

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
June 22, 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. APPROVE A FIVE (5) YEAR AGREEMENT (THREE [3] YEARS WITH TWO [2] ADDITIONAL YEARS AT THE DISTRICT'S OPTION) WITH ALLIANT INSURANCE SERVICES, INC. (ALLIANT) FOR BENEFIT CONSULTING AND BROKER SERVICES IN AN AMOUNT NOT-TO-EXCEED \$148,480 AND IDENTIFYING ALLIANT AS THE DISTRICT'S BROKER OF RECORD (WILLIAMSON) [5 minutes]
4. ADOPT RESOLUTION NO. 4309 UPDATING BOARD OF DIRECTORS POLICY NO. 22, DRUG-FREE WORKPLACE POLICY AND PROCEDURE, TO CHANGE THE RANDOM TESTING PERCENTAGES FOR ALL EMPLOYEES SUBJECT TO THIS POLICY AND REVISE THE DEFINITION OF SAFETY-SENSITIVE DUTIES (WILLIAMSON) [5 minutes]
5. ADOPT RESOLUTION NO. 4308 AMENDING BOARD OF DIRECTORS POLICY NO. 35, THE MEDICAL RESERVE FUND FOR DISTRICT RETIREES, OF THE DISTRICT'S CODE OF ORDINANCES TO REFLECT THE CURRENT PROCESSES AND PROCEDURES FOR THE MEDICAL RESERVE FUND (KOEPPEN) [5 minutes]
6. ADOPT RESOLUTION NO. 4310 DECLARING AN END TO WATER SHORTAGE RESPONSE LEVEL 2- SUPPLY ALERT CONDITION (CAREY) [5 minutes]



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 2016		
		PROJECT:	Various	DIV. NO.:	All
SUBMITTED BY:	Kelli Williamson, Human Resources 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:	APPROVE THE SELECTION OF ALLIANT INSURANCE SERVICES, INC. FOR BENEFIT CONSULTING SERVICES AND AS THE DISTRICT'S BROKER OF RECORD				

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to negotiate and enter into a five (5) year agreement (three [3] years with two [2] additional years at the District's option) with Alliant Insurance Services, Inc. for benefit consulting and broker services and identify Alliant as the District's Broker of Record in an amount not-to-exceed \$148,480.

COMMITTEE ACTION:

Please see "Attachment A".

PURPOSE:

To obtain Board authorization for the General Manager to enter into a five (5) year agreement with Alliant Insurance Services, Inc. for benefit consulting and broker services and identify Alliant as the District's Broker of Record in an amount not-to-exceed \$148,480.

ANALYSIS:

In 2012, the District and Alliant Insurance Services, Inc. (Alliant) entered into a three (3) year agreement with up to two (2) options to renew. The District is completing the fourth year of this agreement. In an effort to continue with best practices and to validate that the District is receiving the best available benefit consulting services at a competitive price, the District solicited bids once again for benefit consultants in February 2016. Since labor negotiations will be occurring

next year, the District began the RFP process one (1) year ahead of schedule.

The District uses benefit consultant services to perform a full range of services related to the design, bidding, implementation, maintenance, renewal, communication, and improvement of the District's group health, dental, life insurance, long-term disability programs and flexible benefits program.

The District sent an RFP to nine (9) reputable benefit consulting firms and received responses from the following five (5) firms:

- Alliant Insurance Services
- Barney & Barney
- Keenan & Associates
- Living Benefits, Inc.
- WSP Corporate Benefits and Insurance Services, Inc.

The proposal received by Barney & Barney was reviewed, however it was not rated due to their fee structure being outside of the competitive range and exceeding the District's budgeted allotment.

The other four proposals were jointly reviewed and rated by a four-person panel (Attachment B). The **written proposal** review included evaluation on the following criteria:

Written Proposal Criteria	Maximum Points
Perceived ability of Consultant to negotiate a benefits program that meets the needs of the District.	15
Consultant's knowledge and/or technical support related to the implementation of Online Benefits Open Enrollment.	10
Consultant's and other assigned staff's availability and accessibility including the location of the office that will be servicing the District's account.	20
Qualifications, background, and experience of Consultant and staff and team composition.	15
Consultant's ability to provide proactive support to the District's Human Resources function including dissemination of current general and legal updates as well as time-sensitive insurance carrier information.	20
Completeness, addressed requested information, readability.	10
Proposed fees as compared to level of effort expended.	10
Total	100

After evaluating the firms' written responses, the panel invited four firms for an oral interview (Alliant, Keenan & Associates, Living Benefits, and WSP Corporate Benefits and Insurance Services, Inc.). The criteria used to evaluate the firms during the **oral interview** were based on the following:

Oral Interview Criteria	Maximum Points
Demonstration of having powerful leverage and influence in the insurance market.	20
Ability to provide creative or unique solutions to clients.	20
Ability to communicate and deal effectively and professionally with all levels of the organization. Approachability.	20
Ability to ensure accuracy of the data collected and analysis given to the District.	20
Total	80

Based on the overall evaluation, which included a review and rating of proposals, interviews, references, and overall best value, staff recommends contracting with Alliant. While all consultants evaluated are reputable firms, Alliant scored exceptionally well in all categories being evaluated demonstrating their expertise and knowledge in the health insurance industry and their capability in offering robust leverage in the marketplace, cost-saving solutions to the District, and the ability to provide comprehensive resources.

As an additional benefit, Alliant currently serves as the benefits consultant to the CSAC/SDRMA Medical pool of which the District is a member. Their transparent relationship has proven to be invaluable and should continue to strengthen communication and legal compliance regarding benefit-related topics for the District. Moreover, continuing with Alliant should result in efficiencies as there will be no loss of staff time in onboarding a new consultant.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The annual cost of the agreement is \$29,000 for each of the first three (3) years and will not exceed \$148,480 over five (5) years. Funding for this expenditure is provided through the operating budget and the FY17 budget, which includes \$35,000.

STRATEGIC GOAL:

Provide enhanced value by directing and managing financial issues that are critical to the District.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Report
 Attachment B - Summary of Proposal Rankings



ATTACHMENT A

SUBJECT/PROJECT:	APPROVE THE SELECTION OF ALLIANT INSURANCE SERVICES FOR BENEFIT CONSULTING SERVICES AND AS THE DISTRICT'S BROKER OF RECORD
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee met on June 22, 2016, to review this item. The Committee supported presentation to the full Board.

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.

SUMMARY OF PROPOSAL RANKINGS Benefit Broker

ATTACHMENT B

		WRITTEN									
		Negotiation Skills	Online Benefits Open Enrollment	Staff Availability	Qualifications, Background, & Experience	Proactive Support with Legal & Time-Sensitive Insurance Carrier Information	Completeness of Proposal	INDIVIDUAL SUBTOTAL - WRITTEN	AVERAGE SUBTOTAL - WRITTEN	Proposed Rates**	TOTAL - WRITTEN
MAXIMUM POINTS		15	10	20	15	20	10	90		10	100
Barney & Barney*		NOT RATED									
Alliant	<i>Rater 1</i>	15	10	20	12	20	10	87	85	6	91
	<i>Rater 2</i>	15	10	20	14	20	9	88			
	<i>Rater 3</i>	14	9	18	15	19	10	85			
	<i>Rater 4</i>	14	9	18	14	18	8	81			
Keenan & Associates	<i>Rater 1</i>	15	10	15	12	20	10	82	81	5	86
	<i>Rater 2</i>	15	9	18	14	18	10	84			
	<i>Rater 3</i>	14	9	18	14	18	9	82			
	<i>Rater 4</i>	13	9	15	14	18	8	77			
Living Benefits	<i>Rater 1</i>	10	8	15	12	15	8	68	67	8	75
	<i>Rater 2</i>	12	9	15	13	15	9	73			
	<i>Rater 3</i>	11	7	14	11	14	6	63			
	<i>Rater 4</i>	11	7	11	13	15	6	63			
WSP Corp. Benefits	<i>Rater 1</i>	15	10	15	12	15	8	75	69	10	79
	<i>Rater 2</i>	15	8	15	13	16	8	75			
	<i>Rater 3</i>	12	8	14	12	15	7	68			
	<i>Rater 4</i>	10	7	10	12	14	6	59			

		ORAL							
		Leverage in the Insurance Market Place	Creative or Unique Solutions	Communication Skills & Approachability	Accuracy of Data Collected & Analysis	INDIVIDUAL TOTAL - ORAL	AVERAGE TOTAL ORAL	TOTAL SCORE	REFERENCES
MAXIMUM POINTS		20	20	20	20	80		180	Poor/Good/ Excellent
Barney & Barney*		NOT INTERVIEWED							
Alliant	<i>Rater 1</i>	20	18	20	18	76	72	163	Excellent
	<i>Rater 2</i>	18	14	18	16	66			
	<i>Rater 3</i>	18	18	20	18	74			
	<i>Rater 4</i>	18	16	18	18	70			
Keenan & Associates	<i>Rater 1</i>	20	18	20	16	74	69	155	
	<i>Rater 2</i>	16	14	14	14	58			
	<i>Rater 3</i>	18	18	20	16	72			
	<i>Rater 4</i>	18	18	18	18	72			
Living Benefits	<i>Rater 1</i>	16	16	14	16	62	52	127	
	<i>Rater 2</i>	10	12	16	10	48			
	<i>Rater 3</i>	9	12	12	12	45			
	<i>Rater 4</i>	12	14	16	10	52			
WSP Corp. Benefits	<i>Rater 1</i>	14	14	16	14	58	47	126	
	<i>Rater 2</i>	12	10	12	10	44			
	<i>Rater 3</i>	10	10	12	10	42			
	<i>Rater 4</i>	12	10	12	10	44			

COMPENSATION RATES (FEES) SCORING CHART**		
CONSULTANT	FEE RATE (3 years with 2 option years)	SCORE
Barney & Barney*	\$213,818.00	
Alliant	\$148,480.00	6
Keenan & Associates	\$157,363.00	5
Living Benefits	\$121,450.00	8
WSP Corporate Benefits	\$93,305.00	10

* Barney & Barney was not rated/interviewed due to the compensation fees being outside of the competitive range and exceeding the District's budgeted allotment.

AGENDA ITEM 4



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 2016
		PROJECT:	DIV. NO. ALL
SUBMITTED BY:	Kelli Williamson Human Resources 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 #4309 TO UPDATE BOARD POLICY #22, DRUG-FREE WORKPLACE POLICY AND PROCEDURE		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution #4309 to update Board Policy #22, Drug-Free Workplace Policy and Procedure, to change the random testing percentages for all employees subject to this policy and revise the definition of safety-sensitive duties.

COMMITTEE ACTION:

Please see "Attachment A".

PURPOSE:

To request that the Board adopt Resolution #4309 to update Board Policy #22, Drug-Free Workplace Policy and Procedure.

ANALYSIS:

Consistent with the District's Strategic Plan and Board Policy #44, Review of Procedures, the District regularly reviews policies and procedures to ensure they are streamlined and are clear and consistent with applicable laws.

Based on recent changes to the Department of Transportation's (DOT) random drug and alcohol testing, the District made necessary updates to our DOT Testing Human Resources Policy and Procedure to be in compliance, District staff is recommending revisions to the attached policy, Drug-



ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION #4309 TO REVISE AND UPDATE BOARD POLICY #22, DRUG-FREE WORKPLACE POLICY AND PROCEDURE
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee met on June 22, 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. 4309

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE OTAY WATER DISTRICT TO
REVISE DISTRICT POLICY

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 Board Policy #22, Drug-Free Workplace Policy and Procedure, as requiring revisions as per the attached strike-through copy.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Otay Water District amends the Board Policies indicated above 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 6th of July, 2016.

President

ATTEST:

Secretary

OTAY WATER DISTRICT BOARD OF DIRECTORS POLICY			
Subject	Policy Number	Date Adopted	Date Revised
DRUG FREE WORKPLACE POLICY AND PROCEDURE	22	9/19/90	6/6/12 <u>7/6/16</u>

A. Policy

The Otay Water District ("District") has zero tolerance for the use of controlled substances or the abuse of alcohol. Employees who are under the influence of a drug or alcohol on the job compromise the District's interests and endanger their own health and safety as well as the health and safety of others. The District prohibits the use, possession, manufacture, distribution, or being under the influence of alcohol or controlled substances by any District employee while on District property or while on duty, except as specified herein. Violation of this policy is an act of misconduct meriting dismissal without prior warning or disciplinary action in accordance with the District's Discipline Policy and Procedures.

B. Exceptions

The following exceptions apply to this policy:

1. Events - Authorized Use of Alcohol
The General Manager or his/her designee, at his/her discretion, may authorize the use of alcohol at a District event, subject to any conditions he/she elects to impose.

2. Customary Use of Over-the Counter or Prescription Drugs
The exceptions set forth in this section do not extend to the use of marijuana, or any product made or derived from marijuana, regardless of whether the employee's doctor prescribes, recommends, or authorizes its use. With respect to an employee, use of an over-the-counter drug, or a prescription-only drug under a prescription for the employee, in the manner prescribed, will not be treated as a violation of this policy unless the drug has potential side effects which impair the employee's ability to perform any safety-sensitive duty and/or the core duties of his/her position and the employee has failed to notify his/her supervisor or Human Resources of such side effects before performing duties while under the influence of the drug. The District may require a note from the employee's doctor concerning authorization for a prescription and/or the possible side effects of the prescribed

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

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drugs. The District shall comply with all applicable laws concerning the privacy of employees' medical information.

With respect to an applicant, use of an over-the-counter drug, or a prescription-only drug under a prescription for the applicant, in the manner prescribed, will not disqualify the applicant for employment if he/she satisfactorily explains such use upon being informed of a positive test for controlled substances. The District may require a note from the applicant's doctor concerning authorization for a prescription and/or the possible side effects of the prescribed drugs.

C. Definitions

1. Accident:

- a. Any accident, in which an employee is driving on District business, and is at fault or suspected of having significantly contributed to an accident. This shall apply to employees covered by the Department of Transportation ("DOT") policy only if the accident is not subject to the DOT policy.
- b. Any accident, not involving the driving of a District vehicle, that is reasonably believed by management or credibly reported by another person to have been caused by an on-duty employee and which results in serious physical injury.

2. Controlled Substance:

- a. Any drug or substance identified by section 40.85 of title 49 of the Code of Federal Regulations or sections 11054-11058 of the California Health and Safety Code.
- b. Any drug or substance.

3. Dilute Specimen: A specimen with creatinine and specific gravity values that are lower than expected for human urine or a specimen that is adulterated in any way.

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4. Drug Paraphernalia: This term has the same definition as is used in section 11364.5(d) of the California Health and Safety Code and applies only to paraphernalia deemed unlawful under section 11364.5(d).
5. Manager/Management: A District employee who is designated as a supervisor, manager, or executive.
6. Medical Review Officer: A person who is a licensed physician and who is responsible for receiving and reviewing laboratory results for substance tests and evaluating medical explanations for certain test results.
7. Negative: A person is considered to have tested negative for a substance if his/her substance test does not produce a positive result.
8. Positive: A person is considered positive for alcohol if he/she has a blood alcohol concentration of 0.04 or greater at the time he/she submits to testing. A person is considered positive for a controlled substance if he/she has any amount of a controlled substance at or above a "cutoff concentration" specified in section 40.87 of title 49 of the Code of Federal Regulations at the time he/she submits to testing.
9. Reasonable Suspicion: A reasonable suspicion exists that a person is under the influence of a substance if a trained observer reasonably comes to the conclusion that the person is under the influence of a substance due to having personally observed, with respect to the person, some or all of the effects specified in Appendix A of this policy.

Additionally, a reasonable suspicion exists that a person is under the influence of a substance if an observer has seen the person use a substance.

No one factor is sufficient to create a reasonable suspicion, but an observer may make a reasonable assessment based on the quantity, degree, and/or severity of applicable factors.

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BOARD OF DIRECTORS POLICY**

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10. Refusal to Submit to Testing. Each of the following constitutes a refusal to submit to testing:

- a. Failing to immediately report for substance testing when directed to do so;
- b. Failing to complete the testing process (including signing any forms necessary to authenticate or identify a specimen);
- c. Failing to provide an adequate amount of breath, saliva, or urine for a test;
- d. Failing to cooperate with any aspect of the testing process, including but not limited to refusing to wash hands when directed, being confrontational with testing personnel, or failing to comply with instructions in a "direct observation," as that term is used in section 40.197 of title 49 of the Code of Federal Regulations;
- e. Using or wearing a prosthetic device to interfere with the collection process;
- f. Admitting to adulterating or diluting the specimen; or
- g. Any act or failure to act that is intended to interfere with the results.

11. Safety-Sensitive Duties: Duties which consist of any of the following:

- Operating any assigned District vehicle or equipment (includes management and non-management employees);
- ~~High-voltage electrical work (600 volts or greater);~~
- Work in "confined spaces," as that term is defined in District regulations or CalOSHA regulations;
- Performing maintenance on any vehicle;
- Loading, ~~and~~ unloading or attending any District vehicle or equipment; ~~or~~
- Access to sensitive/classified information related to emergency response, safety or security duties;
- Participation in Hazardous Waste Operations and Emergency Response Confined Space Rescue Team;
- Work performed at elevated or depth locations more than 4ft above or below ground; or

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- [Work involving the use or disposal of hazardous chemicals as that term is defined in District regulations or Cal OSHA regulations.](#)

12. Serious Physical Injury: An injury to an employee that causes the employee to be absent from work following an accident or which requires hospitalization of the employee.
13. Substance: Any substance containing alcohol or any controlled substance.
14. Under the Influence: With respect to alcohol, a person is under the influence at the time he/she is ordered to submit to testing if he/she tests positive for alcohol at the time he/she submits to testing. With respect to controlled substances, a person is under the influence at the time he/she is ordered to submit to testing if he/she tests positive for a controlled substance at the time he/she submits to testing.

D. Conflicts with DOT Policy

As to applicants or employees to whom the DOT Policy applies, to the extent this policy imposes a requirement that is less stringent than the DOT Policy the more stringent requirements of the DOT Policy will control.

E. Testing Procedures

When an employee or applicant is to be tested, the District shall use the same testing procedures that are used for testing under the DOT Drug and Alcohol Testing Policy, including the procedures for testing a "split specimen," as that term is defined in section 40.3 of title 49 of the Code of Federal Regulations. The service providers shall comply with section 40.47 of title 49 of the Code of Federal Regulations except they shall use a non-federal custody and control form for applicants and employees.

1. Alcohol Testing

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Alcohol testing will be conducted using evidential breath testing devices ("EBT") approved by the National Highway Traffic Safety Administration. A screening test must be conducted first. If the result is an alcohol concentration level of less than 0.02, the test is considered a negative test. If the alcohol concentration level is 0.02 or more, a second confirmation test must be conducted. Alcohol testing shall be accomplished by a laboratory certified by the U.S. Department of Health and Human Services.

2. Controlled Substance Testing

- a. The test must be conducted by analyzing the employee's urine.
- b. The urinalysis shall be done at a laboratory certified by the U.S. Department of Health and Human Services.
- c. The urine specimen must be split into two bottles labeled as "primary" and "split" specimen. Both bottles must be sent to the laboratory.
- d. If the urinalysis of the primary specimen tests positive for the presence of illegal, controlled substances, the employee has 72 hours from time of notification to request that the split specimen be analyzed by a different certified laboratory.
- e. The urine sample shall be tested for the following: marijuana metabolites, cocaine metabolites, opiates, amphetamines and phencyclidine ("PCP");
- f. If the test is positive for one or more of the drugs listed in subsection "e" above, a confirmation test must be performed using gas chromatography/mass spectrometry analysis.
- g. All drug test results will be reviewed and interpreted by the Medical Review Officer before they are reported to the District.
- h. With all positive drug tests, the Medical Review Officer will contact the employee to determine if there is a medical explanation for the positive test result. If documentation is provided and the Medical Review Officer determines that there is a legitimate medical use for the

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prohibited drug, the test result may be reported to the District as negative.

F. Testing

1. Persons Subject to Substance Screening

- All applicants for employment, in conjunction with pre-employment physical examination;
- All employees reasonably suspected of using substances while on duty or on District property or while working while under the influence of substances;
- All employees reasonably suspected of possessing, manufacturing, or distributing substances while on duty or on District property;
- Any employee at fault or reasonably suspected of having significantly contributed to an accident while on duty;
- Any employee who performs safety-sensitive duties whose name is selected for testing pursuant to the District's random testing policy; or
- Any District employee who applies for and is selected for a position that will require the performance of safety-sensitive duties.

2. Pre-employment, Promotions and Transfer Physicals

All applicants for employment shall, as part of their pre-employment physical examination, submit to a urine analysis or other legally authorized testing methods as selected by the District for substances.

Any District employee who applies for a position that will require the performance of safety-sensitive duties shall, as a precondition to appointment to such position, submit to a urine analysis or other legally authorized testing methods as selected by the District for substances.

3. Random Testing of Managers and Safety-Sensitive Duty Employees

Each year the District shall randomly conduct substance tests of employees who perform safety-sensitive duties. Based on the

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number of such employees employed by the District on January 1, the District shall conduct by the following December 31, a number of tests for controlled substances equal to 25~~50~~ percent of the total number of employees who perform safety-sensitive duties, or the minimum amount required by DOT regulations, whichever is greater. Within the same time period, the District shall randomly conduct a number of tests for alcohol equal to 25~~10~~ percent of the same number of safety-sensitive employees, or the minimum amount required by DOT regulations, whichever is greater.

Each year the District shall randomly conduct substance tests of managers who are not randomly tested as employees performing safety-sensitive duties. Based on the number of managers employed by the District on January 1, the District shall conduct by the following December 31 a number of tests for controlled substances equal to 25~~10~~ percent of the total number of such managers, or the minimum amount required by DOT regulations, whichever is greater. Within the same time period, the District shall randomly conduct a number of tests for alcohol equal to 25~~10~~ percent of the same number of such managers, or the minimum amount required by DOT regulations, whichever is greater. Managers who perform safety-sensitive duties and who are included in the pool of safety-sensitive duty employees selected for random testing shall not be included in the pool of non-safety-sensitive duty managers who are selected for random testing.

The General Manager will contract with a service provider to perform the random selection of employee names for substance testing and select the dates upon which the employees will be tested. The service provider must ensure that every safety-sensitive employee has an equal chance of being selected each time a name is randomly drawn and that any employee whose name is selected is not exempt from having his/her name selected in any subsequent drawing in the same year.

The service provider shall provide the selected names and dates to the Safety and Security Specialist ~~Administrator~~ and/or Human Resources Manager, who shall not disclose this

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information to any other person except to the employee selected for testing and the employee's supervisor at the time that the employee is required to submit to testing. If the employee is absent from duty on a date that he/she has been randomly selected for testing, an alternate name may be selected or he/she may be required to submit to a test immediately upon returning to work, without prior notice.

Upon being informed that he/she is required to submit to a random test, the employee must report to the testing location, as quickly as possible but no greater than one hour from being informed, and complete the test as directed by personnel at the testing location. Upon completing testing, the employee shall report back to duty if his/her duty day has not yet concluded.

Random testing is separate from the other forms of testing described in this policy. An employee who submits to a reasonable suspicion or post-accident test does not satisfy the requirement that he/she submit to a random test when ordered.

4. Post-accident Testing

If an employee is involved in an accident that under this policy requires that the employee submit to substance testing, the employee's supervisor shall immediately contact Human Resources and the Safety and Security Specialist Administrator to report the accident and the necessity of testing. After consultation with Human Resources, if it is determined that the employee should be tested, then the supervisor shall direct the employee to report to the testing location and complete the test as directed by personnel at the testing location. The supervisor shall arrange to transport the employee to the testing location. Upon completing testing, the employee shall report back to duty if his/her duty day has not yet concluded, unless a reasonable suspicion exists, based on the observation of the employee's supervisor and in consultation with Human Resources, that the employee was under the influence of a substance at the time or shortly after the accident. If such a reasonable suspicion exists, the employee shall be released from duty for the remainder of the day. The supervisor, in

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consultation with Human Resources, thereafter shall determine on a day-to-day basis whether to permit the employee to return to duty, until the results of the test have returned. If an employee has been ordered to submit to substance testing for post-accident testing, and reasonable suspicion exists, the District may place the employee on leave without pay pending the test results. If the employee's test results are negative, the District shall restore any salary lost by the employee for the days he/she was on leave, as though the employee had reported for duty.

If the employee requires immediate medical assistance due to the accident, such that he/she is unable to report to the testing location, the supervisor shall coordinate with the hospital to conduct the test or require the employee to report to the testing location as soon as is practicable.

The determination as to whether an employee is involved in an accident shall be made by the employee's supervisor in consultation with the Safety and Security ~~Administrator~~ Specialist and Human Resources, based on the information available to him/her. If it cannot be immediately determined whether the employee was involved in an accident, the supervisor shall not order the employee to testing until a determination can be made.

The following criteria apply when conducting drug and alcohol tests due to an accident:

- a. A breath alcohol test must be administered as soon as possible. Every effort should be made to ensure that a breath alcohol test is performed within eight hours following the accident. If testing has not occurred within eight hours, attempts to test should be discontinued. However, if testing did not occur within eight hours, and reasonable suspicion existed at the time or shortly after the accident the employee may resume duties with his/her next shift that begins after the eight hours have passed. Prior to the employee's return, management shall observe the employee's condition before the employee is allowed to

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resume duties to ensure that there is no longer reasonable suspicion.

- b. A drug screening test should be initiated prior to the 32nd hour following an accident.
- c. The employee must remain readily available for testing or he or she will be deemed to have refused the test (see Refusal to Submit to Testing). This rule does not require the delay of necessary medical attention for injured persons following the accident nor prohibit the employee from leaving the scene to obtain assistance or necessary emergency medical care.
- d. An employee subject to post-accident testing may not use alcohol within eight hours following the accident or before an alcohol test, whichever comes first.
- e. Testing will not be conducted on any deceased employee.
- f. The results of a breath or blood test for the use of alcohol or a urine test for controlled substances, conducted by Federal, State, or local officials having independent authority for the test, shall be considered to meet the requirements of this policy provided such results are obtained by the employer, and conform to the applicable Federal, State or local requirements.
- g. The potentially affected employee will not be allowed to proceed alone to or from the collection site. Time spent in complying with post-accident testing is compensable.
- h. Documentation of the activity being performed by the employee that supports the determination to conduct post-accident testing should be prepared and signed by the supervisor requesting the test within 24 hours of the accident or before the results of the drug test are released, if possible.

5. Reasonable Suspicion Testing

If a supervisor, manager, the Safety and Security Specialist Administrator, or other personnel has a reasonable suspicion that the employee is under the influence of a substance while on District property or on duty, he/she shall consult with Human Resources of this observation to determine if testing is appropriate. After consultation with Human Resources, if it is

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determined that the employee should be tested, a supervisor shall direct the employee to immediately report for testing and complete the test as directed by personnel at the testing location. The supervisor shall arrange to transport the employee to the testing location. If the person who advises Human Resources of the ~~observation~~ reasonable suspicion is not the employee's supervisor, Human Resources must immediately notify the supervisor of the employee's reasonable suspicion ~~that the employee is reporting to Human Resources and why~~, and the supervisor shall arrange to transport the employee to the testing location. The supervisor(s) witnessing the impairment must document the specific observations upon which the reasonable suspicion is based.

Upon completing testing, the employee shall be released from duty for the remainder of the day. The supervisor, in consultation with Human Resources, thereafter, shall determine on a day-to-day basis whether to permit the employee to return to duty, until the results of the test have returned. If an employee has been ordered to submit to substance testing for reasonable suspicion, the District may place the employee on leave without pay pending the test results. If the employee's test results are negative, the District shall restore any salary lost by the employee for the days he/she was on leave, as though the employee had reported for duty.

The following criteria apply when conducting drug and alcohol tests due to reasonable suspicion:

a. Alcohol

A breath alcohol test must be administered as soon as possible. Every effort should be made to ensure that a breath alcohol test is performed within eight hours. If testing has not occurred within eight hours, attempts to test should be discontinued and the employee may resume duties with his/her next shift that begins after the eight hours have passed. However, prior to the employee's return, management shall observe the employee's condition before the employee is allowed to resume duties to ensure that there is no longer reasonable suspicion.

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b. Controlled Substances

A urinalysis test for controlled substances must be administered as soon as possible. Every effort should be made to ensure the urinalysis is performed within 32 hours of the observation.

c. The employee may not proceed alone to or from the collection site. The supervisor or other appropriate person making the observation shall arrange to transport the employee to the testing site.

d. Documentation to support the determination to conduct reasonable suspicion testing should be prepared and signed by the person who made the determination within 24 hours of the determination or before the results of the test are released, whichever is earlier, if possible.

6. Acknowledgment and Consent

Any employee subject to testing under this policy will be asked to sign a form acknowledging the procedures governing testing, and consenting to (1) the collection of a urine sample for the purpose of determining the presence of alcohol or controlled substances, and (2) the release to the District of medical information regarding the test results. Refusal to sign the agreement and consent form, or to submit to the drug test, will result in the revocation of an applicant's job offer, or will subject an employee to discipline up to and including termination.

7. Refusal to Submit to Testing

If an applicant refuses to submit to testing for any substance, the applicant is disqualified for employment. If a District employee who has applied for a position that requires the performance of safety-sensitive duties refuses to submit to testing for any substance, the employee is disqualified for such position.

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If an employee refuses to submit to testing for any substance, the District may treat such refusal as an act of insubordination. The District shall also impose the same disciplinary action of dismissal for a refusal to test that it would impose for a positive test result, so as not to encourage employees to refuse to test in the hope of avoiding more severe disciplinary action. The District may immediately place an employee on leave without pay if the employee refuses to submit for testing.

8. Refusal to Authorize Disclosure of Results of Testing

If an applicant refuses to authorize the disclosure of the testing results to the District, the applicant is disqualified for employment. If a District employee who has applied for a position that requires the performance of safety-sensitive duties refuses to authorize the disclosure of the test results to the District, the employee is disqualified for such position.

If an employee refuses to authorize the disclosure of results of testing to the District, the District will impose the same disciplinary action of dismissal for a refusal to authorize the disclosure of results of testing, that it would impose for a positive test result, so as not to encourage employees to refuse to authorize the disclosure of test results in the hope of avoiding more severe disciplinary action.

9. Positive Test

If an applicant tests positive for a controlled substance, he/she shall be disqualified for employment unless he/she meets the requirements for the over-the-counter/prescription drug exception set forth in Section B(2) of this policy. If a District employee who has applied for a position that requires the performance of safety-sensitive duties tests positive for a substance, the employee is disqualified for such position.

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If an employee tests positive for a substance, the employee shall not be returned to duty and shall not receive pay during his/her absence until the employee requests that the split urine specimen be tested and the test of that specimen is not positive for a substance.

This unpaid absence shall not be considered a disciplinary or punitive action against the employee and any record of such absence shall be maintained separately from the employee's personnel file. The absence is for the administrative and safety interests of the District. This unpaid absence has no effect on the District's decision or ability to discipline an employee for violating this policy.

If the Medical Review Officer determines that an employee's specimen is a dilute specimen and the specimen is positive for a substance, the employee shall be considered to have tested positive for that substance. If a dilute specimen produces a negative result then the employee shall be required to submit to a second substance test, in the manner prescribed in section 40.197 of title 49 of the Code of Federal Regulations. ~~All such second tests shall be with "direct observation," as that term is used in section 40.197.~~

10. Request for Retest

If an employee tests positive for any substance, the employee may, within 72 hours of being notified of the positive test result, request of the Medical Review Officer that the split specimen be tested. If the employee does not timely submit a request, the employee shall be considered to have waived his/her right to have the split specimen tested. The employee shall pay for the cost of testing the split specimen. If the employee is unable to pay this cost at the time of the request, the District must ensure that the split specimen is tested even if it means that the District may have to initially bear the cost. The District may recover the cost from the employee at a later time.

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If a split specimen does not produce a positive result for a substance, the District shall restore any salary lost by the employee as a result of an absence imposed because of the positive result on the first specimen. The employee shall be considered to have not tested positive for a substance. The District shall also reimburse the employee for the cost of the retest if the employee paid for the retest.

The District may not request that the split specimen be tested.

G. Employee Assistance Programs

The District may refer any employee, including an employee who is dismissed because of a positive test for a substance, to its employee assistance program. If in any instance the District is required to lawfully accommodate an employee's disability related to substance abuse, the District shall refer the employee to a substance abuse professional.

H. Suspicion of Possession/Distribution/Manufacture of Controlled Substances

If a supervisor has a reasonable suspicion that an employee unlawfully possesses or is distributing or manufacturing a controlled substance or drug paraphernalia on or in District property, or while on duty, the supervisor must report this suspicion to Human Resources.

1. For purposes of Section H only, "reasonable suspicion" means the following:
 - a. As to possession, the supervisor or a reporting credible source must have seen a substance or item on the person of the employee, in the employee's work area, or in or on District property assigned to the use of the employee that a reasonable person would believe is a controlled substance or drug paraphernalia, or have seen in any of the same areas a container that a reasonable person would believe contains a controlled substance or drug paraphernalia.
 - b. As to distribution, the supervisor must have seen the employee convey to another person a substance or item that

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a reasonable person would believe is a controlled substance or drug paraphernalia, or have seen the employee convey a container to another person that a reasonable person would believe contains a controlled substance or drug paraphernalia, or have received a report of observation of the same from a credible source.

- c. As to manufacture, the supervisor must have observed conditions that a reasonable person would equate to the manufacture of a controlled substance or drug paraphernalia, which may include the observation of smell, appearance, or sound. The supervisor must also have observed conditions that would attribute suspected manufacture to the employee, such as observing these conditions in the employee's work area or in or on District property assigned to the use of the employee. If the conditions are observed on the person of the employee, the supervisor must consider whether the employee reported to duty in such condition instead of changing to such condition while on duty, or have received a report of observation of the same from a credible source.
2. After a report of a reasonable suspicion has been made to Human Resources, the Human Resources Manager must confer with management representatives to consider whether the reported observation constituted reasonable suspicion, and decide what steps to take in response to the reported observation.
- a. If the decision is to take no further action, the matter will be dismissed.
 - b. If the decision is to discuss the observation with the employee, Human Resources and the supervisor will meet with the employee to discuss the observation. If as a result of the discussion, Human Resources and/or the supervisor believe that a search is necessary, they will confer with management representatives to determine whether to conduct a search.
 - c. If the decision is to conduct a search, the search must be limited to a search of District property, such as the employee's work area (including desk drawers and file cabinets), District vehicle or equipment, and District

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facilities. The search may be performed by the Human Resources representative or another person designated by the Human Resources representative, which may include the supervisor. The employee does not need to be present during the search. If any material is retrieved that appears to bear out the supervisor's reasonable suspicion, the Human Resources representative must take possession of the material.

- d. If the decision is to conduct a search and the distribution of controlled substances or drug paraphernalia is reasonably suspected, the search may include not only the work area/equipment of the employee suspected of distributing controlled substances or drug paraphernalia, but the work area/equipment of any employee whom was observed receiving the item from the employee suspected of distributing controlled substances or drug paraphernalia. The receiving employee is entitled to the same rights as the distributing employee.
 - e. Any search of the person of the employee or personally-held possessions of the employee, such as a briefcase, purse, pocketbook, backpack or personal vehicle, must be conducted by a law enforcement officer. If the decision to conduct a search extends to these areas, Human Resources should contact law enforcement to request such a search.
3. If the Human Resources representative takes possession of any material as a result of the search, and the employee does not confirm that it is a controlled substance or drug paraphernalia, the District shall contact the local law enforcement agency and will forward the substance to have the item tested/analyzed to determine if it is a controlled substance or drug paraphernalia. If a law enforcement officer takes possession of an item as a result of a search, and the employee does not confirm that it is a controlled substance or drug paraphernalia, the District shall follow up with the law enforcement agency to verify the item is a controlled substance or drug paraphernalia. The employee shall not return to duty and shall not receive pay during his/her absence until the law enforcement agency has verified that the tested/analyzed item is not positive for a controlled substance or drug

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paraphernalia. If the tested/analyzed item does not produce a positive result for a controlled substance or drug paraphernalia, the District shall restore any salary lost by the employee as a result of the absence.

I. Disciplinary Action

Disciplinary action for violations of this policy will be taken in accordance with the District's Discipline Policy and Procedures.

J. Accommodation of Individuals with Disabilities

Nothing in this policy shall be construed so as to relieve the District of its lawful obligation to accommodate individuals with disabilities.

K. Confidentiality

All alcohol and drug-testing records will be treated as confidential.

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APPENDIX A

INDICATION OF DRUG USE

REMEMBER THAT THESE SYMPTOMS ARE ONLY INDICATIONS. THEY MAY BE A SIGN OF SOMETHING OTHER THAN DRUG OR ALCOHOL USE.

PHYSICAL

- | | |
|-------------------------------|--------------------------|
| 1. Increased pulse rate | 10. Nasal sores |
| 2. Weak and rapid pulse | 11. Slowed respirations |
| 3. Increased blood pressure | 12. Shallow respiration |
| 4. Increased body temperature | 13. Cold and clammy skin |
| 5. Constricted pupils | 14. Chills and sweats |
| 6. Dilated pupils | 15. Cramps |
| 7. Bloodshot eyes | 16. Nausea |
| 8. Water eyes | 17. Convulsions |
| 9. Runny nose | |

MENTAL AND EMOTIONAL

- | | |
|---------------------------|----------------------|
| 1. Increased alertness | 10. Disorientation |
| 2. Excitation | 11. Visual illusions |
| 3. Anxiety | 12. Hallucinations |
| 4. Irritability | 13. Paranoia |
| 5. Euphoria | 14. Delirium |
| 6. Increased emotionality | 15. Irrational fears |
| 7. Impaired attention | 16. Panic |
| 8. Impaired memory | 17. Depressed mood |
| 9. Altered perceptions | |

BEHAVIORAL

- | | |
|-----------------------|-------------------|
| 1. Slurred speech | 8. Hyperactivity |
| 2. Staggered gait | 9. Agitation |
| 3. Fatigue | 10. Argumentative |
| 4. Apathy | 11. Hostility |
| 5. Drowsiness | 12. Tremors |
| 6. Loss of appetite | 13. Insomnia |
| 7. Increased appetite | |

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A. Policy

The Otay Water District ("District") has zero tolerance for the use of controlled substances or the abuse of alcohol. Employees who are under the influence of a drug or alcohol on the job compromise the District's interests and endanger their own health and safety as well as the health and safety of others. The District prohibits the use, possession, manufacture, distribution, or being under the influence of alcohol or controlled substances by any District employee while on District property or while on duty, except as specified herein. Violation of this policy is an act of misconduct meriting dismissal without prior warning or disciplinary action in accordance with the District's Discipline Policy and Procedures.

B. Exceptions

The following exceptions apply to this policy:

1. Events - Authorized Use of Alcohol
The General Manager or his/her designee, at his/her discretion, may authorize the use of alcohol at a District event, subject to any conditions he/she elects to impose.

2. Customary Use of Over-the Counter or Prescription Drugs
The exceptions set forth in this section do not extend to the use of marijuana, or any product made or derived from marijuana, regardless of whether the employee's doctor prescribes, recommends, or authorizes its use. With respect to an employee, use of an over-the-counter drug, or a prescription-only drug under a prescription for the employee, in the manner prescribed, will not be treated as a violation of this policy unless the drug has potential side effects which impair the employee's ability to perform any safety-sensitive duty and/or the core duties of his/her position and the employee has failed to notify his/her supervisor or Human Resources of such side effects before performing duties while under the influence of the drug. The District may require a note from the employee's doctor concerning authorization for a prescription and/or the possible side effects of the prescribed drugs. The District shall comply with all applicable laws concerning the privacy of employees' medical information.

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With respect to an applicant, use of an over-the-counter drug, or a prescription-only drug under a prescription for the applicant, in the manner prescribed, will not disqualify the applicant for employment if he/she satisfactorily explains such use upon being informed of a positive test for controlled substances. The District may require a note from the applicant's doctor concerning authorization for a prescription and/or the possible side effects of the prescribed drugs.

C. Definitions

1. Accident:

- a. Any accident, in which an employee is driving on District business, and is at fault or suspected of having significantly contributed to an accident. This shall apply to employees covered by the Department of Transportation ("DOT") policy only if the accident is not subject to the DOT policy.
- b. Any accident, not involving the driving of a District vehicle, that is reasonably believed by management or credibly reported by another person to have been caused by an on-duty employee and which results in serious physical injury.

2. Controlled Substance:

- a. Any drug or substance identified by section 40.85 of title 49 of the Code of Federal Regulations or sections 11054-11058 of the California Health and Safety Code.
- b. Any drug or substance.

3. Dilute Specimen: A specimen with creatinine and specific gravity values that are lower than expected for human urine or a specimen that is adulterated in any way.

4. Drug Paraphernalia: This term has the same definition as is used in section 11364.5(d) of the California Health and Safety Code and applies only to paraphernalia deemed unlawful under section 11364.5(d).

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5. **Manager/Management:** A District employee who is designated as a supervisor, manager, or executive.
6. **Medical Review Officer:** A person who is a licensed physician and who is responsible for receiving and reviewing laboratory results for substance tests and evaluating medical explanations for certain test results.
7. **Negative:** A person is considered to have tested negative for a substance if his/her substance test does not produce a positive result.
8. **Positive:** A person is considered positive for alcohol if he/she has a blood alcohol concentration of 0.04 or greater at the time he/she submits to testing. A person is considered positive for a controlled substance if he/she has any amount of a controlled substance at or above a "cutoff concentration" specified in section 40.87 of title 49 of the Code of Federal Regulations at the time he/she submits to testing.
9. **Reasonable Suspicion:** A reasonable suspicion exists that a person is under the influence of a substance if a trained observer reasonably comes to the conclusion that the person is under the influence of a substance due to having personally observed, with respect to the person, some or all of the effects specified in Appendix A of this policy.

Additionally, a reasonable suspicion exists that a person is under the influence of a substance if an observer has seen the person use a substance.

No one factor is sufficient to create a reasonable suspicion, but an observer may make a reasonable assessment based on the quantity, degree, and/or severity of applicable factors.

10. **Refusal to Submit to Testing.** Each of the following constitutes a refusal to submit to testing:
 - a. Failing to immediately report for substance testing when directed to do so;

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- b. Failing to complete the testing process (including signing any forms necessary to authenticate or identify a specimen);
 - c. Failing to provide an adequate amount of breath, saliva, or urine for a test;
 - d. Failing to cooperate with any aspect of the testing process, including but not limited to refusing to wash hands when directed, being confrontational with testing personnel, or failing to comply with instructions in a "direct observation," as that term is used in section 40.197 of title 49 of the Code of Federal Regulations;
 - e. Using or wearing a prosthetic device to interfere with the collection process;
 - f. Admitting to adulterating or diluting the specimen; or
 - g. Any act or failure to act that is intended to interfere with the results.
11. Safety-Sensitive Duties: Duties which consist of any of the following:
- Operating any assigned District vehicle or equipment (includes management and non-management employees);
 - Work in "confined spaces," as that term is defined in District regulations or CalOSHA regulations;
 - Performing maintenance on any vehicle;
 - Loading, unloading or attending any District vehicle or equipment;
 - Access to sensitive/classified information related to emergency response, safety or security duties;
 - Participation in Hazardous Waste Operations and Emergency Response Confined Space Rescue Team;
 - Work performed at elevated or depth locations more than 4ft above or below ground; or
 - Work involving the use or disposal of hazardous chemicals as that term is defined in District regulations or Cal OSHA regulations.
12. Serious Physical Injury: An injury to an employee that causes the employee to be absent from work following an accident or which requires hospitalization of the employee.

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13. Substance: Any substance containing alcohol or any controlled substance.

14. Under the Influence: With respect to alcohol, a person is under the influence at the time he/she is ordered to submit to testing if he/she tests positive for alcohol at the time he/she submits to testing. With respect to controlled substances, a person is under the influence at the time he/she is ordered to submit to testing if he/she tests positive for a controlled substance at the time he/she submits to testing.

D. Conflicts with DOT Policy

As to applicants or employees to whom the DOT Policy applies, to the extent this policy imposes a requirement that is less stringent than the DOT Policy the more stringent requirements of the DOT Policy will control.

E. Testing Procedures

When an employee or applicant is to be tested, the District shall use the same testing procedures that are used for testing under the DOT Drug and Alcohol Testing Policy, including the procedures for testing a "split specimen," as that term is defined in section 40.3 of title 49 of the Code of Federal Regulations. The service providers shall comply with section 40.47 of title 49 of the Code of Federal Regulations except they shall use a non-federal custody and control form for applicants and employees.

1. Alcohol Testing

Alcohol testing will be conducted using evidential breath testing devices ("EBT") approved by the National Highway Traffic Safety Administration. A screening test must be conducted first. If the result is an alcohol concentration level of less than 0.02, the test is considered a negative test. If the alcohol concentration level is 0.02 or more, a second confirmation test must be conducted. Alcohol testing shall be accomplished by a laboratory certified by the U.S. Department of Health and Human Services.

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2. Controlled Substance Testing

- a. The test must be conducted by analyzing the employee's urine.
- b. The urinalysis shall be done at a laboratory certified by the U.S. Department of Health and Human Services.
- c. The urine specimen must be split into two bottles labeled as "primary" and "split" specimen. Both bottles must be sent to the laboratory.
- d. If the urinalysis of the primary specimen tests positive for the presence of illegal, controlled substances, the employee has 72 hours from time of notification to request that the split specimen be analyzed by a different certified laboratory.
- e. The urine sample shall be tested for the following: marijuana metabolites, cocaine metabolites, opiates, amphetamines and phencyclidine ("PCP");
- f. If the test is positive for one or more of the drugs listed in subsection "e" above, a confirmation test must be performed using gas chromatography/mass spectrometry analysis.
- g. All drug test results will be reviewed and interpreted by the Medical Review Officer before they are reported to the District.
- h. With all positive drug tests, the Medical Review Officer will contact the employee to determine if there is a medical explanation for the positive test result. If documentation is provided and the Medical Review Officer determines that there is a legitimate medical use for the prohibited drug, the test result may be reported to the District as negative.

F. Testing

1. Persons Subject to Substance Screening

- All applicants for employment, in conjunction with pre-employment physical examination;
- All employees reasonably suspected of using substances while on duty or on District property or while working while under the influence of substances;

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- All employees reasonably suspected of possessing, manufacturing, or distributing substances while on duty or on District property;
- Any employee at fault or reasonably suspected of having significantly contributed to an accident while on duty;
- Any employee who performs safety-sensitive duties whose name is selected for testing pursuant to the District's random testing policy; or
- Any District employee who applies for and is selected for a position that will require the performance of safety-sensitive duties.

2. Pre-employment, Promotions and Transfer Physicals

All applicants for employment shall, as part of their pre-employment physical examination, submit to a urine analysis or other legally authorized testing methods as selected by the District for substances.

Any District employee who applies for a position that will require the performance of safety-sensitive duties shall, as a precondition to appointment to such position, submit to a urine analysis or other legally authorized testing methods as selected by the District for substances.

3. Random Testing of Managers and Safety-Sensitive Duty Employees

Each year the District shall randomly conduct substance tests of employees who perform safety-sensitive duties. Based on the number of such employees employed by the District on January 1, the District shall conduct by the following December 31, a number of tests for controlled substances equal to 25 percent of the total number of employees who perform safety-sensitive duties, or the minimum amount required by DOT regulations, whichever is greater. Within the same time period, the District shall randomly conduct a number of tests for alcohol equal to 25 percent of the same number of safety-sensitive employees, or the minimum amount required by DOT regulations, whichever is greater.

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Each year the District shall randomly conduct substance tests of managers who are not randomly tested as employees performing safety-sensitive duties. Based on the number of managers employed by the District on January 1, the District shall conduct by the following December 31 a number of tests for controlled substances equal to 25 percent of the total number of such managers, or the minimum amount required by DOT regulations, whichever is greater. Within the same time period, the District shall randomly conduct a number of tests for alcohol equal to 25 percent of the same number of such managers, or the minimum amount required by DOT regulations, whichever is greater. Managers who perform safety-sensitive duties and who are included in the pool of safety-sensitive duty employees selected for random testing shall not be included in the pool of non-safety-sensitive duty managers who are selected for random testing.

The General Manager will contract with a service provider to perform the random selection of employee names for substance testing and select the dates upon which the employees will be tested. The service provider must ensure that every safety-sensitive employee has an equal chance of being selected each time a name is randomly drawn and that any employee whose name is selected is not exempt from having his/her name selected in any subsequent drawing in the same year.

The service provider shall provide the selected names and dates to the Safety and Security Specialist and/or Human Resources Manager, who shall not disclose this information to any other person except to the employee selected for testing and the employee's supervisor at the time that the employee is required to submit to testing. If the employee is absent from duty on a date that he/she has been randomly selected for testing, an alternate name may be selected or he/she may be required to submit to a test immediately upon returning to work, without prior notice.

Upon being informed that he/she is required to submit to a random test, the employee must report to the testing location, as quickly as possible but no greater than one hour from being informed, and complete the test as directed by personnel at the

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BOARD OF DIRECTORS POLICY**

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testing location. Upon completing testing, the employee shall report back to duty if his/her duty day has not yet concluded.

Random testing is separate from the other forms of testing described in this policy. An employee who submits to a reasonable suspicion or post-accident test does not satisfy the requirement that he/she submit to a random test when ordered.

4. Post-accident Testing

If an employee is involved in an accident that under this policy requires that the employee submit to substance testing, the employee's supervisor shall immediately contact Human Resources and the Safety and Security Specialist to report the accident and the necessity of testing. After consultation with Human Resources, if it is determined that the employee should be tested, then the supervisor shall direct the employee to report to the testing location and complete the test as directed by personnel at the testing location. The supervisor shall arrange to transport the employee to the testing location. Upon completing testing, the employee shall report back to duty if his/her duty day has not yet concluded, unless a reasonable suspicion exists, based on the observation of the employee's supervisor and in consultation with Human Resources, that the employee was under the influence of a substance at the time or shortly after the accident. If such a reasonable suspicion exists, the employee shall be released from duty for the remainder of the day. The supervisor, in consultation with Human Resources, thereafter shall determine on a day-to-day basis whether to permit the employee to return to duty, until the results of the test have returned. If an employee has been ordered to submit to substance testing for post-accident testing, and reasonable suspicion exists, the District may place the employee on leave without pay pending the test results. If the employee's test results are negative, the District shall restore any salary lost by the employee for the days he/she was on leave, as though the employee had reported for duty.

If the employee requires immediate medical assistance due to the accident, such that he/she is unable to report to the

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testing location, the supervisor shall coordinate with the hospital to conduct the test or require the employee to report to the testing location as soon as is practicable.

The determination as to whether an employee is involved in an accident shall be made by the employee's supervisor in consultation with the Safety and Security Specialist and Human Resources, based on the information available to him/her. If it cannot be immediately determined whether the employee was involved in an accident, the supervisor shall not order the employee to testing until a determination can be made.

The following criteria apply when conducting drug and alcohol tests due to an accident:

- a. A breath alcohol test must be administered as soon as possible. Every effort should be made to ensure that a breath alcohol test is performed within eight hours following the accident. If testing has not occurred within eight hours, attempts to test should be discontinued. However, if testing did not occur within eight hours, and reasonable suspicion existed at the time or shortly after the accident the employee may resume duties with his/her next shift that begins after the eight hours have passed. Prior to the employee's return, management shall observe the employee's condition before the employee is allowed to resume duties to ensure that there is no longer reasonable suspicion.
- b. A drug screening test should be initiated prior to the 32nd hour following an accident.
- c. The employee must remain readily available for testing or he or she will be deemed to have refused the test (see Refusal to Submit to Testing). This rule does not require the delay of necessary medical attention for injured persons following the accident nor prohibit the employee from leaving the scene to obtain assistance or necessary emergency medical care.
- d. An employee subject to post-accident testing may not use alcohol within eight hours following the accident or before an alcohol test, whichever comes first.
- e. Testing will not be conducted on any deceased employee.

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- f. The results of a breath or blood test for the use of alcohol or a urine test for controlled substances, conducted by Federal, State, or local officials having independent authority for the test, shall be considered to meet the requirements of this policy provided such results are obtained by the employer, and conform to the applicable Federal, State or local requirements.
- g. The potentially affected employee will not be allowed to proceed alone to or from the collection site. Time spent in complying with post-accident testing is compensable.
- h. Documentation of the activity being performed by the employee that supports the determination to conduct post-accident testing should be prepared and signed by the supervisor requesting the test within 24 hours of the accident or before the results of the drug test are released, if possible.

5. Reasonable Suspicion Testing

If a supervisor, manager, the Safety and Security Specialist, or other personnel has a reasonable suspicion that the employee is under the influence of a substance while on District property or on duty, he/she shall consult with Human Resources of this observation to determine if testing is appropriate. After consultation with Human Resources, if it is determined that the employee should be tested, a supervisor shall direct the employee to immediately report for testing and complete the test as directed by personnel at the testing location. The supervisor shall arrange to transport the employee to the testing location. If the person who advises Human Resources of the reasonable suspicion is not the employee's supervisor, Human Resources must immediately notify the supervisor of the employee's reasonable suspicion, and the supervisor shall arrange to transport the employee to the testing location. The supervisor(s) witnessing the impairment must document the specific observations upon which the reasonable suspicion is based.

Upon completing testing, the employee shall be released from duty for the remainder of the day. The supervisor, in consultation with Human Resources, thereafter, shall determine

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on a day-to-day basis whether to permit the employee to return to duty, until the results of the test have returned. If an employee has been ordered to submit to substance testing for reasonable suspicion, the District may place the employee on leave without pay pending the test results. If the employee's test results are negative, the District shall restore any salary lost by the employee for the days he/she was on leave, as though the employee had reported for duty.

The following criteria apply when conducting drug and alcohol tests due to reasonable suspicion:

- a. Alcohol

A breath alcohol test must be administered as soon as possible. Every effort should be made to ensure that a breath alcohol test is performed within eight hours. If testing has not occurred within eight hours, attempts to test should be discontinued and the employee may resume duties with his/her next shift that begins after the eight hours have passed. However, prior to the employee's return, management shall observe the employee's condition before the employee is allowed to resume duties to ensure that there is no longer reasonable suspicion.
- b. Controlled Substances

A urinalysis test for controlled substances must be administered as soon as possible. Every effort should be made to ensure the urinalysis is performed within 32 hours of the observation.
- c. The employee may not proceed alone to or from the collection site. The supervisor or other appropriate person making the observation shall arrange to transport the employee to the testing site.
- d. Documentation to support the determination to conduct reasonable suspicion testing should be prepared and signed by the person who made the determination within 24 hours of the determination or before the results of the test are released, whichever is earlier, if possible.

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6. Acknowledgment and Consent

Any employee subject to testing under this policy will be asked to sign a form acknowledging the procedures governing testing, and consenting to (1) the collection of a urine sample for the purpose of determining the presence of alcohol or controlled substances, and (2) the release to the District of medical information regarding the test results. Refusal to sign the agreement and consent form, or to submit to the drug test, will result in the revocation of an applicant's job offer, or will subject an employee to discipline up to and including termination.

7. Refusal to Submit to Testing

If an applicant refuses to submit to testing for any substance, the applicant is disqualified for employment. If a District employee who has applied for a position that requires the performance of safety-sensitive duties refuses to submit to testing for any substance, the employee is disqualified for such position.

If an employee refuses to submit to testing for any substance, the District may treat such refusal as an act of insubordination. The District shall also impose the same disciplinary action of dismissal for a refusal to test that it would impose for a positive test result, so as not to encourage employees to refuse to test in the hope of avoiding more severe disciplinary action. The District may immediately place an employee on leave without pay if the employee refuses to submit for testing.

8. Refusal to Authorize Disclosure of Results of Testing

If an applicant refuses to authorize the disclosure of the testing results to the District, the applicant is disqualified for employment. If a District employee who has applied for a position that requires the performance of safety-sensitive duties refuses to authorize the disclosure of the test results

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to the District, the employee is disqualified for such position.

If an employee refuses to authorize the disclosure of results of testing to the District, the District will impose the same disciplinary action of dismissal for a refusal to authorize the disclosure of results of testing, that it would impose for a positive test result, so as not to encourage employees to refuse to authorize the disclosure of test results in the hope of avoiding more severe disciplinary action.

9. Positive Test

If an applicant tests positive for a controlled substance, he/she shall be disqualified for employment unless he/she meets the requirements for the over-the-counter/prescription drug exception set forth in Section B(2) of this policy. If a District employee who has applied for a position that requires the performance of safety-sensitive duties tests positive for a substance, the employee is disqualified for such position.

If an employee tests positive for a substance, the employee shall not be returned to duty and shall not receive pay during his/her absence until the employee requests that the split urine specimen be tested and the test of that specimen is not positive for a substance.

This unpaid absence shall not be considered a disciplinary or punitive action against the employee and any record of such absence shall be maintained separately from the employee's personnel file. The absence is for the administrative and safety interests of the District. This unpaid absence has no effect on the District's decision or ability to discipline an employee for violating this policy.

If the Medical Review Officer determines that an employee's specimen is a dilute specimen and the specimen is positive for a substance, the employee shall be considered to have tested positive for that substance. If a dilute specimen produces a negative result then the employee shall be required to submit

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to a second substance test, in the manner prescribed in section 40.197 of title 49 of the Code of Federal Regulations.

10. Request for Retest

If an employee tests positive for any substance, the employee may, within 72 hours of being notified of the positive test result, request of the Medical Review Officer that the split specimen be tested. If the employee does not timely submit a request, the employee shall be considered to have waived his/her right to have the split specimen tested. The employee shall pay for the cost of testing the split specimen. If the employee is unable to pay this cost at the time of the request, the District must ensure that the split specimen is tested even if it means that the District may have to initially bear the cost. The District may recover the cost from the employee at a later time.

If a split specimen does not produce a positive result for a substance, the District shall restore any salary lost by the employee as a result of an absence imposed because of the positive result on the first specimen. The employee shall be considered to have not tested positive for a substance. The District shall also reimburse the employee for the cost of the retest if the employee paid for the retest.

The District may not request that the split specimen be tested.

G. Employee Assistance Programs

The District may refer any employee, including an employee who is dismissed because of a positive test for a substance, to its employee assistance program. If in any instance the District is required to lawfully accommodate an employee's disability related to substance abuse, the District shall refer the employee to a substance abuse professional.

H. Suspicion of Possession/Distribution/Manufacture of Controlled Substances

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If a supervisor has a reasonable suspicion that an employee unlawfully possesses or is distributing or manufacturing a controlled substance or drug paraphernalia on or in District property, or while on duty, the supervisor must report this suspicion to Human Resources.

1. For purposes of Section H only, "reasonable suspicion" means the following:
 - a. As to possession, the supervisor or a reporting credible source must have seen a substance or item on the person of the employee, in the employee's work area, or in or on District property assigned to the use of the employee that a reasonable person would believe is a controlled substance or drug paraphernalia, or have seen in any of the same areas a container that a reasonable person would believe contains a controlled substance or drug paraphernalia.
 - b. As to distribution, the supervisor must have seen the employee convey to another person a substance or item that a reasonable person would believe is a controlled substance or drug paraphernalia, or have seen the employee convey a container to another person that a reasonable person would believe contains a controlled substance or drug paraphernalia, or have received a report of observation of the same from a credible source.
 - c. As to manufacture, the supervisor must have observed conditions that a reasonable person would equate to the manufacture of a controlled substance or drug paraphernalia, which may include the observation of smell, appearance, or sound. The supervisor must also have observed conditions that would attribute suspected manufacture to the employee, such as observing these conditions in the employee's work area or in or on District property assigned to the use of the employee. If the conditions are observed on the person of the employee, the supervisor must consider whether the employee reported to duty in such condition instead of changing to such condition while on duty, or have received a report of observation of the same from a credible source.
2. After a report of a reasonable suspicion has been made to Human Resources, the Human Resources Manager must confer with

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management representatives to consider whether the reported observation constituted reasonable suspicion, and decide what steps to take in response to the reported observation.

- a. If the decision is to take no further action, the matter will be dismissed.
- b. If the decision is to discuss the observation with the employee, Human Resources and the supervisor will meet with the employee to discuss the observation. If as a result of the discussion, Human Resources and/or the supervisor believe that a search is necessary, they will confer with management representatives to determine whether to conduct a search.
- c. If the decision is to conduct a search, the search must be limited to a search of District property, such as the employee's work area (including desk drawers and file cabinets), District vehicle or equipment, and District facilities. The search may be performed by the Human Resources representative or another person designated by the Human Resources representative, which may include the supervisor. The employee does not need to be present during the search. If any material is retrieved that appears to bear out the supervisor's reasonable suspicion, the Human Resources representative must take possession of the material.
- d. If the decision is to conduct a search and the distribution of controlled substances or drug paraphernalia is reasonably suspected, the search may include not only the work area/equipment of the employee suspected of distributing controlled substances or drug paraphernalia, but the work area/equipment of any employee whom was observed receiving the item from the employee suspected of distributing controlled substances or drug paraphernalia. The receiving employee is entitled to the same rights as the distributing employee.
- e. Any search of the person of the employee or personally-held possessions of the employee, such as a briefcase, purse, pocketbook, backpack or personal vehicle, must be conducted by a law enforcement officer. If the decision to conduct a search extends to these areas, Human Resources should contact law enforcement to request such a search.

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3. If the Human Resources representative takes possession of any material as a result of the search, and the employee does not confirm that it is a controlled substance or drug paraphernalia, the District shall contact the local law enforcement agency and will forward the substance to have the item tested/analyzed to determine if it is a controlled substance or drug paraphernalia. If a law enforcement officer takes possession of an item as a result of a search, and the employee does not confirm that it is a controlled substance or drug paraphernalia, the District shall follow up with the law enforcement agency to verify the item is a controlled substance or drug paraphernalia. The employee shall not return to duty and shall not receive pay during his/her absence until the law enforcement agency has verified that the tested/analyzed item is not positive for a controlled substance or drug paraphernalia. If the tested/analyzed item does not produce a positive result for a controlled substance or drug paraphernalia, the District shall restore any salary lost by the employee as a result of the absence.

I. Disciplinary Action

Disciplinary action for violations of this policy will be taken in accordance with the District's Discipline Policy and Procedures.

J. Accommodation of Individuals with Disabilities

Nothing in this policy shall be construed so as to relieve the District of its lawful obligation to accommodate individuals with disabilities.

K. Confidentiality

All alcohol and drug-testing records will be treated as confidential.

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BOARD OF DIRECTORS POLICY**

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DRUG FREE WORKPLACE POLICY AND PROCEDURE	22	9/19/90	7/6/16

APPENDIX A

INDICATION OF DRUG USE

REMEMBER THAT THESE SYMPTOMS ARE ONLY INDICATIONS. THEY MAY BE A SIGN OF SOMETHING OTHER THAN DRUG OR ALCOHOL USE.

PHYSICAL

- | | |
|-------------------------------|--------------------------|
| 1. Increased pulse rate | 10. Nasal sores |
| 2. Weak and rapid pulse | 11. Slowed respirations |
| 3. Increased blood pressure | 12. Shallow respiration |
| 4. Increased body temperature | 13. Cold and clammy skin |
| 5. Constricted pupils | 14. Chills and sweats |
| 6. Dilated pupils | 15. Cramps |
| 7. Bloodshot eyes | 16. Nausea |
| 8. Water eyes | 17. Convulsions |
| 9. Runny nose | |

MENTAL AND EMOTIONAL

- | | |
|---------------------------|----------------------|
| 1. Increased alertness | 10. Disorientation |
| 2. Excitation | 11. Visual illusions |
| 3. Anxiety | 12. Hallucinations |
| 4. Irritability | 13. Paranoia |
| 5. Euphoria | 14. Delirium |
| 6. Increased emotionality | 15. Irrational fears |
| 7. Impaired attention | 16. Panic |
| 8. Impaired memory | 17. Depressed mood |
| 9. Altered perceptions | |

BEHAVIORAL

- | | |
|-----------------------|-------------------|
| 1. Slurred speech | 8. Hyperactivity |
| 2. Staggered gait | 9. Agitation |
| 3. Fatigue | 10. Argumentative |
| 4. Apathy | 11. Hostility |
| 5. Drowsiness | 12. Tremors |
| 6. Loss of appetite | 13. Insomnia |
| 7. Increased appetite | |



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 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. 4308 Amending Policy 35, the Medical Reserve Fund for District Retirees, of the District's Code of Ordinances		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4308 amending Policy 35, the Medical Reserve Fund for District Retirees, of the District's Code of Ordinances.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To request that the Board adopt Resolution No. 4308 amending Policy 35, the Medical Reserve Fund for District Retirees, of the District's Code of Ordinances. The policy needs to be updated to reflect the current processes and procedures for the medical reserve fund.

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 Policy No. 35, Medical Reserve Fund for District Retirees, staff identified modifications to the policy that are needed to correspond with the District's current practices.

Policy No. 35 was adopted June 6th, 2000 and was intended to provide a guideline for the prudent management of the District's medical reserve fund for retired employees and Board members. At the time of adoption, the District created a medical reserve for the OPEB plan. That reserve held the OPEB's long-term financial obligation. Under this policy the District managed the medical retirement fund.

On March 5, 2008, the Board of Directors approved Resolution 4117, which, amongst other items, authorized the General Manager to enter into an agreement with the California Public Employee's Retirement System (PERS) to fund Other Post Employment Benefits (OPEB) through CalPERS. By entering into this agreement the District's OPEB reserve funds could be moved into the PERS program where they would earn a higher rate of return than the District managed fund. Upon execution of this agreement, the OPEB Trust was established and the related District reserves were subsequently transferred to the OPEB Trust maintained by CalPERS. Today, the medical reserve is funded for the annual estimated retiree medical costs and depleted as the actual retiree medical costs are incurred throughout the year. In addition, the District has an actuarial valuation performed every two years. This valuation is used to determine the District's financial obligations for OPEB which are reported to the Board of Directors.

The recommendations in the attachments reflect the current purpose of the medical reserve fund and related practices. These practices include the periodic actuarial valuation, reporting requirements, and the annual funding of the OPEB reserve.

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. 4308
 Exhibit 1 - Policy 35 (Strike-through)
- C) Proposed Policy 35



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4308 Amending Policy 35, the Medical Reserve Fund for District Retirees, of the District's Code of Ordinances
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COMMITTEE ACTION:

That the Board adopt Resolution No. 4308 amending Policy 35, the Medical Reserve Fund for District Retirees, 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. 4308

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT AMENDING POLICY 35
THE MEDICAL RESERVE FUND FOR DISTRICT
RETIREES OF THE DISTRICT'S CODE OF
ORDINANCES

WHEREAS, the Otay Water District Board of Directors has been presented with an amended Policy 35 of the District's Code of Ordinances for the management of the Otay Water District; and

WHEREAS, the amended Policy 35 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 35, 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 6th day of July 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
MEDICAL RESERVE FUND FOR DISTRICT RETIREES	35	6/7/00	7/6/16

PURPOSE:

This policy is intended to provide a guideline for the prudent management of the District's medical reserve fund for retired employees and Board Members. ~~The goal of this policy is to establish the District's reserve policy for the funding of the OPEB Reserve and related CALPERS Trust, which is performed in a manner intended to reduce the impact of medical expense on the annual operating budget.~~

~~The ultimate investment goal is the enhancement of the economic status of the reserve fund and the reduction of the impact of medical expense on the annual operating budget.~~

OBJECTIVE:

The fundamental financial objective of the medical reserve fund is to establish and receive contributions from the general fund operating reserves, which will remain approximately at the level necessary to meet the ~~long term annual~~ obligation of the District's existing benefit package. The medical reserve fund is designed to accurately monitor and forecast expenditures and revenues ~~to the fullest extent possible, and insure the investment of moneys to the fullest extent possible.~~

The District will endeavor to make medical and dental coverage available for retired individuals and their dependents as described in the Memorandum of Understanding between the District and the Employees' Associations. Retired employees will be eligible for continuation of coverage if they satisfy both the age and years of service requirements at the point full-time employment ceases.

DELEGATION OF AUTHORITY:

Under authority granted by the Board of Directors, the General Manager will administer the fund. ~~The Department Head of Finance will be responsible for establishing the fund in the District's records with an initial deposit of \$4,000,000, provide reports, investing the fund balance to accrue interest and provide the accounting for transactions.~~

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
MEDICAL RESERVE FUND FOR DISTRICT RETIREES	35	6/7/00	7/6/16

REPORTING:

~~The Department Head of Finance Chief Financial Officer will submit a report to the Board of Directors each year after the completion of the District's audit. This report will include the beginning fund balance, all cash received and expended for the fiscal year, and the closing balance as of June 30th. This report will also include a complete description of the investment of the reserve fund, the type of investments, maturity dates and the average weighted yield.~~

~~Periodically~~Every two years, the District ~~may request that will have an actuarial evaluation completed~~ report be completed to determine the financial liability of the fund. A qualified actuary, in accordance with the principles and procedures established by the Actuarial Standards Board (ASB), should perform the actuarial valuation. ~~The -Chief Financial Officer will report the results of the actuarial evaluation to the Board of Directors at least every five years.~~ This report should include the fund assets, projected funding and ~~the projected~~ liability based on the most recent employee information.

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OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
MEDICAL RESERVE FUND FOR DISTRICT RETIREES	35	6/7/00	7/6/16

PURPOSE:

This policy is intended to provide a guideline for the prudent management of the District's medical reserve fund for retired employees and Board Members. The goal of this policy is to establish the District's reserve policy for the funding of the OPEB Reserve and related CALPERS Trust, which is performed in a manner intended to reduce the impact of medical expense on the annual operating budget.

OBJECTIVE:

The fundamental financial objective of the medical reserve fund is to establish and receive contributions from the general fund operating reserves, which will remain approximately at the level necessary to meet the annual obligation of the District's existing benefit package. The medical reserve fund is designed to accurately monitor and forecast expenditures and revenues to the fullest extent possible.

The District will endeavor to make medical and dental coverage available for retired individuals and their dependents as described in the Memorandum of Understanding between the District and the Employees' Association. Retired employees will be eligible for continuation of coverage if they satisfy both the age and years of service requirements at the point full-time employment ceases.

DELEGATION OF AUTHORITY:

Under authority granted by the Board of Directors, the General Manager will administer the fund.

REPORTING:

Every two years, the District will have an actuarial evaluation completed to determine the financial liability of the fund. A qualified actuary, in accordance with the principles and procedures established by the Actuarial Standards Board (ASB), should perform the actuarial valuation. The Chief Financial Officer will report the results of the actuarial evaluation to the Board of Directors. This report should include the fund assets, projected funding and liability based on the most recent employee information.

AGENDA ITEM 6



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 2016
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Andrea Carey, Customer Service Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4310 Declaring an End to Water Shortage Response Level 2		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4310 declaring an end to Water Shortage Response Level 2.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To request that the Board adopt Resolution No. 4310 declaring an end to the District's Water Shortage Response Level 2. This action will take the District out of all Water Shortage Response Levels. By amending Section 39, we will also be in compliance with the Governor of California's Executive Order B-37-16. (See Staff Report "Adopt Ordinance No. 556 Amending Section 39, Water Shortage Response Program, of the District's Code of Ordinances" dated July 6, 2016.)

ANALYSIS:

On August 6, 2014, the Board of Directors voted to declare a Water Shortage Response Level 2 in response to unprecedented drought conditions in the State of California.

Since that time, the State Water Resources Control Board (SWRCB) has put forth emergency conservation regulations for all urban water suppliers in order to address the drought conditions in the state. Beginning May 5, 2015, the SWRCB implemented mandatory conservation

targets for all urban water suppliers. At this time, Otay's conservation target was 20% of 2013 levels. Customers responded and exceeded conservation efforts averaging 26% from June through October 2015. In February 2016, the SWRCB adopted revised emergency regulations. The revisions included credits for agencies in warmer weather, credit for growth since 2013, and credit for those with new, local, drought-resilient supply. With the certification of the Claude "Bud" Lewis Carlsbad Desalination Plant as a drought-resilient supply, San Diego water agencies were able to reduce their conservation target by the maximum 8% which lowered Otay's target from 20% to 12%.

On May 18, 2016, the SWRCB replaced its state mandated conservation target method with a supply-based approach. Now, urban water suppliers may self-certify their supply conditions based on three additional dry years. In San Diego, the San Diego County Water Authority (CWA) has been allowed to certify supply sufficiency for all member agencies. On June 9, 2016, CWA confirmed that its member agencies have sufficient water supplies to meet demands even during three additional dry years and will not be subject to state mandated water-use reductions through January 2017.

In addition to an elimination of the state mandated water-use reductions, the Metropolitan Water District of Southern California also ended its supply allocations in May 2016. On May 26, 2016 CWA rescinded its Drought Management Plan Stage 2 and instead is working to establish a public awareness campaign to ensure a continued community focus on drought awareness and a commitment to water use efficiency throughout the county.

Given the current level of supply reliability, staff deems it appropriate to end Water Shortage Response Level 2. Certain water conservation practices remain in effect at all times such as preventing water waste and repairing all leaks within 48 hours. In addition, the District's leak notification process and water conservation website will continue to be used to communicate the importance of long-term water use efficiency.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

Increase in water usage will have a positive effect on the District's revenues; however, it is unknown at this time what the increase will be.

STRATEGIC GOAL:

Actively manage water supply and demand.

LEGAL IMPACT:

None.

Attachments:

Attachment A - Committee Action

Attachment B - Resolution No. 4310



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4310 Declaring an End to Water Shortage Response Level 2
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COMMITTEE ACTION:

That the Board approve the Finance, Administration and Communications Committee recommendation to adopt Resolution No. 4310 declaring an end to Water Shortage Response Level 2.

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. 4310

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT
DECLARING AN END TO THE DISTRICT'S
WATER SHORTAGE RESPONSE LEVEL 2

WHEREAS, the Otay Water District Board of Directors had declared a Water Shortage Response Level 2 on August 6, 2014 in response to unprecedented drought conditions in the State of California; and

WHEREAS, on May 18, 2016 the State Water Resources Control Board replaced its state mandated conservation target method with a supply-based approach; and

WHEREAS, the San Diego County Water Authority (CWA) has been allowed to certify supply sufficiency for all member agencies and on June 9, 2016, CWA confirmed that its member agencies have sufficient water supplies to meet demands even during three additional dry years and will not be subject to state mandated water-use reductions through January 2017; and

WHEREAS, the Metropolitan Water District (MWD) has ended its supply allocations in May 2016; and

WHEREAS, CWA has rescinded its Drought Management Plan Stage 2 on May 26, 2016: and

WHEREAS, Section 39.09 of the District's Code of Ordinances, Procedures for Determination and Notification of Water Shortage Response Level, states that the District's Board may declare an end to a Water Shortage Response Level by the adoption of a resolution at any regular or special meeting;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the Water

Shortage Response Level 2 be declared ended effective immediately upon adoption of this resolution.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a board meeting held this 6th day of July 2016, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

District Secretary



AGENDA ITEM 7

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 2016
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Andrea Carey, Customer Service Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer		
	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager		
	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Ordinance No. 556 Amending Section 39, Water Shortage Response Program, of the District's Code of Ordinances		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Ordinance No. 556 amending Section 39, Water Shortage Response Program, of the District's Code of Ordinances.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To comply with the Governor of California's Executive Order B-37-16 Making Water Conservation a California Way of Life.

ANALYSIS:

On May 9, 2016, Governor Brown signed Executive Order B-37-16 Making Water Conservation a California Way of Life, to continue to promote conservation during California's multi-year drought. The Executive Order directs state agencies to update temporary emergency water restrictions and transition to more permanent long-term improvements in water use.

In addition to allowing the State Water Resources Control Board to adjust water conservation regulations through the end of January 2017, the Executive Order also permanently prohibits the following practices that waste potable water:

- 1) Hosing off sidewalks, driveways and other hardscapes;
- 2) Washing automobiles with hoses not equipped with a shut-off nozzle;
- 3) Using non-recirculated water in a fountain or other decorative water features;
- 4) Water lawns in a manner that causes runoff, or within 48 hours after measurable precipitation; and
- 5) Irrigating ornamental turf on public street medians.

Many of the items above are listed within the various shortage levels in Section 39, Water Shortage Response Program, of the District's Code of Ordinances. Staff is proposing to move these items to an existing list of permanent conservation practices within Section 39.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Actively manage water supply and demand.

LEGAL IMPACT:

None.

Attachments:

- Attachment A - Committee Action
- Attachment B - Ordinance No. 556
 - Exhibit 1- Section 39 Strike-through
- Attachment C - Section 39 Proposed
- Attachment D - Executive Order B-37-16



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Ordinance No. 556 Amending Section 39, Water Shortage Response Program, of the District's Code of Ordinances
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COMMITTEE ACTION:

That the Board approve the Finance, Administration and Communications Committee recommendation to adopt Ordinance No. 556 amending Section 39, Water Shortage Response Program, 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.

ORDINANCE NO. 556

AN ORDINANCE OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT
AMENDING SECTION 39 WATER SHORTAGE
RESPONSE PROGRAM
OF THE DISTRICT'S CODE OF ORDINANCES

BE IT ORDAINED by the Board of Directors of Otay Water District that the District's Code of Ordinances Section 39, Water Shortage Response Program be amended as per Exhibit 1 to this resolution.

NOW, THEREFORE, BE IT RESOLVED that the new proposed Section 39, Water Shortage Response Program (Attachment C) of the Code of Ordinances shall become effective July 6, 2016.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 6th day of July 2016, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President

ATTEST:

District Secretary

SECTION 39. WATER SHORTAGE RESPONSE PROGRAM

39.01 DECLARATION OF NECESSITY AND INTENT

(a) This Section establishes water management requirements necessary to conserve water, enable effective water supply planning, assure reasonable and beneficial use of water, prevent waste of water, prevent unreasonable use of water, prevent unreasonable method of use of water within the District in order to assure adequate supplies of water to meet the needs of the public, and further the public health, safety, and welfare, recognizing that water is a scarce natural resource that requires careful management not only in times of a water shortage, but at all times.

(b) This Section establishes regulations to be implemented during times of declared water shortages, or declared water shortage emergencies. It establishes four levels of actions to be implemented in times of shortage, with increasing restrictions on water use in response to worsening water shortage conditions and decreasing available supplies.

(c) The Level 1 water shortage response condition practices are voluntary and will be reinforced through local and regional public education and awareness measures that may be funded in part by the District. Beginning at the level 2 Water Shortage Response Condition, the District may implement water shortage pricing. When a water shortage response Level 2 condition is declared, all conservation practices and water-use restrictions may become mandatory and increasingly restrictive in order to attain escalating conservation goals.

(d) During a Water Shortage Response Level 3 condition or higher, the water conservation practices and water use restrictions established by this ordinance are mandatory and violations are subject to criminal, civil, and administrative penalties and remedies specified in Section 72 of this ordinance.

39.02 DEFINITIONS APPLICABLE TO THE PROGRAM

(a) The following words and phrases whenever used in this Section shall have the meaning defined in this subsection:

1. "Grower" refers to those engaged in the growing or raising, in conformity with recognized practices of husbandry, for the purpose of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural or floricultural products, and produced: (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market. "Grower" does not refer to customers who purchase water subject to the Metropolitan Interim Agricultural Water Program or the Water Authority Special Agricultural Rate programs.

2. "Water Authority" means the San Diego County Water Authority.

3. "DMP" means the Water Authority's Drought Management Plan in existence on the effective date of this Section and as readopted or amended from time to time, or an equivalent plan of the Water Authority to manage or allocate supplies during shortages.

4. "Metropolitan" means the Metropolitan Water District of Southern California.

5. "Person" means any natural person, corporation, public or private entity, public or private association, public or private agency, government agency or institution, school district, college, university, or any other user of water provided by the District.

39.03 APPLICATION

(a) The provisions of this Section apply to any person in the use of any water provided by the District.

(b) This Section is intended solely to further the conservation of water. It is not intended to implement any provision of federal, State, or local statutes, ordinances, or regulations relating to protection of water quality or control of drainage or runoff. Refer to the local jurisdiction or Regional Water Quality Control Board for information on any storm water ordinances and storm water management plans.

(c) Nothing in this Section is intended to affect or limit the ability of the District to declare and respond to an emergency, including an emergency that affects the ability of the District to supply water.

(d) The provisions of this Section do not apply to use of water from private wells or to recycled water.

(e) Nothing in this Section shall apply to use of water that is subject to a special supply program, such as the Metropolitan Interim Agricultural Water Program or the Water Authority Special Agricultural Rate programs. Violations of the conditions of special supply programs are subject to the penalties established under the applicable program. A person using water subject to a special supply program and other water provided by the District is subject to this Section in the use of the other water.

~~(f) In addition, customers are encouraged not to wash down paved surfaces, including but not limited to sidewalks, driveways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.~~

At all times, the following practices shall be in effect:

1. Prevent water waste resulting from inefficient irrigation, such as runoff or overspray. Similarly, stop water flows

onto non-targeted areas, such as adjacent property, non-irrigated areas, hardscapes, roadways, or structures.

2. Serve and refill water in restaurants and other food service establishments only upon request.
3. Offer guests in hotels, motels, and other commercial lodging establishments the option of not laundering towels and linens daily.
4. Use only re-circulated water in fountains or other decorative water features.
5. Wash automobiles with a hose equipped only with a positive shut-off nozzle.
- 3-6. Irrigating ornamental turf on public street medians only with ~~reclaimed~~ recycled water.
7. Repair all water leaks within forty-eight (48) hours (~~48~~) of notification by the District unless other arrangements are made with the General Manager or designee.
8. Irrigation is not allowed during a rainstorm or for ~~fourty~~forty-eight (48) hours after one-quarter inch or more of rainfall is measured at Lindbergh Field.
- 4-9. No washing down of paved surfaces, including but not limited to sidewalks, drive ways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.

39.04 WATER SHORTAGE RESPONSE LEVEL 1 - SUPPLY WATCH CONDITION

(a) A Water Shortage Response Level 1 condition is also referred to as a "Supply Watch" condition. A Level 1 condition applies when the Water Authority notifies its member agencies that due to water shortage or other supply reductions, there is a reasonable probability there will be

supply shortages and that a consumer demand reduction of up to 10 percent is required in order to ensure that sufficient supplies will be available to meet anticipated demands. The General Manager shall declare the existence of a Level 1 and take action to implement the Level 1 conservation practices identified in this Section.

(b) During a Level 1 condition, the District will increase its public education and outreach efforts to emphasize increased public awareness of the need to implement the following water conservation practices. The same water conservation practices may become mandatory if the District declares a Level 2 condition:

1. Irrigate residential and commercial landscape before 10 a.m. and after 6 p.m. only. Customers are to water no more than three days a week using the suggested watering schedule as found on the District's web page. New plantings and newly seeded areas are exempt for 30 days.

2. Use a hand-held hose equipped with a positive shut-off nozzle or bucket to water landscaped areas, including trees and shrubs located on residential and commercial properties that are not irrigated by a landscape irrigation system.

3. Irrigate nursery and commercial grower's products before 10 a.m. and after 6 p.m. only. Watering is permitted at any time with a hand-held hose equipped with a positive shut-off nozzle, a bucket, or when a drip/micro-irrigation system/equipment is used. Irrigation of nursery propagation beds is permitted at any time. Watering of livestock is permitted at any time.

~~4. Use re-circulated water to operate ornamental fountains.~~

5. Wash vehicles, including but not limited to motorcycles, farm equipment, trailers, boats and boat engines and motorhomes using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system, or at a commercial site that re-circulates (reclaims) water on-site. Vehicle washing is limited to once per week.

6. Use recycled or non-potable water for construction purposes when available.

39.05 WATER SHORTAGE RESPONSE LEVEL 2 - SUPPLY ALERT
CONDITION

(a) A Water Shortage Response Level 2 condition is also referred to as a "Supply Alert" condition. A Level 2 condition applies when the Water Authority notifies its member agencies that due to cutbacks caused by water shortage or other reduction in supplies, a consumer demand reduction of 11 to 20 percent is required in order to have sufficient supplies available to meet anticipated demands. The District Board of Directors may declare the existence of a Level 2 condition and implement the Level 2 conservation practices identified in this section of the ordinance. The District may decide to implement some or all of the Level 1 practices.

(b) All persons using District water shall make every effort to comply with Level 1 water conservation practices during a Level 2, and also to comply with the following additional conservation measures:

1. Limit residential and commercial landscape irrigation to no more than three (3) days per week. This section shall not apply to homeowner's vegetable gardens, fruit trees, commercial growers, or nurseries.

2. Limit lawn watering and landscape irrigation using sprinklers to no more than fifteen (15) minutes per watering station per day. During the months of November through April, landscape irrigation shall not exceed seven (7) minutes per water watering station per assigned day. Watering times may need to be shortened to avoid run-off. This provision does not apply to landscape irrigation systems using water efficient devices, including but not limited to: weather based controllers, drip/micro-irrigation systems, rotating sprinkler nozzles and stream rotor sprinklers.

3. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape

irrigation system on the same schedule set forth above by using a bucket, hand-held hose with positive shut-off nozzle, or low-volume non-spray irrigation.

~~4. Irrigation is not allowed during a rainstorm and for forty eight hours after one quarter inch or more of rainfall is measured at Lindbergh Field. No washing down of paved surfaces, including but not limited to sidewalks, driveways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.~~

39.06 WATER SHORTAGE RESPONSE LEVEL 3 - SUPPLY CRITICAL CONDITION

(a) A Water Shortage Response Level 3 condition is also referred to as a "Supply Critical" condition. A Level 3 condition applies when the Water Authority notifies its member agencies that due to increasing cutbacks caused by water shortage or other reduction of supplies, a consumer demand reduction of between 21 and 40 percent is required in order to have sufficient supplies available to meet anticipated demands. The District Board of Directors may declare the existence of a Level 3 condition and implement the Level 3 conservation practices identified in this Section.

(b) All persons using District water shall comply with Level 1 and Level 2 water conservation practices during a Level 3 condition and shall also comply with the following additional mandatory conservation measures:

1. Limit residential and commercial landscape irrigation to no more than two (2) assigned days per week on a schedule established by the General Manager or designee and posted by the District. During the months of November through April, landscape irrigation is limited to no more than once per week on a schedule established by the General Manager or designee and posted by the District. This section shall not apply to commercial growers or nurseries.

2. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape irrigation system on the same schedule set forth above

by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation.

3. Stop filling or re-filling ornamental lakes or ponds, except to the extent needed to sustain aquatic life, provided that such animals are of significant value and have been actively managed within the water feature prior to declaration of a water shortage response level under this Section.

4. Stop operating non-residential ornamental fountains or similar decorative water features unless recycled water is used.

5. Stop washing vehicles except at commercial carwashes that re-circulate water, or by high pressure/low volume wash systems. If a commercial car wash cannot accommodate the vehicle because of the vehicle size or type, such as RVs, horse trailers, boats and commercial vehicles, customers will be allowed to wash vehicles using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system.

(c) Upon the declaration of a Level 3 condition, the District may suspend new potable water service and statements of immediate ability to serve or provide potable water service (such as, will serve letters, certificates, or letters of availability) except under the following circumstances:

1. A valid, unexpired building permit has been issued for the project; or

2. The project is necessary to protect the public's health, safety, and welfare; or

3. The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of the District.

This provision shall not be construed to preclude the resetting or turn-on of meters to provide continuation of water service or to restore service that has been interrupted.

(d) Upon the declaration of a Level 3 condition, the District will suspend consideration of annexations to its service area.

(e) The District may establish a water allocation for property served by the District using a method that takes into consideration the implementation of conservation methods or the installation of water saving devices. If the District establishes a water allocation, it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of this Section.

39.07 WATER SHORTAGE RESPONSE LEVEL 4 - SUPPLY EMERGENCY CONDITION

(a) A Water Shortage Response Level 4 condition is also referred to as a "Supply Emergency" condition. A Level 4 condition applies when the Water Authority Board of Directors declares a water shortage emergency pursuant to California Water Code section 350 and notifies its member agencies that Level 4 requires a demand reduction of more than 40 percent in order for the District to have maximum supplies available to meet anticipated demands. The District shall declare a Level 4 in the manner and on the grounds provided in California Water Code section 350.

(b) All persons using District water shall comply with conservation measures required during Level 1, Level 2, and Level 3 conditions and shall also comply with the following additional mandatory conservation measures:

1. Stop all landscape irrigation, except crops and landscape products of commercial growers and nurseries. *This restriction shall not apply to the following categories of use unless the District has determined that recycled water is available and may be lawfully applied to the use.*

A. Maintenance of trees and shrubs that are watered on the same schedule as noted in the Level 3 Condition, by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation;

B. Maintenance of existing landscaping necessary for fire protection as specified by the Fire Marshal of the local fire protection agency having jurisdiction over the property to be irrigated;

C. Maintenance of existing landscaping for erosion control;

D. Maintenance of plant materials identified to be rare or essential to the well being of rare animals;

E. Maintenance of landscaping within active public parks and playing fields, day care centers, school grounds, cemeteries, and golf course greens, provided that such irrigation does not exceed two (2) days per week according to the schedule established under the District's Level 3 Condition;

F. Watering of livestock; and

G. Public works projects and actively irrigated environmental mitigation projects.

2. Repair all water leaks within twenty-four (24) hours of notification by the District unless other arrangements are made with the District.

(c) The District may establish a water allocation for property served by the District. If the District establishes water allocation it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in

excess of the allocation shall be subject to a penalty for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of any provision of this Section.

39.08 CORRELATION BETWEEN DROUGHT MANAGEMENT PLAN (DMP) AND WATER SHORTAGE RESPONSE LEVELS

(a) The correlation between the Water Authority's DMP stages and the District's water shortage response levels identified in this Section of the Code of Ordinance is described herein. Under DMP Stage 1, the District would implement Water Shortage Response Level 1 actions. Under DMP Stage 2, the District would implement Water Shortage Response Level 1 or Level 2 actions. Under DMP Stage 3, the District would implement Water Shortage Response Level 2, Level 3, or Level 4 actions.

(b) The water shortage response levels identified in this Section correspond with the Water Authority DMP as identified in the following table:

Water Shortage Response Levels	Use Restrictions	Conservation Target	DMP Stage
1 - Supply Watch	Voluntary	Up to 10%	Stage 1 or 2
2 - Supply Alert	Mandatory	11 to 20%	Stage 2 or 3
3 - Supply Critical	Mandatory	21 to 40%	Stage 3
4 - Supply Emergency	Mandatory	Above 40%	Stage 3

39.09 PROCEDURES FOR DETERMINATION AND NOTIFICATION OF WATER SHORTAGE RESPONSE LEVEL

(a) The existence of a Water Shortage Response Level 1 condition may be declared by the General Manager upon a written determination of the existence of the facts and circumstances supporting the determination. A copy of the written determination shall be filed with the Clerk or Secretary of the District and provided to the District Board of Directors. The General Manager may publish a notice of the determination of existence of Water Shortage Response Level 1 condition in one or more newspapers, including a newspaper of general circulation within the

District. The District will also post notice of the condition on their website.

(b) The existence of Water Shortage Response Level 2 or Level 3 conditions may be declared by resolution of the District Board of Directors adopted at a regular or special public meeting held in accordance with State law. The mandatory conservation measures applicable to Water Shortage Response Level 2 or Level 3 conditions shall take effect on the tenth (10) day after the date the response level is declared. Within five (5) days following the declaration of the response level, the District shall publish a copy of the resolution in a newspaper used for publication of official notices.

(c) The existence of a Water Shortage Response Level 4 condition may be declared in accordance with the procedures specified in California Water Code sections 350 to 352 as note below:

*350. The governing body of a distributor of a public **water** supply, whether publicly or privately owned and including a mutual **water** company, may declare a **water** shortage emergency condition to prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of **water** consumers cannot be satisfied without depleting the **water** supply of the distributor to the extent that there would be insufficient **water** for human consumption, sanitation, and fire protection.*

*351. Except in event of a breakage or failure of a dam, pump, Pipe line or conduit causing an immediate emergency, the declaration shall be made only after a public hearing at which consumers of such **water** supply shall have an opportunity to be heard to protest against the declaration and to present their respective needs to said governing board.*

*352. Notice of the time and place of hearing shall be published pursuant to Section 6061 of the Government **Code** at least seven days prior to the date of hearing in a newspaper printed, published, and circulated within the area in which the **water** supply is distributed, or if there is no such newspaper, in any newspaper printed, published, and circulated in the county in which the area is located.*

The mandatory conservation measures applicable to Water Shortage Response Level 4 conditions shall take effect on the tenth (10) day after the date the response level is declared. Within five (5) days following the declaration of the response level, the District shall publish a copy of the resolution in a newspaper used for publication of

official notices. If the District establishes a water allocation, it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Water allocation shall be effective on the fifth (5) day following the date of mailing or at such later date as specified in the notice.

(d) The District Board of Directors may declare an end to a Water Shortage Response Level by the adoption of a resolution at any regular or special meeting held in accordance with State law.

SECTION 39. WATER SHORTAGE RESPONSE PROGRAM

39.01 DECLARATION OF NECESSITY AND INTENT

(a) This Section establishes water management requirements necessary to conserve water, enable effective water supply planning, assure reasonable and beneficial use of water, prevent waste of water, prevent unreasonable use of water, prevent unreasonable method of use of water within the District in order to assure adequate supplies of water to meet the needs of the public, and further the public health, safety, and welfare, recognizing that water is a scarce natural resource that requires careful management not only in times of a water shortage, but at all times.

(b) This Section establishes regulations to be implemented during times of declared water shortages, or declared water shortage emergencies. It establishes four levels of actions to be implemented in times of shortage, with increasing restrictions on water use in response to worsening water shortage conditions and decreasing available supplies.

(c) The Level 1 water shortage response condition practices are voluntary and will be reinforced through local and regional public education and awareness measures that may be funded in part by the District. Beginning at the level 2 Water Shortage Response Condition, the District may implement water shortage pricing. When a water shortage response Level 2 condition is declared, all conservation practices and water-use restrictions may become mandatory and increasingly restrictive in order to attain escalating conservation goals.

(d) During a Water Shortage Response Level 3 condition or higher, the water conservation practices and water use restrictions established by this ordinance are mandatory and violations are subject to criminal, civil and administrative penalties and remedies specified in Section 72 of this ordinance.

39.02 DEFINITIONS APPLICABLE TO THE PROGRAM

(a) The following words and phrases whenever used in this Section shall have the meaning defined in this subsection:

1. "Grower" refers to those engaged in the growing or raising, in conformity with recognized practices of husbandry, for the purpose of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural or floricultural products, and produced: (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market. "Grower" does not refer to customers who purchase water subject to the Metropolitan Interim Agricultural Water Program or the Water Authority Special Agricultural Rate programs.

2. "Water Authority" means the San Diego County Water Authority.

3. "DMP" means the Water Authority's Drought Management Plan in existence on the effective date of this Section and as readopted or amended from time to time, or an equivalent plan of the Water Authority to manage or allocate supplies during shortages.

4. "Metropolitan" means the Metropolitan Water District of Southern California.

5. "Person" means any natural person, corporation, public or private entity, public or private association, public or private agency, government agency or institution, school district, college, university, or any other user of water provided by the District.

39.03 APPLICATION

(a) The provisions of this Section apply to any person in the use of any water provided by the District.

(b) This Section is intended solely to further the conservation of water. It is not intended to implement any provision of federal, State, or local statutes, ordinances, or regulations relating to protection of water quality or control of drainage or runoff. Refer to the local jurisdiction or Regional Water Quality Control Board for information on any storm water ordinances and storm water management plans.

(c) Nothing in this Section is intended to affect or limit the ability of the District to declare and respond to an emergency, including an emergency that affects the ability of the District to supply water.

(d) The provisions of this Section do not apply to use of water from private wells or to recycled water.

(e) Nothing in this Section shall apply to use of water that is subject to a special supply program, such as the Metropolitan Interim Agricultural Water Program or the Water Authority Special Agricultural Rate programs. Violations of the conditions of special supply programs are subject to the penalties established under the applicable program. A person using water subject to a special supply program and other water provided by the District is subject to this Section in the use of the other water.

At all times, the following practices shall be in effect:

1. Prevent water waste resulting from inefficient irrigation, such as runoff or overspray. Similarly, stop water flows onto non-targeted areas, such as adjacent property, non-irrigated areas, hardscapes, roadways, or structures.

2. Serve and refill water in restaurants and other food service establishments only upon request.
3. Offer guests in hotels, motels, and other commercial lodging establishments the option of not laundering towels and linens daily.
4. Use only re-circulated water in fountains or other decorative water features.
5. Wash automobiles with a hose equipped only with a positive shut-off nozzle.
6. Irrigating ornamental turf on public street medians only with recycled water.
7. Repair all water leaks within forty-eight hours (48) of notification by the District unless other arrangements are made with the General Manager or designee.
8. Irrigation is not allowed during a rainstorm or for forty-eight (48) hours after one-quarter inch or more of rainfall is measured at Lindbergh Field.
9. No washing down of paved surfaces, including but not limited to sidewalks, driveways, parking lots, tennis courts, or patios, except when it is necessary to alleviate safety or sanitation hazards.

39.04 WATER SHORTAGE RESPONSE LEVEL 1 - SUPPLY WATCH
CONDITION

(a) A Water Shortage Response Level 1 condition is also referred to as a "Supply Watch" condition. A Level 1 condition applies when the Water Authority notifies its member agencies that due to water shortage or other supply reductions, there is a reasonable probability there will be supply shortages and that a consumer demand reduction of up to 10 percent is required in order to ensure that sufficient supplies will be available to meet anticipated demands. The General Manager shall declare the existence of a Level 1 and take action to implement the Level 1 conservation practices identified in this Section.

(b) During a Level 1 condition, the District will increase its public education and outreach efforts to emphasize increased public awareness of the need to implement the following water conservation practices. The same water conservation practices may become mandatory if the District declares a Level 2 condition:

1. Irrigate residential and commercial landscape before 10 a.m. and after 6 p.m. only. Customers are to water no more than three days a week using the suggested watering schedule as found on the District's web page. New plantings and newly seeded areas are exempt for 30 days.

2. Use a hand-held hose equipped with a positive shut-off nozzle or bucket to water landscaped areas, including trees and shrubs located on residential and commercial properties that are not irrigated by a landscape irrigation system.

3. Irrigate nursery and commercial grower's products before 10 a.m. and after 6 p.m. only. Watering is permitted at any time with a hand-held hose equipped with a positive shut-off nozzle, a bucket, or when a drip/micro-irrigation system/equipment is used. Irrigation of nursery propagation beds is permitted at any time. Watering of livestock is permitted at any time.

5. Wash vehicles, including but not limited to motorcycles, farm equipment, trailers, boats and boat engines and motorhomes using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system, or at a commercial site that re-circulates (reclaims) water on-site. Vehicle washing is limited to once per week.

6. Use recycled or non-potable water for construction purposes when available.

39.05 WATER SHORTAGE RESPONSE LEVEL 2 - SUPPLY ALERT
CONDITION

(a) A Water Shortage Response Level 2 condition is also referred to as a "Supply Alert" condition. A Level 2 condition applies when the Water Authority notifies its member agencies that due to cutbacks caused by water shortage or other reduction in supplies, a consumer demand reduction of 11 to 20 percent is required in order to have sufficient supplies available to meet anticipated demands. The District Board of Directors may declare the existence of a Level 2 condition and implement the Level 2 conservation practices identified in this section of the ordinance. The District may decide to implement some or all of the Level 1 practices.

(b) All persons using District water shall make every effort to comply with Level 1 water conservation practices during a Level 2, and also to comply with the following additional conservation measures:

1. Limit residential and commercial landscape irrigation to no more than three (3) days per week. This section shall not apply to homeowner's vegetable gardens, fruit trees, commercial growers, or nurseries.

2. Limit lawn watering and landscape irrigation using sprinklers to no more than fifteen (15) minutes per watering station per day. During the months of November through April, landscape irrigation shall not exceed seven (7) minutes per water watering station per assigned day. Watering times may need to be shortened to avoid run-off. This provision does not apply to landscape irrigation systems using water efficient devices, including but not limited to: weather based controllers, drip/micro-irrigation systems, rotating sprinkler nozzles and stream rotor sprinklers.

3. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape irrigation system on the same schedule set forth above

by using a bucket, hand-held hose with positive shut-off nozzle, or low-volume non-spray irrigation.

39.06 WATER SHORTAGE RESPONSE LEVEL 3 - SUPPLY CRITICAL CONDITION

(a) A Water Shortage Response Level 3 condition is also referred to as a "Supply Critical" condition. A Level 3 condition applies when the Water Authority notifies its member agencies that due to increasing cutbacks caused by water shortage or other reduction of supplies, a consumer demand reduction of between 21 and 40 percent is required in order to have sufficient supplies available to meet anticipated demands. The District Board of Directors may declare the existence of a Level 3 condition and implement the Level 3 conservation practices identified in this Section.

(b) All persons using District water shall comply with Level 1 and Level 2 water conservation practices during a Level 3 condition and shall also comply with the following additional mandatory conservation measures:

1. Limit residential and commercial landscape irrigation to no more than two (2) assigned days per week on a schedule established by the General Manager or designee and posted by the District. During the months of November through April, landscape irrigation is limited to no more than once per week on a schedule established by the General Manager or designee and posted by the District. This section shall not apply to commercial growers or nurseries.

2. Water landscaped areas, including trees and shrubs located on residential and commercial properties, and not irrigated by a landscape irrigation system on the same schedule set forth above by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation.

3. Stop filling or re-filling ornamental lakes or ponds, except to the extent needed to sustain aquatic life, provided that such animals are of significant value and have been actively managed within the water feature prior to declaration of a water shortage response level under this Section.

4. Stop operating non-residential ornamental fountains or similar decorative water features unless recycled water is used.

5. Stop washing vehicles except at commercial carwashes that re-circulate water, or by high pressure/low volume wash systems. If a commercial car wash cannot accommodate the vehicle because of the vehicle size or type, such as RVs, horse trailers, boats and commercial vehicles, customers will be allowed to wash vehicles using a bucket and a hand-held hose with positive shut-off nozzle, mobile high pressure/low volume wash system.

(c) Upon the declaration of a Level 3 condition, the District may suspend new potable water service and statements of immediate ability to serve or provide potable water service (such as, will serve letters, certificates, or letters of availability) except under the following circumstances:

1. A valid, unexpired building permit has been issued for the project; or

2. The project is necessary to protect the public's health, safety, and welfare; or

3. The applicant provides substantial evidence of an enforceable commitment that water demands for the project will be offset prior to the provision of a new water meter(s) to the satisfaction of the District.

This provision shall not be construed to preclude the resetting or turn-on of meters to provide continuation of water service or to restore service that has been interrupted.

(d) Upon the declaration of a Level 3 condition, the District will suspend consideration of annexations to its service area.

(e) The District may establish a water allocation for property served by the District using a method that takes into consideration the implementation of conservation methods or the installation of water saving devices. If the District establishes a water allocation, it shall

provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of this Section.

39.07 WATER SHORTAGE RESPONSE LEVEL 4 - SUPPLY
 EMERGENCY CONDITION

(a) A Water Shortage Response Level 4 condition is also referred to as a "Supply Emergency" condition. A Level 4 condition applies when the Water Authority Board of Directors declares a water shortage emergency pursuant to California Water Code section 350 and notifies its member agencies that Level 4 requires a demand reduction of more than 40 percent in order for the District to have maximum supplies available to meet anticipated demands. The District shall declare a Level 4 in the manner and on the grounds provided in California Water Code section 350.

(b) All persons using District water shall comply with conservation measures required during Level 1, Level 2, and Level 3 conditions and shall also comply with the following additional mandatory conservation measures:

1. Stop all landscape irrigation, except crops and landscape products of commercial growers and nurseries. *This restriction shall not apply to the following categories of use unless the District has determined that recycled water is available and may be lawfully applied to the use.*

A. Maintenance of trees and shrubs that are watered on the same schedule as noted in the Level 3 Condition, by using a bucket, hand-held hose with a positive shut-off nozzle, or low-volume non-spray irrigation;

B. Maintenance of existing landscaping necessary for fire protection as specified by the Fire Marshal of the local fire protection agency

having jurisdiction over the property to be irrigated;

C. Maintenance of existing landscaping for erosion control;

D. Maintenance of plant materials identified to be rare or essential to the well being of rare animals;

E. Maintenance of landscaping within active public parks and playing fields, day care centers, school grounds, cemeteries, and golf course greens, provided that such irrigation does not exceed two (2) days per week according to the schedule established under the District's Level 3 Condition;

F. Watering of livestock; and

G. Public works projects and actively irrigated environmental mitigation projects.

2. Repair all water leaks within twenty-four (24) hours of notification by the District unless other arrangements are made with the District.

(c) The District may establish a water allocation for property served by the District. If the District establishes water allocation it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for fees or charges for on-going water service. Following the effective date of the water allocation as established by the District, any person that uses water in excess of the allocation shall be subject to a penalty for each billing unit of water in excess of the allocation. The penalty for excess water usage shall be cumulative to any other remedy or penalty that may be imposed for violation of any provision of this Section.

39.08 CORRELATION BETWEEN DROUGHT MANAGEMENT PLAN (DMP)
AND WATER SHORTAGE RESPONSE LEVELS

(a) The correlation between the Water Authority's DMP stages and the District's water shortage response levels identified in this Section of the Code of Ordinance is described herein. Under DMP Stage 1, the District would implement Water Shortage Response Level 1 actions. Under DMP Stage 2, the District would implement Water Shortage Response Level 1 or Level 2 actions. Under DMP Stage 3, the District would implement Water Shortage Response Level 2, Level 3, or Level 4 actions.

(b) The water shortage response levels identified in this Section correspond with the Water Authority DMP as identified in the following table:

Water Shortage Response Levels	Use Restrictions	Conservation Target	DMP Stage
1 - Supply Watch	Voluntary	Up to 10%	Stage 1 or 2
2 - Supply Alert	Mandatory	11 to 20%	Stage 2 or 3
3 - Supply Critical	Mandatory	21 to 40%	Stage 3
4 - Supply Emergency	Mandatory	Above 40%	Stage 3

39.09 PROCEDURES FOR DETERMINATION AND NOTIFICATION OF
WATER SHORTAGE RESPONSE LEVEL

(a) The existence of a Water Shortage Response Level 1 condition may be declared by the General Manager upon a written determination of the existence of the facts and circumstances supporting the determination. A copy of the written determination shall be filed with the Clerk or Secretary of the District and provided to the District Board of Directors. The General Manager may publish a notice of the determination of existence of Water Shortage Response Level 1 condition in one or more newspapers, including a newspaper of general circulation within the District. The District will also post notice of the condition on their website.

(b) The existence of Water Shortage Response Level 2 or Level 3 conditions may be declared by resolution of the

District Board of Directors adopted at a regular or special public meeting held in accordance with State law. The mandatory conservation measures applicable to Water Shortage Response Level 2 or Level 3 conditions shall take effect on the tenth (10) day after the date the response level is declared. Within five (5) days following the declaration of the response level, the District shall publish a copy of the resolution in a newspaper used for publication of official notices.

(c) The existence of a Water Shortage Response Level 4 condition may be declared in accordance with the procedures specified in California Water Code sections 350 to 352 as note below:

*350. The governing body of a distributor of a public **water** supply, whether publicly or privately owned and including a mutual **water** company, may declare a **water** shortage emergency condition to prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of **water** consumers cannot be satisfied without depleting the **water** supply of the distributor to the extent that there would be insufficient **water** for human consumption, sanitation, and fire protection.*

*351. Except in event of a breakage or failure of a dam, pump, Pipe line or conduit causing an immediate emergency, the declaration shall be made only after a public hearing at which consumers of such **water** supply shall have an opportunity to be heard to protest against the declaration and to present their respective needs to said governing board.*

*352. Notice of the time and place of hearing shall be published pursuant to Section 6061 of the Government **Code** at least seven days prior to the date of hearing in a newspaper printed, published, and circulated within the area in which the **water** supply is distributed, or if there is no such newspaper, in any newspaper printed, published, and circulated in the county in which the area is located.*

The mandatory conservation measures applicable to Water Shortage Response Level 4 conditions shall take effect on the tenth (10) day after the date the response level is declared. Within five (5) days following the declaration of the response level, the District shall publish a copy of the resolution in a newspaper used for publication of official notices. If the District establishes a water allocation, it shall provide notice of the allocation by including it in the regular billing statement for the fee or charge or by any other mailing to the address to which the District customarily mails the billing statement for

fees or charges for on-going water service. Water allocation shall be effective on the fifth (5) day following the date of mailing or at such later date as specified in the notice.

(d) The District Board of Directors may declare an end to a Water Shortage Response Level by the adoption of a resolution at any regular or special meeting held in accordance with State law.

Executive Department

State of California

**EXECUTIVE ORDER B-37-16
MAKING WATER CONSERVATION A CALIFORNIA WAY OF LIFE**

WHEREAS California has suffered through a severe multi-year drought that has threatened the water supplies of communities and residents, devastated agricultural production in many areas, and harmed fish, animals and their environmental habitats; and

WHEREAS Californians responded to the drought by conserving water at unprecedented levels, reducing water use in communities by 23.9% between June 2015 and March 2016 and saving enough water during this period to provide 6.5 million Californians with water for one year; and

WHEREAS severe drought conditions persist in many areas of the state despite recent winter precipitation, with limited drinking water supplies in some communities, diminished water for agricultural production and environmental habitat, and severely-depleted groundwater basins; and

WHEREAS drought conditions may persist in some parts of the state into 2017 and beyond, as warmer winter temperatures driven by climate change reduce water supply held in mountain snowpack and result in drier soil conditions; and

WHEREAS these ongoing drought conditions and our changing climate require California to move beyond temporary emergency drought measures and adopt permanent changes to use water more wisely and to prepare for more frequent and persistent periods of limited water supply; and

WHEREAS increasing long-term water conservation among Californians, improving water use efficiency within the state's communities and agricultural production, and strengthening local and regional drought planning are critical to California's resilience to drought and climate change; and

WHEREAS these activities are prioritized in the California Water Action Plan, which calls for concrete, measurable actions that "Make Conservation a California Way of Life" and "Manage and Prepare for Dry Periods" in order to improve use of water in our state.

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, in accordance with the authority vested in me by the Constitution and statutes of the State of California, in particular California Government Code sections 8567 and 8571, do hereby issue this Executive Order, effective immediately.

IT IS HEREBY ORDERED THAT:

The orders and provisions contained in my January 17, 2014 Emergency Proclamation, my April 25, 2014 Emergency Proclamation, Executive Orders B-26-14, B-28-14, B-29-15, and B-36-15 remain in full force and in effect except as modified herein.

State agencies shall update temporary emergency water restrictions and transition to permanent, long-term improvements in water use by taking the following actions.

USE WATER MORE WISELY

1. The State Water Resources Control Board (Water Board) shall, as soon as practicable, adjust emergency water conservation regulations through the end of January 2017 in recognition of the differing water supply conditions across the state. To prepare for the possibility of another dry winter, the Water Board shall also develop, by January 2017, a proposal to achieve a mandatory reduction in potable urban water usage that builds off of the mandatory 25% reduction called for in Executive Order B-29-15 and lessons learned through 2016.
2. The Department of Water Resources (Department) shall work with the Water Board to develop new water use targets as part of a permanent framework for urban water agencies. These new water use targets shall build upon the existing state law requirements that the state achieve a 20% reduction in urban water usage by 2020. (Senate Bill No. 7 (7th Extraordinary Session, 2009-2010).) These water use targets shall be customized to the unique conditions of each water agency, shall generate more statewide water conservation than existing requirements, and shall be based on strengthened standards for:
 - a. Indoor residential per capita water use;
 - b. Outdoor irrigation, in a manner that incorporates landscape area, local climate, and new satellite imagery data;
 - c. Commercial, industrial, and institutional water use; and
 - d. Water lost through leaks.

The Department and Water Board shall consult with urban water suppliers, local governments, environmental groups, and other partners to develop these water use targets and shall publicly issue a proposed draft framework by January 10, 2017.

3. The Department and the Water Board shall permanently require urban water suppliers to issue a monthly report on their water usage, amount of conservation achieved, and any enforcement efforts.

ELIMINATE WATER WASTE

4. The Water Board shall permanently prohibit practices that waste potable water, such as:
 - Hosing off sidewalks, driveways and other hardscapes;
 - Washing automobiles with hoses not equipped with a shut-off nozzle;
 - Using non-recirculated water in a fountain or other decorative water feature;
 - Watering lawns in a manner that causes runoff, or within 48 hours after measurable precipitation; and
 - Irrigating ornamental turf on public street medians.
5. The Water Board and the Department shall direct actions to minimize water system leaks that waste large amounts of water. The Water Board, after funding projects to address health and safety, shall use loans from the Drinking Water State Revolving Fund to prioritize local projects that reduce leaks and other water system losses.
6. The Water Board and the Department shall direct urban and agricultural water suppliers to accelerate their data collection, improve water system management, and prioritize capital projects to reduce water waste. The California Public Utilities Commission shall order investor-owned water utilities to accelerate work to minimize leaks.
7. The California Energy Commission shall certify innovative water conservation and water loss detection and control technologies that also increase energy efficiency.

STRENGTHEN LOCAL DROUGHT RESILIENCE

8. The Department shall strengthen requirements for urban Water Shortage Contingency Plans, which urban water agencies are required to maintain. These updated requirements shall include adequate actions to respond to droughts lasting at least five years, as well as more frequent and severe periods of drought. While remaining customized according to local conditions, the updated requirements shall also create common statewide standards so that these plans can be quickly utilized during this and any future droughts.
9. The Department shall consult with urban water suppliers, local governments, environmental groups, and other partners to update requirements for Water Shortage Contingency Plans. The updated draft requirements shall be publicly released by January 10, 2017.

10. For areas not covered by a Water Shortage Contingency Plan, the Department shall work with counties to facilitate improved drought planning for small water suppliers and rural communities.

IMPROVE AGRICULTURAL WATER USE EFFICIENCY AND DROUGHT PLANNING

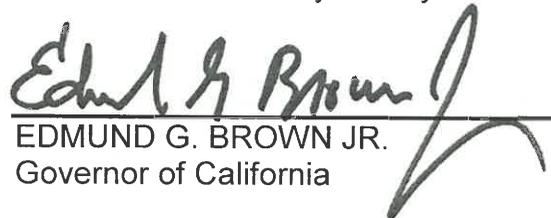
11. The Department shall work with the California Department of Food and Agriculture to update existing requirements for Agricultural Water Management Plans to ensure that these plans identify and quantify measures to increase water efficiency in their service area and to adequately plan for periods of limited water supply.
12. The Department shall permanently require the completion of Agricultural Water Management Plans by water suppliers with over 10,000 irrigated acres of land.
13. The Department, together with the California Department of Food and Agriculture, shall consult with agricultural water suppliers, local governments, agricultural producers, environmental groups, and other partners to update requirements for Agricultural Water Management Plans. The updated draft requirements shall be publicly released by January 10, 2017.

The Department, Water Board and California Public Utilities Commission shall develop methods to ensure compliance with the provisions of this Executive Order, including technical and financial assistance, agency oversight, and, if necessary, enforcement action by the Water Board to address non-compliant water suppliers.

This Executive Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 9th day of May 2016.


EDMUND G. BROWN JR.
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

AGENDA ITEM 8



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 6, 2016
SUBMITTED BY:	Dan Martin Engineering Manager	PROJECT:	R2087- DIV. NO. 2 001101
APPROVED BY:	<input checked="" type="checkbox"/> Rod Posada, Chief, Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Permanent Moratorium on the Installation of New Recycled Water Facilities on Otay Mesa		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) place a permanent moratorium on the installation of new recycled water facilities on Otay Mesa (See Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To place a permanent moratorium on the installation of new recycled water facilities on Otay Mesa.

ANALYSIS:

Currently, recycled water is not available on Otay Mesa. The existing recycled water infrastructure on Otay Mesa is being supplied with potable water. As the District has pursued expansion of the District's recycled water supply system to the Otay Mesa area, the District has encountered a number of issues and risks, when considered in total, challenge both the technical and financial feasibility of delivering recycled water to Otay Mesa. On July 2, 2014, staff presented information to the Board on the uncertainty of

recycled water availability for Otay Mesa, the financial feasibility considerations associated with anticipated recycled water rates from the City of San Diego (City), the uncertainty of securing easements to support the Otay Mesa Recycled Water Supply Link Project, and the delivery horizon of Indirect Potable Reuse (IPR) and/or Direct Potable Reuse (DPR). As a result of the information presented to the Board, the Board voted to place a temporary moratorium on the installation of new recycled water facilities on Otay Mesa (see Exhibit A for Project location).

Staff has focused on a number of efforts related to the temporary moratorium on the installation of new recycled water facilities on Otay Mesa since the last update was provided to the Board on November 5, 2014. These efforts include the following:

- Continued efforts with the City to discuss issues and amendments to the agreements between the District and the City.
- Meeting with representatives of the East Otay Mesa Property Owners Association and the Otay Mesa Property Owners Association.
- Close out of Developer recycled water projects in the planning, design, and construction phases on Otay Mesa.

Continued Efforts with the City of San Diego to Discuss Issues and Amendments to the Agreements between the District and the City

Since the date the Temporary Moratorium was put in place by the District in July of 2014, District staff has sent correspondence and held meetings with the City staff regarding issues related to the October 23, 2003 Agreement Between the Otay Water District and the City of San Diego for Purchase of Reclaimed Water from the South Bay Water Reclamation Plant ("Agreement"). District staff has presented proposals regarding: the City's recycled water rates, the "Take-Or-Pay" requirement included in the recycled water Agreement, and miscellaneous terms missing from the recycled water Agreement. Although District staff has met with City staff to discuss the issues and how they impact the delivery of recycled water to Otay Mesa, these items remain unresolved. On November 17, 2015, the City voted to raise the rate for recycled water from the then current rate of \$0.80/HCF (\$348/AF) to a new Unitary Rate of \$1.73/HCF (\$753/AF). This new Unitary Rate was effective on January 1, 2016. District staff has met with the City as recently as June 6, 2016 to discuss the District's proposals outlined above. In that meeting, the City expressed no interest in revising the existing Agreement.

Meeting with Representatives of the East Otay Mesa Property Owners Association and the Otay Mesa Property Owners Association

Staff met with representatives from the East Otay Mesa Property Owners Association and the Otay Mesa Property Owners Association (EOMPOA/OMPOA) back in December 2014 and provided an in-depth review of the District's financial analysis that supported the placement of a temporary moratorium on the installation of new recycled water facilities on Otay Mesa. Upon completion of the review, the representatives from the EOMPOA/OMPOA thanked staff for the overview and agreed with the financial analysis conclusions. As part of the discussion, the EOMPOA/OMPOA representatives requested that the District consider a one (1) year extension to the temporary moratorium on the installation of new recycled water facilities on Otay Mesa. It was explained that during the one (1) year extension, the EOMPOA/OMPOA could focus on attracting businesses to Otay Mesa that have a high demand for recycled water use. Additionally, the EOMPOA/OMPOA representatives explained that the District could use this time to seek funding opportunities that could offset the capital costs of implementing recycled water infrastructure on Otay Mesa.

During the Temporary Moratorium, the EOMPOA/OMPOA has been supportive in lobbying for an equitable cost of supply for recycled water from the City. The EOMPOA/OMPOA has also been actively working to attract businesses to Otay Mesa. At this point, the temporary moratorium has been in place for two (2) years, and to date, staff is not aware of any additional businesses beyond those included in the current planning efforts that would require heavy use of recycled water. Additionally, staff has not identified significant funding opportunities at the Federal, State, or Local levels that could substantially offset the capital costs of implementing recycled water infrastructure on Otay Mesa.

Staff has examined the potential of attracting businesses to Otay Mesa that have a high demand for recycled water use in water intensive manufacturing processes. It has been noted that the disposal of the residual waste water generated by the manufacturing processes may be a factor that limits opportunities for these types of businesses on Otay Mesa.

Close-out of Developer Recycled Water Projects in the Planning, Design, and Construction Phases on Otay Mesa

As noted in the November 5, 2014 update to the Board, District staff completed a review of the Developer projects on Otay Mesa that are affected by the temporary moratorium. In total, thirty (30) projects were identified. These projects, which include both

private recycled water systems and public recycled water mains, were found to be in various stages of project development ranging from planning to construction. Since the last update to the Board, staff has completed the close out of all Developer recycled water projects that were in the planning and design phases on Otay Mesa. The associated recycled water project Developer accounts have also been closed out.

Staff has also worked cooperatively with Developers on active recycled water projects that were in construction on Otay Mesa when the temporary moratorium was put into place in July 2014. On those active projects that were nearing completion, staff worked with the Developers to allow the project to move forward to completion with the knowledge that potable meters will be set on the newly constructed infrastructure to serve the project locations. On projects that were in the early stages of construction when the temporary moratorium was placed, staff worked with the Developers to implement changes on the project that would delete the recycled water infrastructure and mitigate project impacts. At this time, all recycled water construction projects have been closed out. As of July 2014, only potable water meters have been purchased and set on Otay Mesa for permanent service.

Otay Mesa Recycled Water Planning

As part of this update, in response to a previous Board inquiry, this report provides a historical summary of the development and planning efforts with respect to the District's reclaimed water system. This summary is included as Exhibit B to this report. The summary includes a discussion of the foundational planning documents that developed recycled water use projections for Otay Mesa.

As noted in Exhibit B, the District's highest projection for recycled water use on Otay Mesa was included in the 2002 Water Resources Master Plan (WRMP) with an estimated use of 2,112 AF/Year. In 2008, the WRMP was updated to lower projected use to 1,715 AF/Year. Since 2008, the District has reviewed a number of factors that suggest a decline in the projected use of recycled water on Otay Mesa. Projections for ultimate recycled water use on Otay Mesa are estimated to be approximately 1,200 AF/Year and remain unchanged from the last projection presented in July 2014. The District is currently working on the development of an updated Water Facility Master Plan (WFMP).

Summary Update of Factors Included in the Otay Mesa Recycled Water Financial Analysis

In July 2014, when the Board approved the Temporary Moratorium on the installation of new recycled water facilities on Otay Mesa, the associated financial analysis considered factors including: the estimated cost of supply from the City; the cost of recycled water transmission main infrastructure; the estimated future demand of recycled water on Otay Mesa; and the availability/expiration of recycled water incentives to fund the infrastructure. The following summarizes the current status of these factors:

Cost of Supply - In July of 2014, when the Board placed the Temporary Moratorium on Otay Mesa, staff used a recycled water cost of supply valued at \$1.30/HCF (\$566/AF) based on a 2013 proposed zone rate for the South Bay. Using this cost of supply, it was determined through the financial analysis that the payback period for infrastructure was more than 70 years which is beyond the useful life of the recycled water infrastructure. This rate was not implemented by the City. The approved City's rate of \$1.73/HCF (\$753/AF) is thirty-three percent greater than the assumed rate included in the July 2014 analysis. Under this approved rate, the payback period has been confirmed at a level that is more than 70 years which is beyond the useful life of the recycled water infrastructure.

Infrastructure Cost - In July of 2014, the estimated cost for the recycled water transmission main was \$23.5 million. From February 2014 to February 2016, the "*Engineering News Record Los Angeles Construction Cost Index*" has increased by 3.8 percent, indicating a potential increase in the Otay Mesa recycled water transmission main construction costs to \$24.4 million. This potential cost increase will also contribute to a longer payback period.

Recycled Water Demand - The projected Year 2035 demand for recycled water on Otay Mesa remains unchanged at 1,200 Acre-Feet per year since July 2014. Since this demand has not increased, the increased cost of supply and cost of infrastructure would be distributed across the same number of projected users.

Expiration of Recycled Water Incentives - Metropolitan Water District (MWD) recycled water incentives are set to expire in 2025. San Diego County Water Authority (SDCWA) recycled water incentives are set to expire in 2026. No additional incentives have been identified.

During the two (2) years of the Temporary Moratorium, greater certainty has been realized with respect to the factors included as

part of the Otay Mesa Recycled Water Financial Analysis. The current status of factors that contribute to the financial analysis results in less feasibility and supports the staff recommendation to place a permanent moratorium on the installation of new recycled water facilities on Otay Mesa.

Net Present Value Loss

The District's Finance staff prepared a recycled water financial feasibility analysis for Otay Mesa based on anticipated costs of water from the City's South Bay Water Reclamation Plant (SBWRP). This analysis supports the conclusion regarding the unfeasibility of expanding recycled water on Otay Mesa without a reliable and cost effective water supply. The recycled water supply Agreement with the City of San Diego expires at the end of 2026 and the District's expansion project would begin delivering recycled water to Otay Mesa in 2020. With only six years remaining on the Agreement from the time recycled water is able to be delivered to Otay Mesa, staff is concerned about further expansion of the District's recycled water supply system to Otay Mesa given the uncertainty of the supply. In addition to the City's recycled water supply and pricing issues, there are risks, that when combined, currently render this a costly source of water. These risks include: the projected volume associated with the level of CIP expenditures; potable versus recycled water costs; ongoing incremental recycled operating costs; and the expiration of Metropolitan Water District of Southern California (MWD) and San Diego County Water Authority (SDCWA) credits in 2025 and 2026, respectively. Staff anticipates that while the volume of water being delivered to Otay Mesa will level off at approximately 1,200 AF/year, the ongoing incremental costs associated with maintaining the recycled system will continue to increase.

The table below, prepared by staff, summarizes the 70-year net present value (NPV) financial analysis. Following the table is a discussion regarding the assumptions contained in the analysis. In total, staff estimates the expansion of recycled water to Otay Mesa will result in a NPV loss, using a 3.29% discount factor, of \$14.7 million over the next 70 years. The discount factor used was based on the 30-year average Consumer Price Index for San Diego.

Otay Water District
Net Present Value of Otay Mesa Recycled Expansion
(in millions)

Year	Water Cost Benefit	CWA/MWD Credit Benefit	Take or Pay Benefit	Water Revenues	Operating Expense	CIP/Debt Funding	Interest Income	Net Present Value Loss
Total	\$35.3	\$2.5	\$1.5	(\$15.1)	(\$13.7)	(\$15.9)	(\$9.3)	(\$14.7)

- **Water Volumes**

The analysis estimates the Otay Mesa recycled expansion will deliver 672 acre-feet of recycled water beginning in 2020 and grow to a total demand of approximately 1,200 acre-feet per year by 2035.

- **Water Cost Benefit**

The water cost benefit of \$35.3 million is the savings generated through the purchase of lower cost recycled water versus higher cost potable water. The amounts are based on the FY 2017 budgeted amounts and the Fiscal Year 2017 six-year rate model. The financial analysis reflects the City's unitary recycled rate of \$753/AF, which was effective on January 1, 2016.

- **MWD/CWA Credit Benefit**

The MWD/CWA credit benefit of \$2.5 million represents credits the District receives based on the volume of recycled water sold on Otay Mesa. Currently, the District receives a combined \$385/AF credit from SDCWA and MWD for recycled water sales to assist in the recovery of investments in the recycled system. The District would receive an incremental increase of \$2.5 million in credits due to the additional demand on Otay Mesa. However, these credits will expire in 2025 and 2026, and their continuation beyond that period is uncertain.

- **Take-or-Pay Benefit**

The take-or-pay benefit of \$1.5 million represents the reduction in the take-or-pay penalty paid to the City due to the additional recycled demand on Otay Mesa. The District is

currently unable to meet the recycled water contractual volume with the City and as a result, pays for water it does not use. In addition, the City has been unwilling to renegotiate the current contractual volumes. Therefore, a benefit related to the additional recycled water demand generated by expanding recycled water on Otay Mesa has been included in the analysis.

- **Water Revenue Impact**

The water revenue impact of (\$15.1) million represents a reduction in future revenues due to the sale of lower priced recycled water versus higher priced potable water. The District's recycled water rates are 15% lower than potable water rates; therefore, at similar volumes the sale of recycled water generates 15% less revenues than potable water. If the District were to move forward with expanding recycled water on Otay Mesa, the District's revenues over the 70-year period would be negatively impacted by this amount.

- **Operating Expenses**

There are an estimated (\$13.7) million of incremental operating expenses over the 70-year period related to the ongoing costs of maintaining the recycled infrastructure on Otay Mesa. In addition, there are incremental costs associated with cross-connection testing and on-going inspections. The ongoing costs of maintaining the recycled water infrastructure is based on an average cost of maintenance of \$0.37 per foot of pipeline for an estimated 64.3 miles of pipeline on Otay Mesa. The net present value of the maintenance costs total \$8.1 million. Cross-connection inspections occur annually and testing occurs once every four (4) years. The average annual cost for inspections and testing is \$750 per meter. Staff has estimated there would be 115 recycled meters on Otay Mesa resulting in a total NPV inspection cost of \$5.6 million.

- **CIP/Debt Funding (Net of Grants)**

The total estimated NPV cost of the project including grant funding and debt service costs is (\$15.9) million. The estimated CIP expenditure for the expansion of the recycled water system to the Otay Mesa is approximately \$23.5 million through 2025. The District anticipates it could potentially fund the project with a state revolving fund loan and recoup up to 25% of the recycled water project expenditures. Staff completed the analysis assuming both the state revolving fund loan and grants were obtained. However, there is some risk

since grant reimbursements are not guaranteed. Failure to obtain grant funding would further degrade the financial feasibility of recycled water on Otay Mesa.

If the District is able to fund 25% of the CIP through grants, the CIP cost per annual acre-feet of supply would be \$14,414. This is 69% higher than the cost of obtaining recycled water from the City. The District has invested approximately \$25.6 million, net of grants, to obtain the current 3,000 acre-feet per year from the City's South Bay Water Reclamation Plant (SBWRP). The District estimates the investment in the connection to the SBWRP will be recouped by 2026. This recoupment is mainly due to the CWA/MWD credits and the City's recycled water rate of \$348/AF from 2006 to 2015. The benefit these two (2) items would have provided to the expansion of recycled water on Otay Mesa is reduced, due to the expired credits from the CWA/MWD and the City's increased recycled water rate of \$753/AF.

- **Interest Income**

The negative interest income of \$9.3 million represents the lost interest earnings over the 70-year period as a result of the overall negative cash flow associated with the expansion of recycled water on Otay Mesa moving forward. On a stand-alone basis, there is not enough of an operational financial benefit to service the associated debt, which results in a negative cash flow. Staff is assuming an initial interest income rate of 0.79% in 2016 and has gradually increased the rate to approximately 3.98% by 2030, which is the average interest earnings rate for the District over the last 23 years.

Sensitivity Analysis

To determine the sensitivity of the financial analysis, staff evaluated the financial feasibility under multiple pricing and demand scenarios. Staff evaluated the financial feasibility of recycled water on Otay Mesa, based on the current City's unitary rate of \$753/AF and a zone rate of \$510/AF. As part of each analysis, staff determined the level of demand that would be required for the expansion of the recycled system on Otay Mesa to be financially feasible. To be financially feasible under unitary pricing, the ultimate demand on Otay Mesa would need to be at least 3,200 acre-feet per year by 2035. To be financially feasible under zone rate pricing, the ultimate demand would need to be at least 1,900 acre-feet per year by 2035. Based on a projected annual

demand of 1,200 acre-feet, expansion of recycled water on Otay Mesa would not be financially feasible.

Avoided San Diego County Water Authority (SDCWA) Capacity Fees on Recycled Meters

The District has not collected SDCWA capacity fees on meters set and designated as future recycled water meters in anticipation that recycled water would be available on Otay Mesa. The value of the avoided SDCWA fees, based on an analysis of SDCWA capacity and treatment fees that would have been due at the time of meter purchase, totals \$1,340,684.00.

Review and assessment of existing District maintained recycled water facilities on Otay Mesa

Additional review of the existing recycled water infrastructure on Otay Mesa has confirmed that the recycled water mains have been tested to potable standards. The District maintains interconnection facilities which includes backflow prevention devices at twenty-four locations on Otay Mesa. These devices connect the recycled water mains to the existing potable mains and were put into place in order to provide a water supply. The District maintained backflow prevention devices were scheduled to be removed once recycled water was made available on Otay Mesa.

As indicated in the November 5, 2014 Board report which provided an update on the Temporary Moratorium of new recycled water facilities on Otay Mesa, a significant majority of the recycled water infrastructure on Otay Mesa has been placed into service and is currently serving water to active recycled water meters. In total, less than 1.4 percent of the 16.4 miles of recycled water mains are not charged with water. Should a permanent moratorium on the installation of new recycled water facilities be placed on Otay Mesa, the existing recycled water infrastructure can remain functioning as it does today providing water to the District's customers until an evaluation of alternative use is completed and a strategy is implemented. That evaluation will focus on a reassignment of facilities to convert the "recycled" infrastructure to "potable" infrastructure. That infrastructure could provide redundancy to enhance reliability on Otay Mesa.

Next Steps

Next steps pending Board approval of a permanent moratorium on the installation of new recycled water facilities on Otay Mesa include the following:

- Discussions will be initiated with SDCWA regarding applicable capacity fees associated with changing meter designations from recycled water to potable water meters.
- The approved Fiscal Year 2017 budget includes a Capital Improvement Program project (R2123) to evaluate alternative uses for the recycled waterlines installed on Otay Mesa. Work on this project in FY 2017 will consist of hydraulic modeling to access the potential for alternative use.
- Update the District's Water Facility Master Plan (WFMP) to reflect a Permanent Moratorium on the installation of new recycled water facilities on Otay Mesa.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

Overall, it has been determined that the financial benefits of a permanent moratorium outweigh the identified financial costs. There are financial costs associated with a permanent moratorium. Those costs include potential reimbursement of \$950,000 in grant funds that were received from the United States Bureau of Reclamation (USBR) and SDCWA capacity fees.

STRATEGIC GOAL:

This Project supports the District's Mission statement, "To provide high value water and wastewater services to the customers of the Otay Water District in a professional, effective, and efficient manner" and the District's Vision, "A District that is innovative in providing water services at affordable rates, with a reputation for outstanding customer service."

LEGAL IMPACT:

None.

DM/RP:

P:\WORKING\CIP R2087\Staff Reports\BD 07-06-16\BD 07-06-16 Staff Report Otay Mesa Recycled Water Permanent Moratorium.docx

Attachments: Attachment A - Committee Action
 Exhibit A - Project Location Map
 Exhibit B - Otay Mesa Recycled Water Planning



ATTACHMENT A

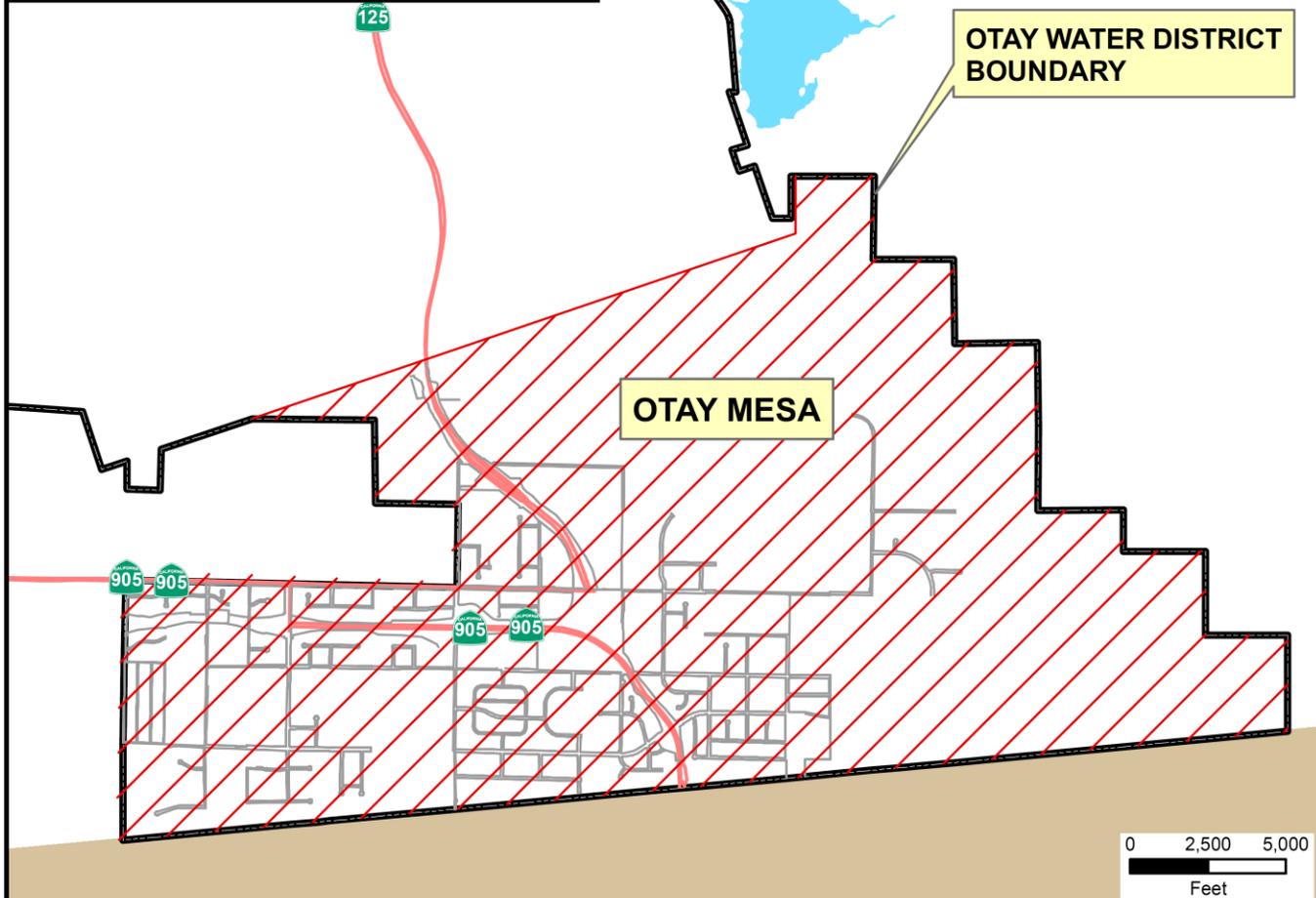
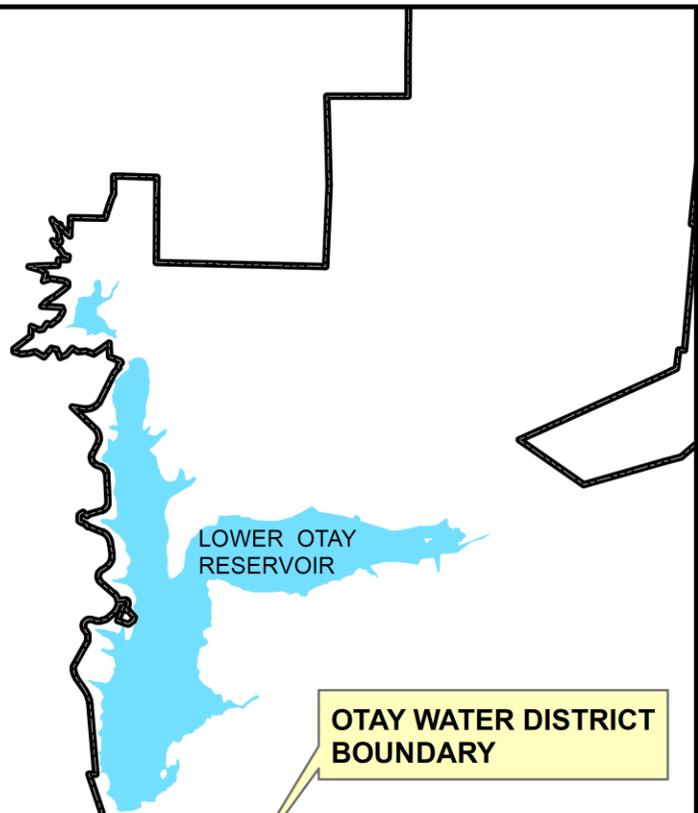
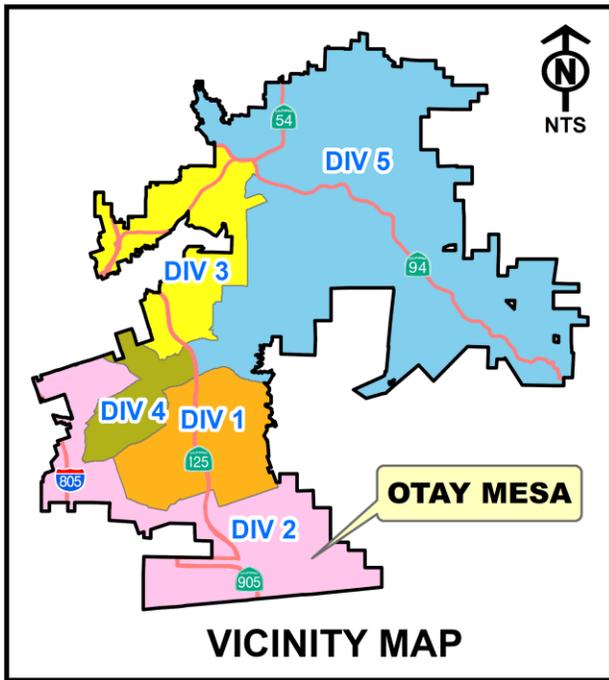
SUBJECT/PROJECT: R2087-001101	Permanent Moratorium on the Installation of New Recycled Water Facilities on Otay Mesa
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COMMITTEE ACTION:

Finance, Admin, and Communications Committee (Committee) reviewed this item at a meeting held on June 22, 2016. The Committee supported Staff's recommendation.

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.



OTAY WATER DISTRICT
OTAY MESA RECYCLED WATER AREA



EXHIBIT A



EXHIBIT B

OTAY MESA RECYCLED WATER PLANNING July 6, 2016

This report summarizes efforts by the Otay Water District with respect to recycled water use projections for Otay Mesa. The District's involvement with recycled (reclaimed) water dates back to as early as 1963 when the Board initiated a policy of advanced planning for water and sewer facilities within the District. A staff report submitted to the Board of Directors on October 19, 1994 contains a summary of the history of sewer and the development of the District's reclaimed water system from the 1960's through 1994. This staff report is attached as Attachment 1 to this report.

Since 1994, the District has completed a number of planning documents to guide the development of water infrastructure. They are outlined as follows:

Otay Water District Water Resources Master Plan (WRMP) - dated April 1995

In April of 1995, Montgomery Watson developed the "*Otay Water District Water Resources Master Plan*." This document included an update to the reclaimed water distribution plan developed in 1991 and refined assumptions and analysis made to reflect policy and land use changes. The specific tasks included in the April 1995 WRMP included determining water demand for the Central and Otay Mesa areas using the established market assessments, but adjusting the acreage of usage or unit demand where appropriate. Chapter 11 of the April 1995 WRMP included a table (Table 11-4 shown below) that provided "Projected Reclaimed Water Demands for Otay Mesa." The demand shown in the Table 11-4 represents projected ultimate demand using planning criteria.

TABLE 11-4

PROJECTED RECLAIMED WATER DEMANDS FOR OTAY MESA

Map ID	Land Use	Area (acres)	Percentage to be Irrigated	Irrigated Acreage	Reclaimed Water Irrigation Factor (gpd/acre)	Average Reclaimed Water Demand (gpd)
405A	Otay Mesa Industrial Area 26E	240.0	5%	12.0	2,230	26,760
406A	Otay Mesa Industrial Area 35E	280.0	5%	14.0	2,230	31,220
401	Otay Mesa Industrial Area 33	650.0	5%	32.5	2,230	72,475
402	Otay Mesa Industrial Area 34	480.0	5%	24.0	2,230	53,520
403	Otay Mesa Industrial Area 4	280.0	5%	14.0	2,230	31,220
404	Otay Mesa Industrial Area 3	260.0	5%	13.0	2,230	28,990
405	Otay Mesa Industrial Area 26W	240.0	5%	12.0	2,230	26,760
406	Otay Mesa Industrial Area 35W	280.0	5%	14.0	2,230	31,220
407	Otay Mesa Industrial Area 2	183.0	5%	9.2	2,230	20,405
408	Otay Mesa Industrial Area 25	480.0	5%	24.0	2,230	53,520
409	Otay Mesa Industrial Area 36	480.0	5%	24.0	2,230	53,520
410	Otay Mesa Industrial Area 1W	30.0	5%	1.5	2,230	3,345
411	Otay Mesa Industrial Area 1E	31.0	5%	1.6	2,230	3,457
412	Otay Mesa Industrial Area 30	480.0	5%	24.0	2,230	53,520
413	Otay Mesa Industrial Area 31	685.0	5%	34.3	2,230	76,378
414	Otay Mesa Industrial Area 29	121.0	5%	6.1	2,230	13,492
415	Otay Mesa Industrial Area 32	480.0	5%	24.0	2,230	53,520
416	Otay Mesa Commercial C-1	240.0	10%	24.0	2,230	53,520
417	Otay Mesa Commercial C-2	196.0	10%	19.6	2,230	43,708
418	R. J. Donovan State Prison	657.0	10%	65.7	2,230	146,511
419	East Mesa Detention Facility	548.0	10%	54.8	2,230	122,204
TOTAL		7,321.0		448.1		999,263

⁽¹⁾Locations refer to market assessment in 1991 Black & Veatch report.

The anticipated land use for Otay Mesa included industrial areas, commercial areas, and projected use at the R.J. Donovan State Prison and East Mesa Detention Facility, as noted in Table 11-4 of the 1995 WRMP. It was anticipated that recycled water would be used for landscaping needs for these land uses. In total, the projected demand for Otay Mesa in the April 1995 WRMP was 999,263 gallons per day (1,119 AF/Year).

Report for Utilization of Recycled Water Irrigation for Single and Multiple Family Residential Developments – dated April 1997

In April of 1997, Daniel Boyle Engineering, Inc. developed a report for “*Utilization of Recycled Water Irrigation for Single and Multiple Family Residential Developments for the Otay Water District.*” The purpose of the report was to update the projected recycled water demands included in the District’s WRMP to incorporate additional uses including single family residential landscaping and toilet and urinal flushing at the R.J. Donovan State Prison and East Mesa Detention Facility. Section 2 of the April 1997 report included Table 2.3, “Projected Annual Demands” for the Otay Mesa System, as shown below.

TABLE 2.3**Projected Annual Demands (MGD)**

<u>Year</u>	<u>Central System</u>	<u>Otay Mesa System</u>	<u>Total Projected Demands</u>
1997	0.75	0	0.75
1998 ⁽¹⁾	0.95	0.04	0.99
2000 ⁽²⁾	1.36	0.04	1.40
2002	1.44	0.04	1.48
2007 ⁽³⁾	1.67	0.10	1.77
2012	1.93	0.11	2.04
2017	2.24	0.13	2.37
2021 ⁽³⁾	2.52	0.28	2.80
2022	2.60	0.29	2.89
2027 ⁽⁴⁾	3.01	0.39	3.40
2032	3.49	0.45	3.94
2037	4.05	0.52	4.57
2040 ⁽⁵⁾	4.23	0.57	4.80
2042	4.23	0.61	4.84
2047	4.23	0.71	4.94
2052	4.23	0.82	5.05
2057	4.23	0.95	5.18
2062	4.23	1.10	5.33
2064 ⁽⁶⁾	4.23	1.23	5.46

⁽¹⁾ Projected additional demands in Central System due to completed recycled water pipelines.

⁽²⁾ Projected additional demands due to completion of Olympic Training Center.

⁽³⁾ Projected additional demands due to projected completion date of East Mesa Detention Facility expansion.

⁽⁴⁾ Projected additional demands due to R. J. Donovan expansion.

⁽⁵⁾ Projected Buildout of Central System

⁽⁶⁾ Projected Buildout of Otay Mesa System

In total, the projected demands for Otay Mesa in the April 1997 report for “*Utilization of Recycled Water Irrigation for Single and Multiple Family Residential Developments*” was 1,230,000 gallons per day (1,377 AF/Year).

Otay Water District Water Resources Master Plan (WRMP) - dated August 2002

In August of 2002, District staff developed the "2002 Otay Water District Water Resources Master Plan." This document updated the reclaimed water distribution plan included in the "1995 Otay Water District Water Resources Master Plan" developed by Montgomery Watson. In the 2002 WRMP, the projected demand for recycled water on Otay Mesa was updated to include the use of recycled water for State Route 125, State Route 905, the Future State Route 11 Border Crossing, and a future power plant. Table 11-5, Summary of Projected Recycled Water Annual Average Day Demands, included projected ultimate demand for recycled water on Otay Mesa which totaled 1,886,130 gallons per day (2,112 AF/Year). A breakdown of the demand by land use included in the 2002 WRMP is shown in the table below:

PROJECTED OTAY MESA RECYCLED WATER DEMANDS

Map I.D. (2)	Land Use Category	Land Use Code	Gross Area (acres)	Percent Irrigated	Irrigated Area (acres)	Unit Demand (gpd/acre)	Demand (gpd)	Demand (gpm)
860 Pressure Zone								
401	Industrial (Section 33)	I	619.1	5%	31.0	2,155	66,709	48.33
402	Industrial (Section 34)	I	484.8	5%	23.2	2,155	50,056	34.76
403	Industrial (Section 4)	I	261.8	5%	13.1	2,155	28,211	19.59
404	Industrial (Section 3)	I	241.8	5%	12.1	2,155	26,056	18.09
405	Industrial (Section 25W)	I	223.0	5%	11.1	2,155	24,026	16.68
405A	Commercial (Section 26SE)	C	143.0	10%	14.3	2,155	30,811	21.40
405B	Industrial (Section 26NE)	I	80.0	5%	4.0	2,155	8,620	5.99
408	Industrial (Section 35S)	I	392.3	5%	19.6	2,155	42,268	29.35
406A	Industrial (Section 35NE)	I	134.6	5%	6.7	2,155	14,498	10.07
407	Industrial (Section 2)	I	164.8	5%	8.2	2,155	17,759	12.33
408	Industrial (Section 25)	I	380.0	5%	19.0	2,155	40,945	28.43
408A	Industrial (Section 36NE)	I	129.1	5%	6.5	2,155	13,912	9.66
409	Existing Industrial (Section 36NW)	I	140.7	11%	15.0	2,155	32,275	22.41
410	Industrial (Section 1NW)	I	23.9	5%	1.2	2,155	2,579	1.79
n/a	Secord Border Crossing	I	40.0	5%	2.0	2,155	4,310	2.99
411	Industrial (Section 1NE)	I	23.9	5%	1.2	2,155	2,579	1.79
412	Industrial (Section 30)	I	360.0	5%	18.0	2,155	38,790	26.94
412A	Commercial (Section 30S)	C	20.0	10%	2.0	2,155	4,310	2.99
413	Industrial (Section 31)	I	635.9	5%	31.8	2,155	68,521	47.58
414	Industrial (Section 29)	I	121.0	5%	6.1	2,155	13,038	9.05
415	Industrial (Section 32S)	I	406.3	5%	20.3	2,155	43,777	30.40
416	Commercial C-1 (Section 34NE)	C	218.8	10%	21.7	2,155	46,728	32.45
417	Commercial C-2 (Section 36S)	C	304.6	10%	30.5	2,155	65,832	45.58
418	R. J. Donovan State Prison	CPF	773.5	10%	77.4	2,155	166,889	115.76
418	R. J. Donovan State Prison Toilet Flush	CPF	-	-	-	-	185,000	128.47
419	East Mesa Detention Facility	CPF	519.0	10%	51.9	2,155	111,845	77.67
419	East Mesa Detention Facility Laundry and Toilet	CPF	-	-	-	-	79,900	55.49
420	Otay Ranch RI 80	I	21.0	5%	1.1	2,155	2,263	1.57
421	Otay Ranch RI 85	I	175.0	5%	8.8	2,155	18,856	13.09
422	Otay Ranch RI 90	I	21.0	5%	1.1	2,155	2,263	1.57
423	Otay Ranch RI 91	I	41.0	5%	2.1	2,155	4,418	3.07
424	Otay Ranch RI 93	I	273.6	5%	13.7	2,155	29,476	20.47
425	Otay River Open Space	OS	60.0	0%	-	-	-	-
426	Otay River Open Space	OS	160.0	0%	-	-	-	-
F and S	Fire Station/Sheriff	CPF	1.8	20%	0.4	2,155	771	0.54
T	MTDB Station	CPF	4.9	20%	1.0	2,155	2,121	1.47
n/a	Power Plant	C	100.0	10%	10.0	2,155	21,550	14.97
Zone 1	SR 125 (Otay River to SR 905)	HWY	45.1	100%	45.1	2,155	97,191	67.49
Zone 3	SR 125 (Toll Plaza)	HWY	25.0	100%	25.0	2,155	53,875	37.41
Zone 3	SR 125 (Future Lone Star Road I/C)	HWY	10.0	100%	10.0	2,155	21,550	14.97
n/a	SR 125 and SR 905 I/C (Proposed)	HWY	10.0	100%	10.0	2,155	21,550	14.97
n/a	SR 905 (Heritage to SR 125)	HWY	92.7	100%	92.7	2,155	199,695	138.68
n/a	SR 905 (SR 125 to Future Border Crossing)	HWY	81.9	100%	81.9	2,155	176,397	122.50
n/a	Future Border Crossing	I	40.0	5%	2.0	2,155	4,310	2.99
Total :			7,982.6		752.3		1,886,130	1,309.81

- (1) The Otay Mesa recycled water demands excludes the foothill areas for single family dwellings and open space.
- (2) For most Map I.D. locations refer to market assessment in 1991 Black & Veatch report.
- (3) Revisions to the 1991 Black & Veatch report areas incorporate SR 905, SR 125, INS border control, and East Otay Mesa Specific Plan areas.
- (4) The East Mesa Detention Facility and R. J. Donovan Prison toilet flushing and laundry demands from August 1997 RBF & Associates report.
- (5) Land use landscaping data was provided by the SR 125 project proponents (i.e. California Transportation Ventures).
- (6) The data incorporates the GDP Planning Area 18a area.

Otay Water District Water Resources Master Plan (WRMP) - dated August 2008

In October 2008, PBS&J developed the “2008 Otay Water District Water Resources Master Plan.” This document updated the projected use of recycled water that was included in the 2002 WRMP. Ultimate projected recycled water demands in Otay Mesa were generated using projects with a Sub Area Master Plan (SAMP), recycled water meters currently charged with potable water, and general future land use categories. Future land uses were based on the existing Otay Mesa Community Plan and the East Otay Mesa Specific Plan. The typical land use types identified consisted of parks, commercial and industrial development, freeways, street and highway corridor landscapes, multi-family residential development, public and community purpose facilities. The projected recycled water demand for Otay Mesa is summarized in Table 5-3 from the 2008 WRMP, as shown below.

Table 5-3. Otay Mesa Projected Recycled Water Demands

No.	Project Name	2002 WRMP Projected Recycled Use (gpd)	Updated Projected Recycled Use (gpd)	Source
1	Recycled Water Meter Conversion	0	301,458	Otay Water District
2	Otay Crossings Commerce Park	0	20,580	Anticipated SAMP 2008/2009
3	3rd Border Crossing	4,310	10,279	Anticipated SAMP 2008/2009
4	Corrections Corporation of America Excess Demand		47,000	Anticipated SAMP 2008/2009
5	Energy Plant	21,550	21,550	2002 WRMP
6	Donovan State Correctional Facility	166,689	83,377	Land Use Irrigation Demand
7	East Otay Mesa Detention Facility	111,845	50,599	Land Use Irrigation Demand
8	SR-905	376,092	252,144	Land Use Irrigation Demand
9	SR-125	194,166	130,116	Land Use Irrigation Demand
10	Other	1,011,478	614,659	Land Use Irrigation Demand ⁽¹⁾
	Total	1,886,130	1,531,763	

⁽¹⁾ Land Use Irrigation Demand indicates that demands were calculated using irrigated acreage and the recycled water duty factor described in Table 5-9 for the proposed land use.

The 2008 WRMP lowered the projected use for recycled water for all land use types including industrial, commercial, State Highway facilities, and the planned correctional/detention facilities. In general, the updated projection for Otay Mesa was lowered by approximately 19 percent from the 2002 WRMP projections to 1,531,763 gallons per day (1,715 AF/Year). It is noted that this report was developed 8 months after the District began acquiring recycled water from the City of San Diego and implementing use in the Central area of the District. Since that time, the District has gained experience with a larger recycled water customer base and that experience has been applied to forecast recycled water projections.

Events that have influenced Recycled Water Usage and Land Use Development

Since January of 2007, there have been events that have influenced the use of recycled water in the District, including the following:

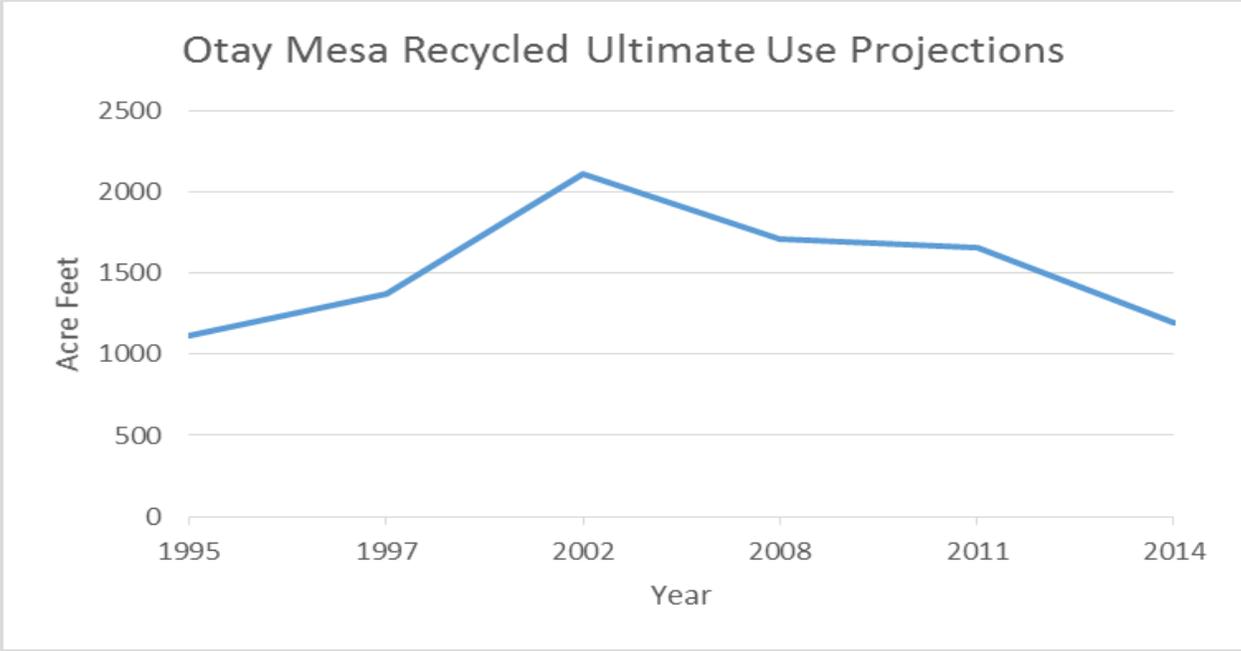
Nationwide Economic Recession - The recession which started in December of 2007 and peaked in June of 2009 impacted development in the District, including Otay Mesa. The recession essentially brought development on Otay Mesa to a stop. Recessionary use of recycled water also declined as individuals had less discretionary funds for items like water for irrigation. The reduced use of recycled water mirrored reductions in potable water use during this time. Recovery from the recession was only recently achieved in the last few years.

Conservation – In recent years, agencies including the City of San Diego and the County of San Diego have made revisions to allowable plant types used in developments to encourage water conservation. Additionally, the conservation message encouraged by all water agencies has influenced users of recycled water to also use less water.

Changes to Landscape Usage – The WRMP updates performed in 2002 and 2008 anticipated Caltrans to be a long-term user of recycled water for landscaping implemented as part of the new freeway construction at State Route 125, State Route 905, and the new Border Crossing. Caltrans' current practice is to apply irrigation for a limited period of years to establish planting for erosion control and then pull the meters after a period of seven (7) years. As such, Caltrans can no longer be considered a permanent user of recycled water for planning purposes.

Future Projections for Otay Mesa/Updated WRMP

The District's highest projection for recycled water use on Otay Mesa was included in the 2002 WRMP with an estimated use of 2,112 AF/Year. In 2008 the WRMP was updated to lower projected use to 1,715 AF/Year. Since 2008, the District has reviewed a number of factors that suggest a decline in the projected use of recycled water on Otay Mesa, including conservation and Caltrans landscaping as noted above. Current projections for ultimate recycled water use on Otay Mesa are estimated to be approximately 1,200 AF/Year. The graph below shows the ultimate projections for recycled water use on Otay Mesa included in the planning documents between 1995 and 2014. Projections for recycled water on Otay Mesa have remained unchanged since 2014.



ATTACHMENT 1
TO EXHIBIT B

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	10/19/94
SUBMITTED BY:	Tim Stanton <i>TAS</i>	WO NO./GF NO.:	
SUBJECT:	History of Sewer - Reclaimed Water System		

PURPOSE:

This is an informational report in response to your Board's request for a review of the history of the Ralph W. Chapman Water Recycling Facility (RWCWRF) and the associated sewer and reclaimed water system.

BACKGROUND

There have been several staff reports to the Board regarding the rates charged for, and cost of producing, reclaimed water. At the September 7, 1994 Board meeting, EastLake Country Club Vice President, Dave Kuhn requested that the Board lower the rates for reclaimed water to 50% of the domestic water rates. He felt that this would more appropriately reflect the true cost of reclaimed water, be an incentive for more use by others, and reflect more closely what other agencies are charging.

Staff had evaluated the cost of reclaimed water and reported to your Board that current rates are only now starting to recover the cost of constructing, operating and maintaining the reclaimed system. As illustrated in Exhibit A, a break even analysis was created by Padre Dam for their reclaimed system and their break even occurs in the year 2000.

Regarding the reclaimed water rates charged by other agencies, Exhibit B is a list of rates charged by other agencies for reclaimed water. This list illustrates some are charging potable rates, but there is a wide variation from 47% to 100% of potable rates.

Your Board asked staff to study the matter further, starting with a report on the history of the sewer and reclaimed system.

Staff proposes to meet your Board's request using the following approach:

- Review history and present in a staff report to your Board.
- Retain an engineering consultant to prepare a revised sewer and reclaimed system master plan to be complete by 1/30/95.
- Retain a rates consultant to develop rates from the master plan, work to be completed in parallel with Master Plan.
- Present a staff report to your Board on the results of the Master Plan and rates study in February 1995.

This report presents the history of the sewer and reclaimed system as available in existing documents, staff reports to your Board, letters and memos in file and a bond prospectus.

The history of Otay Water District's involvement in sewer and reclaimed water dates back to 1963 when your Board initiated a policy of advanced planning for water and sewer facilities within the District. Exhibit C is a detailed summary of events following that decision. The following are a few of the major highlights.

- 1965 Failed septic tanks that could drain to Sweetwater Lake led to a County study that concluded in-basin wastewater treatment was the most practical and economical solution.
- 1968 70,000 gpd Hillsdale Treatment Plant constructed, secondary reclaimed water used at Valhalla High School for irrigation, and on a local tree farm.
- 1971 Regional Water Quality Control Board (RWQCB) required reclaimed water not be used in the Jamacha Basin, as it might degrade basin water quality. Solution was to pump 750 feet over a ridge to the Use Area, then use to irrigate farms immediately downstream of site. Consideration was also given to a plant below Sweetwater Lake and use of reclaimed water in the regional park.
- 1972 Phase I of in-basin reclamation project constructed consisting of Calavo and Hillsdale outfall sewers and Steele Canyon Pump Station. Interim connection to Metro was provided through Spring Valley Sanitation District (SVSD).

- 1978 General Obligation Bonds issued in ID 18 for \$7,300,000 to fund RWCWRF. Projected sewer flows of 1.3 mgd by 1984, current level was 300,000 gpd. Potential revenue from reclaimed water projected to be \$130,000 per year.
- 1980 Construction began on the RWCWRF and completed in late 1980, capacity 1.3 mgd. Purchased 524 acres in the Use Area and built ponds for \$1.7 million to use reclaimed water.
- 1989 Study determines plant can only produce 0.58 mgd of Title 22 water.
- 1989 Upgrade of plant to 1.3 mgd of Title 22 reclaimed water estimated to cost \$5.76 million. Plant could be increased to 4.5 mgd in future. The potential market for reclaimed water is 6.5 mgd, 2.0 mgd to be the combined use by Olympic Training Center and EastLake.
- 1989 10/23/89 letter of intent from EastLake to take reclaimed water, Exhibit D. Their EIR also addressed use of reclaimed water.
- 1990 Board approved that reclaimed water capacity fees and approved monthly service charges for reclaimed water should be the same as potable water.
- 1990 Board workshop on RWCWRF upgrade. Consultant recommended upgrade plant to 1.3 mgd and retain 1.2 mgd in Metro as the best economic decision. Board approved construction contract for upgrade, for \$4,809,000.
- 1992 Modifications to RWCWRF completed.

The following table represents the approximate cost of all sewer and reclaimed water facilities built to date:

	<u>Actual</u>
Collection system	\$13.2 M
Use Area & Storage	\$ 1.7 M
Original plant (JBWRF)	\$ 6.6 M
Upgrade plant (JBWRF)	\$ 7.5 M
Use Area pond lining	\$ 1.8 M
Rancho San Diego P.S.	<u>\$ 0.8 M</u>
Total	\$30.8 M

Since 1965, seven studies were done to evaluate the most cost effective solution to sewage management in the Jamacha Basin, and all but one concluded that the RWCWRF was the most economical solution. Each study assumes there would ultimately be some reuse of the reclaimed water resulting in a revenue stream. Studies were conducted by consultants in 1966, 1969, 1973-(2), 1974, 1990 and 1994.

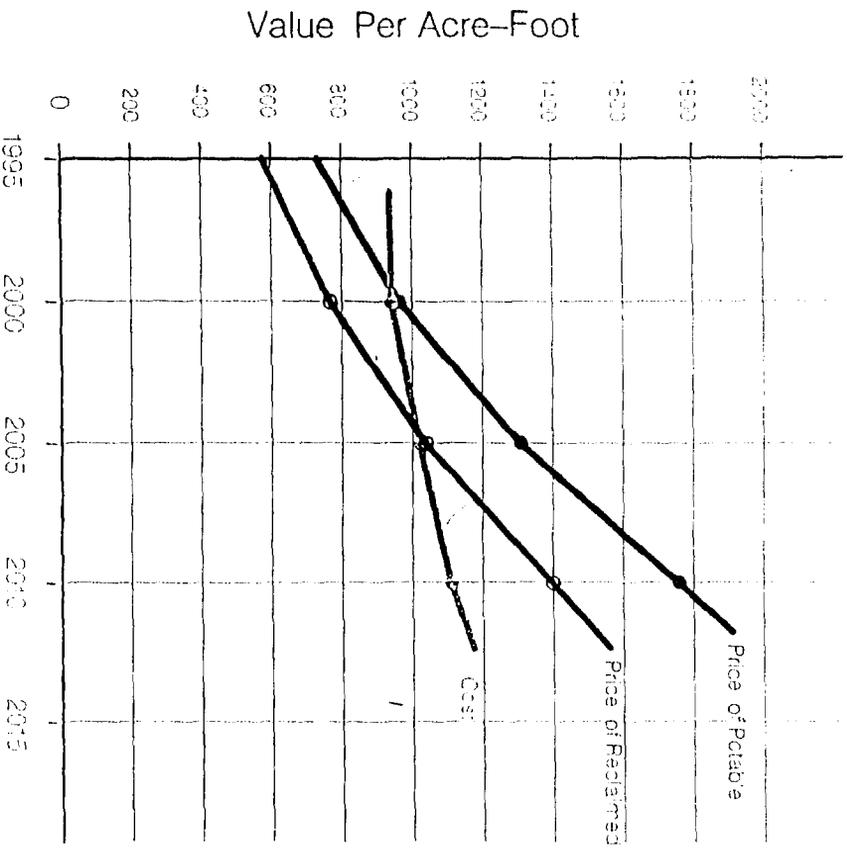
RECOMMENDATION

Staff recommends your Board accept this informational report on the history of the sewer and reclaimed system, and approve staff to:

- Retain an engineering consultant to prepare a revised sewer and reclaimed system master plan to be complete by 1/30/95 for an amount not to exceed \$50,000.
- Retain a rates consultant to develop rates from the master plan, work to be completed in parallel with master plan for an amount not to exceed \$25,000.
- Report back to your Board at the second meeting in February, 1995.

TNS/mds

Attachments



Break Even Analysis

EXHIBIT A

COMPARISON OF POTABLE AND RECLAIMED WATER RATES FOR SELECTED SOUTHERN CALIFORNIA WATER AGENCIES

Agency	Rate Class	Treated Water Rate	Reclaimed Water Rate	Reclaimed Water Rate as % of Treated Water Rate
Carlsbad Municipal Water District	Commercial/Industrial	\$1.67/HCF (\$727/AF)	\$1.67/HCF (\$727/AF)	100%
City of Burbank	Commercial/Industrial	\$1.32/HCF (\$575/AF)	\$0.976/HCF (\$425/AF)	74%
Central Basin Municipal Water District	Wholesale	\$429/AF (2)		
	0 - 25 AF/month		\$260/AF (2)	61%
	25 - 50 AF/month		\$240/AF (2)	56%
	50 - 100 AF/month		\$220/AF (2)	51%
	100+ AF/month		\$200/AF (2)	47%
Fallbrook Public Utility District	Agricultural	\$1.55/1,000 gal. (\$505/AF)	\$1.24/1,000 gal. (\$404/AF)	80%
City of Glendale	Commercial/Industrial	\$1.76/HCF (\$767/AF)	\$1.32/HCF (\$575/AF)	75%
Irvine Ranch Water District	Landscape Irrigation (% of base month use)			
	0 - 100%	\$0.61/HCF (\$266/AF)	\$0.55/HCF (3) (\$240/AF)	90%
	101 - 110%	\$1.22/HCF (\$531/AF)	\$1.10/HCF (3) (\$479/AF)	90%
	111 - 120%	\$2.44/HCF (\$1,063/AF)	\$2.20/HCF (3) (\$958/AF)	90%
	121%+	\$4.88/HCF (\$2,126/AF)	\$4.40/HCF (3) (\$1,917/AF)	90%
Las Virgenes Municipal Water District	Commercial/Industrial	Zone 2 (4)	Zone 2 (4)	
	1 - 12 HCF	\$1.10/HCF (\$479/AF)	\$0.69/HCF (\$301/AF)	63%
	13 - 24 HCF	\$1.40/HCF (\$610/AF)	\$0.95/HCF (\$414/AF)	68%
	25 - 100 HCF	\$1.94/HCF (\$845/AF)	\$1.23/HCF (\$536/AF)	63%
	100+ HCF	\$2.58/HCF (\$1,124/AF)	\$1.70/HCF (\$741/AF)	66%
City of Long Beach	Commercial/Industrial	\$1.28/HCF (\$558/AF)	\$0.716/HCF (\$312/AF)	56% (5)
Los Angeles Dept. of Water and Power	Commercial/Industrial	\$1.74/HCF (\$758/AF)	\$0.91/HCF (\$396/AF)	52%
City of Oceanside	Commercial/Industrial	\$1.33/HCF (\$579/AF)	\$1.04/HCF (\$453/AF)	78%

1 a-2

COMPARISON OF POTABLE AND RECLAIMED WATER RATES FOR SELECTED SOUTHERN CALIFORNIA WATER AGENCIES

Agency	Rate Class	Treated Water Rate	Reclaimed Water Rate	Reclaimed Water Rate as % of Treated Water Rate
Ontario Water District	Commercial/Industrial	\$1.67/HCF (\$727/AF)	\$1.67/HCF (\$727/AF)	100%
Ramona Municipal Water District (6)	Commercial/Industrial	\$1.599/HCF (\$697/AF)	\$1.599/HCF (\$697/AF)	100%
	Agricultural (7)	\$1.493/HCF (\$650/AF)	\$1.493/HCF (\$650/AF)	100%
Santa Margarita Water District	Non-Domestic Irrigation District 1 (8)	District 1 (8)	District 1 (8)	
	1 - 33 HCF	\$1.45/HCF (\$632/AF)	\$1.45/HCF (\$632/AF)	100%
	34 - 70 HCF	\$1.81/HCF (\$788/AF)	\$1.81/HCF (\$788/AF)	100%
	71+ HCF	\$2.26/HCF (\$984/AF)	\$2.26/HCF (\$984/AF)	100%
	fixed charge	\$3.17/month	\$3.17/month	100%
South Coast County Water District	Commercial/Industrial	\$1.90/HCF (\$823/AF)	\$1.52/HCF (\$662/AF)	80%
West Basin Municipal Water District	Wholesale to WBMWD Service Area	\$434/AF (2)		
	0 - 25 AF/month		\$280/AF (2)	65%
	25 - 50 AF/month		\$260/AF (2)	60%
	50 - 100 AF/month		\$240/AF (2)	55%
	100 - 200 AF/month		\$220/AF (2)	51%
	200+ AF/month		\$200/AF (2)	46%
Vista Irrigation District	Agricultural	\$1.35/HCF (\$588/AF)	\$1.01/HCF (9) (\$440/AF)	75%

- (1) For non-city facilities only.
- (2) Proposed FY 95 rates. Reclaimed water users in the CB/WBMWD service district also pay a fixed stand-by charge.
- (3) Reclaimed water rates are for summer (May - November) usage only. Users pay a flat rate of \$0.55/HCF during the winter (December - April).
- (4) Rates for each zone vary depending on distance, elevation and pumping requirements.
- (5) Rates set on a cost recovery basis.
- (6) Agency also sells tertiary effluent from the San Vicente Plant to a single user for \$20/AF. This rate was established pursuant to an agreement under which the user funded certain related capital improvements.
- (7) Untreated water rate.
- (8) Rates for each improvement district vary depending on distance, elevation and pumping requirements.
- (9) Agency distributes reclaimed water from the Shadowridge Plant for the Buena Sanitation District. Rates are established pursuant to a long-term development agreement.

SUMMARY OF SEWER AND RECLAIMED WATER HISTORY

- 1963 Your Board initiated a policy of advance planning for water and sewer facilities within the District.
- 1965 Failure of septic tanks which drained to Sweetwater Lake led to study of alternatives to sewage treatment. County conducted a study that concluded in-basin waste water treatment was the most practical and economical solution.
- 1966 OWD consultant reconfirmed county findings.
- 1968 70,000 gpd Hillsdale Treatment Plant constructed, reclaimed water used at Valhalla High School for athletic field and to water "Future Farmers of America" evergreen trees. Discharge limited to 30,000 pd.
- 1969 A more in-depth study of in-basin treatment vs use of Metro completed. Study concluded in-basin was most cost effective.
- 1970 Pre certification report submitted for Jamacha Basin Waste water Reclamation Facility (JBWRF).
- 1971 Regional Water Quality Control Board (RWQCB) required reclaimed water should not be used in the Jamacha basin, since it might degrade basin water quality. Solution was to pump 750 feet over a ridge to the Use Area. Then use to irrigate farms immediately downstream of site. Consideration was given to a plant below Sweetwater Lake, but a sewer pipeline along the lake was a concern due to potential failure during an earthquake.
- 1972 Phase I of in-basin reclamation project constructed. Calavo and Hillsdale outfall sewers and Steele Canyon Pump Station built. Interim connection to Metro through SVSD. Partial funding federal and state grants.
- 1973 Rancho San Diego project study concludes ocean outface via Metro is preferred alternative.

- 1973 Study by OWD economic consultant reaffirms in-basin treatment is most economical solution.
- 1974 OWD consulting engineer revised preliminary design, and concludes in-basin solution is most economical.
- 1977 Hirsch & Koptonak perform design.
- 1978 General Obligation Bonds issued in ID 18 for \$7,300,000. Projected sewer flows of 1.3 mgd by 1984, with current flows at 300,000 gpd. Potential revenue from reclaimed water projected to be \$130,000 per year.
- 1980 Purchased 525 acres in the Use Area
- 1980 Construction JBWRF, completed late 1980. Capacity 1.3 mgd.
- 1982 Reverse osmosis and filtration units added to meet Title 22.
- 1989 Study determines plant can only produce 0.58 mgd of Title 22 water.
- 1989 Modified ground water quality objectives south of Use Area allows use of undemineralized effluent. This eliminates need for RO system.
- 1989 Delivery of secondary effluent for construction water to EastLake.
- 1989 Study to upgrade plant to 1.3 mgd of Title 22 completed. Plant could be expanded to 2.6 mgd for an additional \$5 million. Site will accommodate a 4.5 mgd plant.
- 1989 10/23/89 letter of intent from EastLake to take reclaimed water. Their EIR also addressed use of reclaimed water.
- 1989 Consultant's study concludes:
It is cost effective to expand plant. Modification cost estimated at \$5,759,370, and ponds at \$2,303,000.
There is a potential market for 6.5 mgd of reclaimed water, EastLake & OTC combined demand is 2.0 mgd.

- 1990 Board approved reclaimed water capacity fees and monthly service charges that are to be the same as potable water rates.
- 1990 Workshop on JBWRF upgrade. Consultant presents conclusion that upgrade plant to 1.3 mgd and retaining 1.2 mgd in Metro is the best economic decision.
- 1990 OWD Board approved construction contract for JBWRF upgrade, for \$4,809,000.
- 1992 Modifications to JBWRF completed.
- 1994 Consultant study of JBWRF expansion vs use of Metro concludes that expansion will be most cost effective alternative depending on outcome of San Diego's consent decree.

October 23, 1989

Mr. James Peasley
Design Division Manager
OTAY WATER DISTRICT
10595 Jamacha Blvd.
Spring Valley, CA 92078

Dear Jim:

Eastlake is currently implementing the use of reclaim water within The Greens, our newest community. The use of the reclaim water began with the grading of the Greens and will be used for irrigation within the project's golf course, parks, common areas, and schools. We are continuing our commitment to the use of reclaim water by utilizing it wherever possible within the future communities of Eastlake.

In addition, the Olympic Training Facility located within Eastlake is planning to use reclaim water extensively in the irrigation of the playing field and the common areas.

Eastlake is looking forward to working with the Otay Water District in implementing the use of reclaim water, where feasible, in an effort to conserve the use of the potable water supply.

Sincerely,



William T. Ostrem
Project Manager

WTO:dmd



Eastlake Business Center
900 Lane Avenue
Suite 100
Chico Vista, CA 92013
(619) 421-0127
FAX (619) 421-1830

EXHIBIT D