next succeeding the end of each three year interval.~~ *each year.* They shall contain the quantity of water diverted and the rate of diversion by months in ~~each of the preceding three calendar years~~ *year* and any change in the other information contained in the preceding statement.

(b) If there is a change in the name or address of the person diverting the water, a supplemental statement shall be filed with the board that includes the change in name or address.

(c) A supplemental statement filed prior to July 1, 2016, shall include data satisfying the requirements of subdivision (a) for any diversion of water in the 2012, 2013, and 2014 calendar years, that was not reported in a supplemental statement submitted prior to July 1, 2015.

(d) This section does not limit the authority of the board to require additional information or more frequent reporting under any other law.

SEC. 19. *Section 79708.5 is added to the Water Code, to read:*

79708.5. *In addition to the information required pursuant to Section 79708, in order to facilitate oversight of funding and projects, the secretary shall post on the Natural Resources Agency's Internet Web site information on changes to project timelines and project spending.*

SEC. 20. *Section 79716.5 is added to the Water Code, to read:*

79716.5. *Each state agency that receives an appropriation of funding made available by this division shall do the following:*

(a) Evaluate the outcomes of projects funded by this division.

(b) Include in the agency's reporting pursuant to Section 79716 the evaluation described in subdivision (a).

(c) Hold a grantee of funds accountable for completing projects funded by this division on time and within scope.

SEC. 21. *The sum of ten million dollars (\$10,000,000) available in the CalConserve Water Use Efficiency*

Revoiving Funa from the proceas or donas issued pursuant to DIVISION 26.7 (commencing with SECTION 19700) of the Water Code, is hereby appropriated for the purpose of Section 81023 of the Water Code.

SEC. 22. *No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.*

SEC. 23. *This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.*

~~SECTION 1. It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2015.~~

AGENDA ITEM 8a



STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	June 24, 2015
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
APPROVED BY:	<input checked="" type="checkbox"/> Susan Cruz, District Secretary <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Board of Directors 2015 Calendar of Meetings		

GENERAL MANAGER'S RECOMMENDATION:

At the request of the Board, the attached Board of Director's meeting calendar for 2015 is being presented for discussion.

PURPOSE:

This staff report is being presented to provide the Board the opportunity to review the 2015 Board of Director's meeting calendar and amend the schedule as needed.

COMMITTEE ACTION:

N/A

ANALYSIS:

The Board requested that this item be presented at each meeting so they may have an opportunity to review the Board meeting calendar schedule and amend it as needed.

STRATEGIC GOAL:

N/A

FISCAL IMPACT:

None.

LEGAL IMPACT:

None.

Attachment: Calendar of Meetings for 2015

**Board of Directors, Workshops
and Committee Meetings
2015**

Regular Board Meetings:

January 7, 2015
February 4, 2015
March 4, 2015
April 1, 2015
May 6, 2015
June 3, 2015
June 24, 2015
August 5, 2015
September 2, 2015
October 7, 2015
November 4, 2015
December 2, 2015

**Special Board or Committee Meetings (3rd
Wednesday of Each Month or as Noted)**

January 21, 2015
February 18, 2015
March 18, 2015
April 15, 2015
May 20, 2015
June 17, 2015
July 15, 2015
August 19, 2015
September 16, 2015
October 21, 2015
November 18, 2015
December 16, 2015

SPECIAL BOARD MEETINGS:

AGENDA ITEM 9



STAFF REPORT

TYPE		MEETING			
MEETING:	Regular Board	DATE:	June 24, 2015		
SUBMITTED	Mark Watton	W.O./G.F.	N/A	DIV.	N/A
BY:	General Manager	NO:	NO.		
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager				
SUBJECT:	General Manager's Report				

ADMINISTRATIVE SERVICES:

Purchasing and Facilities:

- **Purchase Orders** - There were 130 blanket and regular purchase orders in effect during May with an adjusted total value of \$363,130. In addition, there were 193 Cal-Card transactions totaling \$56,798. By value, Cal-Card represents 13% of all purchases; blanket orders 42%; and regular PO's 45%.

Human Resources:

- **Benefits Pre-Renewal Meeting** - HR staff met with Alliant, our benefit Consultant, in preparation for our annual renewal and benefits open enrollment that is held in October. Alliant provided information to the District regarding the new 2016 requirement to provide each employee with a benefit summary statement (similar to a W-2 form). HR will be working with Finance and IT in preparation for this new requirement.
- **Recruitments** - In response to the drought, San Diego County Water Authority (SDCWA) developed an Intern program. The District is currently interviewing temporary employees through this program to assist with increased workload. In addition, the District is also working with SDCWA again this year on their Wastewater Intern program.
- **New Hires/Promotions** - There was one (1) position filled in the month of June: Senior Utility Worker/Equipment Operator.

Safety & Security:

- **Inspections:**

- Successful completion of the annual regulatory Operations building HMBP inspection conducted by the County of San Diego.
- Successful completion of the 870-1 Pump Station and Disinfection Facility fire inspection.

- **Emergency Preparedness:**

- Department emergency Coordinators and Monitors have been identified.
- A review of the Emergency Action and Fire Prevention Plans was completed with the group.
- Trauma kits were distributed to 5 coordinators.
- Designated evacuation areas were reviewed and updated.
- The San Diego County emergency smart phone application was shared with staff. The application includes information on preparing for disasters, making a family plan, building a kit, emergency maps, shelters, and recovery sources.

- **Training:**

- Emergency: Staff attended the 2015 InfraGard and Capstone tabletop exercise "Power Outage" and the "10th Annual Association of Contingency Planners" workshop.
- Safety: OSHA's Heat Illness Prevention smartphone application was sent to field staff for use as part of the tools used in the prevention of heat illness.
- WebEOC Training Exercise: Staff completed the June monthly exercise, which consisted of finding the telephone/contact information for the Navy San Diego base EOC and submitting an e-mail to Carol Olvera from SDCWA.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- **Drought Public Outreach** - In support of water conservation efforts, staff is working with a vendor to develop an Otay Water District mobile application, similar to the City of San Diego's, to report water waste. The mobile application will allow Otay customers to take photographs of water waste and provide location information to the District's conservation group. The mobile application will be made available for both iPhone and Android devices, and will also use GPS functionality to identify the request location. In addition, the application will also provide useful water usage and general resource information. We expect to have a beta version of the application in July of this year.

FINANCE:

- **Water Conservation Update** - Customer response to the various drought communications implemented by the District has been high. As of June 12th, Customer Service and Water Conservation staff have received over 600 calls and emails directly related to the drought. Water waste reports have increased as well. Since the beginning of June, there have been more than 60 reports of water waste, which is more than any other month since the creation of the water waste reporting system.
- **SWRCB Reporting** - The May 2015 potable water purchases were 26% less than May of 2013. This is due to the 2.5 inches of rainfall in 2015 as compared to less than .25 inches in 2013 as well as customers reacting to the conservation message. The state is also requiring new reporting for agricultural and commercial customers. For the state prison and Caltrans, the May usage was down only 8% compared to the 2013 usage.
- **Board of Directors Expenses** - Attached is the Board of Directors Expenses for the 3rd Quarter of Fiscal Year 2015 (FY 2015). Expenses for the quarter totaled \$9,346.58 for a total of \$19,988.84 for the first three quarters of FY 2015.
- **Other Post Employee Benefits (OPEB) Actuarial Study** - Staff has begun the OPEB actuarial study for fiscal Years 2016 and 2017. The District is required to have an actuarial study of its OPEB plan performed every 2 years. The last OPEB actuarial valuation was performed in 2013.
- **Financial Reporting:**
 - For the eleven months ended May 31, 2015, there are total revenues of \$83,541,363 and total expenses of \$81,871,960. The revenues exceeded expenses by \$1,669,403.
 - The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of May 31, 2015 total \$84,122,647 with an average yield to maturity of 0.66%. The total earnings year-to-date are \$506,442.55.

ENGINEERING AND WATER OPERATIONS:

Engineering:

- **927 Zone, Force Main Assessment and Repair Project:** This Project consists of inspection, condition assessment, and repair of the existing Ralph W. Chapman Water Reclamation Facility (RWCWRF) 1980 era, 16,000 feet long, 14-inch diameter steel force main. Due to the presence of cultural resources (artifacts) found at several work sites, further site

investigations and consultation with affected Native American communities are needed to fully understand the potential impact to cultural resources and the mitigation and monitoring required for work to continue. As a result, the pace of this project will be slowed such that Pipeline Inspection and Condition Analysis Corporation (PICA) inspection of the lower 12,000 feet of force main and construction of force main improvements will commence October 2016. (R2116)

- **SR-11 Potable Water Utility Relocations:** This project consists of two (2) groups of potable water relocations to accommodate the construction of the future SR-11 right-of-way and connector ramps. The first group includes relocation of existing pipelines in Sanyo Avenue and utility easements and is currently in the construction phase. The contractor, Coffman Specialties Inc., has relocated the 10-inch and 12-inch mains and has completed a majority of the work to lower the District's 18-inch transmission main to accommodate the Caltrans freeway retaining wall footings. It is anticipated that this construction contract will reach substantial completion in June 2015 (ahead of schedule). The second group consists of relocating a 6-inch blow off in Otay Mesa Road. The contractor, TC Construction Co., Inc., completed the blow off relocation last month and staff is working to close out TC's contract. The overall project is within budget and on schedule. (P2453)
- **944-1, 944-2, & 458-2 Reservoir Interior/Exterior Coatings & Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 944-1 0.3 MG Reservoir, the 944-2 3.0 MG Reservoir, and the 458-2 1.8 MG Reservoir along with providing structural upgrades to ensure the tanks comply with both State and Federal OSHA standards as well as the American Water Works Association and the County Health Department standards. The contractor, Olympus & Associates, has completed the interior and exterior coating of the 944-2 Reservoir and is preparing to place this reservoir into service. The contractor has completed the removal of the existing coating from the interior floor, roof, and walls at the 458-2 Reservoir. An assessment completed on the interior of this 48 year old reservoir during the month of May indicated needed structural repairs to the floor and column bases. The structural repairs are in progress. It is anticipated that work to apply the new interior coating at the 458-2 Reservoir will begin in July 2015. Work on the 944-1 Reservoir is contingent upon placing the 944-2 Reservoir back into service. The overall project is behind schedule. The contractor's current project schedule indicates an early September 2015 completion. The overall project is within budget. (P2531, P2532, P2535)

- **Ralph W. Chapman Water Reclamation Facility (RWCWRF) Return Activated Sludge (RAS) Pumps Replacement Project:** This Project consists of removal and replacement of the existing 5 horsepower (HP) RAS pumps with upgraded 20 HP units. On January 7, 2015, the Board awarded a construction contract to Cora Constructors, Inc. Pumps have been ordered and are on-site. Activities are projected to start in August 2015 now due to a manufacturer's delay in pump production. It is anticipated that the pumps will be replaced August through October 2015. The project is within budget and still scheduled to be completed in November 2015. (R2111)
- **Calavo Basin Sewer System Rehabilitation:** This project consists of removing and replacing approximately 1,200 linear feet of 8-inch PVC sewer pipeline and construction of 220 feet of new 8-inch PVC sewer pipeline in the residential streets of the Calavo Gardens area near Avocado Boulevard. The contractor, Arrieta Construction, has completed sewer repairs and CCTV inspection. Remaining work to be completed consists of surface restoration. The project is on budget and scheduled to be completed in June 2015. (S2033)
- **Rosarito Desalination:** Staff and representatives from NSC Agua continue to coordinate on complying with the California Water Resources Control Board Drinking Water Program regulatory requirements. The work on the EIR/EIS document for the project is proceeding. All of the technical reports to support the EIR/EIS are complete and being reviewed by staff and the State Department and the EIR/EIS chapters are being written. The draft document for public review is anticipated to be ready in late June 2015. (P2451)
- **850-3 Reservoir Interior Coatings:** This project consists of removing and replacing the interior coatings of the 850-3 3.0 MG Reservoir. On April 1, 2015, the Board awarded a construction contract to Abhe & Svoboda. The contractor has erected scaffolding within the reservoir and is completing the surface blasting of the interior steel. The project is within budget and scheduled to be completed in August 2015. (P2542)
- **450-1 Disinfection Facility Rehabilitation:** This project consists of replacing two (2) sodium hypochlorite tanks, relocating the chlorine feed pumps, installing a new roll-up door, and constructing a containment area. During the month of June the contractor has completed foundation work for the tanks, installation of the roll-up door, and the relocation of the chlorine feed pumps. The project is within budget and is anticipated to be substantially complete in early July 2015. (R2112)

- **711-1 & 711-2 Reservoir Interior/Exterior Coatings & Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 711-1 3.1 MG Reservoir and the 711-2 2.3 MG Reservoir along with providing structural upgrades to ensure the tanks comply with both State and Federal OSHA standards as well as the American Water Works Association and the County Health Department standards. District Staff is working on the contract documents for the project, which is scheduled to go out to bid in mid-July 2015. (P2529 & P2530)
- **Recycled Water Fire Hydrant Installations:** This project consists of installing several fire hydrants on the recycled water system for fire suppression. The project includes meeting Title 22 requirements, obtaining regulatory approval, establishing protocol, and site selection. A draft engineering report prepared by fourteen local agencies including Otay Water District was submitted on June 10, 2015 to the San Diego Regional Water Quality Board, The San Diego office of the Division of Drinking Water, and the San Diego County to provide a framework for approval of the expanded use for recycled water, including fire suppression. A meeting with these regulatory agencies was held on June 18, 2015 to discuss the application. (R2122)
- **Disposal of Real Estate Properties Declared Surplus by the Board:** The District, through a competitive process based on qualifications and pricing, secured the real estate brokerage services of the Norberg Group to support the disposal of six (6) properties declared surplus by the Board. On March 13, 2015, the District entered into listing agreements with the Norberg Group for the six (6) properties. The District has closed escrow for three (3) of the surplus properties which are located at Steele Canyon Road, Wild Mustang Place, and Sweetwater Springs Boulevard.
- **Southwestern Community College:** The engineer for Southwestern College has submitted recycled water plans to tie into the recycled water supply located in Otay Lakes Road for the purposes of supplying recycled water to their Central Plant cooling systems. Additionally, on May 26, 2015 an audit of the irrigation systems and water use at Southwestern Community College was performed through the San Diego County Water Authority's Water Smart program. Southwestern Community College will use this information to guide their conservation efforts.
- **EastLake County Club:** The District received correspondence from the EastLake Country Club regarding concerns over the quality of recycled water supplied to the EastLake Country Club

Golf Course including salt and chlorine levels. In the correspondence, the EastLake Country Club requested that the District enhance the quality of recycled water through blending with potable water.

In response to the concerns expressed, staff reviewed the agency testing performed on the source recycled water which includes recycled water produced by the District's Ralph W. Chapman Water Reclamation Facility (RWCWRF) and the City of San Diego's South Bay Water Reclamation Plant (SBWRP). Staff confirmed that the District's reclamation facility is providing recycled water that meets the permitted requirements with respect to Total Dissolved Solids (TDS) and Chlorides. To investigate concerns expressed over chlorine levels, District staff also sampled and tested the chlorine level of the recycled water from a point adjacent to the southern end of the EastLake Golf Course and found the chlorine levels to be within the permitted levels. Staff also reviewed the information made available by the City of San Diego for the recycled water produced by the SBWRP and supplied to the District. Overall the City's reports indicate that the TDS for recycled water produced by the SBWRP are within the City's permitted levels.

The City has indicated concerns regarding chloride levels from the SBWRP. To address this concern, the City of San Diego is currently constructing a demineralization facility at the SBWRP which is intended to reduce TDS, chloride, and other salt concentrations in the final product recycled water supplied to the District. The City anticipates that the construction of the demineralization facility will be completed in the spring of 2016.

Staff has responded to the EastLake Country Club and shared the results of the District's review. Staff also noted that under the present drought conditions and the Governor's mandated conservation plan, the District is not in a position to enhance the quality of recycled water through blending with potable water as proposed by the EastLake Country Club.

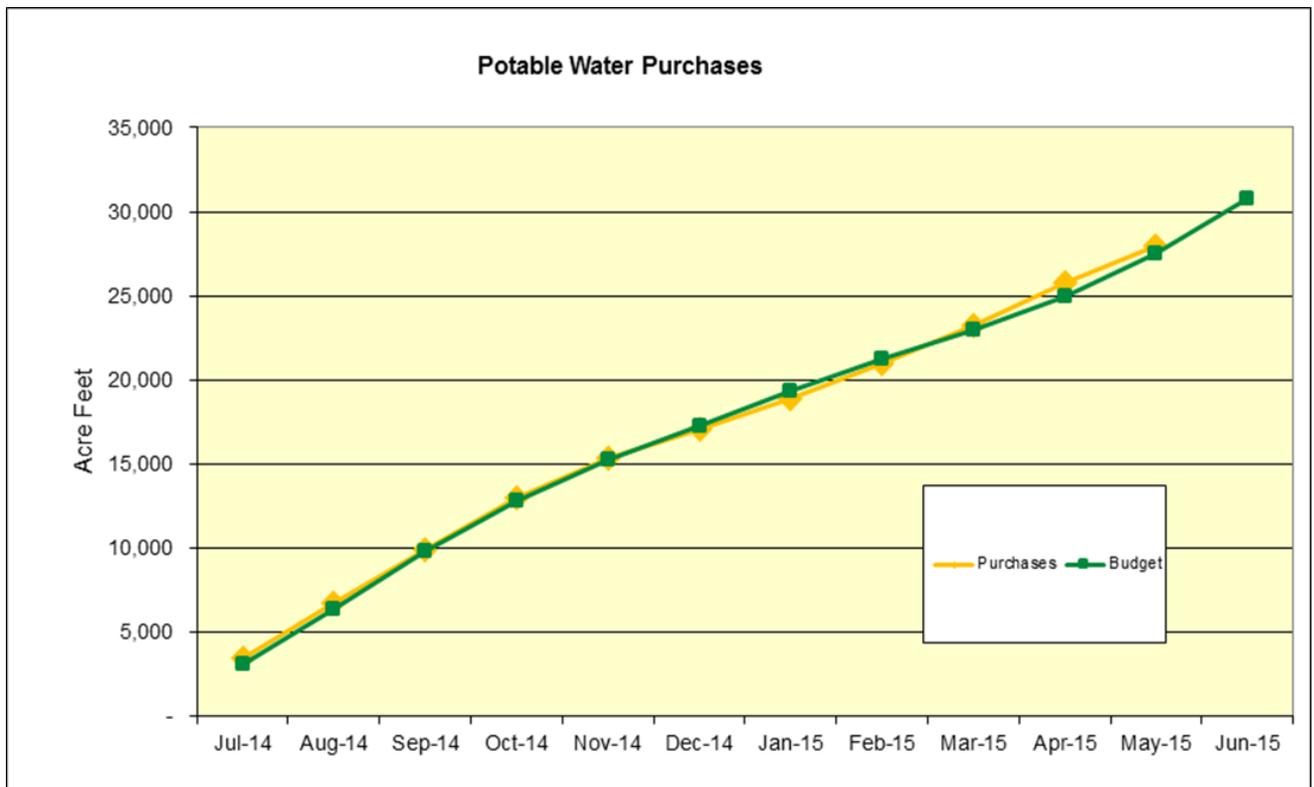
- For the month of May 2015, the District sold 4 meters (25 EDUs) generating \$232,861 in revenue. Projection for this period was 12.8 meters (15.3 EDUs), with a budgeted revenue of \$140,758. Total revenue for Fiscal Year 2015 is \$3,549,574 against the annual budget of \$1,689,093.

The following table summarizes Engineering's project purchases and Change Orders issued during the period of May 21, 2015 through June 11, 2015 that were within staff's signatory authority:

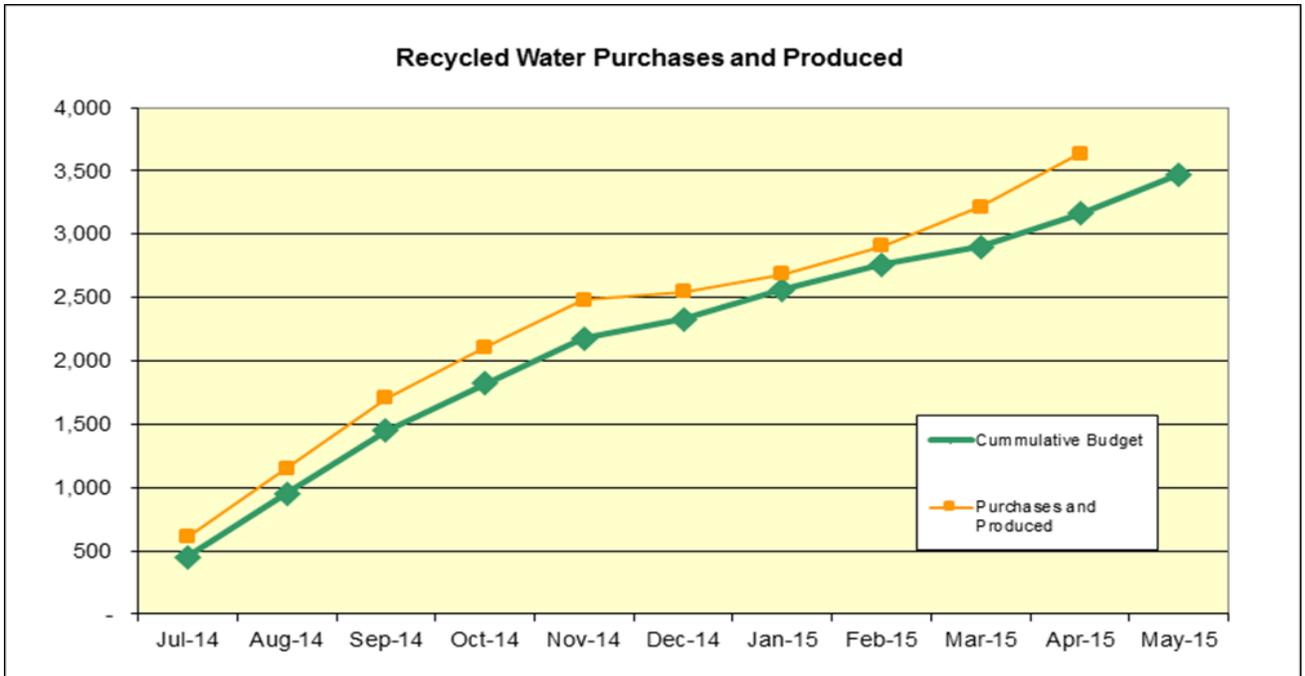
Date	Action	Amount	Contractor/ Consultant	Project
5/26/15	P.O.	\$1,742.68	Pacific Pipeline Supply	RecPL - 14-Inch, 927 Zone, Force Main Assessment and Repair (R2116)
6/2/15	Change Order	\$19,879.09	Arrieta Construction, Inc.	Calavo Basin Sewer Rehabilitation, Phase I (S2033)

Water Operations:

- Total number of potable water meters is 49,415.
- The May potable water purchases were 2,163.2 acre-feet which is 15.6% below the budget of 2,563.1 acre-feet. The cumulative purchases through May is 27,976.4 acre-feet which is 1.5% above the cumulative budget of 27,555.7 acre-feet.



- The May recycled water purchases and production was 255.6 acre-feet which is 17.4% below the budget of 309.5 acre-feet. The cumulative production and purchases through May is 3,894.0 acre-feet which is 12.0% above the cumulative budget of 3,475.5 acre-feet.



- Recycled water consumption for the month of May is as follows:
 - Total consumption was 344.9 acre-feet or 112,352,592 gallons and the average daily consumption was 3,624,277 gallons per day.
 - Total recycled water consumption as of May for FY 2015 is 3887.7 acre-feet.
 - Total number of recycled water meters is 708.
- Wastewater flows for the month of May were as follows:
 - Total basin flow, gallons per day: 1,537,003.
 - Spring Valley Sanitation District Flow to Metro, gallons per day: 508,733.
 - Total Otay flow, gallons per day: 1,028,270.
 - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 991,842.
 - Flow to Metro from Otay Water District was 36,428 gallons per day.

By the end of May there were 6,092 wastewater EDUs.

Attachment: Board of Directors' Expense Summary, Third Quarter

FY2015

	3rd Quarter	YTD
	(1/1/15 - 3/31/15)	(7/1/14 - 3/31/15)
CROUCHER, GARY	\$ 600.00	\$ 1,600.00
GONZALEZ, DAVID	-	1,000.00
LOPEZ, JOSE	3,145.98	6,618.18
ROBAK, MARK	1,016.08	3,190.30
SMITH, TIM	1,839.62	2,179.94
THOMPSON, MITCHELL	2,744.90	5,400.42
	<u>\$ 9,346.58</u>	<u>\$ 19,988.84</u>

**OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
FOR ELEVEN MONTHS ENDED MAY 31, 2015**

	Annual Budget	Actual	Budget	YTD Variance	Var %
REVENUES:					
Potable Water Sales	\$ 45,669,500	\$ 40,943,634	\$ 40,553,700	\$ 389,934	1.0%
Recycled Water Sales	8,826,600	8,262,306	7,843,000	419,306	5.3%
Potable Energy Charges	2,145,600	1,987,929	1,926,700	61,229	3.2%
Potable System Charges	12,337,500	11,252,638	11,216,000	36,638	0.3%
Potable MWD & CWA Fixed Charges	10,936,200	9,964,816	10,043,500	(78,684)	(0.8%)
Potable Penalties	870,300	848,369	774,500	73,869	9.5%
Total Water Sales	80,785,700	73,259,692	72,357,400	902,292	1.2%
Sewer Charges	3,007,700	2,741,180	2,738,100	3,080	0.1%
Meter Fees	51,500	84,349	47,200	37,149	78.7%
Capacity Fee Revenues	1,150,600	1,130,785	1,054,700	76,085	7.2%
Betterment Fees for Maintenance	301,800	188,123	301,800	(113,677)	(37.7%)
Non-Operating Revenues	1,947,800	1,748,275	1,756,400	(8,125)	(0.5%)
Tax Revenues	3,763,700	3,767,881	3,726,000	41,881	1.1%
Interest	77,400	113,378	71,000	42,378	59.7%
Transfer from Potable General Fund	553,800	507,700	507,700	-	0.0%
Total Revenues	\$ 91,640,000	\$ 83,541,363	\$ 82,560,300	\$ 981,063	1.2%
EXPENSES:					
Potable Water Purchases	\$ 34,521,500	\$ 31,224,475	\$ 30,819,400	\$ (405,075)	(1.3%)
Recycled Water Purchases	1,601,500	1,233,335	1,428,450	195,115	13.7%
CWA-Infrastructure Access Charge	1,901,400	1,739,601	1,740,600	999	0.1%
CWA-Customer Service Charge	1,792,200	1,646,036	1,642,200	(3,836)	(0.2%)
CWA-Emergency Storage Charge	4,741,200	4,324,094	4,341,200	17,107	0.4%
MWD-Capacity Res Charge	701,400	634,813	634,300	(513)	(0.1%)
MWD-Readiness to Serve Charge	1,800,000	1,665,888	1,650,000	(15,888)	(1.0%)
Subtotal Water Purchases	47,059,200	42,468,241	42,256,150	(212,091)	(0.5%)
Power Charges	2,838,400	2,816,143	2,543,900	(272,243)	(10.7%)
Payroll & Related Costs	19,747,600	17,813,115	18,077,400	264,285	1.5%
Material & Maintenance	3,619,800	3,059,475	3,418,174	358,699	10.5%
Administrative Expenses	5,009,200	3,648,364	4,589,098	940,734	20.5%
Legal Fees	410,000	190,421	375,833	185,412	49.3%
Expansion Reserve	2,538,900	2,327,300	2,327,300	-	0.0%
Betterment Reserve	3,530,000	3,235,800	3,235,800	-	0.0%
Replacement Reserve	3,270,200	2,997,700	2,997,700	-	0.0%
New Supply Fee	705,000	646,300	646,300	-	0.0%
Transfer to Sewer General Fund	553,800	507,700	507,700	-	0.0%
OPEB Trust	647,100	593,200	593,200	-	0.0%
Potable General Fund	1,583,800	1,451,800	1,451,800	-	0.0%
Sewer Replacement	127,000	116,400	116,400	-	0.0%
Total Expenses	\$ 91,640,000	\$ 81,871,960	\$ 83,136,755	\$ 1,264,796	1.5%
EXCESS REVENUES(EXPENSE)	\$ -	\$ 1,669,403	\$ (576,455)	\$ 2,245,858	

**OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
May 31, 2015**

INVESTMENT OVERVIEW & MARKET STATUS:

The federal funds rate has remained constant now for over 5 years. On December 16, 2008, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was lowered from 1.00% to "a target range of between Zero and 0.25%" in response to the nation's ongoing financial crisis, as well as banking industry pressure to ease credit and stimulate the economy. This marked the ninth reduction in a row since September 18, 2007, when the rate was 5.25%. There have been no further changes made to the federal funds rate at the Federal Reserve Board's subsequent regular scheduled meetings, the most recent of which was held on April 29, 2015. In determining how long to maintain the current 0 to ¼ percent target range for the federal funds rate, they went on to say: "*the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.*"

Despite the large drop in available interest rates, the District's overall effective rate of return at May 31, 2015 was 0.66%, which was one basis point above the previous month. At the same time the LAIF return on deposits has improved over the previous month, reaching an average effective yield of 0.290% for the month of May 2015. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of interest rate declines, no changes in investment strategy regarding returns on investment are being considered at this time. This desired portfolio mix is important in mitigating any liquidity risk from unforeseen changes in LAIF or County Pool policy.

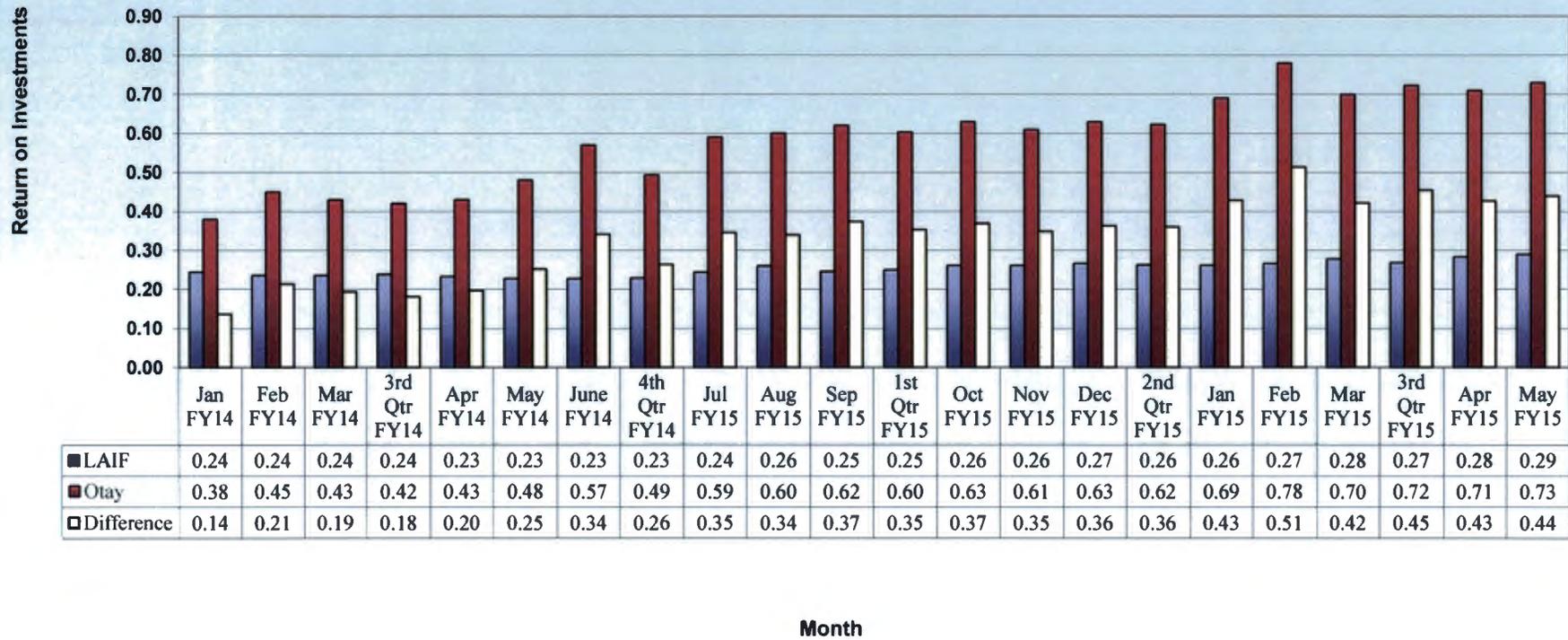
In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

PORTFOLIO COMPLIANCE: May 31, 2015

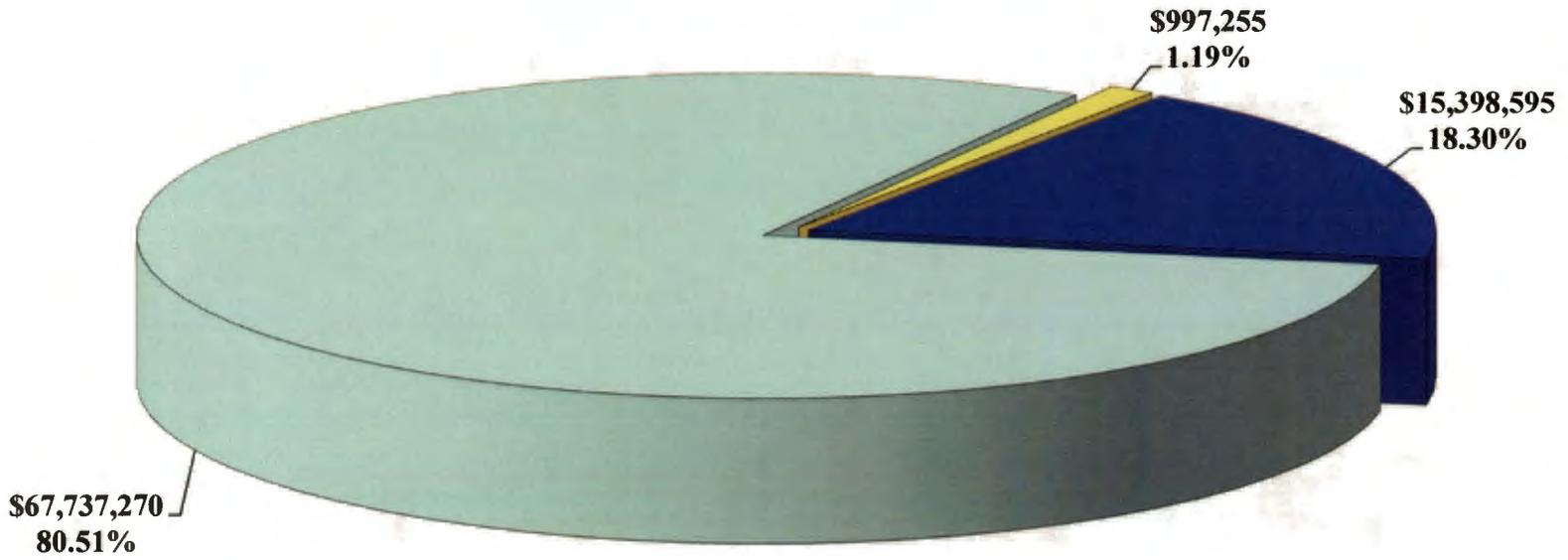
<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01: Treasury Securities	100%	100%	0
8.02: Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$7.6 Million
8.02: Local Agency Investment Fund (Bonds)	100%	100%	0
8.03: Federal Agency Issues	100%	100%	80.51%
8.04: Certificates of Deposit	30%	15%	.10%
8.05: Short-Term Commercial Notes	25%	10%	0
8.06: Medium-Term Commercial Debt	30%	10%	0
8.07: Money Market Mutual Funds	20%	10%	0
8.08: San Diego County Pool	100%	100%	9.28%
12.0: Maximum Single Financial Institution	100%	50%	1.09%

Performance Measure FY-15 Return on Investment

Target: Meet or Exceed 100% of LAIF



Otay Water District Investment Portfolio: 05/31/2015



Total Cash and Investments: \$84,133,120

■ Banks (Passbook/Checking/CD)

■ Pools (LAIF & County)

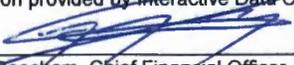
■ Agencies & Corporate Notes

**Month End
Portfolio Management
Portfolio Summary
May 31, 2015**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	59,735,000.00	59,734,227.15	59,735,829.49	71.78	993	747	0.869	0.881
Federal Agency Issues - Coupon	8,000,000.00	8,005,590.00	8,001,440.46	9.62	925	142	0.395	0.400
Certificates of Deposit - Bank	81,784.76	81,784.76	81,784.76	0.10	730	235	0.030	0.030
Local Agency Investment Fund (LAIF)	7,590,662.10	7,593,574.85	7,590,662.10	9.12	1	1	0.286	0.290
San Diego County Pool	7,807,932.62	7,792,000.00	7,807,932.62	9.38	1	1	0.447	0.453
Investments	83,215,379.48	83,207,176.76	83,217,649.43	100.00%	803	550	0.730	0.740
Cash								
Passbook/Checking (not included in yield calculations)	915,470.55	915,470.55	915,470.55		1	1	0.209	0.212
Total Cash and Investments	84,130,850.03	84,122,647.31	84,133,119.98		803	550	0.730	0.740

Total Earnings	May 31 Month Ending	Fiscal Year To Date
Current Year	53,540.22	506,442.55
Average Daily Balance	86,248,819.80	84,101,806.91
Effective Rate of Return	0.73%	0.66%

I hereby certify that the investments contained in this report are made in accordance with the District Investment Policy Number 27 adopted by the Board of Directors on May 7, 2014. The market value information provided by Interactive Data Corporation. The investments provide sufficient liquidity to meet the cash flow requirements of the District for the next six months of expenditures.


Joseph Beachem, Chief Financial Officer

6-16-15

**Month End
Portfolio Management
Portfolio Details - Investments
May 31, 2015**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Federal Agency Issues- Callable												
3134G4PX0	2277	Federal Home Loan Mortgage		12/27/2013	2,000,000.00	1,998,760.00	2,000,000.00	0.500		0.493	392	06/27/2016
3133EDKF8	2291	Federal Farm Credit Bank		04/29/2014	2,000,000.00	2,000,040.00	2,000,000.00	0.550		0.542	424	07/29/2016
3134G4UC0	2305	Federal Home Loan Mortgage		09/08/2014	2,000,000.00	2,001,300.00	2,001,657.27	0.650		0.570	424	07/29/2016
3135GOXR9	2269	Fannie Mae		06/06/2013	2,000,000.00	2,000,080.00	2,000,000.00	0.550	AA	0.542	463	09/06/2016
3134G4WJ3	2284	Federal Home Loan Mortgage		03/19/2014	2,000,000.00	2,000,500.00	2,000,000.00	0.625		0.616	476	09/19/2016
3133EECX6	2313	Federal Farm Credit Bank		11/25/2014	2,000,000.00	1,998,640.00	2,000,000.00	0.610		0.602	543	11/25/2016
3134G55T8	2295	Federal Home Loan Mortgage		06/12/2014	2,000,000.00	2,000,300.00	2,000,000.00	0.700	AA	0.690	560	12/12/2016
3130A25S1	2299	Federal Home Loan Bank		06/19/2014	2,000,000.00	2,000,560.00	2,000,000.00	0.700		0.690	567	12/19/2016
3136G1XZ7	2274	Federal National Mortgage Assoc		12/19/2013	2,000,000.00	2,000,500.00	2,000,000.00	0.670		0.661	567	12/19/2016
3134G5A47	2301	Federal Home Loan Mortgage		06/30/2014	2,000,000.00	2,000,100.00	2,000,000.00	0.650		0.641	578	12/30/2016
3133EELR9	2317	Federal Farm Credit Bank		01/27/2015	2,000,000.00	1,997,380.00	1,999,172.22	0.625		0.616	606	01/27/2017
3134G55X9	2298	Federal Home Loan Mortgage		06/10/2014	2,000,000.00	1,997,260.00	2,000,000.00	0.810		0.799	648	03/10/2017
3134G4WH7	2285	Federal Home Loan Mortgage		03/20/2014	2,000,000.00	2,000,720.00	2,000,000.00	0.900		0.888	658	03/20/2017
3133EEXC9	2323	Federal Farm Credit Bank		04/20/2015	2,000,000.00	1,996,500.00	2,000,000.00	0.690		0.681	675	04/06/2017
3134G56A8	2297	Federal Home Loan Mortgage		06/16/2014	2,000,000.00	2,000,660.00	2,000,000.00	1.000		0.986	746	06/16/2017
3134G56N0	2300	Federal Home Loan Mortgage		06/26/2014	2,000,000.00	1,999,560.00	2,000,000.00	1.000		0.986	756	06/26/2017
3136G23G0	2304	Federal National Mortgage Assoc		08/15/2014	2,000,000.00	2,005,520.00	2,000,000.00	1.050		1.036	806	08/15/2017
3130A3MH4	2314	Federal Home Loan Bank		12/29/2014	2,000,000.00	2,005,880.00	2,000,000.00	1.000		0.986	851	09/29/2017
3134G6TJ2	2319	Federal Home Loan Mortgage		04/27/2015	2,000,000.00	1,999,280.00	2,000,000.00	0.875		0.863	879	10/27/2017
3134G5LH6	2307	Federal Home Loan Mortgage		10/30/2014	2,000,000.00	2,002,000.00	2,000,000.00	1.100		1.085	882	10/30/2017
3133EECG3	2311	Federal Farm Credit Bank		11/20/2014	1,030,000.00	1,032,770.70	1,030,000.00	1.140		1.124	903	11/20/2017
3133EECG3	2312	Federal Farm Credit Bank		11/20/2014	2,705,000.00	2,712,276.45	2,705,000.00	1.140		1.124	903	11/20/2017
3134G5PP4	2310	Federal Home Loan Mortgage		12/12/2014	2,000,000.00	2,000,340.00	2,000,000.00	1.250		1.233	925	12/12/2017
3130A3N59	2315	Federal Home Loan Bank		12/29/2014	2,000,000.00	1,993,460.00	2,000,000.00	1.125		1.110	942	12/29/2017
3133EEYE4	2320	Federal Farm Credit Bank		04/16/2015	2,000,000.00	1,996,760.00	2,000,000.00	1.000		0.986	960	01/16/2018
3130A4MF6	2318	Federal Home Loan Bank		03/30/2015	2,000,000.00	2,010,980.00	2,000,000.00	1.300		1.282	1,032	03/29/2018
3130A4WT5	2322	Federal Home Loan Bank		04/27/2015	2,000,000.00	1,995,080.00	2,000,000.00	1.020		1.006	1,061	04/27/2018
3136G2GN1	2321	Federal National Mortgage Assoc		04/30/2015	2,000,000.00	1,995,540.00	2,000,000.00	1.150		1.134	1,064	04/30/2018
3130A56B0	2325	Federal Home Loan Bank		05/04/2015	2,000,000.00	1,995,680.00	2,000,000.00	1.120	AA	1.105	1,068	05/04/2018
3130A52G3	2324	Federal Home Loan Bank		05/11/2015	2,000,000.00	1,995,800.00	2,000,000.00	1.050	AA	1.036	1,075	05/11/2018
Subtotal and Average			62,251,994.67		59,735,000.00	59,734,227.15	59,735,829.49			0.869	747	

Federal Agency Issues - Coupon

3133EC6F6	2258	Federal Farm Credit Bank		12/05/2012	3,000,000.00	3,000,000.00	3,000,000.00	0.350	AA	0.345	0	06/01/2015
3133EC7H1	2260	Federal Farm Credit Bank		12/17/2012	3,000,000.00	3,001,470.00	3,000,000.00	0.340		0.335	77	08/17/2015

Data Updated: SET_ME8: 06/16/2015 11:56

Run Date: 06/16/2015 - 11:56

Portfolio OTAY
NL! AP
PM (PRF_PM2) 7.3.0

**Month End
Portfolio Management
Portfolio Details - Investments
May 31, 2015**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Federal Agency Issues - Coupon												
3135G0YE7	2286	Federal National Mortgage Assoc		04/01/2014	2,000,000.00	2,004,120.00	2,001,440.46	0.625		0.558	452	08/26/2016
		Subtotal and Average	8,001,485.88		8,000,000.00	8,005,590.00	8,001,440.46			0.395	142	
Certificates of Deposit - Bank												
2050003183-6	2283	California Bank & Trust		01/22/2014	81,784.76	81,784.76	81,784.76	0.030		0.030	235	01/22/2016
		Subtotal and Average	81,784.76		81,784.76	81,784.76	81,784.76			0.030	235	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA			7,590,662.10	7,593,574.85	7,590,662.10	0.290		0.286	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		07/01/2014	0.00	0.00	0.00	0.267		0.263	1	
		Subtotal and Average	4,003,565.33		7,590,662.10	7,593,574.85	7,590,662.10			0.286	1	
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County			7,807,932.62	7,792,000.00	7,807,932.62	0.453		0.447	1	
		Subtotal and Average	9,049,868.10		7,807,932.62	7,792,000.00	7,807,932.62			0.447	1	
		Total and Average	86,248,819.80		83,215,379.48	83,207,176.76	83,217,649.43			0.730	550	

**Month End
Portfolio Management
Portfolio Details - Cash
May 31, 2015**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
Union Bank											
UNION MONEY	9002	STATE OF CALIFORNIA			10,004.60	10,004.60	10,004.60	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA			2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA			773,388.89	773,388.89	773,388.89	0.250		0.247	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2014	27,891.35	27,891.35	27,891.35			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			12,815.42	12,815.42	12,815.42	0.010		0.010	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			34,266.96	34,266.96	34,266.96	0.010		0.010	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		07/01/2014	0.00	0.00	0.00			0.000	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		07/01/2014	54,153.33	54,153.33	54,153.33			0.000	1
		Average Balance	0.00								1
Total Cash and Investments			86,248,819.80		84,130,850.03	84,122,647.31	84,133,119.98			0.730	550

**Month End
GASB 31 Compliance Detail
Sorted by Fund - Fund
May 1, 2015 - May 31, 2015**

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
LAIF	9001	99	Fair Value		4,792,500.41	0.00	6,200,000.00	3,400,000.00	0.00	1,074.44	7,593,574.85
UNION MONEY	9002	99	Amortized		221,006.98	0.00	8,113,980.95	8,324,983.33	0.00	0.00	10,004.80
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
UNION OPERATING	9004	99	Amortized		598,740.18	0.00	1,675,537.74	1,500,889.03	0.00	0.00	773,388.89
PAYROLL	9005	99	Amortized		27,891.35	0.00	0.00	0.00	0.00	0.00	27,891.35
SD COUNTY POOL	9007	99	Fair Value		11,302,000.00	0.00	0.00	3,500,000.00	0.00	-10,000.00	7,792,000.00
RESERVE-10 COPS	9010	99	Amortized		6,944.42	0.00	5,871.00	0.00	0.00	0.00	12,815.42
RESERVE-10 BABS	9011	99	Amortized		18,848.16	0.00	15,418.80	0.00	0.00	0.00	34,266.96
LAIF BABS 2010	9012	99	Fair Value		0.00	0.00	0.00	0.00	0.00	0.00	0.00
UBNA-2010 BOND	9013	99	Amortized		0.00	0.00	0.00	0.00	0.00	0.00	0.00
UBNA-FLEX ACCT	9014	99	Amortized		17,679.00	0.00	50,000.00	13,525.67	0.00	0.00	54,153.33
3133EC6F6	2258	99	Fair Value	06/01/2015	3,000,540.00	0.00	0.00	0.00	0.00	-540.00	3,000,000.00
3133EC7H1	2260	99	Fair Value	08/17/2015	3,001,950.00	0.00	0.00	0.00	0.00	-480.00	3,001,470.00
3135GOXR9	2269	99	Fair Value	09/06/2016	1,998,080.00	0.00	0.00	0.00	0.00	2,000.00	2,000,080.00
3136G1XZ7	2274	99	Fair Value	12/19/2016	2,001,020.00	0.00	0.00	0.00	0.00	-520.00	2,000,500.00
3134G4PX0	2277	99	Fair Value	06/27/2016	1,998,580.00	0.00	0.00	0.00	0.00	180.00	1,998,760.00
2050003183-6	2283	99	Amortized	01/22/2016	81,784.76	0.00	0.00	0.00	0.00	0.00	81,784.76
3134G4WJ3	2284	99	Fair Value	09/19/2016	2,001,300.00	0.00	0.00	0.00	0.00	-800.00	2,000,500.00
3134G4WH7	2285	99	Fair Value	03/20/2017	2,001,880.00	0.00	0.00	0.00	0.00	-1,160.00	2,000,720.00
3135G0YE7	2286	99	Fair Value	08/26/2016	2,004,200.00	0.00	0.00	0.00	0.00	-80.00	2,004,120.00
3133EDKF8	2291	99	Fair Value	07/29/2016	2,000,080.00	0.00	0.00	0.00	0.00	-40.00	2,000,040.00
3134G55T8	2295	99	Fair Value	12/12/2016	2,001,140.00	0.00	0.00	0.00	0.00	-840.00	2,000,300.00
3134G56A8	2297	99	Fair Value	06/16/2017	2,001,940.00	0.00	0.00	0.00	0.00	-1,280.00	2,000,660.00
3134G55X9	2298	99	Fair Value	03/10/2017	1,997,820.00	0.00	0.00	0.00	0.00	-560.00	1,997,260.00
3130A25S1	2299	99	Fair Value	12/19/2016	2,001,460.00	0.00	0.00	0.00	0.00	-900.00	2,000,560.00
3134G56N0	2300	99	Fair Value	06/26/2017	1,999,180.00	0.00	0.00	0.00	0.00	380.00	1,999,560.00
3134G5A47	2301	99	Fair Value	12/30/2016	2,000,780.00	0.00	0.00	0.00	0.00	-680.00	2,000,100.00
3136G23G0	2304	99	Fair Value	08/15/2017	2,004,440.00	0.00	0.00	0.00	0.00	1,080.00	2,005,520.00
3134G4UC0	2305	99	Fair Value	07/29/2016	2,002,940.00	0.00	0.00	0.00	0.00	-1,640.00	2,001,300.00
3134G5LH6	2307	99	Fair Value	10/30/2017	2,001,600.00	0.00	0.00	0.00	0.00	400.00	2,002,000.00

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Month End
 GASB 31 Compliance Detail
 Sorted by Fund - Fund

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
3136G2A23	2308	99	Fair Value	11/28/2017	2,001,040.00	0.00	0.00	2,000,000.00	0.00	-1,040.00	0.00
3130A3FY5	2309	99	Fair Value	11/25/2016	1,997,300.00	0.00	0.00	2,000,000.00	0.00	2,700.00	0.00
3134G5PP4	2310	99	Fair Value	12/12/2017	2,000,420.00	0.00	0.00	0.00	0.00	-80.00	2,000,340.00
3133EECG3	2311	99	Fair Value	11/20/2017	1,032,595.60	0.00	0.00	0.00	0.00	175.10	1,032,770.70
3133EECG3	2312	99	Fair Value	11/20/2017	2,711,816.60	0.00	0.00	0.00	0.00	459.85	2,712,276.45
3133EECX6	2313	99	Fair Value	11/25/2016	1,998,920.00	0.00	0.00	0.00	0.00	-280.00	1,998,640.00
3130A3MH4	2314	99	Fair Value	09/29/2017	2,006,660.00	0.00	0.00	0.00	0.00	-780.00	2,005,880.00
3130A3N59	2315	99	Fair Value	12/29/2017	1,993,160.00	0.00	0.00	0.00	0.00	300.00	1,993,460.00
3133EELR9	2317	99	Fair Value	01/27/2017	1,992,500.00	0.00	0.00	0.00	0.00	4,880.00	1,997,380.00
3130A4MF6	2318	99	Fair Value	03/29/2018	2,010,440.00	0.00	0.00	0.00	0.00	540.00	2,010,980.00
3134G6TJ2	2319	99	Fair Value	10/27/2017	1,998,940.00	0.00	0.00	0.00	0.00	340.00	1,999,280.00
3133EEYE4	2320	99	Fair Value	01/16/2018	1,995,740.00	0.00	0.00	0.00	0.00	1,020.00	1,996,760.00
3136G2GN1	2321	99	Fair Value	04/30/2018	1,995,640.00	0.00	0.00	0.00	0.00	-100.00	1,995,540.00
3130A4WT5	2322	99	Fair Value	04/27/2018	1,994,380.00	0.00	0.00	0.00	0.00	700.00	1,995,080.00
3133EEXC9	2323	99	Fair Value	04/06/2017	1,996,960.00	0.00	0.00	0.00	0.00	-460.00	1,996,500.00
3130A52G3	2324	99	Fair Value	05/11/2018	0.00	2,000,000.00	0.00	0.00	0.00	-4,200.00	1,995,800.00
3130A56B0	2325	99	Fair Value	05/04/2018	0.00	2,000,000.00	0.00	0.00	0.00	-4,320.00	1,995,680.00
				Subtotal	84,815,787.46	4,000,000.00	16,060,808.49	20,739,398.03	0.00	-14,550.61	84,122,647.31
				Total	84,815,787.46	4,000,000.00	16,060,808.49	20,739,398.03	0.00	-14,550.61	84,122,647.31

**Month End
Duration Report
Sorted by Investment Type - Investment Type
Through 05/31/2015**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3135GOXR9	2269	99	Fannie Mae	Fair	2,000,000.00	2,000,000.00	2,000,080.00	.5500000	0.542	0.542	09/06/2016	1.256
3136G1XZ7	2274	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	2,000,500.00	.6700000	0.661	0.654	12/19/2016	1.535
3134G4PX0	2277	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,998,760.00	.5000000	0.493	0.558	06/27/2016	1.065
3134G4WJ3	2284	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,500.00	.6250000	0.616	0.606	09/19/2016	1.291
3134G4WH7	2285	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,720.00	.9000000	0.888	0.880	03/20/2017	1.781
3133EDKF8	2291	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	2,000,040.00	.5500000	0.542	0.548	07/29/2016	1.154
3134G55T8	2295	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,300.00	.7000000	0.690	0.690	12/12/2016	1.515
3134G56A8	2297	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,660.00	1.0000000	0.986	0.984	06/16/2017	2.006
3134G55X9	2298	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,997,260.00	.8100000	0.799	0.888	03/10/2017	1.750
3130A25S1	2299	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,000,560.00	.7000000	0.690	0.682	12/19/2016	1.534
3134G56N0	2300	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,999,560.00	1.0000000	0.986	1.011	06/26/2017	2.034
3134G5A47	2301	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,100.00	.6500000	0.641	0.647	12/30/2016	1.565
3136G23G0	2304	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	2,005,520.00	1.0500000	1.036	0.923	08/15/2017	2.169
3134G4UC0	2305	99	Federal Home Loan Mortgage	Fair	2,001,657.27	2,000,000.00	2,001,300.00	.6500000	0.570	0.594	07/29/2016	1.153
3134G5LH6	2307	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,002,000.00	1.1000000	1.085	1.058	10/30/2017	2.373
3134G5PP4	2310	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,340.00	1.2500000	1.233	1.243	12/12/2017	2.469
3133EECG3	2311	99	Federal Farm Credit Bank	Fair	1,030,000.00	1,030,000.00	1,032,770.70	1.1400000	1.124	1.029	11/20/2017	2.429
3133EECG3	2312	99	Federal Farm Credit Bank	Fair	2,705,000.00	2,705,000.00	2,712,276.45	1.1400000	1.124	1.029	11/20/2017	2.429
3133EECX6	2313	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,998,640.00	.6100000	0.602	0.656	11/25/2016	1.473
3130A3MH4	2314	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,005,880.00	1.0000000	0.986	0.872	09/29/2017	2.286
3130A3N59	2315	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,993,460.00	1.1250000	1.110	1.254	12/29/2017	2.520
3133EELR9	2317	99	Federal Farm Credit Bank	Fair	1,999,172.22	2,000,000.00	1,997,380.00	.6250000	0.616	0.705	01/27/2017	1.640
3130A4MF6	2318	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,010,980.00	1.3000000	1.282	1.102	03/29/2018	2.765
3134G6TJ2	2319	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,999,280.00	.8750000	0.863	0.890	10/27/2017	2.372
3133EEYE4	2320	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,996,760.00	1.0000000	0.986	1.063	01/16/2018	2.580
3136G2GN1	2321	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,540.00	1.1500000	1.134	1.228	04/30/2018	2.853
3130A4WT5	2322	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,995,080.00	1.0200000	1.006	1.106	04/27/2018	2.851
3133EEXC9	2323	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,996,500.00	.6900000	0.681	0.786	04/06/2017	1.829
3130A52G3	2324	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,995,800.00	1.0500000	1.036	1.123	05/11/2018	2.889

**Month End
Duration Report
Sorted by Investment Type - Investment Type
Through 05/31/2015**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3130A56B0	2325	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,995,680.00	1.120000	1.105	1.195	05/04/2018	2.866
3133EC6F6	2258	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	3,000,000.00	.3500000	0.345	0.350	06/01/2015	0.000
3133EC7H1	2260	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	3,001,470.00	.3400000	0.335	0.242	08/17/2015	0.210
3135G0YE7	2286	99	Federal National Mortgage Assoc	Fair	2,001,440.46	2,000,000.00	2,004,120.00	.6250000	0.558	0.458	08/26/2016	1.228
2050003183-6	2283	99	California Bank & Trust	Amort	81,784.76	81,784.76	81,784.76	.0300000	0.030	0.030	01/22/2016	0.640 †
LAIF	9001	99	STATE OF CALIFORNIA	Fair	7,590,662.10	7,590,662.10	7,593,574.85	.2900000	0.286	0.290		0.000
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	.2670000	0.263	0.267		0.000
SD COUNTY	9007	99	San Diego County	Fair	7,807,932.62	7,807,932.62	7,792,000.00	.4530000	0.447	0.453		0.000
Report Total					83,217,649.43	83,215,379.48	83,207,176.76			0.736		1.482 †

† = Duration can not be calculated on these investments due to incomplete Market price data.

**Month End
Activity Report
Sorted By Issuer
May 1, 2015 - May 31, 2015**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: STATE OF CALIFORNIA									
Union Bank									
	UNION MONEY	9002	STATE OF CALIFORNIA		0.010		8,113,980.95	8,324,983.33	
	UNION OPERATING	9004	STATE OF CALIFORNIA		0.250		1,675,537.74	1,500,889.03	
	RESERVE-10 COPS	9010	STATE OF CALIFORNIA		0.010		5,871.00	0.00	
	RESERVE-10 BABS	9011	STATE OF CALIFORNIA		0.010		15,418.80	0.00	
	UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA				50,000.00	13,525.67	
	Subtotal and Balance						9,860,808.49	9,839,398.03	915,470.55
Local Agency Investment Fund (LAIF)									
	LAIF	9001	STATE OF CALIFORNIA		0.290		6,200,000.00	3,400,000.00	
	Subtotal and Balance						6,200,000.00	3,400,000.00	7,590,662.10
	Issuer Subtotal			10.111%			16,060,808.49	13,239,398.03	8,506,132.65
Issuer: California Bank & Trust									
Certificates of Deposit - Bank									
	Subtotal and Balance								81,784.76
	Issuer Subtotal			0.097%			0.00	0.00	81,784.76
Issuer: Fannie Mae									
Federal Agency Issues- Callable									
	Subtotal and Balance								2,000,000.00
	Issuer Subtotal			2.377%			0.00	0.00	2,000,000.00
Issuer: Federal Farm Credit Bank									
Federal Agency Issues- Callable									
	Subtotal and Balance								13,735,000.00

Month End
Activity Report
May 1, 2015 - May 31, 2015

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value		Ending Balance
							Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Federal Farm Credit Bank									
Federal Agency Issues - Coupon									
				6,000,000.00					6,000,000.00
			Issuer Subtotal 23.458%	19,735,000.00			0.00	0.00	19,735,000.00
Issuer: Federal Home Loan Bank									
Federal Agency Issues- Callable									
3130A3FY5	2309	Federal Home Loan Bank			0.700	05/26/2015	0.00	2,000,000.00	
3130A52G3	2324	Federal Home Loan Bank			1.050	05/11/2015	2,000,000.00	0.00	
3130A56B0	2325	Federal Home Loan Bank			1.120	05/04/2015	2,000,000.00	0.00	
				12,000,000.00			4,000,000.00	2,000,000.00	14,000,000.00
			Issuer Subtotal 16.641%	12,000,000.00			4,000,000.00	2,000,000.00	14,000,000.00
Issuer: Federal Home Loan Mortgage									
Federal Agency Issues- Callable									
				24,000,000.00					24,000,000.00
			Issuer Subtotal 28.527%	24,000,000.00			0.00	0.00	24,000,000.00
Issuer: Federal National Mortgage Assoc									
Federal Agency Issues- Callable									
3136G2A23	2308	Federal National Mortgage Assoc			1.200	05/28/2015	0.00	2,000,000.00	
				8,000,000.00			0.00	2,000,000.00	6,000,000.00
Federal Agency Issues - Coupon									
				2,000,000.00					2,000,000.00
			Issuer Subtotal 9.509%	10,000,000.00			0.00	2,000,000.00	8,000,000.00
Issuer: San Diego County									
San Diego County Pool									

**Month End
Activity Report
May 1, 2015 - May 31, 2015**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value	Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance			Purchases or Deposits	Redemptions or Withdrawals	
Issuer: San Diego County									
San Diego County Pool									
SD COUNTY POOL	9007	San Diego County			0.453		0.00	3,500,000.00	
		Subtotal and Balance		11,307,932.62			0.00	3,500,000.00	7,807,932.62
		Issuer Subtotal	9.281%	11,307,932.62			0.00	3,500,000.00	7,807,932.62
		Total	100.000%	84,809,439.57			20,060,808.49	20,739,398.03	84,130,850.03

**Month End
Interest Earnings
Sorted by Fund - Fund
May 1, 2015 - May 31, 2015
Yield on Beginning Book Value**

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Annualized Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Treasury Fund												
LAIF	9001	99	LA1	7,590,662.10	4,790,662.10	7,590,662.10		0.290	0.242	986.09	0.00	986.09
UNION MONEY	9002	99	PA1	10,004.60	221,006.98	10,004.60		0.010	0.024	4.57	0.00	4.57
UNION OPERATING	9004	99	PA1	773,388.89	598,740.18	773,388.89		0.250	0.929	472.53	0.00	472.53
SD COUNTY POOL	9007	99	LA3	7,807,932.62	11,307,932.62	7,807,932.62		0.453	0.363	3,481.84	0.00	3,481.84
RESERVE-10 COPS	9010	99	PA1	12,815.42	6,944.42	12,815.42		0.010	0.014	0.08	0.00	0.08
RESERVE-10 BABS	9011	99	PA1	34,266.96	18,848.16	34,266.96		0.010	0.014	0.22	0.00	0.22
3133EC6F6	2258	99	FAC	3,000,000.00	3,000,000.00	3,000,000.00	06/01/2015	0.350	0.343	875.00	0.00	875.00
3133EC7H1	2260	99	FAC	3,000,000.00	3,000,000.00	3,000,000.00	08/17/2015	0.340	0.334	850.00	0.00	850.00
3135GOXR9	2269	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	09/06/2016	0.550	0.540	916.66	0.00	916.66
3136G1XZ7	2274	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/19/2016	0.670	0.657	1,116.67	0.00	1,116.67
3134G4PX0	2277	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/27/2016	0.500	0.491	833.34	0.00	833.34
2050003183-6	2283	99	BCD	81,784.76	81,784.76	81,784.76	01/22/2016	0.030	0.031	2.12	0.00	2.12
3134G4WJ3	2284	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	09/19/2016	0.625	0.613	1,041.67	0.00	1,041.67
3134G4WH7	2285	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	03/20/2017	0.900	0.883	1,500.00	0.00	1,500.00
3135G0YE7	2286	99	FAC	2,000,000.00	2,001,537.57	2,001,440.46	08/26/2016	0.625	0.556	1,041.66	-97.11	944.55
3133EDKF8	2291	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	07/29/2016	0.550	0.540	916.67	0.00	916.67
3134G55T8	2295	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/12/2016	0.700	0.687	1,166.66	0.00	1,166.66
3134G56A8	2297	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/16/2017	1.000	0.981	1,666.67	0.00	1,666.67
3134G55X9	2298	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	03/10/2017	0.810	0.795	1,350.00	0.00	1,350.00
3130A25S1	2299	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/19/2016	0.700	0.687	1,166.67	0.00	1,166.67
3134G56N0	2300	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/26/2017	1.000	0.981	1,666.67	0.00	1,666.67
3134G5A47	2301	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/30/2016	0.650	0.638	1,083.34	0.00	1,083.34
3136G23G0	2304	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/15/2017	1.050	1.030	1,750.00	0.00	1,750.00
3134G4UC0	2305	99	MC1	2,000,000.00	2,001,776.21	2,001,657.27	07/29/2016	0.650	0.567	1,083.34	-118.94	964.40
3134G5LH6	2307	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/30/2017	1.100	1.079	1,833.33	0.00	1,833.33
3136G2A23	2308	99	MC1	0.00	2,000,000.00	0.00	11/28/2017	1.200	1.217	1,800.00	0.00	1,800.00
3130A3FY5	2309	99	MC1	0.00	2,000,000.00	0.00	11/25/2016	0.700	0.710	972.22	0.00	972.22
3134G5PP4	2310	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/12/2017	1.250	1.226	2,083.33	0.00	2,083.33
3133EECG3	2311	99	MC1	1,030,000.00	1,030,000.00	1,030,000.00	11/20/2017	1.140	1.119	978.50	0.00	978.50

Data Updated: SET_ME8: 06/16/2015 11:56
Run Date: 06/16/2015 - 11:56

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Report Ver. 7.3.5

Month End
Interest Earnings
May 1, 2015 - May 31, 2015

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Annualized Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Treasury Fund												
3133EECG3	2312	99	MC1	2,705,000.00	2,705,000.00	2,705,000.00	11/20/2017	1.140	1.119	2,569.75	0.00	2,569.75
3133EECX6	2313	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	11/25/2016	0.610	0.599	1,016.66	0.00	1,016.66
3130A3MH4	2314	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	09/29/2017	1.000	0.981	1,666.66	0.00	1,666.66
3130A3N59	2315	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/29/2017	1.125	1.104	1,875.00	0.00	1,875.00
3133EELR9	2317	99	MC1	2,000,000.00	1,999,130.56	1,999,172.22	01/27/2017	0.625	0.638	1,041.67	41.66	1,083.33
3130A4MF6	2318	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	03/29/2018	1.300	1.276	2,166.67	0.00	2,166.67
3134G6TJ2	2319	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/27/2017	0.875	0.859	1,458.34	0.00	1,458.34
3133EEYE4	2320	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	01/16/2018	1.000	0.981	1,666.67	0.00	1,666.67
3136G2GN1	2321	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/30/2018	1.150	1.128	1,916.67	0.00	1,916.67
3130A4WT5	2322	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/27/2018	1.020	1.001	1,700.00	0.00	1,700.00
3133EEXC9	2323	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/06/2017	0.690	0.677	1,150.00	0.00	1,150.00
3130A52G3	2324	99	MC1	2,000,000.00	0.00	2,000,000.00	05/11/2018	1.050	1.014	1,166.67	0.00	1,166.67
3130A56B0	2325	99	MC1	2,000,000.00	0.00	2,000,000.00	05/04/2018	1.120	1.095	1,680.00	0.00	1,680.00
Subtotal				84,045,855.35	84,763,363.56	84,048,125.30			0.722	53,714.61	-174.39	53,540.22
Total				84,045,855.35	84,763,363.56	84,048,125.30			0.722	53,714.61	-174.39	53,540.22



STAFF REPORT

TYPE MEETING: Regular Board	MEETING DATE: June 24, 2015
SUBMITTED BY: Kevin Koeppen, Finance Manager, Treasury & Acct	W.O./G.F. NO: DIV. NO.
APPROVED BY: Joseph Beachem, Chief Financial Officer (Chief)	
APPROVED BY: German Alvarez, Assistant General Manager (Asst. GM)	
SUBJECT: Accounts Payable Demand List	

PURPOSE:

Attached is the list of demands for the Board's information.

FISCAL IMPACT:

SUMMARY FOR PERIOD 5/21/2015 - 6/17/2015	NET DEMANDS
CHECKS (2043211 - 2043472)	\$ 1,776,289.72
VOID CHECKS (38)	(\$ 5,369.70)
TOTAL CHECKS	\$ 1,770,920.02
WIRE TO:	
CALPERS - OTHER POST EMPLOYMENT BENEFITS (MONTHLY)	\$ 141,300.00
CITY OF CHULA VISTA - BI-MONTHLY SEWER CHARGES (MAR-APR 2015)	\$ 3,305,780.71
CITY TREASURER - METROPOLITAN SEWERAGE SYSTEM (QUARTERLY)	\$ 255,069.00
CITY TREASURER - RECLAIMED WATER PURCHASE (3/5/15-4/3/15)	\$ 74,221.32
CITY TREASURER - RECLAIMED WATER PURCHASE (4/4/15-5/4/15)	\$ 116,424.52
CITY TREASURER - WATER DELIVERIES (DEC 2014)	\$ 98,699.83
OTAY WATER DISTRICT - BI-WEEKLY PAYROLL DEDUCTION	\$ 672.00
OTAY WATER DISTRICT - BI-WEEKLY PAYROLL DEDUCTION	\$ 686.00
PREFERRED BENEFIT INSURANCE - DENTAL & COBRA CLAIMS (MAY 2015)	\$ 15,245.01
SAN DIEGO COUNTY WATER AUTH - WATER DELIVERIES & CHARGES (APR 2015)	\$ 3,740,584.65
SPECIAL DISTRICT RISK - HEALTH ADMINISTRATION (JUNE 2015)	\$ 277,585.86
STATE DISBURSEMENT UNIT - BI-WEEKLY PAYROLL DEDUCTION	\$ 237.69
STATE DISBURSEMENT UNIT - BI-WEEKLY PAYROLL DEDUCTION	\$ 756.24
STATE DISBURSEMENT UNIT - BI-WEEKLY PAYROLL DEDUCTION	\$ 237.69
STATE DISBURSEMENT UNIT - BI-WEEKLY PAYROLL DEDUCTION	\$ 238.46
UNION BANK - BI-WEEKLY PAYROLL TAXES	\$ 139,620.45
UNION BANK - BI-WEEKLY PAYROLL TAXES	\$ 140,937.38
UNION BANK NA - COPS 1996 (MONTHLY)	\$ 924.74
TOTAL CASH DISBURSEMENTS	\$ 10,080,141.57

RECOMMENDED ACTION:

That the Board received the attached list of demands.

Jb/Attachment

CHECK REGISTER

Otay Water District

Date Range: 5/21/2015 - 6/17/2015

Check #	Date	Vendor #	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
2043403	06/17/15	15645	(W)RIGHT ON COMMUNICATIONS INC	12202410	04/30/15	COMMUNITY OUTREACH (A) (APR 2015)	1,842.61	1,842.61
2043345	06/10/15	15876	1903 SOLUTIONS LLC	OWD150406VDI	06/01/15	VDI IMPLEMENTATION	2,400.00	2,400.00
2043211	05/27/15	15416	24 HOUR ELEVATOR INC	19353	04/01/15	SCHEDULED FIRE TESTING	540.00	
				19148	04/01/15	ELEVATOR MAINTENANCE (APR 2014)	420.00	960.00
2043212	05/27/15	01910	ABCANA INDUSTRIES	964552	05/01/15	SODIUM HYPOCHLORITE	1,892.12	
				964921	05/08/15	SODIUM HYPOCHLORITE	1,290.84	
				965077	05/11/15	SODIUM HYPOCHLORITE	1,053.47	
				964798	05/06/15	SODIUM HYPOCHLORITE	893.58	
				965078	05/11/15	SODIUM HYPOCHLORITE	715.06	
				964830	05/04/15	SODIUM HYPOCHLORITE	632.67	
				964399	04/30/15	SODIUM HYPOCHLORITE	579.70	
				964869	05/07/15	SODIUM HYPOCHLORITE	546.35	
				964398	04/30/15	SODIUM HYPOCHLORITE	539.48	
				964868	05/07/15	SODIUM HYPOCHLORITE	473.77	8,617.04
2043346	06/10/15	01910	ABCANA INDUSTRIES	965649	05/20/15	SODIUM HYPOCHLORITE	755.28	
				965740	05/21/15	SODIUM HYPOCHLORITE	660.13	
				965472	05/18/15	SODIUM HYPOCHLORITE	511.04	
				965297	05/14/15	SODIUM HYPOCHLORITE	462.98	
				965741	05/21/15	SODIUM HYPOCHLORITE	458.07	
				965299	05/14/15	SODIUM HYPOCHLORITE	446.30	
				965298	05/14/15	SODIUM HYPOCHLORITE	239.33	3,533.13
2043404	06/17/15	16497	ADAM VIZCONRONDO	Ref002444801	06/15/15	UB Refund Cst #0000214038	21.98	21.98
2043347	06/10/15	03317	ADVANCED CALL PROCESSING INC	20153459	06/05/15	PHONE MAINTENANCE (6/5/15)	4,317.55	4,317.55
2043348	06/10/15	12174	AECOM TECHNICAL SERVICES INC	28	05/12/15	DISINFECTION SYSTEM (ENDING 5/1/15)	18,175.48	18,175.48
2043349	06/10/15	11462	AEGIS ENGINEERING MGMT INC	1403	05/12/15	DEVELOPER PLAN REVIEW (4/11/15-5/8/15)	15,838.58	
				1321	05/12/15	DEVELOPER PROJECTS (4/11/15-5/8/15)	4,160.25	19,998.83
2043213	05/27/15	11803	AEROTEK ENVIRONMENTAL	OE01154247	05/21/15	TEMPORARY EMPLOYMENT (5/4/15-5/8/15)	1,887.60	
				OE01151929	05/14/15	TEMPORARY EMPLOYMENT (4/27/15-4/30/15)	1,544.40	3,432.00
2043350	06/10/15	11803	AEROTEK ENVIRONMENTAL	OE01158922	06/04/15	TEMPORARY EMPLOYMENT (5/18/15-5/22/15)	1,887.60	
				OE01156536	05/28/15	TEMPORARY EMPLOYMENT (5/11/15-5/14/15)	1,544.40	3,432.00
2043293	06/03/15	11803	AEROTEK ENVIRONMENTAL	OE01147289	04/30/15	TEMPORARY EMPLOYMENT (4/13/15-4/16/15)	1,544.40	1,544.40

CHECK REGISTER

Otay Water District

Date Range: 5/21/2015 - 6/17/2015

Check #	Date	Vendor #	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
2043351	06/10/15	16289	AGM ELECTRONICS INC	B2057	04/29/15	ALARM MODULE	434.18	434.18
2043214	05/27/15	07732	AIRGAS SPECIALTY PRODUCTS INC	131383246	04/28/15	AQUA AMMONIA	2,856.00	6,013.80
				131383248	04/28/15	AQUA AMMONIA	1,532.40	
				131383245	04/28/15	AQUA AMMONIA	1,300.20	
				131383247	04/28/15	AQUA AMMONIA	325.20	
2043215	05/27/15	13753	AIRGAS USA LLC	9926983239	04/30/15	AIR BOTTLES	46.35	46.35
2043352	06/10/15	15024	AIRX UTILITY SURVEYORS INC	19	05/12/15	LAND SURVEYING (4/1/15-4/30/15)	18,707.00	18,707.00
2043405	06/17/15	14256	ALLIANT INSURANCE SERVICES INC	301399	04/10/15	CONSULTING SERVICES (QUARTERLY)	6,750.00	6,750.00
2043216	05/27/15	01463	ALLIED ELECTRONICS INC	9004433700	04/28/15	INSTRUMENT WIRE	332.37	413.88
				9004391869	04/17/15	ELECTRICAL ACCESSORIES	81.51	
2043294	06/03/15	16456	ALNEMS AYMAN	Ref002442825	06/01/15	UB Refund Cst #0000175101	456.79	456.79
2043406	06/17/15	16456	ALNEMS AYMAN	Ref002444788	06/15/15	UB Refund Cst #0000175101	100.00	100.00
2043217	05/27/15	14462	ALYSON CONSULTING	CM201528	05/04/15	MGMT/INSP S2024 (4/1/15-4/30/15)	5,722.50	21,202.50
				CM201524	05/04/15	MGMT/INSP P2532 (4/1/15-4/30/15)	5,260.00	
				CM201525	05/04/15	MGMT/INSP S2033 (4/1/15-4/30/15)	3,600.00	
				CM201523	05/04/15	MGMT/INSP P2453 (4/1/15-4/30/15)	2,100.00	
				CM201526	05/04/15	MGMT/INSP P2453 (4/1/15-4/30/15)	1,500.00	
				CM201527	05/04/15	MGMT/INSP P2542 (4/1/15-4/30/15)	1,050.00	
				CM201530	05/04/15	MGMT/INSP R2111 (4/1/15-4/30/15)	850.00	
				CM201529	05/04/15	MGMT/INSP R2109 (4/1/15-4/30/15)	750.00	
CM201531	05/04/15	MGMT/INSP R2112 (4/1/15-4/30/15)	370.00					
2043353	06/10/15	16437	AMERICAN HYDRAULIC COMPRESSOR	AMHC1967	04/21/15	UNIT 208	2,255.52	2,255.52
2043354	06/10/15	06166	AMERICAN MESSAGING	L1109570PF	06/01/15	PAGERS (MAY 2015)	204.87	204.87
2043295	06/03/15	16460	ANDREW BAYLOR	Ref002442829	06/01/15	UB Refund Cst #0000213291	19.66	19.66
2043296	06/03/15	00002	ANSWER INC	11583	05/22/15	ANSWERING SERVICES (MONTHLY)	1,260.00	1,260.00
2043297	06/03/15	08967	ANTHEM BLUE CROSS EAP	41310	05/25/15	EMPLOYEE ASSISTANCE PROGRAM (JUNE 2015)	312.20	312.20
2043218	05/27/15	03492	AQUA-METRIC SALES COMPANY	0056270IN	05/07/15	INVENTORY	12,099.67	23,876.94
				0056271IN	05/07/15	INVENTORY	11,777.27	
2043407	06/17/15	16488	ARACELI GONZALEZ	Ref002444791	06/15/15	UB Refund Cst #0000198557	13.92	13.92
2043219	05/27/15	16439	ARNOLD G KENT	1812052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20

CHECK REGISTER

Otay Water District

Date Range: 5/21/2015 - 6/17/2015

Check #	Date	Vendor #	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
2043220	05/27/15	05753	ARRIETA CONSTRUCTION INC	404302015	05/07/15	CALAVO PHASE 1 (ENDING 4/30/15)	143,894.60	143,894.60
2043408	06/17/15	07785	AT&T	000006655439	06/02/15	TELEPHONE SERVICES (5/2/15-6/1/15)	5,847.78	
				000006654061	06/01/15	TELEPHONE SERVICES (MAY 2015)	1,229.08	7,076.86
2043355	06/10/15	11519	BACKFLOW APPARATUS & VALVE CO	712121	05/13/15	TEMP METER BACKFLOWS	4,557.60	4,557.60
2043221	05/27/15	11519	BACKFLOW APPARATUS & VALVE CO	710245	04/30/15	BACKFLOW GAUGE	1,414.00	1,414.00
2043222	05/27/15	16390	BARRY J & STAR SLIPOCK	1910051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043409	06/17/15	06970	BATTIKHA, SAM	060615	06/11/15	SAFETY BOOT REIMBURSEMENT	150.00	150.00
2043356	06/10/15	15570	BEYOND IDEAS LLC	OWD05	06/01/15	WEBSITE SUPPORT (3/1/15-6/1/15)	4,565.00	4,565.00
2043223	05/27/15	16445	BLACK LIVING TRUST 02-02-11	1846062115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20
2043410	06/17/15	15654	BRANDON MIZUHARA	Ref002434502	06/16/14	UB Refund Cst #0000144938	250.23	250.23
2043357	06/10/15	02977	BROWN, VINCENT	060115	06/04/15	SAFETY BOOT REIMBURSEMENT	150.00	150.00
2043298	06/03/15	08156	BROWNSTEIN HYATT FARBER	602753	05/28/15	LEGISLATIVE ADVOCACY (APR 2015)	1,766.00	1,766.00
2043358	06/10/15	08156	BROWNSTEIN HYATT FARBER	601866	05/21/15	LEGISLATIVE ADVOCACY (MAR 2015)	3,800.00	3,800.00
2043224	05/27/15	08490	CALIFORNIA BANK & TRUST	404302015	05/07/15	RETENTION/ARRIETA (ENDING 4/30/15)	7,573.40	7,573.40
2043359	06/10/15	01004	CALOLYMPIC SAFETY	3401671	05/19/15	SAFETY SUPPLIES	228.51	
				340377	05/13/15	SAFETY SUPPLIES	45.73	274.24
2043225	05/27/15	01004	CALOLYMPIC SAFETY	340167	05/07/15	SAFETY SUPPLIES	452.79	
				340176	05/11/15	SAFETY SUPPLIES	268.96	721.75
2043411	06/17/15	15447	CANNON, LARRY	LC06092015	06/09/15	TUITION REIMBURSEMENT	1,484.12	1,484.12
2043412	06/17/15	11057	CAREY, ANDREA	060815061015	06/15/15	TRAVEL EXPENSE REIMB (6/8/15-6/10/15)	208.88	208.88
2043413	06/17/15	16490	CARLA SNEAD	Ref002444794	06/15/15	UB Refund Cst #0000204360	28.53	28.53
2043299	06/03/15	02758	CARMEL BUSINESS SYSTEMS INC	7885	05/11/15	SCANNING SERVICES	18.36	18.36
2043226	05/27/15	02758	CARMEL BUSINESS SYSTEMS INC	7884	05/05/15	DESTRUCTION SERVICES (5/4/15)	104.00	104.00
2043227	05/27/15	16446	CAROLE G MARQUEZ TR (DCSD)	1601052115	05/21/15	REFUND SPECIAL ASSESSMENT	420.00	420.00
2043300	06/03/15	16459	CES INC	Ref002442828	06/01/15	UB Refund Cst #0000209032	1,758.27	1,758.27
2043414	06/17/15	16489	CHARMELJUN GALLARDO	Ref002444792	06/15/15	UB Refund Cst #0000198774	12.83	12.83

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2043415	06/17/15	15490	CHELSEY CLAIR	Ref002433138	03/24/14	UB Refund Cst #0000206266	38.51	38.51
2043228	05/27/15	02026	CHULA VISTA ELEM SCHOOL DIST	AR044580	05/08/15	GARDEN TOURS (04/15/15)	270.00	
				AR044581	05/08/15	GARDEN TOURS (04/08/15)	270.00	540.00
2043416	06/17/15	15256	CIGNA GROUP INSURANCE / LINA	9267061015	06/10/15	AD&D & SUPP LIFE INS (JUNE 2015)	4,351.59	4,351.59
2043301	06/03/15	16465	CIPRIAN INVESTMENTS	Ref002442834	06/01/15	UB Refund Cst #0000215433	20.69	20.69
2043360	06/10/15	12674	CITY OF CHULA VISTA	U004051115	05/11/15	UTILITY PERMITS (7/1/14-2/28/15)	16,830.00	16,830.00
2043229	05/27/15	04119	CLARKSON LAB & SUPPLY INC	78890	04/30/15	BACTERIOLOGICAL TESTING (D0740)	192.00	
				78889	04/30/15	BACTERIOLOGICAL TESTING (D0936)	166.00	358.00
2043302	06/03/15	04119	CLARKSON LAB & SUPPLY INC	78886	04/30/15	BACTERIOLOGICAL TESTING (D0876-090137)	552.00	
				78885	04/30/15	BACTERIOLOGICAL TESTING (D0720-090159)	552.00	
				78888	04/30/15	BACTERIOLOGICAL TESTING (P2507)	479.00	
				78887	04/30/15	BACTERIOLOGICAL TESTING (D0876-090139)	136.00	1,719.00
2043230	05/27/15	15395	COFFMAN SPECIALTIES INC	5	05/01/15	SR-11 RELOCATIONS (ENDING 4/30/15)	100,500.40	100,500.40
2043417	06/17/15	15616	COGENT COMMUNICATIONS INC	0001060115	06/01/15	INTERNET CIRCUITS (JUNE 2015)	6,094.00	6,094.00
2043231	05/27/15	08160	COMPLETE OFFICE	17216990	04/30/15	COPY PAPER	803.26	803.26
2043232	05/27/15	12334	CORODATA MEDIA STORAGE INC	DS1267712	04/30/15	TAPE STORAGE (APR 2015)	438.37	438.37
2043361	06/10/15	00099	COUNTY OF SAN DIEGO	DPWAROTAYMW	05/10/15	EXCAVATION PERMITS (APR 2015)	2,475.70	2,475.70
2043233	05/27/15	00184	COUNTY OF SAN DIEGO	2003193E6125204	05/21/15	SHUT DOWN TEST (4/3/15)	142.00	
				2003193E6125304	05/21/15	SHUT DOWN TEST (4/3/15)	142.00	284.00
2043362	06/10/15	00184	COUNTY OF SAN DIEGO	0891052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	2,298.00	
				0405052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	446.00	
				0294052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	405.00	
				0351052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	375.00	
				2786052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	292.00	
				0297052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	292.00	
				0296052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	292.00	
				0295052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	292.00	
				3169052115	05/21/15	UPFP PERMIT RENEWAL (6/30/15-6/30/16)	292.00	4,984.00
2043418	06/17/15	00184	COUNTY OF SAN DIEGO	2003193E6125205	06/11/15	SHUT DOWN TEST (5/6/15)	142.00	
				2003193E6125305	06/11/15	SHUT DOWN TEST (5/6/15)	142.00	
				2003193E6130905	06/11/15	SHUT DOWN TEST (5/7/15)	142.00	

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				2003193E6131005	06/11/15	SHUT DOWN TEST (5/7/15)	142.00	
				2003193E6131105	06/11/15	SHUT DOWN TEST (5/8/15)	142.00	710.00
2043363	06/10/15	08479	COUNTY OF SAN DIEGO	0508215	05/08/15	CALAVO SEWER REPAIRS	11,675.00	11,675.00
2043303	06/03/15	00693	CSDA, SAN DIEGO CHAPTER	05212015	05/28/15	BUSINESS MEETING	30.00	30.00
2043419	06/17/15	00693	CSDA, SAN DIEGO CHAPTER	1528	05/29/15	MEMBERSHIP RENEWAL	150.00	150.00
2043304	06/03/15	16463	CYNTHIA GIRON	Ref002442832	06/01/15	UB Refund Cst #0000213754	50.46	50.46
2043420	06/17/15	16500	CYPREXX SERVICES LLC	Ref002444804	06/15/15	UB Refund Cst #0000216827	50.98	50.98
2043234	05/27/15	11797	D & H WATER SYSTEMS INC	I20150200	03/10/15	W&T MICRO2000 MOTOR	4,257.23	
				I20150315	04/22/15	W&T MICRO2000 MOTOR	2,621.36	
				I20150381	05/11/15	REGULATOR EXTENSIONS	863.50	
				I20150227	03/19/15	W&T MICRO2000 MOTOR	528.23	8,270.32
2043235	05/27/15	11150	DARNELL & ASSOCIATES INC	150102	05/05/15	TRAFFIC SVCS P2267 (3/20/14-11/22/14)	8,760.00	
				140203	05/05/15	TRAFFIC SVCS P2453 (3/20/14-11/22/14)	8,360.00	17,120.00
2043305	06/03/15	16466	DAVID BACK	Ref002442835	06/01/15	UB Refund Cst #0000217193	740.83	740.83
2043421	06/17/15	15461	DAVID BENSOUSSAN	Ref002432954	03/10/14	UB Refund Cst #0000203315	74.42	74.42
2043422	06/17/15	16498	DAVID MCINTOSH	Ref002444802	06/15/15	UB Refund Cst #0000214270	22.13	22.13
2043306	06/03/15	16458	DIANA RUSACKAS	Ref002442827	06/01/15	UB Refund Cst #0000208893	5.23	5.23
2043364	06/10/15	15050	DISCOUNT INSTRUMENTATION SVCS	8523	05/12/15	CONVERTER REPAIR	575.00	575.00
2043423	06/17/15	15717	DORNELIEO WAITS	Ref002435025	07/14/14	UB Refund Cst #0000182344	296.87	296.87
2043424	06/17/15	16494	DOUG BROWN	Ref002444798	06/15/15	UB Refund Cst #0000212312	33.34	33.34
2043425	06/17/15	16496	DOUGLAS SITTER	Ref002444800	06/15/15	UB Refund Cst #0000213373	37.64	37.64
2043307	06/03/15	02447	EDCO DISPOSAL CORPORATION	5458053115	05/31/15	RECYCLING SERVICES (MAY 2015)	95.00	95.00
2043236	05/27/15	16391	EDWARD L & EVELYN C SINGER	1912051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043308	06/03/15	08023	EMPLOYEE BENEFIT SPECIALISTS	0069340IN	04/30/15	EMPLOYEE BENEFITS (APR 2015)	697.50	697.50
2043365	06/10/15	14602	ENVIRO-CARE CO	EC214053	05/14/15	SCREENINGS WASHER COMPACTOR	52,088.67	52,088.67
2043237	05/27/15	03227	ENVIROMATRIX ANALYTICAL INC	5040931	04/28/15	LAB ANALYSIS (4/11/15-4/17/15)	445.00	
				5050344	05/05/15	LAB ANALYSIS (4/18/15-4/24/15)	445.00	
				5050469	05/11/15	LAB ANALYSIS (4/25/15-5/1/15)	445.00	1,335.00

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2043366	06/10/15	03227	ENVIROMATRIX ANALYTICAL INC	5050654	05/18/15	LAB ANALYSIS (5/2/15-5/7/15)	400.00	400.00
2043426	06/17/15	16414	ERIC BANKER	Ref002444789	06/15/15	UB Refund Cst #0000176825	50.00	50.00
2043367	06/10/15	14320	EUROFINS EATON ANALYTICAL INC	L0217045	05/21/15	OUTSIDE LAB SERVICES (4/15/15)	1,250.00	1,250.00
2043238	05/27/15	15396	EVOQUA WATER TECHNOLOGIES LLC	902103153	03/25/15	BIOXIDE DELIVERY	1,636.47	1,636.47
2043239	05/27/15	03546	FERGUSON WATERWORKS # 1083	0511703	04/28/15	WAREHOUSE SUPPLIES	573.80	
				05117031	05/08/15	WAREHOUSE SUPPLIES	499.45	
				0512200	04/28/15	SERVICE SADDLE	425.74	
				0512533	04/28/15	WAREHOUSE SUPPLIES	25.65	1,524.64
2043368	06/10/15	03546	FERGUSON WATERWORKS # 1083	0515317	05/21/15	INVENTORY	4,518.94	4,518.94
2043240	05/27/15	12187	FIRST AMERICAN DATA TREE LLC	9003400415	04/30/15	ONLINE DOCUMENTS	99.00	99.00
2043241	05/27/15	04066	FIRST CHOICE SERVICES - SD	039561	05/11/15	COFFEE SUPPLIES	340.28	340.28
2043369	06/10/15	11962	FLEETWASH INC	x495195	05/15/15	VEHICLE WASHING	40.36	40.36
2043242	05/27/15	11962	FLEETWASH INC	x483159	05/01/15	VEHICLE WASHING	45.57	45.57
2043427	06/17/15	11962	FLEETWASH INC	x500706	05/22/15	VEHICLE WASHING	52.08	52.08
2043309	06/03/15	01612	FRANCHISE TAX BOARD	Ben2442880	06/04/15	BI-WEEKLY PAYROLL DEDUCTION	390.00	390.00
2043428	06/17/15	01612	FRANCHISE TAX BOARD	Ben2444860	06/18/15	BI-WEEKLY PAYROLL DEDUCTION	350.00	350.00
2043310	06/03/15	02344	FRANCHISE TAX BOARD	Ben2442882	06/04/15	BI-WEEKLY PAYROLL DEDUCTION	88.00	88.00
2043429	06/17/15	02344	FRANCHISE TAX BOARD	Ben2444862	06/18/15	BI-WEEKLY PAYROLL DEDUCTION	88.00	88.00
2043311	06/03/15	16457	FRANCIS RIVERA	Ref002442826	06/01/15	UB Refund Cst #0000175529	93.91	93.91
2043312	06/03/15	16448	FRIENDS OF DISCOVERY	0518151	05/19/15	GARDEN TOUR (03/04/15-03/11/15)	1,080.00	1,080.00
2043243	05/27/15	13563	FRIENDS OF THE WATER	255	05/04/15	GARDEN TOURS (4/8/15-4/23/15)	1,860.00	1,860.00
2043244	05/27/15	14948	GPS INSIGHT LLC	9303828	05/01/15	GPS MODEMS	6,777.90	6,777.90
2043245	05/27/15	00101	GRAINGER INC	9728241010	04/28/15	ELECTRICAL WIRE	459.63	
				9724432084	04/23/15	RULE PUMP	384.91	
				9714567345	04/13/15	TOOLS	361.86	1,206.40
2043246	05/27/15	12907	GREENRIDGE LANDSCAPE INC	13010	04/29/15	LANDSCAPING SERVICES (APR 2015)	8,909.50	8,909.50
2043247	05/27/15	16440	GUY J WILKERSON	1820052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20

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2043370	06/10/15	00174	HACH COMPANY	9389748	05/22/15	HACH APA6000 REPAIR FEE	1,302.60	2,565.60
				9389758	05/22/15	HACH APA6000 REPAIR FEE	1,263.00	
2043248	05/27/15	00174	HACH COMPANY	9332061	04/15/15	MOBILE INTERFACE	2,677.00	2,677.00
2043313	06/03/15	16455	HAI TRAN	Ref002442824	06/01/15	UB Refund Cst #0000126266	22.04	22.04
2043430	06/17/15	05986	HAVS INCORPORATED	72371	06/11/15	OUTSIDE SERVICES	6,319.40	6,319.40
2043249	05/27/15	06640	HD SUPPLY WATERWORKS LTD	D646159	05/06/15	4" VIC PLUG VALVES	1,632.66	2,604.66
				D814805	05/06/15	ECODER XTR FOR METERS	972.00	
2043371	06/10/15	06640	HD SUPPLY WATERWORKS LTD	D821300	05/14/15	FIRE HOSE & CONNECTIONS	235.31	235.31
2043250	05/27/15	10973	HDR ENGINEERING INC	15	05/04/15	CORROSION SERVICES (2/22/15-3/28/15)	48,903.75	48,903.75
2043372	06/10/15	02008	HELIX ENVIRONMENTAL	6	05/15/15	ENVIRONMENTAL SERVICES (4/8/15-4/30/15)	17,281.83	17,281.83
2043431	06/17/15	02096	HELIX WATER DISTRICT	HWD060115-otay-	06/02/15	LANDSCAPE CONTEST WINNER	29.45	29.45
2043251	05/27/15	03743	HYDROTEX	237388	05/06/15	OIL	3,544.19	3,544.19
2043432	06/17/15	15622	ICF JONES & STOKES INC	0106499	03/20/15	ENVIRONMENTAL SVCS R2116 (1/31/15-2/27/15)	3,157.50	3,808.11
				0106497	03/20/15	ENVIRONMENTAL SVCS P1253 (1/31/15-2/27/15)	330.82	
				0106500	03/20/15	ENVIRONMENTAL SVCS P2083 (1/31/15-2/27/15)	319.79	
2043373	06/10/15	15622	ICF JONES & STOKES INC	0107717	05/15/15	ENVIRONMENTAL SVCS R2116 (4/1/15-4/24/15)	7,098.75	11,629.60
				0107716	05/15/15	ENVIRONMENTAL SVCS MONITORING (4/1/15-4/24/15)	3,258.65	
				0107710	05/15/15	ENVIRONMENTAL SVCS SWPPP (4/6/15-4/24/15)	734.70	
				0107713	05/15/15	ENVIRONMENTAL SVCS P2083 (4/1/15-4/24/15)	268.75	
				0107715	05/15/15	ENVIRONMENTAL SVCS REPAIRS (4/1/15-4/24/15)	268.75	
2043252	05/27/15	08969	INFOSEND INC	91934	04/30/15	BILL PRINTING SERVICES (APR 2015)	12,350.00	21,708.20
				91933	04/30/15	BILL PRINTING SERVICES (APR 2015)	4,398.93	
				92401	04/30/15	PRINTING & INSERTS	2,988.03	
				92094	05/04/15	BILL PRINTING SERVICES (APR 2015)	1,971.24	
2043433	06/17/15	13644	INNOVYZE INC	1683584	05/19/15	INFOMASTER SOFT LICENSING (MAY 2015-MAY 2016)	29,000.00	29,000.00
2043253	05/27/15	02372	INTERIOR PLANT SERVICE INC	10890	04/20/15	PLANT SERVICES (APR 2015)	226.00	226.00
2043374	06/10/15	03368	INVENSYS SYSTEMS INC	93241904	05/18/15	TRANSMITTER PARTS	224.15	315.07
				93241315	05/15/15	TRANSMITTER PARTS	90.92	
2043254	05/27/15	03368	INVENSYS SYSTEMS INC	93238472	05/07/15	TRANSMITTER PARTS	43.18	43.18

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2043434	06/17/15	15400	JAMES MALCOLM	Ref002432476	02/10/14	UB Refund Cst #0000051627	22.00	22.00
2043255	05/27/15	03077	JANI-KING OF CALIFORNIA INC	SDO04150129	04/01/15	JANITORIAL SERVICES (APR 2015)	1,159.35	1,159.35
2043256	05/27/15	10563	JCI JONES CHEMICALS INC	652692	04/29/15	CHLORINE TP	3,123.10	3,123.10
2043375	06/10/15	10563	JCI JONES CHEMICALS INC	655021		CREDIT MEMO	-2,000.00	
				654956	05/20/15	CHLORINE TP	3,123.10	1,123.10
2043314	06/03/15	10563	JCI JONES CHEMICALS INC	652719		CREDIT MEMO	-3,000.00	
				652692	04/29/15	CHLORINE TP	3,123.10	123.10
2043257	05/27/15	02269	JENAL ENGINEERING CORP	15923	04/30/15	DUSTO INSPECTIONS (APR 2015)	100.00	100.00
2043435	06/17/15	15531	JESSICA COBARRUBIAS	Ref002433434	04/07/14	UB Refund Cst #0000199242	75.00	75.00
2043258	05/27/15	16392	JIM D COSKUN	1913051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043436	06/17/15	16482	JUNE JENSEN	Ref002444783	06/15/15	UB Refund Cst #0000026264	187.63	187.63
2043259	05/27/15	00056	KAMAN INDUSTRIAL TECHNOLOGIES	O25605	05/07/15	DRUM SCREEN BEARINGS	574.58	574.58
2043437	06/17/15	10089	KENNEDY, ROBERT	38336061515	06/15/15	REIMBURSEMENT	115.00	115.00
2043438	06/17/15	16501	KITTY HAWK REALTY	Ref002444805	06/15/15	UB Refund Cst #0000217452	75.00	75.00
2043439	06/17/15	14808	KOEPPE, KEVIN	111715112015	06/15/15	TRAVEL EXPENSE REIMB (11/17/15-11/20/15)	206.20	206.20
2043376	06/10/15	12276	KONECRANES INC	SDG01013201	05/20/15	HOIST INSPECTION	500.00	500.00
2043440	06/17/15	16483	LISA MCCOLL	Ref002444784	06/15/15	UB Refund Cst #0000048467	6.45	6.45
2043260	05/27/15	16387	LOUIS S & EVELYNE Y MARKEL	1905051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043441	06/17/15	16487	LOURDES CORONA	Ref002444790	06/15/15	UB Refund Cst #0000184939	58.51	58.51
2043315	06/03/15	16461	LYNN RUIZ	Ref002442830	06/01/15	UB Refund Cst #0000213394	20.81	20.81
2043442	06/17/15	16484	MARCO GARMO	Ref002444785	06/15/15	UB Refund Cst #0000067420	141.89	141.89
2043443	06/17/15	16504	MARROKAL CONSTRUCTION CO	MTR15064061515	06/15/15	REFUND	381.45	381.45
2043261	05/27/15	16444	MARVELLIN ALGARIO	1842052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20
2043262	05/27/15	16393	MARYZELLA JUAREZ URIBE	1914051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043444	06/17/15	16485	MAUREEN ORTIZ	Ref002444786	06/15/15	UB Refund Cst #0000075835	13.91	13.91
2043263	05/27/15	02882	MAYER REPROGRAPHICS INC	0093484IN	05/13/15	REPROGRAPHIC SERVICES	82.50	82.50

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2043377	06/10/15	02882	MAYER REPROGRAPHICS INC	0093767IN	05/27/15	REPROGRAPHIC SERVICES (R2109)	375.00	375.00
2043445	06/17/15	02882	MAYER REPROGRAPHICS INC	00904011IN	06/05/15	REPROGRAPHIC SERVICES	866.28	
				0094012IN	06/05/15	REPROGRAPHIC SERVICES (P1210)	519.38	
				0093988IN	06/04/15	REPROGRAPHIC SERVICES (R2109)	62.50	1,448.16
2043264	05/27/15	01183	MCMASTER-CARR SUPPLY CO	29578451	05/07/15	CLARIFIER BAFFLE WALL MATERIALS	351.21	351.21
2043446	06/17/15	16499	MICHAEL KIRBY	Ref002444803	06/15/15	UB Refund Cst #0000216799	35.87	35.87
2043316	06/03/15	16450	MILA RABANAL	Ref002442819	06/01/15	UB Refund Cst #0000003433	16.39	16.39
2043378	06/10/15	00103	MILLER PAVING CORP	151161	06/02/15	ASPHALTIC CONCRETE PAVING	15,500.00	15,500.00
2043317	06/03/15	16452	MING CHE LAI	Ref002442821	06/01/15	UB Refund Cst #0000014848	53.54	53.54
2043379	06/10/15	00887	MIRAMAR TRUCK CENTER-SAN DIEGO	80234	04/30/15	REPAIR	518.07	518.07
2043447	06/17/15	15171	MIRNA RIVERA	Ref002444793	06/15/15	UB Refund Cst #0000203182	102.83	102.83
2043448	06/17/15	16491	MIRNA SANTANA	Ref002444795	06/15/15	UB Refund Cst #0000204632	78.60	78.60
2043380	06/10/15	15136	MISSION UNIFORM SERVICE	500159228	05/19/15	UNIFORM SERVICES	406.80	
				500115737	05/12/15	UNIFORM SERVICES	391.89	
				500159227	05/19/15	UNIFORM SERVICES	133.76	
				500115736	05/12/15	UNIFORM SERVICES	122.28	
				500149867	05/18/15	UNIFORM SERVICES	93.98	
				500195815	05/25/15	UNIFORM SERVICES	93.98	
				500149224	05/19/15	UNIFORM SERVICES	91.52	1,334.21
2043265	05/27/15	15136	MISSION UNIFORM SERVICE	500069449	05/05/15	UNIFORM SERVICES	392.04	
				500025059	04/28/15	UNIFORM SERVICES	391.89	
				500025058	04/28/15	UNIFORM SERVICES	122.28	
				500069448	05/05/15	UNIFORM SERVICES	122.28	
				500060551	05/04/15	UNIFORM SERVICES	93.98	
				500026879	04/28/15	UNIFORM SERVICES	29.32	1,151.79
2043449	06/17/15	15136	MISSION UNIFORM SERVICE	500104643	05/11/15	UNIFORM SERVICES	93.98	93.98
2043266	05/27/15	16441	MOISES A CUEVAS JR	1821052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20
2043381	06/10/15	09227	MOORE INDUSTRIES-INTRNTL INC	619354	05/21/15	PID REPAIR	225.53	225.53
2043318	06/03/15	09587	NAMBA, RICHARD	052815	05/28/15	LANDSCAPE CONTEST	250.00	250.00
2043319	06/03/15	16255	NATIONWIDE RETIREMENT	Ben2442868	06/04/15	BI-WEEKLY DEFERRED COMP PLAN	11,553.27	11,553.27

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2043450	06/17/15	16255	NATIONWIDE RETIREMENT	Ben2444848	06/18/15	BI-WEEKLY DEFERRED COMP PLAN	10,053.27	10,053.27
2043320	06/03/15	16462	NORMAN MILES	Ref002442831	06/01/15	UB Refund Cst #0000213415	25.26	25.26
2043382	06/10/15	07447	NTU TECHNOLOGIES INC	9030	05/13/15	POLYMER 908	9,135.00	9,135.00
2043267	05/27/15	00510	OFFICE DEPOT INC	768312139001	04/30/15	OFFICE SUPPLIES	529.23	
				764862168001	04/09/15	OFFICE SUPPLIES	183.49	
				761592691001	03/23/15	OFFICE SUPPLIES	97.17	
				768031875001	04/29/15	OFFICE SUPPLIES	18.01	827.90
2043321	06/03/15	00510	OFFICE DEPOT INC	769829982001	05/08/15	OFFICE SUPPLIES	230.85	
				765692921001	04/15/15	OFFICE SUPPLIES	29.11	
				769512408001	05/07/15	OFFICE SUPPLIES	20.00	279.96
2043383	06/10/15	00510	OFFICE DEPOT INC	768928176001	05/12/15	OFFICE SUPPLIES	261.09	
				770823522001	05/15/15	OFFICE SUPPLIES	249.23	
				771631559001	05/20/15	OFFICE SUPPLIES	116.91	
				772096041001	05/22/15	OFFICE SUPPLIES	75.97	
				770127818001	05/12/15	OFFICE SUPPLIES	38.83	742.03
2043451	06/17/15	15856	OLYMPUS AND ASSOCIATES INC	6	06/08/15	RESERVOIR COATING (ENDING 5/31/15)	69,098.73	69,098.73
2043322	06/03/15	01718	OTAY MESA CHAMBER OF COMMERCE	562015	05/28/15	MEMBERSHIP RENEWAL	600.00	600.00
2043452	06/17/15	16502	PACIFIC GREEN LANDSCAPE LINC	Ref002444806	06/15/15	UB Refund Cst #0000217813	1,736.83	1,736.83
2043268	05/27/15	06527	PADRE DAM MUNICIPAL WATER	050515	05/11/15	MEAL REIMBURSEMENT	31.80	31.80
2043269	05/27/15	05497	PAYPAL INC	40683641	04/30/15	PHONE PAYMENT SVCS (APR 2015)	54.10	54.10
2043384	06/10/15	15081	PINOMAKI DESIGN	4830	05/16/15	GRAPHIC DESIGN	255.00	255.00
2043323	06/03/15	13059	PRIORITY BUILDING SERVICES	42770	02/01/15	JANITORIAL SERVICES (FEB 2015)	3,924.48	
				43192	03/01/15	JANITORIAL SERVICES (MAR 2015)	3,924.48	7,848.96
2043385	06/10/15	03613	PSOMAS	106630	05/14/15	AS-NEEDED DESIGN (ENDING 4/2/15)	4,694.50	4,694.50
2043270	05/27/15	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2442651	05/21/15	BI-WEEKLY PERS CONTRIBUTION	174,034.88	174,034.88
2043386	06/10/15	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2442870	06/04/15	BI-WEEKLY PERS CONTRIBUTION	176,336.38	176,336.38
2043387	06/10/15	10294	QWIKPRINTS	15152958	06/01/15	LIVE SCAN SERVICES	20.00	20.00
2043271	05/27/15	16133	R J SAFETY SUPPLY CO INC	33496700	04/14/15	CHLORINE GAS DETECTORS	1,517.40	1,517.40

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2043388	06/10/15	16133	R J SAFETY SUPPLY CO INC	33635300	05/20/15	FACE MASK RECERTIFICATION	223.29	223.29
2043453	06/17/15	16507	RABAGO INVESTMENT GROUP LLC	0833060815	06/08/15	W/O REFUND D0833-090093	3,113.88	3,113.88
2043272	05/27/15	00334	RANDOLPH MANUFACTURING CO	3008466	03/02/15	REPAIR PART	58.92	58.92
2043273	05/27/15	02041	RBF CONSULTING	906361	05/07/15	INSPECTION SVCS (12/1/14-4/26/15)	1,026.00	1,026.00
2043274	05/27/15	01890	RECON	51301	05/01/15	SUBAREA PLAN (6/28/14-4/24/15)	18,064.50	18,064.50
2043275	05/27/15	15414	REGENTS BANK	5	05/01/15	RETENTION/COFFMAN (ENDING 4/30/15)	5,289.49	5,289.49
2043454	06/17/15	15857	REPUBLIC SERVICES INC #509	0509006034125	05/25/15	TRASH SERVICES (JUNE 2015)	530.33	530.33
2043389	06/10/15	15857	REPUBLIC SERVICES INC #509	0509006035639	05/25/15	TRASH SERVICES	192.71	192.71
2043455	06/17/15	16495	RICARDO HERNANDEZ	Ref002444799	06/15/15	UB Refund Cst #0000212317	37.00	37.00
2043276	05/27/15	15600	RICHARD J THORMAN	043015	04/28/15	CONSULTING SERVICES	1,090.00	1,090.00
2043390	06/10/15	08972	RICK ENGINEERING COMPANY	0042610	05/13/15	CAMPO ROAD SUPPORT (4/1/15-4/30/15)	11,692.72	11,692.72
2043277	05/27/15	08020	RIESGO FAMILY TRUST 10-26-96	1602052115	05/21/15	REFUND SPECIAL ASSESSMENT	420.00	420.00
2043324	06/03/15	16174	ROCK STRUCTURES CONSTRUCTION	11084	04/30/15	RIP-RAP 12" MINUS	384.91	384.91
2043325	06/03/15	16453	ROSA MARIA AGUIRRE	Ref002442822	06/01/15	UB Refund Cst #0000054867	332.64	332.64
2043391	06/10/15	09148	S & J SUPPLY COMPANY INC	S100051471001	05/12/15	INVENTORY	3,539.51	3,539.51
2043456	06/17/15	02586	SAN DIEGO COUNTY ASSESSOR	201503627	06/02/15	ASSESSOR DATA (5/5/15)	125.00	
				201503627a	06/02/15	RECORDED MAPS (5/20/15)	2.00	127.00
2043326	06/03/15	03752	SAN DIEGO COUNTY SHERIFF	Ben2442878	06/04/15	BI-WEEKLY PAYROLL DEDUCTION	460.90	460.90
2043457	06/17/15	03752	SAN DIEGO COUNTY SHERIFF	Ben2444858	06/18/15	BI-WEEKLY PAYROLL DEDUCTION	460.90	460.90
2043392	06/10/15	00003	SAN DIEGO COUNTY WATER AUTH	0000001222	05/12/15	MWD SCWS - HEWs	4,076.00	4,076.00
2043393	06/10/15	00247	SAN DIEGO DAILY TRANSCRIPT	506055	05/18/15	BID ADVERTISEMENT	125.40	
				505010	05/12/15	BID ADVERTISEMENT	112.20	237.60
2043278	05/27/15	00247	SAN DIEGO DAILY TRANSCRIPT	00129703	05/14/15	OUTSIDE SERVICES LEGAL ADVERTISING	4,710.00	
				502370	04/28/15	BID ADVERTISEMENT P2541	102.30	
				502368	04/28/15	BID ADVERTISEMENT P1438	85.80	4,898.10
2043394	06/10/15	00121	SAN DIEGO GAS & ELECTRIC	052815	05/28/15	UTILITY EXPENSES (MONTHLY)	65,364.15	
				052715	05/27/15	UTILITY EXPENSES (MONTHLY)	51,418.84	

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				052615	05/26/15	UTILITY EXPENSES (MONTHLY)	905.84	117,688.83
2043327	06/03/15	00121	SAN DIEGO GAS & ELECTRIC	052015	05/20/15	UTILITY EXPENSES (MONTHLY)	29,708.97	29,708.97
2043458	06/17/15	00121	SAN DIEGO GAS & ELECTRIC	060315	06/03/15	UTILITY EXPENSES (MONTHLY)	53,977.75	
				052915	05/29/15	UTILITY EXPENSES (MONTHLY)	3,279.35	57,257.10
2043279	05/27/15	00871	SAN DIEGO GAS & ELECTRIC	271573	05/21/15	PREARRANGED POWER OUTAGE	2,570.00	2,570.00
2043459	06/17/15	16486	SANG YOONG LEE	Ref002444787	06/15/15	UB Refund Cst #0000160143	136.52	136.52
2043328	06/03/15	07442	SCHULTZ, ALEXANDER	051315	05/22/15	MILEAGE REIMBURSEMENT (5/13/15)	141.45	141.45
2043460	06/17/15	15446	SCOTT, ADAM	060115060515	06/09/15	TRAVEL EXPENSE REIMB (6/1/15-6/5/15)	844.66	844.66
2043461	06/17/15	15307	SIERRA ANALYTICAL LABS INC	5F10013	06/10/15	LABORATORY SERVICES (6/3/15)	260.00	
				5F08008	06/08/15	LABORATORY SERVICES (5/27/15)	230.00	490.00
2043329	06/03/15	15307	SIERRA ANALYTICAL LABS INC	5E28007	05/28/15	LABORATORY SERVICES (5/20/15)	205.00	205.00
2043280	05/27/15	15307	SIERRA ANALYTICAL LABS INC	5E20003	05/20/15	LABORATORY SERVICES (5/13/15)	205.00	205.00
2043395	06/10/15	13327	SILVA-SILVA INTERNATIONAL	1506	05/27/15	DESAL PROJ CONSULTANT (MAY 2015)	4,000.00	4,000.00
2043396	06/10/15	15176	SOUTHCOAST HEATING &	C56081	05/15/15	AC MAINTENANCE (MONTHLY)	1,068.00	
				C56095	05/15/15	AC MAINTENANCE (MONTHLY)	480.00	
				C56088	05/15/15	AC MAINTENANCE (MONTHLY)	205.00	1,753.00
2043330	06/03/15	01717	SPRING VALLEY CHAMBER OF	062015	05/28/15	MEMBERSHIP RENEWAL	500.00	500.00
2043331	06/03/15	13564	STAR-NEWS PUBLISHING CO, THE	32704	05/08/15	ADVERTISING	280.00	
				33126	05/15/15	ADVERTISING	135.00	415.00
2043332	06/03/15	05755	STATE WATER RESOURCES	0923052815	05/28/15	CERTIFICATION RENEWAL	80.00	80.00
2043333	06/03/15	16464	STEINY AND COMPANY	Ref002442833	06/01/15	UB Refund Cst #0000214900	1,696.86	1,696.86
2043281	05/27/15	16442	STEPHEN R NAVES	1828052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20
2043397	06/10/15	12809	STUTZ ARTIANO SHINOFF	97983	05/26/15	LEGAL SERVICES (APR 2015)	17,846.21	17,846.21
2043462	06/17/15	15974	SUN LIFE FINANCIAL	Ben2444846	06/18/15	MONTHLY CONTRIBUTION TO LTD	4,996.08	4,996.08
2043282	05/27/15	10339	SUPREME OIL COMPANY	410908	04/28/15	UNLEADED FUEL	12,039.37	
				410909	04/28/15	DIESEL FUEL	4,929.37	16,968.74
2043463	06/17/15	16492	SYDNEY HUMPREY	Ref002444796	06/15/15	UB Refund Cst #0000208403	42.34	42.34

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2043334	06/03/15	16451	SYLVIA GINWRIGHT	Ref002442820	06/01/15	UB Refund Cst #000013188	46.61	46.61
2043335	06/03/15	16454	TASHA GINET-MACK	Ref002442823	06/01/15	UB Refund Cst #0000122331	7.84	7.84
2043464	06/17/15	01834	TC CONSTRUCTION CO INC	405312015	06/08/15	BLOW OFF RELOCATION (ENDING 5/31/15)	29,484.20	29,484.20
2043283	05/27/15	03608	TELLIARD CONSTRUCTION	OWD82014	12/10/14	INSTALL GEAR DRIVE	2,150.00	2,150.00
2043336	06/03/15	15926	TEXAS CHILD SUPPORT UNIT	Ben2442884	06/04/15	BI-WEEKLY PAYROLL DEDUCTION	184.61	184.61
2043465	06/17/15	15926	TEXAS CHILD SUPPORT UNIT	Ben2444864	06/18/15	BI-WEEKLY PAYROLL DEDUCTION	184.61	184.61
2043284	05/27/15	16443	THOMAS & KATHRYN HADFIELD	1834052115	05/21/15	REFUND SPECIAL ASSESSMENT	205.20	205.20
2043337	06/03/15	14177	THOMPSON, MITCHELL	050115053115a	05/29/15	MILEAGE REIMBURSEMENT (MAY 2015)	81.65	
				050115053115	05/26/15	EXPENSE REIMBURSEMENT (MAY 2015)	23.00	104.65
2043338	06/03/15	08159	TORRES, LEONEL	051215	05/27/15	MILEAGE REIMBURSEMENT (5/12/15)	162.15	162.15
2043285	05/27/15	00870	TRANSCAT INC	981847	05/05/15	754 CALIBRATOR	8,707.78	8,707.78
2043286	05/27/15	00427	UNDERGROUND SERVICE ALERT OF	420150487	05/01/15	UNDERGROUND ALERTS (MONTHLY)	408.00	408.00
2043287	05/27/15	16036	UNISOURCE SOLUTIONS INC	621452	03/03/15	WALL TRACKS & PULLS	1,171.07	1,171.07
2043466	06/17/15	15675	UNITED SITE SERVICES INC	1142981105	05/29/15	PORTABLE TOILET RENTALS (5/29/15-6/25/15)	80.03	
				1142980977	05/29/15	PORTABLE TOILET RENTALS (5/29/15-6/25/15)	79.98	
				1142980978	05/29/15	PORTABLE TOILET RENTALS (5/29/15-6/25/15)	79.98	
				1142986706	05/31/15	PORTABLE TOILET RENTALS (5/30/15-6/26/15)	79.98	319.97
2043398	06/10/15	15675	UNITED SITE SERVICES INC	1142961619	05/22/15	PORTABLE TOILET RENTALS (5/22/15-6/18/15)	79.98	79.98
2043339	06/03/15	15675	UNITED SITE SERVICES INC	1142958744	05/21/15	PORTABLE TOILET RENTALS (5/21/15-6/17/15)	98.17	
				1142938045	05/13/15	PORTABLE TOILET RENTALS (5/13/15-6/9/15)	79.98	178.15
2043288	05/27/15	15675	UNITED SITE SERVICES INC	1142910272	05/06/15	PORTABLE TOILET RENTALS (5/1/15-5/28/15)	80.03	
				1142910271	05/06/15	PORTABLE TOILET RENTALS (5/1/15-5/28/15)	79.98	
				1142910270	05/06/15	PORTABLE TOILET RENTALS (5/1/15-5/28/15)	79.98	
				1142911092	05/06/15	PORTABLE TOILET RENTALS (5/2/15-5/29/15)	79.98	319.97
2043340	06/03/15	00350	UNITED STATES POSTAL SERVICE	3951052815	05/28/15	PREPAID POSTAGE MACHINE	6,000.00	6,000.00
2043341	06/03/15	00335	UNITED STATES POSTMASTER	05292015	05/29/15	POSTAGE - PERMIT 700	1,066.65	1,066.65
2043467	06/17/15	00335	UNITED STATES POSTMASTER	61515	06/15/15	POSTAGE - PERMIT 700	7,732.91	7,732.91
2043399	06/10/15	07674	US BANK	CC20150522141	05/22/15	CAL CARD EXPENSES (MONTHLY)	56,798.48	56,798.48

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2043468	06/17/15	15637	VALDEZ FAMILY SURVIVORS TRUST	Ref002434294	06/03/14	UB Refund Cst #0000206134	179.81	179.81
2043342	06/03/15	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2442874	06/04/15	BI-WEEKLY DEFERRED COMP PLAN	14,230.54	14,230.54
2043469	06/17/15	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2444854	06/18/15	BI-WEEKLY DEFERRED COMP PLAN	14,282.93	14,282.93
2043343	06/03/15	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2442876	06/04/15	BI-WEEKLY 401A PLAN	2,075.77	2,075.77
2043470	06/17/15	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2444856	06/18/15	BI-WEEKLY 401A PLAN	1,729.77	1,729.77
2043400	06/10/15	03329	VERIZON WIRELESS	9746039935	05/21/15	WIRELESS SERVICES (4/22/15-5/21/15)	5,937.98	
				9746039939	05/21/15	WIRELESS SERVICES (4/22/15-5/21/15)	1,152.10	
				9746039940	05/21/15	WIRELESS SERVICES (4/22/15-5/21/15)	433.93	
				9746039941	05/21/15	WIRELESS SERVICES (4/22/15-5/21/15)	184.66	7,708.67
2043471	06/17/15	16493	VICENTE VALADEZ	Ref002444797	06/15/15	UB Refund Cst #0000208578	21.66	21.66
2043289	05/27/15	16388	WALTER M & MARIA A SHAW	1906051815	05/21/15	REFUND SPECIAL ASSESSMENT	102.30	102.30
2043401	06/10/15	15807	WATCHLIGHT CORPORATION, THE	424331	05/15/15	WAREHOUSE SECURITY AND ACCESS	15,984.30	
				424019	05/15/15	MONTHLY SERVICES (JUNE 2015)	1,288.92	17,273.22
2043290	05/27/15	15807	WATCHLIGHT CORPORATION, THE	421419	05/08/15	OPERATIONS SECURITY & ACCESS (ENDING 5/8/15)	9,539.02	
				421418	05/08/15	OPERATIONS SECURITY & ACCESS (ENDING 5/1/15)	2,176.00	
				421420	05/08/15	HARDWARE INSTALLATION	299.11	
				424085	05/11/15	SERVICE RESERVOIR ALARM	143.00	12,157.13
2043344	06/03/15	15726	WATER SYSTEMS CONSULTING INC	1390	04/30/15	HYDRAULIC MODELING (ENDING 4/30/15)	1,575.00	1,575.00
2043402	06/10/15	01343	WE GOT YA PEST CONTROL	96684	05/06/15	BEE REMOVAL	115.00	
				96856	05/14/15	BEE REMOVAL	115.00	230.00
2043291	05/27/15	15596	WEBB INFORMATION SYSTEMS	6877	04/22/15	DESKTOP COMPUTERS	19,575.00	19,575.00
2043472	06/17/15	16503	WILLIAM SARAVA	3811051515	06/12/15	CUSTOMER REFUND	194.17	194.17
2043292	05/27/15	14857	YSI INCORPORATED	603246	05/08/15	NITRATE SENSOR TIP REPLACEMENTS	9,844.38	9,844.38
Amount Pd Total:							1,776,289.72	
Check Grand Total:							1,776,289.72	