

OTAY WATER DISTRICT
FINANCE, ADMINISTRATION AND COMMUNICATIONS
COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM

WEDNESDAY
April 20, 2016
12:00 P.M.

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

AGENDA

1. ROLL CALL
2. 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

DISCUSSION ITEMS

3. ADOPT RESOLUTION NO. 4300 AMENDING POLICY NO. 6, THE ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT, OF THE DISTRICT'S CODE OF ORDINANCES TO INCREASE THE EFFICIENCY OF THE CIP PROCESS FOR BOARD APPROVED PROJECTS (KOEPPEN) [5 minutes]
4. ADOPT RESOLUTION NO. 4301 AMENDING POLICY NO. 27, THE INVESTMENT POLICY, OF THE DISTRICT'S CODE OF ORDINANCE AND RE-DELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER, IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607 (BELL) [5 minutes]
5. APPROVE LIFTING THE TWO-DAY PER WEEK LIMIT ON OUTDOOR IRRIGATION EFFECTIVE IMMEDIATELY; ALL OTHER MANDATORY WATER CONSERVATION MEASURES UNDER THE LEVEL 2 DROUGHT ALERT WOULD REMAIN IN EFFECT (BUELNA) [10 minutes]

6. ADOPT RESOLUTION NO. 4299 REVISING BOARD POLICY #05-A, RECORDS POLICY AND PROCEDURES – RECORDS RETENTION AND DESTRUCTION, INCLUDING MODIFYING THE POLICY TITLE TO, “#05-A RECORDS RETENTION AND DESTRUCTION” (KERR) [5 minutes]

7. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Jose Lopez, Chair
Mitch Thompson

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District’s website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District’s website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on April 15, 2016 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on April 15, 2016.

_____/s/ Susan Cruz, District Secretary_____



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 4, 2016
SUBMITTED BY:	Kevin Koeppen, Finance Manager	PROJECT:	DIV.NO. All
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. 4300 Amending Policy No. 6, the Annual Capital Improvement Program Development, of the District's Code of Ordinances		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4300 amending Policy No. 6, the Annual Capital Improvement Program Development, of the District's Code of Ordinances.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To request that the Board adopt Resolution No. 4300 amending Policy No. 6, the District's Annual Capital Improvement Program Development, which will increase the efficiency of the CIP process for Board approved projects.

ANALYSIS:

As a normal course of business, the District reviews its policies to ensure they are effective and efficient. During a recent review of the District's Annual Capital Improvement Program Development Policy No. 6, staff noted that the General Manager's authority to redistribute CIP funds across projects was limited in that the annual CIP budget was not exceeded. This limitation could result in undue delays in the natural progression of these projects.

External circumstances such as environmental constraints, the economy or developer plans can significantly impact the timing of CIP projects. These circumstances can result in projects being accelerated or delayed by months or even several years.

The District has set a strategic planning goal to spend 95% of the annual CIP budget. As the District strives to attain the 95% goal, it is more likely that the total fiscal year budget will be exceeded. Circumstances may arise and could prevent the efficient progression of CIP projects due to the need to obtain Board approval of projects that are ready to move forward within their individual approved budgets. This amendment is being recommended to prevent potential delays in the prudent progression of CIP projects.

Staff is recommending that the General Manager be allowed to redistribute CIP funds across projects as long as the expenditures do not exceed the total individual Board approved project budgets and the District has adequate reserves to fund the accelerated projects.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Demonstrate financial health through formalized policies, prudent investing, and efficient operations.

LEGAL IMPACT:

None.

General Manager

Attachments:

- A) Committee Action Form
- B) Resolution No. 4300
 Exhibit 1 - Policy No. 6 (Strike-through)
- C) Proposed Policy No. 6



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4300 Amending Policy No. 6, the Annual Capital Improvement Program Development, of the District's Code of Ordinances
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COMMITTEE ACTION:

That the Board adopt Resolution No. 4300 amending Policy No. 6, the Annual Capital Improvement Program Development, of the District's Code of Ordinances.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

RESOLUTION NO. 4300

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT AMENDING POLICY 6
THE ANNUAL CAPITAL IMPROVEMENT PROGRAM
DEVELOPMENT OF THE DISTRICT'S CODE OF
ORDINANCES

WHEREAS, the Otay Water District Board of Directors has been presented with an amended Policy No. 6 of the District's Code of Ordinances for the management of the Otay Water District; and

WHEREAS, the amended Policy No. 6 has been reviewed and considered by the Board, and it is in the interest of the District to adopt the amended policy; and

WHEREAS, the strike-through copy of the proposed policy is attached as Exhibit 1 to this resolution; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the amended Policy No. 6, incorporated herein as Attachment C, is hereby adopted.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a board meeting held this 4th day of May 2016, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

District Secretary

OTAY WATER DISTRICT BOARD OF DIRECTORS POLICY			
Subject	Policy Number	Date Adopted	Date Revised
ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT	06	10/15/84	6/4/145 /4/16

PURPOSE

To define the policy on the preparation and approval of the annual Capital Improvement Program.

BACKGROUND

District staff develops and maintains a Water Resources Master Plan (WRMP), an Integrated Water Resources Plan (IRP), and Strategic Plan that collectively are used to prepare the annual Capital Improvement Program (CIP) and to identify the CIP projects required for ultimate build out. The WRMP is revised every five years and adopted by the Board. Annually, staff prepares a six-year moving window CIP that provides information on budget assumptions, source of funds, allocation of funds, project costs, project location, description, justification, scheduling, etc. The six-year CIP is submitted and presented to the Board of Directors to obtain approval for staff to proceed with implementation to plan, design, and construct facilities and programs necessary to meet the needs of the District.

POLICY

The General Manager, or his designee, shall prepare a proposed six-year CIP for submission to the Board of Directors for their review prior to and approval by June 30 of each fiscal year.

The CIP projects shall be reviewed and updated annually to consider appropriate revisions based on the most recent WRMP, IRP, Strategic Plan, and market condition information. The timing of projects shall be based on necessity and availability of financing. The intent is that new CIP projects will be installed as development requires the facilities. With regard to all CIP projects, it is acknowledged that compliance with the California Environmental Quality Act adds a measure of unpredictability with regard to the timing of CIP projects.

The WRMP, IRP, and the CIP projects shall be divided into two phases: Phase I - one to six years; and Phase II - seven to ultimate buildout. CIP project sheets for projects in Phase I shall be prepared and identify estimated total cost, cash expenditure timing, location, description, justification, funding allocation, and schedule. For the Phase II CIP projects, the CIP shall identify the need for the projects, along with their estimated total cost and funding allocation.

Upon approval by the Board of Directors of the annual six-year CIP, staff is authorized to proceed with planning, design, construction, etc. of those projects that have budgets within the current fiscal year. The General Manager is authorized to

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT	06	10/15/84	6/4/145 /4/16

redistribute funds between approved CIP projects as long as the total ~~fiscal year project~~ budget is not exceeded and the District has adequate reserves to fund the project. In addition, the General Manager is authorized to exceed the budget for specific CIP projects under the following conditions:

- a. For CIP projects less than or equal to \$50,000, the cumulative amount of the specific CIP project expenditures does not exceed that authorized under Code of Ordinances Section 2.01, Authority of the General Manager.
- b. For CIP projects more than \$50,000, the amount being authorized does not exceed the lessor of 25% of the specific CIP project budget amount or that authorized under Code of Ordinances Section 2.01, Authority of the General Manager.
- c. The total fiscal year CIP budget is not exceeded.

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OTAY WATER DISTRICT BOARD OF DIRECTORS POLICY			
Subject	Policy Number	Date Adopted	Date Revised
ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT	06	10/15/84	5/4/16

PURPOSE

To define the policy on the preparation and approval of the annual Capital Improvement Program.

BACKGROUND

District staff develops and maintains a Water Resources Master Plan (WRMP), an Integrated Water Resources Plan (IRP), and Strategic Plan that collectively are used to prepare the annual Capital Improvement Program (CIP) and to identify the CIP projects required for ultimate build out. The WRMP is revised every five years and adopted by the Board. Annually, staff prepares a six-year moving window CIP that provides information on budget assumptions, source of funds, allocation of funds, project costs, project location, description, justification, scheduling, etc. The six-year CIP is submitted and presented to the Board of Directors to obtain approval for staff to proceed with implementation to plan, design, and construct facilities and programs necessary to meet the needs of the District.

POLICY

The General Manager, or his designee, shall prepare a proposed six-year CIP for submission to the Board of Directors for their review prior to and approval by June 30 of each fiscal year.

The CIP projects shall be reviewed and updated annually to consider appropriate revisions based on the most recent WRMP, IRP, Strategic Plan, and market condition information. The timing of projects shall be based on necessity and availability of financing. The intent is that new CIP projects will be installed as development requires the facilities. With regard to all CIP projects, it is acknowledged that compliance with the California Environmental Quality Act adds a measure of unpredictability with regard to the timing of CIP projects.

The WRMP, IRP, and the CIP projects shall be divided into two phases: Phase I - one to six years; and Phase II - seven to ultimate buildout. CIP project sheets for projects in Phase I shall be prepared and identify estimated total cost, cash expenditure timing, location, description, justification, funding allocation, and schedule. For the Phase II CIP projects, the CIP shall identify the need for the projects, along with their estimated total cost and funding allocation.

Upon approval by the Board of Directors of the annual six-year CIP, staff is authorized to proceed with planning, design, construction, etc. of those projects that have budgets within the current fiscal year. The General Manager is authorized to

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT	06	10/15/84	5/4/16

redistribute funds between approved CIP projects as long as the total project budget is not exceeded and the District has adequate reserves to fund the project. In addition, the General Manager is authorized to exceed the budget for specific CIP projects under the following conditions:

- a. For CIP projects less than or equal to \$50,000, the cumulative amount of the specific CIP project expenditures does not exceed that authorized under Code of Ordinances Section 2.01, Authority of the General Manager.
- b. For CIP projects more than \$50,000, the amount being authorized does not exceed the lesser of 25% of the specific CIP project budget amount or that authorized under Code of Ordinances Section 2.01, Authority of the General Manager.
- c. The total fiscal year CIP budget is not exceeded.



AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 4, 2016
SUBMITTED BY:	Rita Bell, Finance Manager	PROJECT:	DIV.NO. All
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. 4301 Amending Policy No. 27, the Investment Policy, of the District's Code of Ordinances and Re-Delegating Authority for All Investment Related Activities to the Chief Financial Officer		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4301 amending Policy No. 27, the Investment Policy, of the District's Code of Ordinances and re-delegating authority for all investment related activities to the Chief Financial Officer, in accordance with Government Code Section 53607.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

Government Code Section 53646 recommends that the District's Investment Policy be rendered to the Board on an annual basis for review. In addition, Government Code Section 53607 requires that for the Chief Financial Officer's delegation of authority to remain effective, the governing board must re-delegate authority over investment activities on an annual basis.

ANALYSIS:

The primary goals of the Investment Policy are to assure compliance with the California Government Code, Sections 53600 et seq. The primary objectives, in priority order, of investment activities are:

1. Protect the principal of the funds.
2. Remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
3. The District's return is a market rate of return that is commensurate with the conservative investments approach to meet the first two objectives of safety and liquidity.

The code provides a broad range of investment options for local agencies, including Federal Treasuries, Federal Agencies, Callable Federal Agencies, the State Pool, the County Pool, high-grade corporate debt, and others. Over recent years, the size of the District's portfolio has declined from \$110 million in 2010 to \$83 million as of February 29, 2016. The reduction is primarily due to planned outlays for construction projects.

Because of the District's adherence to a conservative range of authorized investments, we have been able to maintain a healthy and diversified portfolio with no investment losses despite an extended period of turmoil and instability in the national financial markets. The policy is consistent with the current law and the overall objectives of the policy are being met.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Demonstrate financial health through formalized policies, prudent investing, and efficient operations.

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action Form
- B) Resolution No. 4301
 Exhibit 1 - Policy No. 27 (Strike-through)
- C) Policy No. 27 Proposed
- D) Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4301 Amending Policy No. 27, the Investment Policy, of the District's Code of Ordinances and Re-Delegating Authority for All Investment Related Activities to the Chief Financial Officer
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board adopt Resolution No. 4301 amending Policy No. 27, the Investment Policy, of the District's Code of Ordinances and re-delegating authority for all investment related activities to the Chief Financial Officer.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

RESOLUTION NO. 4301

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT AMENDING POLICY 27
THE INVESTMENT POLICY OF THE DISTRICT'S
CODE OF ORDINANCES

WHEREAS, the Otay Water District Board of Directors has been presented with an amended Policy No. 27 of the District's Code of Ordinances for the management of the Otay Water District; and

WHEREAS, the amended Policy No. 27 has been reviewed and considered by the Board, and it is in the interest of the District to adopt the amended policy; and

WHEREAS, the strike-through copy of the proposed policy is attached as Exhibit 1 to this resolution; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the amended Policy No. 27, incorporated herein as Attachment C, is hereby adopted.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a board meeting held this 4th day of May 2016, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

District Secretary

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
INVESTMENT POLICY	27	9/15/93	5/6/15 4/16

1.0: POLICY

It is the policy of the Otay Water District to invest public funds in a manner which will provide maximum security with the best interest return, while meeting the daily cash flow demands of the entity and conforming to all state statues governing the investment of public funds.

2.0: SCOPE

This investment policy applies to all financial assets of the Otay Water District. The District pools all cash for investment purposes. These funds are accounted for in the District's audited Comprehensive Annual Financial Report (CAFR) and include:

- 2.1) General Fund
- 2.2) Capital Project Funds
 - 2.2.1) Designated Expansion Fund
 - 2.2.2) Restricted Expansion Fund
 - 2.2.3) Designated Betterment Fund
 - 2.2.4) Restricted Betterment Fund
 - 2.2.5) Designated Replacement Fund
 - 2.2.6) Restricted New Water Supply Fund
- 2.3) Other Post Employment Fund (OPEB)
- 2.4) Debt Reserve Fund

Exceptions to the pooling of funds do exist for tax-exempt debt proceeds, debt reserves and deferred compensation funds. Funds received from the sale of general obligation bonds, certificates of participation or other tax-exempt financing vehicles are segregated from pooled investments and the investment of such funds are guided by the legal documents that govern the terms of such debt issuances.

3.0: PRUDENCE

Investments should be made with judgment and care, under current prevailing circumstances, 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.

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INVESTMENT POLICY	27	9/15/93	5/6/155/ 4/16

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

As specified in the California Government Code 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- 4.1) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Otay Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.
- 4.2) Liquidity: The Otay Water District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
- 4.3) Return on Investment: The Otay Water District's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through

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BOARD OF DIRECTORS POLICY**

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53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Chief Financial Officer shall maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District with the following, as appropriate:

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BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
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- Audited Financial Statements.
- Proof of ~~National Association of Security Dealers (NASD)~~
Financial Industry Regulatory Authority (FINRA)
certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the District's Investment Policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. The District is governed by the California Government Code, Sections 53600 through 53692, to invest in the following types of securities, as further limited herein:

8.01) United States Treasury Bills, Bonds, Notes or those instruments for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

8.02) Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, may be used up to the maximum permitted by State Law (currently \$~~50~~65 million). The District may also invest bond proceeds in LAIF with the same but independent maximum limitation.

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BOARD OF DIRECTORS POLICY

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8.03) Bonds, debentures, notes and other evidence of indebtedness issued by any of the following government agency issuers:

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- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- Federal National Mortgage Association (FNMA or "Fannie Mae")
- Government National Mortgage Association (GNMA or "Ginnie Mae")
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (FAMCA or "Farmer Mac")

There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable. Government agencies whose implied guarantee has been reduced or eliminated shall require an "A" rating or higher by a nationally recognized statistical rating organization.

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of \$250,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

8.05) Commercial paper, which is short-term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(h). Purchases of commercial paper may not exceed 10 percent of the District's portfolio and no more than 10 percent of the outstanding commercial paper of any single issuer.

8.06) Medium-term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California

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Government Code, Section 53601(k). Investments in medium-term notes are limited to 10 percent of the District's portfolio.

8.07) Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury securities, and that meet the further requirements of California Government Code, Section 53601(l). Investments in money market mutual funds are limited to 10 percent of the District's portfolio.

8.08) The San Diego County Treasurer's Pooled Money Fund, which is a County managed investment pool, may be used by the Otay Water District to invest excess funds. There is no percentage limitation of the portfolio which can be invested in this category.

8.09) Under the provisions of California Government Code 53601.6, the Otay Water District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to maturity. Also, the borrowing of funds for investment purposes, known as leveraging, is prohibited.

9.0: INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed.
- A schedule for receiving statements and portfolio listings.

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- Are reserves, retained earnings, etc., utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 COLLATERALIZATION

Collateralization will be required on certificates of deposit exceeding the \$250,000 FDIC insured maximum. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

11.0: SAFEKEEPING AND CUSTODY

All security transactions entered into by the Otay Water District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the District and evidenced by safekeeping receipts.

12.0: DIVERSIFICATION

The Otay Water District will diversify its investments by security type and institution, with limitations on the total amounts invested in each security type as detailed in Paragraph 8.0, above, so as to reduce overall portfolio risks while attaining benchmark average rate of return. With the exception of U.S. Treasury securities, government agencies, and authorized pools, no more than 50% of the District's total investment portfolio will be invested with a single financial institution.

13.0: MAXIMUM MATURITIES

To the extent possible, the Otay Water District will attempt to match its investments with anticipated cash flow requirements. Unless

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matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase. However, for time deposits with banks or savings and loan associations, investment maturities will not exceed two years. Investments in commercial paper will be restricted to 270 days.

14.0: INTERNAL CONTROL

The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15.0: PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The Otay Water District's investment strategy is passive. Given this strategy, the basis used by the CFO to determine whether market yields are being achieved shall be the State of California Local Agency Investment Fund (LAIF) as a comparable benchmark.

16.0: REPORTING

The Chief Financial Officer shall provide the Board of Directors monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value, and market value.

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- Percentage of the portfolio represented by each investment category.

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17.0: INVESTMENT POLICY ADOPTION

The Otay Water District's investment policy shall be adopted by resolution of the District's Board of Directors. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

18.0: GLOSSARY

See Appendix A.

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APPENDIX A: GLOSSARY

ACTIVE INVESTING: Active investors will purchase investments and continuously monitor their activity, often looking at the price movements of their stocks many times a day, in order to exploit profitable conditions. Typically, active investors are seeking short term profits.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER/DEALER: Any individual or firm in the business of buying and selling securities for itself and others. Broker/dealers must register with the SEC. When acting as a broker, a broker/dealer executes orders on behalf of his/her client. When acting as a dealer, a broker/dealer executes trades for his/her firm's own account. Securities bought for the firm's own account may be sold to clients or other firms, or become a part of the firm's holdings.

CERTIFICATE OF DEPOSIT (CD): A short or medium term, interest bearing, FDIC insured debt instrument offered by banks and savings and loans. Money removed before maturity is subject to a penalty. CDs are a low risk, low return investment, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from a few months to several years.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

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COMMERCIAL PAPER: An unsecured short-term promissory note, issued by corporations, with maturities ranging from 2 to 270 days.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Otay Water District. It includes detailed financial information prepared in conformity with generally accepted accounting principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a set date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

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DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures deposits in member banks and thrifts, currently up to \$100,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): The Federal Farm Credit Bank system supports agricultural loans and issues securities and bonds in financial markets backed by these loans. It has consolidated the financing programs of several related farm credit agencies and corporations.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FAMC or Farmer Mac): A stockholder owned, publicly-traded corporation that was established under the Agricultural Credit Act of 1987, which added a new Title VIII to the Farm Credit Act of 1971. Farmer Mac is a government sponsored enterprise, whose mission is to provide a secondary market for agricultural real estate mortgage loans, rural housing mortgage loans, and rural utility cooperative loans. The corporation is authorized to purchase and guarantee securities. Farmer Mac guarantees that all security holders will receive timely payments of principal and interest.

FEDERAL HOME LOAN BANK (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): A stockholder owned, publicly traded company chartered by the United States federal government in 1970 to purchase mortgages and related securities, and then issue securities and bonds in financial markets

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backed by those mortgages in secondary markets. Freddie Mac, like its competitor Fannie Mae, is regulated by the United States Department of Housing and Urban Development (HUD).

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC. (FINRA): An independent, not-for-profit organization authorized by Congress to protect America's investors by making sure the securities industry operates fairly and honestly. It is dedicated to investor protection and market integrity through effective and efficient regulation of the securities industry. FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD).

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): A government owned agency which buys mortgages from lending institutions, securitizes them, and then sells them to investors. Because the payments to investors are guaranteed by the full faith and credit of the U.S. Government, they return slightly less interest than other mortgage-backed securities.

INTEREST-ONLY STRIPS: A mortgage backed instrument where the investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive, and cash flows vary between interest periods. Also, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on

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underlying mortgages can return less to the holder than the dollar amount invested.

INVERSE FLOATER: A bond or note that does not earn a fixed rate of interest. Rather, the interest rate is tied to a specific interest rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index. An inverse floater increases the market rate risk and modified duration of the investment.

LEVERAGE: Investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

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MUTUAL FUNDS: An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds, and money market instruments.

MONEY MARKET MUTUAL FUNDS: An open-end mutual fund which invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper.

~~**NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD):** A self-regulatory organization of the securities industry responsible for the operation and regulation of the NASDAQ stock market and over the counter markets. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.~~

PASSIVE INVESTING: An investment strategy involving limited ongoing buying and selling actions. Passive investors will purchase investments with the intention of long term appreciation and limited maintenance, and typically don't actively attempt to profit from short term price fluctuations. Also known as a buy-and-hold strategy.

PRIMARY DEALER: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions. These dealers submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker/dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

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PUBLIC SECURITIES ASSOCIATION (PSA): A trade organization of dealers, brokers, and bankers who underwrite and trade securities offerings.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RANGE NOTE: An investment whose coupon payment varies and is dependent on whether the current benchmark falls within a pre-determined range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REGIONAL DEALER: A securities broker/dealer, registered with the Securities & Exchange Commission (SEC), who meets all of the licensing requirements for buying and selling securities.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding securities issues following their initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

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SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FAMCA, etc.), and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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1.0: POLICY

It is the policy of the Otay Water District to invest public funds in a manner which will provide maximum security with the best interest return, while meeting the daily cash flow demands of the entity and conforming to all state statutes governing the investment of public funds.

2.0: SCOPE

This investment policy applies to all financial assets of the Otay Water District. The District pools all cash for investment purposes. These funds are accounted for in the District's audited Comprehensive Annual Financial Report (CAFR) and include:

- 2.1) General Fund
- 2.2) Capital Project Funds
 - 2.2.1) Designated Expansion Fund
 - 2.2.2) Restricted Expansion Fund
 - 2.2.3) Designated Betterment Fund
 - 2.2.4) Restricted Betterment Fund
 - 2.2.5) Designated Replacement Fund
 - 2.2.6) Restricted New Water Supply Fund
- 2.3) Other Post Employment Fund (OPEB)
- 2.4) Debt Reserve Fund

Exceptions to the pooling of funds do exist for tax-exempt debt proceeds, debt reserves and deferred compensation funds. Funds received from the sale of general obligation bonds, certificates of participation or other tax-exempt financing vehicles are segregated from pooled investments and the investment of such funds are guided by the legal documents that govern the terms of such debt issuances.

3.0: PRUDENCE

Investments should be made with judgment and care, under current prevailing circumstances, 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.

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The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

As specified in the California Government Code 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- 4.1) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Otay Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

- 4.2) Liquidity: The Otay Water District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

- 4.3) Return on Investment: The Otay Water District's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through 53692. Management responsibility for the investment program is hereby

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delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Chief Financial Officer shall maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository as established by state laws. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District with the following, as appropriate:

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- Audited Financial Statements.
- Proof of Financial Industry Regulatory Authority (FINRA) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the District's Investment Policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. The District is governed by the California Government Code, Sections 53600 through 53692, to invest in the following types of securities, as further limited herein:

8.01) United States Treasury Bills, Bonds, Notes or those instruments for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

8.02) Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, may be used up to the maximum permitted by State Law (currently \$65 million). The District may also invest bond proceeds in LAIF with the same but independent maximum limitation.

8.03) Bonds, debentures, notes and other evidence of indebtedness issued by any of the following government agency issuers:

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- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- Federal National Mortgage Association (FNMA or "Fannie Mae")
- Government National Mortgage Association (GNMA or "Ginnie Mae")
- Federal Farm Credit Bank (FFCB)
- Federal Agricultural Mortgage Corporation (FAMCA or "Farmer Mac")

There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable. Government agencies whose implied guarantee has been reduced or eliminated shall require an "A" rating or higher by a nationally recognized statistical rating organization.

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of \$250,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

8.05) Commercial paper, which is short-term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(h). Purchases of commercial paper may not exceed 10 percent of the District's portfolio and no more than 10 percent of the outstanding commercial paper of any single issuer.

8.06) Medium-term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California Government Code, Section 53601(k). Investments in medium-term notes are limited to 10 percent of the District's portfolio.

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8.07) Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury securities, and that meet the further requirements of California Government Code, Section 53601(1). Investments in money market mutual funds are limited to 10 percent of the District's portfolio.

8.08) The San Diego County Treasurer's Pooled Money Fund, which is a County managed investment pool, may be used by the Otay Water District to invest excess funds. There is no percentage limitation of the portfolio which can be invested in this category.

8.09) Under the provisions of California Government Code 53601.6, the Otay Water District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to maturity. Also, the borrowing of funds for investment purposes, known as leveraging, is prohibited.

9.0: INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

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

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- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 COLLATERALIZATION

Collateralization will be required on certificates of deposit exceeding the \$250,000 FDIC insured maximum. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

11.0: SAFEKEEPING AND CUSTODY

All security transactions entered into by the Otay Water District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the District and evidenced by safekeeping receipts.

12.0: DIVERSIFICATION

The Otay Water District will diversify its investments by security type and institution, with limitations on the total amounts invested in each security type as detailed in Paragraph 8.0, above, so as to reduce overall portfolio risks while attaining benchmark average rate of return. With the exception of U.S. Treasury securities, government agencies, and authorized pools, no more than 50% of the District's total investment portfolio will be invested with a single financial institution.

13.0: MAXIMUM MATURITIES

To the extent possible, the Otay Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase. However, for time deposits with banks or savings and loan associations, investment maturities will not exceed two years. Investments in commercial paper will be restricted to 270 days.

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- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value, and market value.
- Percentage of the portfolio represented by each investment category.

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18.0: GLOSSARY

See Appendix A.

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APPENDIX A: GLOSSARY

ACTIVE INVESTING: Active investors will purchase investments and continuously monitor their activity, often looking at the price movements of their stocks many times a day, in order to exploit profitable conditions. Typically, active investors are seeking short term profits.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER/DEALER: Any individual or firm in the business of buying and selling securities for itself and others. Broker/dealers must register with the SEC. When acting as a broker, a broker/dealer executes orders on behalf of his/her client. When acting as a dealer, a broker/dealer executes trades for his/her firm's own account. Securities bought for the firm's own account may be sold to clients or other firms, or become a part of the firm's holdings.

CERTIFICATE OF DEPOSIT (CD): A short or medium term, interest bearing, FDIC insured debt instrument offered by banks and savings and loans. Money removed before maturity is subject to a penalty. CDs are a low risk, low return investment, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from a few months to several years.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured short-term promissory note, issued by corporations, with maturities ranging from 2 to 270 days.

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
INVESTMENT POLICY	27	9/15/93	5/4/16

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Otay Water District. It includes detailed financial information prepared in conformity with generally accepted accounting principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a set date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
INVESTMENT POLICY	27	9/15/93	5/4/16

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures deposits in member banks and thrifts, currently up to \$100,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): The Federal Farm Credit Bank system supports agricultural loans and issues securities and bonds in financial markets backed by these loans. It has consolidated the financing programs of several related farm credit agencies and corporations.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (FAMC or Farmer Mac): A stockholder owned, publicly-traded corporation that was established under the Agricultural Credit Act of 1987, which added a new Title VIII to the Farm Credit Act of 1971. Farmer Mac is a government sponsored enterprise, whose mission is to provide a secondary market for agricultural real estate mortgage loans, rural housing mortgage loans, and rural utility cooperative loans. The corporation is authorized to purchase and guarantee securities. Farmer Mac guarantees that all security holders will receive timely payments of principal and interest.

FEDERAL HOME LOAN BANK (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): A stockholder owned, publicly traded company chartered by the United States federal government in 1970 to purchase mortgages and related securities, and then issue securities and bonds in financial markets backed by those mortgages in secondary markets. Freddie Mac, like its competitor Fannie Mae, is regulated by the United States Department of Housing and Urban Development (HUD).

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
INVESTMENT POLICY	27	9/15/93	5/4/16

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC. (FINRA): An independent, not-for-profit organization authorized by Congress to protect America's investors by making sure the securities industry operates fairly and honestly. It is dedicated to investor protection and market integrity through effective and efficient regulation of the securities industry. FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD).

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): A government owned agency which buys mortgages from lending institutions, securitizes them, and then sells them to investors. Because the payments to investors are guaranteed by the full faith and credit of the U.S. Government, they return slightly less interest than other mortgage-backed securities.

INTEREST-ONLY STRIPS: A mortgage backed instrument where the investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive, and cash flows vary between interest periods. Also, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying mortgages can return less to the holder than the dollar amount invested.

INVERSE FLOATER: A bond or note that does not earn a fixed rate of interest. Rather, the interest rate is tied to a specific interest

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

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rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index. An inverse floater increases the market rate risk and modified duration of the investment.

LEVERAGE: Investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUTUAL FUNDS: An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase

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BOARD OF DIRECTORS POLICY

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various investment vehicles, such as stocks, bonds, and money market instruments.

MONEY MARKET MUTUAL FUNDS: An open-end mutual fund which invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper.

PASSIVE INVESTING: An investment strategy involving limited ongoing buying and selling actions. Passive investors will purchase investments with the intention of long term appreciation and limited maintenance, and typically don't actively attempt to profit from short term price fluctuations. Also known as a buy-and-hold strategy.

PRIMARY DEALER: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions. These dealers submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker/dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC SECURITIES ASSOCIATION (PSA): A trade organization of dealers, brokers, and bankers who underwrite and trade securities offerings.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

OTAY WATER DISTRICT
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RANGE NOTE: An investment whose coupon payment varies and is dependent on whether the current benchmark falls within a pre-determined range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REGIONAL DEALER: A securities broker/dealer, registered with the Securities & Exchange Commission (SEC), who meets all of the licensing requirements for buying and selling securities.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding securities issues following their initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FAMCA, etc.), and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

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TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.



INVESTMENT POLICY No. 27 & PERFORMANCE REVIEW

May 4, 2016



POLICY REVIEW

- **Purpose:**

- Annual Policy Review

- Delegation of Investment Authority



INVESTMENT POLICY GUIDELINES

A. California Government Code:

Sections 53600 through 53692.

B. Investment Policy Certification:

Association of Public Treasurers of the United States & Canada (APT US&C).

Benefits of Certification:

- Trust and confidence that the District's Investment Policy is a professionally accepted policy.
- Assurance that the District is abiding by professional standards to ensure prudent management of public funds.



Policy Changes

Changes have been made in the past when they are needed. There are two recommended changes to the Investment Policy dated May 6, 2015.

- Qualified brokers must prove certification with the Financial Industry Regulatory Agency (FINRA).
- LAIF increased the deposit limit from \$50 million to \$65 million.



INVESTMENT OBJECTIVE

To safeguard principal, maintain liquidity, and to achieve a market investment return.

Fund Objectives (in order of priority)

- Safety
- Liquidity
- Yield

Safety

Category	Safety
Bank Deposits	Amounts in excess of \$250,000 FDIC limit are required by California Government Code to be 110% collateralized by the bank.
LAIF	Mandated by applicable State Statutes* and State law, invested in a conservative manner and limits the investments to fixed-income securities.
County Pool	Mandated by State law, invested in a conservative manner and limits the investments to fixed-income securities. S&P Rating of AAf/Sl, indicates extremely strong protection against losses and low sensitivity to changing market conditions.
GSE's	Guaranteed by the Federal Government.

* Applicable State Statutes

- No. California Government Code 16429.3 states that monies placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:
 - (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
 - (b) Impoundment or seizure by any state official or state agency.
- California Government Code 16429.4 states that the right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency, to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the States failure to adopt a State Budget by July 1 of each new fiscal year.



Liquidity

- Maintain highly liquid investments with a hold strategy.

Category	Availability
Bank Deposits	Immediately
LAIF	Same day
County Pool	2-3 days
GSE's	Can be converted to cash in 2-3 days



Annual Yield Performance

YTD as of February 29, 2016

	FY16	FY15
Otay	0.78%	0.64%
LAIF	0.47%	0.27%
County Pool	0.68%	0.48%



Cash Management

- The District reconciles cash and performs a rolling 7-day forecast on a daily basis.

Levels by Investment Type

Category	Target Levels
Bank Deposits	Outstanding checks and current days electronic payments
LAIF	Short-term (30-60 days) obligations
County Pool	Amounts in excess of bank deposit and LAIF targets that are to be invested using the laddering approach or fund short-term obligations such as current year debt payments
GSE's	Target 2-3 year issuances with a laddering approach

INVESTMENT PORTFOLIO

As of February 29, 2016

		Authorized	
	\$(‘000s)	\$ / %	Actual %
LAIF (Operating)	\$11,814	\$65 mil	14.53%
Govt. Agency Bonds	\$52,933	100%	65.11%
Bank Deposits & CDs	\$82	15%	0.10%
San Diego County Pool	\$16,465	50%	20.25%
TOTAL	\$84,294		



REQUESTED BOARD ACTION

Re-delegate authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607).



Questions?

AGENDA ITEM 5



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 4, 2016
SUBMITTED BY:	Armando Buelna Communications Officer	PROJECT:	Various DIV.NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Revising the Emergency Drought Action Plan		

GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors authorize the General Manager to lift the two-day per week limit on outdoor irrigation effective immediately. Irrigation would be set at no more than three days per week, and up to 15 minutes per irrigation station. All other mandatory water conservation measures under the Level 2 - Drought Alert would remain in effect.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To give customers more flexibility to deep-water trees to maintain the urban forest, establish water-wise landscaping, protect investments in residential and commercial landscaping, and maintaining fire-safe buffers in wildland-urban interface areas.

BACKGROUND:

Because of extreme drought across the state of California, on August 6, 2014, the Board of Directors declared a Water Shortage Response Level 2- Supply Alert condition. Under the Level 2 - Supply Alert, many voluntary water conservation measures become mandatory and the District increased its conservation messaging to all customers.

As emergency drought conditions persisted into 2015, on April 1, 2015, Governor Jerry Brown issued an executive order requiring

mandatory water conservation for all urban residential and commercial customers. The Governor also directed the State Water Resources Control Board (SWRCB) to take immediate action to achieve a 25 percent reduction in urban potable water use.

On May 5, 2015, the SWRCB adopted emergency regulations mandating all urban water suppliers to cut potable water use by 8 to 36 percent depending on their residential gallons-per-capita-per-day average in 2013. The SWRCB set the Otay Water District's water conservation target at 20 percent of 2013 levels.

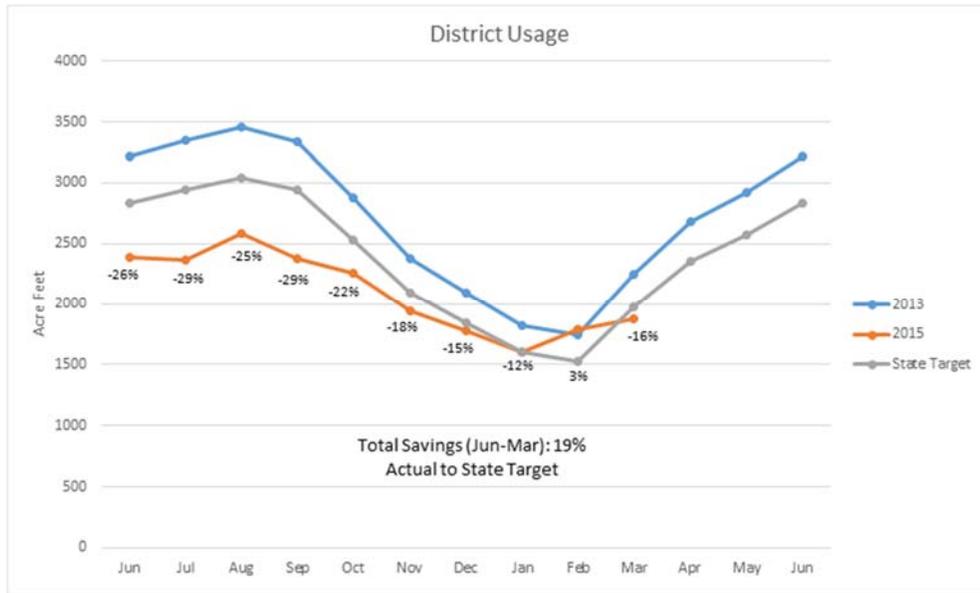
In June, 2015, the District adopted Ordinance No. 551 which declared a state drought emergency and called for mandatory conservation measures to achieve the state mandated conservation target and implemented Section 40 of the District's Code of Ordinances. In adopting Ordinance No. 551, the District noted that it did not have a water supply shortage. Rather, because of the SWRCB mandate, Ordinance 551 was to reduce potable water use 20 percent based on 2013 levels in compliance with the SWRCB action.

In February, 2016, the SWCRB began allowing urban water suppliers to request credits for investments made in drought-resilient water supplies, as well as growth and climate adjustments, but extended the mandatory conservation regulations through October 31, 2016.

CONSERVATION OUTREACH

In response to the SWRCB mandate, staff took a variety of actions to advise customers of the conservation target including calls and emails to all District customers; letters to the District's top 10 percent of residential users as well as all potable commercial irrigation customers; conservation messages on the outside of the bill envelopes, inserts and messages on the bill itself; online target usage tracking; leak alarm notifications; water waste tracking; and community outreach to numerous homeowners and commercial customers.

While containing a number of elements, the District's response to the state drought emergency was designed to be scaled up or down based on customer response to conservation messages and meeting the state's conservation targets. For example, following an initial high level of outreach that resulted in the District exceeding its conservation goal, the campaign was scaled back to bring conservation levels more in line with the cumulative target.



As a result, despite February 2016 being one of the hottest months on record in San Diego County, the District ended the initial measurement period (June 2015 to March 2016) with its cumulative conservation level within one percent of the state's 20 percent target.

IMPACT OF CONSERVATION MANDATE

The SWRCB conservation target, unfortunately, did not give credit to agencies that had already made significant gains in water conservation or to regions that had worked to develop drought-proof water supplies. For example, as a result diversifying its water supplies over the past 25 years, in 2015, the San Diego County Water Authority (SDCWA) had enough water to meet 99 percent of its typical water demands for its member agencies despite four years of record drought. When the Claude "Bud" Lewis Desalination Plant came online in late 2015, the region had 107 percent of the water it would need to meet typical demand.

Another consequence of the state action resulted in limiting outdoor irrigation to no more than two days per week. This neglected to take into consideration the possible impact reduced irrigation would have on the health of trees in the urban forest. Trees already stressed due to years of drought, were they to die, represent not only a lost investment to owners and a diminishing of a region's quality of life, but can be costly to remove, create a hazard and resulting liability to homeowners, and can become a fire danger particularly in areas within the wildland urban fire interface.

Moreover, irrigation limited to two days a week is inadequate to deep water trees, to establish drought tolerant landscaping, maintain the health of plants used in fire-safe buffers, and this can be especially problematic in areas with little precipitation and high evapotranspiration rates such as San Diego County.

REVISED CONSERVATION TARGET

Based on numerous statewide requests to make conservation standards more equitable, in February 2016, the SWRCB began allowing urban water suppliers to request credits for investments made in drought-resilient water supplies, along with adjustments for growth and climate.

Suppliers in San Diego applied for and, because of investments made in the Claude "Bud" Lewis Carlsbad Desalination Plant, were approved for the maximum credit of 8 percent toward achieving their conservation target. The revised conservation standards in San Diego County were lowered to between 8 to 29 percent, with a regional aggregate target of 13 percent. No agency, however, can go below 8 percent. Otay received the maximum 8 percent reduction credit, reducing its conservation target from 20 percent to 12 percent based on 2013 levels.

The timeframe for the cumulative savings calculation will be from June 2015 until October 2016. To date, the District is exceeding the state mandated target with a cumulative savings of 19 percent.

In response to obtaining the drought-resilient supply credit, on March 24, 2016, the SDCWA Board of Directors voted to rescind its previous ordinance declaring a regional drought response Level 2 or requiring member agencies to limit outdoor watering to no more than two days per week. This action gives member agencies the flexibility to choose the most appropriate drought level for their individual agency and their unique state-mandated water conservation standard.

RECOMMENDATION:

Staff recommends the Board authorize the General Manager to lift the two-day per week limit on outdoor irrigation effective immediately. Outdoor irrigation would be permitted up to three days per week, and up to 15 minutes per irrigation station. All other mandatory water conservation measures under the Level 2 - Drought Alert condition would remain in effect.

Staff believes that returning to a traditional three-day per week irrigation schedule authorized under a Level 2 - Drought Alert condition will enable the District to meet its 12 percent cumulative conservation target while also permitting customers more flexibility to deep-water trees to maintain the urban forest, protect investments in residential landscaping, establish new water-wise landscaping, and maintaining fire-safe buffers in wildland-urban interface areas.

Staff will then advise customers of the new conservation target via its newsletter, bill inserts, and social media, but will also continue to closely monitor the rate of conservation and will react accordingly to ensure customers remain mindful of the cumulative conservation target.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

It is expected that water sales will gradually increase as result of this action, though the rate of that increase is difficult to predict. The proposed FY 2017 budget projects a slight recovery in sales, which would be in line with the staff recommendation.

STRATEGIC GOAL:

Actively manage water supply and demand.

LEGAL IMPACT:

None

Attachments: Attachment A - Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	
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COMMITTEE ACTION:

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.



AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	May 04, 2016
		PROJECT:	DIV. NO. ALL
SUBMITTED BY:	Michael Kerr Information Technology Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Adolfo Segura, Chief, Administrative Services <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	ADOPT RESOLUTION #4299 TO REVISE BOARD POLICY #05-A, RECORDS POLICY AND PROCEDURES - RECORDS RETENTION AND DESTRUCTION		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution #4299 in support of revisions to Board Policy #05-A, Records Policy and Procedures - Records Retention and Destruction, including modification of policy/subject title to "#05-A Records Retention and Destruction".

COMMITTEE ACTION:

Please see "Attachment A".

PURPOSE:

To request that the Board adopt Resolution #4299 (Attachment B) and approve revisions to Board Policy #05-A, Records Policy and Procedures - Records Retention and Destruction (Exhibit 1).

ANALYSIS:

Consistent with the District's Strategic Plan, the District regularly reviews policies and procedures to ensure they are streamlined and are clear and consistent with applicable laws.

Updates deemed appropriate at this time are detailed below and revisions are shown in the attached strike-through versions of the policy (Exhibit 1).

Board Policy #05-A, Records Policy and Procedures - Records Retention and Destruction

In cooperation with General Counsel, staff has reviewed the current Records Retention and Destruction program as well as those of some of our neighboring agencies and determined that some changes would be appropriate at this time. The most significant proposed change is that most email communication does not create records that must be preserved under the law. Retaining only email that is directly relevant to District business and/or required by law, will streamline and minimize overhead associated with the management of email and cost.

Based on researched policies and referenced email management practices by neighboring agencies, staff is recommending an email lifecycle or retention of 100 days from origination (sent or received) to destruction, unless otherwise noted in the District's Records Retention Schedule (Attachment D). Staff also conferred with General Counsel to ensure the District's retention and destruction practice is aligned with applicable laws. Staff concludes that this modification of the email retention policy is both applicable for statutory and regulatory compliance as this policy addresses both business and non-business email in a transitory state.

Non-business/transitory emails do not qualify as official records as they are temporary and non-substantive in nature to include copies or reproduced or printed documents, preliminary work materials, and information only items, therefore can be deleted when no longer needed.

Business email that needs to be preserved will be profiled according to the records retention schedule and maintained accordingly. For example, substantive emails related to a contract and/or a project will be placed in the contract or project file and kept for the same duration of time as the official record series.

Other proposed changes to streamline the District's records management practice is the merging of similar record types with same or similar retention periods.

Based on the above, it is requested that the Board of Directors adopt Resolution #4299 in support of the proposed revisions to be effective July 1, 2016.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Optimize the District's Operating Efficiency.

LEGAL IMPACT:

None.

ATTACHMENTS:

Attachment A - Committee Action Report

Attachment B - Resolution #4299

Exhibit 1 - Draft Copy, Board Policy #05-A, Records Policy
And Procedures - Retention and Destruction

Attachment C - Proposed Copy, Board Policy #05-A, Records Retention and
Destruction

Attachment D - Otay Water District - Records Retention Schedule



ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION #4299 TO REVISE BOARD POLICY #05-A, RECORDS POLICY AND PROCEDURES - RECORDS RETENTION AND DESTRUCTION
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee met on April 20, 2016 to review this item. The Committee supports presentation to the full Board for their consideration.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for Board approval. This report will be sent to the Board as a Committee approved item, or modified to reflect any discussion or changes as directed from the Committee prior to presentation to the full Board.

RESOLUTION NO. 4299

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE OTAY WATER DISTRICT
TO REVISE AND UPDATE VARIOUS DISTRICT BOARD POLICIES

WHEREAS, the Board of Directors of Otay Water District have established policies, procedures, ordinances, and resolutions for the efficient operation of the District; and

WHEREAS, it is the policy of the District to establish procedures to review policies, procedures, ordinances, and resolutions periodically to ensure they are current and relevant; and

WHEREAS, District staff has identified policy number 05-A, as requiring revisions as per the attached strike-through copy. All other required Board policies do not require updates and are current at this time;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Otay Water District amend policy number 05-A in the form presented to the Board at this meeting.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 4th of May, 2016.

President

ATTEST:

Secretary

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
RECORDS POLICY AND PROCEDURES -- RECORDS RETENTION AND DESTRUCTION	05-A	2/3/10	<u>7/1/16</u>

I. PURPOSE

To ensure that necessary records and documents of the Otay Water District are adequately protected and maintained and to ensure that records that are no longer needed or are of no value are discarded at the proper time. ~~This Policy is also~~ serves as assistance in providing management with the information necessary for ~~and the purpose of~~ aiding of District employees in understanding their obligations in retaining electronic documents that are developed during phases of records creation and to assist in controlling the life cycle of all District records, including e-mail, Web files, text files, sound and movie files, PDF documents, and all Microsoft Office or other formatted files.

II. SCOPE

This policy is applicable to all District departments and offices directly responsible to the General Manager. The objectives of the Records Retention Policy are:

- To ensure that all legal, historical, fiscal, and administrative requirements are satisfied before records are destroyed.
- To conserve District resources, such as space and staff time, by managing records and removing inactive or obsolete material from office files.
- To maintain a regular, controlled flow of records from offices to destruction or archive storage.

III. POLICY

This ~~policy~~Policy represents the District's policy regarding the retention and disposal of records, including electronic documents. Attached as **Appendix 1** is a Record Retention Schedule that is approved as the District's maintenance, retention and disposal schedule for physical records and the retention and disposal of electronic documents.

IV. DEFINITION

- (a) Public Record - Any writing as set forth in California Government Code Section 6252, but generally shall include any writing containing information relating to the conduct of the public's business prepared, owned, used or retained by the District, regardless of physical form or characteristics.

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- (b) Records Management - The planned and systematic control of business records from their creation or receipt, through final disposition.
- (c) Records Retention Schedule - The document that outlines how long a document must be kept by law, or longer, if needed for District operations.
- (d) Official Record - The records to which retention schedules apply.
- (e) Retention Period - The length of time a record needs to be maintained to satisfy the purposes for which it was created, and to fulfill legal, fiscal, and administrative requirements of the District.
- (f) Transitory Records - Records that are of informal communications produced via a computer (E-mail), routine requests, posted notes or other temporary medium. Transitory records are designed to have a limited retention period and as such, are not considered records unless they are in relation to another document or project.
- (g) Abbreviations - The following abbreviations are used in the Records Retention Schedule:

A = Active Financial Audit

ACT = Active (e.g., while the contract is active or while an employee is still working for the District)

C = Closed, Expired

CY = Calendar Year

FY = Fiscal Year

L = Life of Facility

P = Permanent

R = Revised, Cancelled, Obsolete, or Superseded

T = Termination, Death

V. ADMINISTRATION

A. General

1. The District's ~~Chief Information Officer~~ (the ~~"Administrator"~~) General Manager is the officer in charge of the administration of this Policy and the implementation of processes and procedures to ensure that the Record Retention Schedule is followed.
2. The General Manager ~~Administrator~~ is also authorized to, ~~in consultation with the General Manager:~~ make modifications to these procedures and to the ~~Record Retention Schedule~~

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from time to time to ensure that it is in compliance with local, state and federal laws ~~and including~~ es policies and procedures, ~~-the appropriate documents~~ and record categories for the District; work with the District's General Counsel to monitor local, state and federal laws affecting record retention; periodically ~~annually~~ review the record retention and disposal program; and monitor compliance with this Policy.

B. Suspension of Record Disposal due to Litigation or Claims

In the event the District is served with any subpoena or request for documents or any employee becomes aware of a governmental investigation or audit or the commencement of any litigation against or concerning the District, such employee shall inform the General Manager ~~Administrator~~ and any further disposal of documents shall be suspended until such time as the General Manager ~~Administrator~~, with the advice of counsel, determines otherwise. The General Manager ~~Administrator~~ shall take steps to promptly inform all staff of any suspension in the further disposal of documents.

~~C.~~ Records Retention Schedule Organization

1. The Record Retention Schedule is organized by type of records ~~and reflects each department's responsibility,~~ description of records, governing authority, and its retention period.

~~D. Records Management, Filing and Destruction~~ ~~If deemed necessary by the Administrator and the General Manager, a person, firm or service may be retained to assist the District with the management, filing, retention and destruction of records. If the aggregate payments under the contract do not exceed the General Manager's contracting authority, the General Manager is authorized to determine the terms and conditions of such contract in consultation with the General Counsel.~~

D. Destruction of Records

All records shown on the Records Retention Schedule shall be retained for the period indicated on the Records Retention

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Schedule and may be destroyed thereafter. The General Manager or designee of the District is authorized to destroy records of the District according to the Records Retention Schedule without further authorization from the Board of Directors.

E. Method of Destruction of Records

Official records at the end of their retention period are eligible for destruction. A destruction approval report is used to list eligible records and obtain appropriate approvals. Official records shall not be destroyed if any legal action, audit or government investigation involving those records is identified. Destruction of paper records shall be by shredding or other legally acceptable method. A Certificate of Destruction or other accepted form of documentation shall be prepared and saved permanently within the District's Retention Management System. Electronic records shall be deleted by removing those records from the system on which they reside and erasing the data. Deleted electronic records, including emails are considered to have been disposed/destroyed once they are deleted from the active computer system and any storage devices.

CITATIONS

B & P - Business and Professions Code

CCP - Code of Civil Procedures

CCR - Code of California Regulations

CEQA - California Environmental Quality Act

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GC - Government Code

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OMB - Office Management & Budget

OPS - Opinion Attorney General

OSHA - Occupational Safety & Health Act

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V. ADMINISTRATION

A. General

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2. The General Manager is also authorized to make modifications to these procedures and to the Record Retention Schedule from time to time to ensure that it is in compliance with local, state and federal laws including policies and procedures, the appropriate documents and record categories for the District; work with the District's General Counsel

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1. The Record Retention Schedule is organized by type of records, description of records, governing authority, and its retention period.

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CITATIONS

- B & P - Business and Professions Code
- CCP - Code of Civil Procedures
- CCR - Code of California Regulations
- CEQA - California Environmental Quality Act
- CFR - Code of Federal Regulations
- CVC - California Vehicle Code
- GC - Government Code
- H&S - Health & Safety
- LC - Labor Code
- OMB - Office Management & Budget
- OPS - Opinion Attorney General
- OSHA - Occupational Safety & Health Act
- PC - Penal Code
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- WC - Water Code

Otay Water District - Records Retention Schedule

No.	Record Series Title	Record Series Description	Authority	Retention (Yrs)	
				Legal	OWD
1	Accounts Payable	Records relating to payment of financial obligations. Includes benefit billing, vendor invoices, check requests, receiving documents and blue copy of checks.	WC §50942; GC §60201; GC §12236	FY+7	FY+7
2	Annexation	Records relating to Annexation and De-Annexation or Detachment.	WC §50942; GC §60201; GC §12236; WC §60201(d)(10)	P	P
3	Audits	Supporting documentation for financial audits. Records include reports, notes, account reconciliation, and backup information.	WC §50942; GC §60201; GC §12236	FY+7	FY+7
4	Availability	Listing of Availability Charges.	WC §50942; GC §60201; GC §12236	A+3	A+3
5	Backflow Compliance	Records include notifications, reports of testing and maintenance of backflow preventors.	WC §50942; GC §60201; GC §12236, GC 17 CCR § 7605(f)	CY+3	CY+3
6	Bankruptcies	Court documents reflecting Otay as a creditor in customer's bankruptcy.	WC §50942; GC §60201	A+2	A+2
7	Bank Statements and Reconciliation	Records relating to banking activities. Includes statements reflecting deposits, withdrawals, reconciliations, check registers for operating and payroll bank accounts.	GC § 34090; 26 CFR 1.6001-1	A+5	A+5
8	Benefit Administration	Documentation related to medical benefits including, but not limited to, third party benefit administrators, medical/prescription drugs, dental insurance, life insurance, deferred comp, flexible spending accounts, disability insurance, COBRA administration, retiree billing summary, benefits consultants, CalPERS retirement, employee assistance program, and pre-paid legal plan.	GC § 6250 et seq.; OMB A-129; 29 CFR 1602.30, 1602.32	R+7	R+7
9	Benefit Summary Plan Descriptions	Records related to medical, dental, and flexible benefit summary plans.	GC § 6250 et seq.; 29 USC §§ 1027, 1037; 45 CFR § 160.414	ACT+6	P
10	Board of Directors	Records relating to the Board of Directors including agenda, minutes of the Board of Directors, staff reports, audio and video recordings, minutes of Board Standing and Ad Hoc Committee Meetings, and board adopted Resolutions and Code of Ordinances (code policies and code sections)	WC §50942; GC §60201; GC §12236; WC §60201(d)(2)&(3)	P	P
11	Budget - Published Budgets	Published operating and capital budgets as adopted by the Board of Directors to include District Strategic Plan, Employee Survey, and Customer Satisfaction Surveys.	WC §50942; GC §60201; GC §12236	P	P
12	Claims	Records related to liability claims and OWD property losses, liability due to vehicle accidents, property damage due to water main breaks, and FEMA claims.	WC §50942; GC §60201; GC §12236	ACT+3	ACT+5
13	As Built Plans	Includes plans for Potable Water, Sewer, Recycled Water and related facilities	WC §50942	P	P

Event Codes:

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ACT=Active
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No.	Record Series Title	Record Series Description	Authority	Retention (Yrs)	
				Legal	OWD
14a	Contracts and Agreements (A)	Records relating to obligations under contracts and/or agreements between OWD and outside parties. Includes banking services, blanket POs, deferral agreements, financial services, general consulting, general contracts, general services, general interagency agreements, Joint Participation Agreements (JPA), lobbying files, labor services, leases, legal services, service/maintenance, sewer contracts and non-CIP warranties.	WC §50942; GC §60201; GC §12236; CCP §§ 336a, 337, 337.2, 343; B&P §7042.5; GC §4004; H&S § 19850	T+5 non capital	T+10
14b	Contracts and Agreements (B)	Records relating to obligations under contracts and/or agreements between OWD and outside parties. Includes construction services, design consulting, environmental consulting, management construction, professional engineering services, professional environment services, and reimbursement agreements, CIP, development agreements and warranties.	WC §50942; GC §§ 4004, 12236, 60201; CCP §§ 336a, 337, 337.1, 337.2, 337.5, 337.6, 337.15, 343; H&S § 19850	T+10	T+20
14c	Contracts and Agreements (C)	Records relating to obligations under contracts and/or agreements between OWD and outside parties. Includes permanent interagency agreements, Land Use and Memorandums of Understanding (MOU)	WC §50942; GC §§ 4004, 12236, 60201; CCP §§ 336a, 337, 337.1, 337.2, 337.5, 337.6, 337.15, 343; H&S § 19850	P	P
15a	Correspondence (A)	Records relating to internal and external communications including, but not limited to, memos, reports, faxes and letters. Correspondence of a general nature, not related to any specific projects or contracts.	WC §50942; GC §60201; GC §12236	3	3
15b	Correspondence (B)	Records relating communications including, but not limited to, memos, reports, faxes and letters related to potential or future development normally generated by Public Services.	WC §50942; GC §60201; GC §12236	3	10
16	Corrosion Control Records	Records relating to corrosion control tests, methods, procedures, test data, reports and cathodic protection.	WC §50942; GC §60201; GC §12236; 40 CFR 141.91	CY+12	CY+12
17	County Collected Revenues	Revenues collected through the county tax rolls including portion of the 1% property tax, availability fees, debt related assessment and delinquencies.	WC §50942; GC §60201; GC §12236	A+3	A+3
18	Debt	Records relating to long-term debt having to do with bonds and loans, including but not limited to Certificates of Participation (COPS), General Obligation Bond, Water Revenue Bond, State Sewer Loan and State Water Resource Control Board	WC §50942; GC §60201; GC §12236; CCP §337.5	C+10	P
19	District Policies & Guidelines	Records providing administrative procedures and guidelines that are approved by the Board of Directors, including but not limited to Human Resources policies and purchasing manual.	WC §50942; GC §60201; GC §12236	R+2	R+5

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No.	Record Series Title	Record Series Description	Authority	Retention (Yrs)	
				Legal	OWD
20	DMV	Driving records including DMV Pull notice.	WC §50942; GC §60201; GC §12236; CVC 1808.45/ .46/.47; GC §12946; 8 USC 1324(a)	CY+7	CY+7
21	Drug & Alcohol Tests	Confidential records relating to drug and alcohol testing (random and suspicious, excluding pre-employment and previous employer).	WC §50942; GC §60201; GC §12236; USDOT title 49	CY+7	CY+7
22	Employee Eligibility & Benefit Files	Records relating to individual employee benefits. Files may include, but are not limited to, enrollment forms and change requests for health, life, dental, vision, deferred comp pension, long term disability insurance, leave of absence, computer loan and tuition reimbursement. Records relating to immigration documentation, eligibility to work in the U.S. (I-9 form).	WC §50942; GC §60201(12); GC §12236; WC §60201(d)(10); GC 6250 et seq.; OMB A-129; 29 CFR 1602.30; 29 CFR 1602.32	T+7	T+7
23	Employee MOU	Employee MOU. Records including negotiations and amendment to MOU (side letter agreement). Documentation related to employee association negotiations, current enforced MOU and history.	WC §50942; GC §60201; GC §12236; 29 USC §§ 203, 207, 211	P	P
24	Employee Personnel Files	Records relating to individual employees. Includes employment applications, employment actions (e.g., promotions, reclassifications, transfers, discipline, and salary information), performance evaluations, educational documents, and separation documents. Upon employee separation, additional information such as reference checks, ethnicity and disclosures.	WC §50942; GC §60201; GC §12236	T+7	T+7
25	Employee Relations	Records relating to association representatives including correspondence, employee association financial statement, employees' association election representation, reported grievances and actions taken, and documents related to employee investigations.	WC §50942; GC §60201; GC §12236; GC §12946; 29 USC 211; 29 CFR 1602	C+2	C+10
26	Employee Surveys	Records may include, but are not limited to, forms completed by OWD employees in response to questions regarding OWD administrative policy, departmental policy or amenities.	WC §50942; GC §60201; GC §12236; GC §12946; 29 USC 516.6(2); 29 CFR 1602.14	CY+2	CY+10
27	Employee Training	Records related to employee training on district policies, procedures, and orientations including training logs/sign-in sheets. Training includes, but is not limited to, safety, tailgate, HAZWOPER and employee trainings.	WC §50942; GC §60201; GC §§ 6250 et seq.; GC §34090	CY+7 or T+7	CY+7 or T+7
28	Environmental Studies	Records related to environment studies not specific to projects such as Multiple Species Conservation Program and Habitat Management Area (HMA) reports.	WC §50942; GC §60201; GC §12236; CCP §338; GC §34090; 14 CCR §§ 15000 et seq.	CY+7, C/CY+2 or P	P

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30	Financial Reports and Statements	Records relating to audits performed by contracted auditors including Comprehensive Annual Financial Report (CAFR), State Controller's Report and Single Audit Report.	WC §50942; GC §60201; GC §12236	ACT+4/7*	P
31a	Fixed Assets (Infrastructure)	Purchase of infrastructure assets, equipment, and facilities, related to Bond Debt	WC §50942; GC §60201; GC §12236	P	P
31b	Fixed Assets (Non-infrastructure)	Purchase of non-infrastructure assets, equipment, and facilities, not related to Bond Debt	WC §50942; GC §60201; GC §12236; GC §§ 6250 et seq.	L+2	L+2
32	Fuel and Oil Usage Files	Records documenting the amount of fuel delivered and dispensed.	WC §50942; GC §60201; GC §12236; CCP §337	A+3	CY+7
33	Fuel Storage Tanks	Records relating to leak detection monitoring, cleanup, and condition of fuel storage tanks.	WC §50942; GC §60201; GC §12236	P	P
34a	GL Journal Entries	Records including General Journal Entry Posting (Located in IG General Ledger).	WC §50942; GC §60201; GC §12236	P	p
34b	GL Journal Vouchers	Records including General Journal Vouchers and supporting documentation.	WC §50942; GC §60201; GC §12236	A+4	A+4
35	Grants	Records relating to City, State, and Federal requests and approvals for new and on-going District projects whether as an individual agency or in conjunction with member agencies. This includes grant applications, grants and grant agreements. This excludes CIP related grants.	WC §50942; GC §60201; GC §12236	C+5	C+5
36	Hazardous Compliance Plans	Documents related to compliance plans for hazardous material including Underground Storage Tank (UST) Monitoring System Certification, UST Response Plan, UST Monitoring Plan and Spill Prevention and Countermeasure (SPCC) Plan	WC §50942; GC §60201; GC §12236; Cal OSHA; 40 CFR 122.21; GC § 34090	CY+2, CY+10 or P	P
37	Hazardous Material	Records related to the use of hazardous waste, hazardous materials, chemicals leaks and spills, chlorine, and asbestos records. Includes asbestos training records, asbestos medical records, handling, transportation, use, generation and disposal of hazardous waste, chemical spill cleanup, disposal manifests, removal receipts, sludge reports and fees, pesticides/herbicide, material safety data sheets and environment workplace safety sampling and studies	WC §50942; GC §60201; GC §12236; Cal OSHA; 40 CFR 122.21	P	P
38	Incident Reports	Records relating to accidents/incidents, including vehicle, property and personnel. Includes but is not limited to, investigation reports, public complaints, traffic collision coding, and report of traffic accidents occurring in CA.	29CFR 1904.2, 29 CFR 1904.6	C+7	C+7
39	Incorporation Records	State approved formation documents creating the Otay Municipal Water District.	WC §50942; GC §60201(1); GC §12236	P	P

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41a	Interagency Files (General)	Records such as correspondences, reports, interagency billing relating to cities and other interagencies including but not limited to San Diego County Water Authority, Metropolitan Water District, sister agencies (Padre, Helix, Sweetwater, etc.), City of Chula Vista, City of San Diego, County of San Diego, State of California, Water Conservation Garden JPA, and California Urban Water Conservation Council	WC §50942; GC §60201; GC §12236	CY+2	CY+2
41b	Interagency Files (Permanent)	Records such as correspondences, reports, including election card filing, and statement of economic interest relating to cities and other interagencies including but not limited to San Diego County Water Authority, Metropolitan Water District, and LAFCO	WC §50942; GC §60201; GC § 34090; GC §§ 6250 et seq.; GC § 81009	T+7 or P	P
42	Investment	Records relating to purchase contract documentation of investments.	WC §50942; GC §60201; GC §12236; WC §60201(d)(10); 26 CFR 1.6001-1	A+5	A+5
43	Job Descriptions	Current and historical job descriptions.	WC §50942; GC §60201; GC §12236	SU+2	R+10
44	Laboratory Analysis	Records of all laboratory analysis performed by the District or external laboratories. Analysis for potable, reclaimed water systems, and reclamation plant. Receipt of samples, tracking sheets, lists and logs showing locations and dates of samples. This excludes CIP related lab analysis.	WC §50942; GC §60201; GC §12236	CY+12	CY+12
45	Land Surveys	Records relating to information on control and boundary monuments, above and below ground structures including but not limited to survey books, field books, and data.	WC §50942; GC §60201; GC §12236; 40 CFR 141.33	CY+10	P
46	Legal Opinions (Confidential)	Records relating to legal opinions on issues, problems and policies impacting OWD.	GC § 34090; GC § 6254	R+2	R+2
47	Liens	Liens on Properties/Parcels for unpaid debts.	WC §50942; GC §60201; GC §12236	A+3	A+3
48	Litigation	Records relating to threatened, pending or settled litigation. This excludes CIP related claims.	WC §50942; GC §60201; GC §12236; CCP §583.320(a)(3)	C+3	C+6
49	Medical and Exposure Records	Records related to medical examination/exposure including, but not limited to, substance, hearing, and respirator testing.	WC §50942; GC §60201; GC §12236; 29 CFR 1910.1020	T+30	P

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Otay Water District - Records Retention Schedule

No.	Record Series Title	Record Series Description	Authority	Retention (Yrs)	
				Legal	OWD
50	Payroll	Records related to employee payroll file including garnishment/court orders, employee deduction (W-4 Form), tax levies and CalPERS Summary Report.	WC §50942; GC §60201; GC §12236; 29 CFR 516.6	T+7	T+7
51	Pension	Records related to employee pensions prior to 1995, excluding CalPERS.	WC §50942; GC §60201; GC §12236; 29 CFR 516.6	30Y	2025
52	Permits, Licenses and Certifications	District-wide permits, licenses and certifications required for business including, but not limited to, hazardous material permit, radio station authorization, APCD, storm water general permit, waste discharge requirement, master reclamation permit, EPA identification number, RW site certification, underground storage tank operating permit, lab certification and permit to operate air pressure tank.	WC §50942; GC §60201; GC §12236;	T+4	T+4
53	Procedures & Guidelines	Records providing administrative procedures and guidelines that are approved by the General Manager or at the departmental level for operating day-to-day business. This includes departmental procedures, guidelines, standard operating procedures, employee handbook, performance evaluation manual, records retention schedule, and other required program for disaster and emergency management plans such as National Incident Management System (NIMS) Emergency Management Plan, Standardized Emergency Management Plan (SEMS), Injury Illness Prevention Program (IIPP), Fire Department Emergency Plans, evacuation plans, vulnerability assessment, emergency response inspection requirements and first response training records.	WC §50942; GC §60201; GC §12236	R+2 (while active)	R+5
54	Projects	Records relating to the construction of OWD projects (CIP, Non-CIP, and Developer). This includes, but is not limited to, engineering test records, environmental reports, daily construction reports, study reports, task orders, design reports, developer bonds, reimbursement request, claims, grants, warranties, and miscellaneous project files.	GC § 34090; CCP § 337.15	C+10	C+20
55	Public Notices	Notices pertaining to public hearings for availability fees, rate increases, annexations, detachments, water conservation, and environment impact.	WC §50942; GC §60201; GC §12236	P	P
56	Public Services District Fees and Deposits	Calculation of Public Services District Fees and Deposits filed quarterly by fiscal year. This includes annexation and capacity fees.	WC §50942; GC §60201(d)(10); GC §12236	P	P
57	Real Property	Records related to the property and structural purchase including drawings, grant deeds, title transfers, beneficiary, escrow instruction, appraisal, quitclaims, easement, outside user easements, exclusive easement, encroachment and use of private laterals (sphagetti lines).	WC §50942; GC §60201; GC §12236; 24 CFR 570.502(b)(3)	P	P

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58	Recruitment / Selection Files	Records relating to the interview and selection process for prospective employees.	GC §12946; GC §6250 et. seq.; 29 CFR 1602, et. seq.; 29 CFR 1607, 29 CFR 1627.3	C+3	C+3
59	Regulatory Compliance	Regulatory compliance records required by outside agencies to include, but not be limited, to Air Pollution Control District (APCD), Air Resource Board (ARB), Bureau of Automotive Repair (BAR), Division of Drinking Water (DDW) of the California Water Board, California Highway Patrol (CHP), California Occupational Safety and Health Program (CalOSHA), California Regional Water Quality Control Board (CRWQCB), California State Board of Equalization (BOE), Department of Environmental Health (DEH), Employment Development Department (EDD), Environmental Laboratory Accreditation Program (ELAP), Equal Employment Opportunities Commission (EEOC), Internal Revenue Service (IRS), Local Agency Formation Commission (LAFCO). San Diego Regional Water Quality Control Board (SDWQCB) and Social Security Administration (SSA)	WC §50942; GC §60201; GC §12236; GC § 34090	CY + 12	P
60a	Reports and Studies	Records related to reports and studies completed by outside vendors or in-house on areas that impact the operations of OWD. This includes, but is not limited general reports and studies, customer surveys and appraisals of properties for possible acquisition. Records related to reports and studies completed by outside vendors or in-house on areas that impact the operations of OWD. This includes but is not limited project technical reports, Sub-Area Master Plan (SAMP) and Water Resource Master Plan. Program Environmental Impact Report (PEIR), Integrated Water Resources Plan, Urban Water Management Plan and Water Supply Assessment and Verification Reports.	WC §50942; GC §60201; GC §12236; GC § 34090; GC § 6294	C+2 or CY + 2	P
61	Request for Proposals (RFP)/ Invitation for Bids	Records related to request for proposals, invitation for bids, proposals, bids and quotations.	WC §50942; GC §60201; GC §12236	C+2	C+2
62	Safety	Records relating general nature of safety and risk management, including but not limited to safety inspection forms, hot permits, confine space entry, lockout/tagout, ergonomic, full body harness, and trenching/excavation.	WC §50942; GC §60201; GC §12236; 29 CFR 1904.4; OMB 1220-0029	C+5; R+2	CY+5
63	Salary Administration	Records relating to collected survey data used in determining and monitoring compensation for various OWD classifications.	WC §50942(12); GC §60201; GC §12236; OMB 1220-0029	C+7	C+7

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				Legal	OWD
64	Security Records	Records relating to the security issues for facilities, includes police incident reports.	WC §50942; GC §60201; GC §12236	CY+2	CY+5
65	Surplus Declaration and Disposal	Records related to the surplus declaration and disposal of District minor assets as any individual items (materials, supplies, and equipment) which had an acquisition cost of \$5,000 or less.	WC §50942; GC §60201; GC §12236; GC § 34090	CY+2	CY+5
66	Tax Reports	Tax report filing including but limited to Payroll Tax Forms (DE6, W2, 941), AP Tax Forms (1096, 1099 and W-9 Forms), Form 5500F, Form 990N, Underground Storage Tank Maintenance Fee Return, Government Entity Diesel Fuel Tax Return, and State, Local and District Sales and Use Tax Return	WC §50942; GC §60201; GC §12236; GC § 34090	CY + 15	P
67	Underground Utilities	Records regarding notices for the location of underground utilities for purpose of digging.	WC §50942; GC §60201; GC §12236; GC § 4003, GC § 4004; H&S § 19850	P	P
68	Water Conservation	Records relating to Water Conservation programs, IAWP (SAWR) Reduction Plan, large and residential survey reports.	WC §50942; GC §60201; GC §12236	C+2	C+2
69	Workers' Compensation Files	Records relating to Workers' Compensation. Records include checks, injuries, litigated and non-litigated cases, and ergonomic records of work site inspections/recommendations (maintained in HR). Includes 300, 300A and 301 forms.	WC §50942; GC §60201; GC §12236; 8 CCR § 15400.2; Cal. Labor Code § 110, et seq.	P	P
70	Email System	Email and voicemail system backup; transitory records that are informal communications produced via computer or electronic devices to include routine requests for information, routine communication containing no substantive information. Official Email records pertaining to record description (this document) will be retained according to retention schedule.	GC §60201; GC § 34090 OPS §80-1006	100 Days	100 Days
72	District Services Permits	Records related to District meter services including but not limited to water, sewer and recycled services, Service Installation Requests (SIRs), fire services, annexations, plan checks and legacy Water Sewer Orders (WSOs).	WC §50942; GC §60201(d)(10); GC §12236	P	P
75	Certificate of Destruction	Records relating to destruction of documents, including certificate of destruction, invoices and destruction approval reports.	WC §50942; GC §60201; GC §12236; GC § 34090	P	P
76	Recycled Water Sites	Records relating to OWD recycled water use sites. This includes, but is not limited to, test reports, inspection reports, controller charts, recycled water use agreements, data sheets, approval letters, and general correspondence.	WC §50942; GC §60201; GC §12236; GC § 34090	P	P
77	Records Retention Program Records –	Schedules, Destruction Records, Policy, and Procedures	GC §60201	P	P

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