

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
October 21, 2015
1:00 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 THE DISTRICT'S AUDITED FINANCIAL STATEMENTS INCLUDING THE INDEPENDENT AUDITOR'S UNQUALIFIED OPINION FOR FISCAL YEAR ENDED JUNE 30, 2015 (DYCHITAN) [10 minutes]
4. RECEIVE THE FINDINGS OF THE 2015 CUSTOMER AWARENESS AND OPINION SURVEY (BUELNA) [10 minutes]
5. APPROVE AN AGREEMENT WITH THE LAW FIRM OF STUTZ, ARTIANO, SHINOFF AND HOLTZ, A PROFESSIONAL CORPORATION, FOR A TERM OF TWO (2) YEARS THROUGH DECEMBER 31, 2017, TO PROVIDE GENERAL COUNSEL SERVICES (WATTON) [5 minutes]
6. DISCUSSION OF CONSERVATION'S IMPACT ON REVENUES AND THE CITY OF SAN DIEGO'S PROPOSED RECYCLED WATER RATE INCREASE; PRESENTATION OF A NUMBER OF FINANCIAL CONSIDERATIONS WITH REGARD TO THE CURRENT BUDGET IMPACT AND FUTURE RATE INCREASES; AND A REQUEST FOR BOARD CONSIDERATION AND DIRECTION (BELL) [10 minutes]

AGENDA ITEM 3



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 4, 2015
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Marissa Dychitan Senior Accountant		
APPROVED BY:	<input checked="" type="checkbox"/> Kevin Koeppen, Finance Manager <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:	Approve the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2015		

GENERAL MANAGER'S RECOMMENDATION:

That the Board approve the District's Audited Financial Statements (Attachment B), including the Independent Auditors' unqualified opinion, for the fiscal year ended June 30, 2015.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To inform the Board of the significant financial events which occurred during the fiscal year ended June 30, 2015 as reflected in the audited financial statements.

ANALYSIS:

Teaman, Ramirez & Smith, Inc., performed the audit and found that, in all material respects, the financial statements correctly represent

the financial position of the District. They found no material errors in the financial records or statements (Attachment D).

Total Assets:

Total assets decreased by \$7.7 million or 1.33% during Fiscal Year 2015, to \$568.9 million, due primarily to depreciation partially offset by investments in capital assets.

Deferred Outflows & Deferred Inflows:

In Fiscal Year 2015, the District implemented Governmental Accounting Standards Board (GASB) No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No.27", and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". In accordance with GASB 68 and 71, contributions made subsequent to the measurement date, which was June 30, 2014 for the June 30, 2015 financial statements, should be reported as deferred contributions (outflows) to the pension plan and the net difference between projected and actual earnings on the pension plan should be reported as deferred inflows amortized over five years. In FY 2015, \$3.6 million and \$5.0 million are reflected as deferred outflows and inflows of resources on the Statement of Net Position.

Total Liabilities & Net Positions:

Total liabilities increased by approximately \$33.2 million from the previous fiscal year to \$165.1 million. This is attributable to the recognition of \$38.7 million in Net Pension Liability due to the implementation of GASB 68 and 71. This increase was partially offset by the decrease in long-term debt of \$3.8 million.

The beginning net position of \$444.8 million was decreased by \$40.4 million as a result of the implementation of GASB 68 and 71. The District's Net Position is \$402.4 million as of June 30, 2015.

Capital Contributions:

Capital contributions for Fiscal Year 2015 were \$3.1 million, which consists of capacity fees and contributed fixed assets from developers and betterment and availability fees collected from ratepayers.

Results of Operations:

Operating revenues decreased by \$2.2 million or 2.51%, mainly as a result of the overall decrease in water sales volume from the prior fiscal year due to mandatory conservation.

Cost of water sales decreased \$1.7 million or 3.04% due to less water consumption as a result of the mandatory conservation.

Non-Operating Revenues & Expenses:

Non-operating revenues total \$8.9 million for FY 2015. Non-operating revenues come from property taxes and assessments, rents and leases, investment earnings, and the BABs subsidy.

Additional Audit Correspondence:

As a part of completing the audit engagement, the audit firm also provides the following letters summarizing their observations and conclusions concerning the District's overall financial processes.

- Management Letter: The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses. See Attachment C.
- Audit Committee Letter: This letter describes overall aspects of the audit, to include audit principles, performance, dealings with management, and significant findings or issues.

There were no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

There were no disagreements with management concerning financial accounting, reporting, or auditing matters, and there were no significant difficulties in dealing with management in performing the audit. See Attachment D.

- Report on Applying Agreed-Upon Procedures: A review of the District's investment portfolio at year end and a sample of specific investment transactions completed throughout the fiscal year was performed and there were no exceptions to compliance from the District's Investment Policy. See Attachment E.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning, formalized financial policies, enhanced budget controls, fair pricing, debt planning, and improved financial reporting.

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action Form
- B) Audited Annual Financial Statements
- C) Management Letter
- D) Audit Committee Letter
- E) Report on Applying Agreed-Upon Procedures



ATTACHMENT A

SUBJECT/PROJECT:	Approve the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2015
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board accept the District's audited financial statements, including the Independent Auditor's unqualified opinion, for the Fiscal Year Ended June 30, 2015.

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

FINANCIAL STATEMENTS
WITH
REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2015



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JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Otay Water District
Spring Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Otay Water District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Otay Water District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

DRAFT COPY – 10/12/2015
PRELIMINARY & TENTATIVE
for DISCUSSION PURPOSES ONLY

Emphasis of Matters

As described in Note 13 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____ __, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Riverside, California

_____, 2015

Management's Discussion and Analysis

As management of the Otay Water District (the "District"), we offer readers of the District's financial statements, this narrative overview, and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements that follow Management's Discussion and Analysis. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$402.4 million (*net position*). Of this amount, \$43.7 million (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- Total assets decreased by \$7.7 million or 1.33% during Fiscal Year 2015, to \$568.9 million, due primarily to depreciation offset by investments in capital infrastructure, contributions, and improved operating results.
- Net Position at July 1, 2014 was decreased by \$40.4 million due to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71. The most significant impact of the implementation requires the presentation of Defined Benefit Pension Plan's \$38.7 million Unfunded Actuarial Accrual as a liability on the Statement of Net Position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Management's Discussion and Analysis

The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis:

As noted, net position may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$402.4 million at the close of the most recent fiscal year.

By far, the largest portion of the District's net position, \$354.0 million (80%), reflects its investment in capital assets, less any remaining outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported effectively as a resource, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

Statements of Net Position (In Millions of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current and Other Assets	\$ 109.7	\$ 109.9	\$ 106.3
Capital Assets	<u>459.2</u>	<u>466.7</u>	<u>476.0</u>
Total Assets	<u>568.9</u>	<u>576.6</u>	<u>582.3</u>
Deferred Outflows of Resources			
Deferred Amount on Refunding	0.0	0.1	0.4
Deferred Contributions to Pension Plan	<u>3.6</u>	<u>0.0</u>	<u>0.0</u>
Total Deferred Outflows of Resources	<u>3.6</u>	<u>0.1</u>	<u>0.4</u>
Liabilities			
Long-Term Debt Outstanding	101.5	105.3	109.0
Net Pension Liability	38.7	0.0	0.0
Other Liabilities	<u>24.9</u>	<u>26.6</u>	<u>25.5</u>
Total Liabilities	<u>165.1</u>	<u>131.9</u>	<u>134.5</u>
Deferred Inflows of Resources			
Deferred Actuarial Pension Costs	<u>5.0</u>	<u>0.0</u>	<u>0.0</u>
Total Deferred Inflows of Resources	<u>5.0</u>	<u>0.0</u>	<u>0.0</u>
Net Position¹			
Net Investment in Capital Assets	354.0	357.9	376.5
Restricted for Debt Service	4.7	3.9	4.6
Unrestricted	<u>43.7</u>	<u>83.0</u>	<u>67.1</u>
Total Net Position	<u>\$ 402.4</u>	<u>\$ 444.8</u>	<u>\$ 448.2</u>

While the District's operations and population continue to grow, albeit at slower rates than the housing boom years, the pattern of reduced growth of the District's Net Position is indicative of the reduction and slow recovery of new development projects within the District. This reduction is a result of the slow recovery from the national housing slump.

¹ GASB No. 68 & 71 implemented in FY 2015. Prior years were not restated as the information was not readily available.

Management's Discussion and Analysis

In FY 2015, the District's Capital Assets increased by \$8.2 million before accumulated depreciation. (See Note 3 in the Notes to Financial Statements). The District also saw a decrease in Long-Term Debt of \$3.8 million due to the annual payments of long-term debt (See Note 4 in the Notes to the Financial Statements).

Certain planning and environmental study costs associated with capital projects such as the Otay Mesa Desalination and Disinfection System or San Miguel Habitat Management/Mitigation Area do not qualify as capital costs under Generally Accepted Accounting Principles and are included in the miscellaneous expenses of the District. For FY 2015 and FY 2014 those expenses were \$1.2 million and \$1.6 million, respectively.

At the end of FY 2015 the District is able to report positive balances in all categories of net position. This situation also held true for the prior two fiscal years.

Statements of Revenues, Expenses, and Changes in Net Position (In Millions of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Water Sales	\$ 79.1	\$ 81.3	\$ 72.2
Wastewater Revenue	3.1	2.8	2.6
Connection and Other Fees	1.7	1.9	2.1
Non-operating Revenues	<u>8.9</u>	<u>7.8</u>	<u>7.7</u>
Total Revenues	<u>92.8</u>	<u>93.8</u>	<u>84.6</u>
Depreciation Expense	16.2	16.1	16.5
Other Operating Expense	75.7	76.5	70.8
Non-operating Expense	<u>6.0</u>	<u>8.0</u>	<u>6.0</u>
Total Expenses	<u>97.9</u>	<u>100.6</u>	<u>93.3</u>
Loss Before Capital Contributions	(5.1)	(6.8)	(8.7)
Capital Contributions	<u>3.1</u>	<u>3.4</u>	<u>2.8</u>
Change in Net Position	<u>(2.0)</u>	<u>(3.4)</u>	<u>(3.1)</u>
Beginning Net Position, As Previously Stated	444.8	448.2	454.1
Prior Period Adjustment	<u>(40.4)</u>	<u>0.0</u>	<u>0.0</u>
Beginning Net Position, As Restated	<u>404.4</u>	<u>448.2</u>	<u>454.1</u>
Ending Net Position	<u>\$ 402.4</u>	<u>\$ 444.8</u>	<u>\$ 448.2</u>

Management's Discussion and Analysis

Water Sales decreased by \$2.2 million in FY 2015 and increased by \$9.1 million in FY 2014. The year over year reduction was mainly due to decreases in units sold during FY 2015 as a result of the ongoing drought conditions. This reduction as a result of the drought was partially offset by increases in rates. The FY 2014 increase was a result of both increasing volume due to the economic recovery and rate increases. Other Operating Expense decreased predominantly due to the decrease in Cost of Water Sales brought about by the decrease in units purchased in FY 2015.

The reduction in District growth, as a result of the economic slowdown, continues to impact the District as Connection and Other Fees revenues declined by \$0.2 million in FY 2015 and in FY 2014. During the nationwide housing mortgage crisis, developers had either slowed down or totally stopped work on projects until economic conditions improve and the demand for growth returned. While the economy has improved, the demand and development that has returned has done so at a much slower rate. This has resulted in Capital Contributions remaining low over the last three years, compared to the extended growth of the previous 10 years.

Non-operating Revenues

Non-operating Revenues by Major Source (In Millions of Dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Taxes and Assessments	\$ 3.8	\$ 3.5	\$ 3.5
Rents and Leases	1.2	1.3	1.3
Other Non-operating Revenue	<u>3.9</u>	<u>3.0</u>	<u>2.9</u>
Total Non-operating Revenues	<u>\$ 8.9</u>	<u>\$ 7.8</u>	<u>\$ 7.7</u>

The District's total non-operating revenues increased by \$1.1 million in FY 2015 and by \$0.1 million in FY 2014. The increase in FY 2015 was primarily a result of increased revenues from property taxes, availability fees, and investment earnings.

Capital Assets and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2015, totaled \$459.2 million. Included in this amount is land. The District's net capital assets decreased by 1.6% for FY 2015 and 2.0% for FY 2014.

Management's Discussion and Analysis

Capital Assets (In Millions of Dollars)

	2015	2014	2013
Land	\$ 13.7	\$ 13.7	\$ 13.7
Construction in Progress	15.1	11.7	17.5
Water System	468.7	465.9	458.8
Recycled Water System	110.5	110.3	108.9
Sewer System	42.0	41.2	41.2
Field Equipment	8.7	8.8	8.9
Buildings	19.0	18.9	18.8
Transportation Equipment	3.4	3.3	3.5
Communication Equipment	3.1	2.9	2.6
Office Equipment	18.2	17.5	17.3
	702.4	694.2	690.8
Less Accumulated Depreciation	(243.2)	(227.5)	(214.8)
Net Capital Assets	\$ 459.2	\$ 466.7	\$ 476.0

As indicated by figures in the table above, the majority of capital assets added during both fiscal years were related to the potable and recycled water systems. In addition, the majority of the cost of construction-in-progress is also related to these water systems. Additional information on the District's capital assets can be found in Note 3 of the Notes to Financial Statements.

At June 30, 2015, the District had \$101.5 million in outstanding debt (net of \$3.7 million of maturities occurring in FY 2016), which consisted of the following:

General Obligation Bonds	\$	4.7
Certificates of Participation		43.4
Revenue Bonds		53.4
Total Long-Term Debt	\$	101.5

In June 2013, the District issued \$7.7 million of 2013 Water Revenue Refunding Bonds for an advance refunding of its 2004 Certificates of Participation, which was called on September 1, 2014. Excluding costs of issuance the District received \$8.5 million in proceeds, including a \$1.0 million premium, to fund the \$8.1 million of outstanding principal and \$0.4 million of remaining interest payments. In accordance with GASB Nos. 23 and 65, the remaining interest payments of \$0.1 million in FY 2014 and \$0.4 million in FY 2013 are reflected as a deferred outflow of resources on the Statement of Net Position.

Additional information on the District's long-term debt can be found in Note 4 of the Notes to Financial Statements

Management's Discussion and Analysis

Prior Period Adjustment

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and No. 71 *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an amendment of GASB No. 68* for periods beginning after June 15, 2014. The District implemented these standards in fiscal year 2015. The result of the implementation of these standards was to decrease the net position at July 1, 2014 by \$40.4 million which consists of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

Fiscal Year 2015-2016 Budget

Economic Factors

Demand and supply of water in the San Diego area has declined over the last five years. Although San Diego received less than normal rainfall in Fiscal Year 2015, the District is expecting that San Diego's rainfall will return to its average pattern and volume in the coming years. San Diego rainfall, while a contributing factor, is not the controlling factor for our potable water supply shortage. The San Diego region imports 90% of its potable supply, so conditions elsewhere significantly affect the actual amount of water available to the District. In the event the amount of water supplied to the District is reduced, water sales revenues would decrease. Related water purchase expenses would also be reduced, mitigating the impact of the decrease in net revenues. The amount of any supply reduction would dictate the magnitude of the District's response and type of reaction.

The District continues to use the challenges presented by growth and the ongoing drought to create new opportunities and new organizational efficiencies. By utilizing and continuing to refine its Strategic Business Plan, it has captured the Board of Director's vision and united its staff in a common mission. The District has achieved a number of significant accomplishments based on its successful adherence to its Strategic Business Plan. The District is not only poised to continue successfully providing an affordable, safe, and reliable water supply for the people of its service area, but is set to reap the rewards of greater efficiencies and economies of scale.

The District is currently at about 52% of its projected ultimate population, serving approximately 217,000 people. Long-term, this percentage should continue to increase as the District's service area continues to develop and grow. By 2035, the District is projected to serve approximately 285,000 people, with an average daily demand of 46 million gallons per day (MGD). Currently, the District services the needs of this growing population by purchasing water from the San Diego County Water Authority (CWA), who in turn purchases its water from the Metropolitan Water District (MWD) and the Imperial Irrigation District (IID).

Management's Discussion and Analysis

Otay takes delivery of the water through several connections of large diameter pipelines owned and operated by CWA. The District currently receives treated water from CWA directly and from the Helix Water District via a contract with CWA. In addition, the District has an emergency agreement with the City of San Diego to purchase water in the case of a shutdown of the main treated water source. The City of San Diego also has a long-term contract with the District to provide recycled water for landscape and irrigation usage. Through innovative agreements like these, benefits can be achieved by both parties by using excess capacity of another agency, and diversifying local supply, thereby increasing reliability.

Financial

The District is budgeted to deliver approximately 27,000 acre-feet of potable water to 49,500 potable customer accounts during Fiscal Year 2015-2016. Management feels that these projections are realistic after accounting for low growth, supply changes, and a focus on conservation. A combination of factors, including the ongoing drought and recession, have created challenges in developing economic projections for the current fiscal year. Both unemployment and levels of distressed activity in the commercial and residential resale market have improved from their economic crisis peaks. However, while unemployment has recovered, housing starts remain significantly below the levels of the boom years from 2001 to 2005. The negative impacts to the District of the economic indicators and conservation are partially offset by growth as the District's commercial and residential permits have shown slow and steady improvement from previous lows. While all of these factors impact the region's water usage, people's need for water remains an underlying constant. Staff continues working diligently on developing new water supplies as they work through the financial impacts of conservation and the modest economic turnaround.

Management is unaware of any other conditions that could have a significant impact on the District's current financial position, net position, or operating results.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Otay Water District's finances for the Board of Directors, citizens, creditors, and other interested parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Finance Department, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978-2004.



STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS

Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$	23,168,511
Restricted Cash and Cash Equivalents (Notes 1 and 2)		47,083
Investments (Note 2)		35,888,511
Board Designated Investments (Note 2)		22,395,347
Restricted Investments (Notes 1 and 2)		4,532,725
Accounts Receivable, Net		9,987,050
Accrued Interest Receivable		97,291
Taxes and Availability Charges Receivable, Net		321,178
Restricted Taxes and Availability Charges Receivable, Net		31,848
Inventories		807,008
Prepaid Items and Other Receivables		988,882

Total Current Assets 98,265,434

Non-current Assets:

Net OPEB Asset (Note 7)		<u>11,472,386</u>
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Capital Assets (Note 3):

Land		13,714,963
Construction in Progress		15,106,336
Capital Assets, Net of Depreciation		<u>430,370,095</u>

Total Capital Assets, Net of Depreciation 459,191,394

Total Non-current Assets 470,663,780

Total Assets 568,929,214

DEFERRED OUTFLOWS OF RESOURCES

Deferred Contributions to Pension Plan		<u>3,575,595</u>
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Total Deferred Outflows of Resources \$ 3,575,595

Continued



STATEMENT OF NET POSITION - CONTINUED

JUNE 30, 2015

LIABILITIES

Current Liabilities:

Current Maturities of Long-term Debt (Note 4)	\$ 3,690,000
Accounts Payable	9,779,477
Accrued Payroll Liabilities	3,335,149
Other Accrued Liabilities	3,642,511
Customer and Developer Deposits	2,227,173
Accrued Interest	1,540,122
Liabilities Payable from Restricted Assets:	
Restricted Accrued Interest	<u>65,304</u>

Total Current Liabilities 24,279,736

Non-current Liabilities:

Long-term Debt (Note 4):	
General Obligation Bonds	4,697,208
Certificates of Participation	43,355,103
Revenue Bonds	53,402,993
Net Pension Liability	38,723,345
Other Non-current Liabilities	<u>656,158</u>

Total Non-current Liabilities 140,834,807

Total Liabilities 165,114,543

DEFERRED INFLOWS OF RESOURCES

Deferred Actuarial Pension Costs (Note 6)	<u>4,967,940</u>
---	------------------

Total Deferred Inflows of Resources 4,967,940

NET POSITION

Net Investment in Capital Assets	354,046,090
Restricted for Debt Service	4,658,306
Unrestricted	<u>43,717,930</u>

Total Net Position \$ 402,422,326

The accompanying notes are an integral part of this statements.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES

Water Sales	\$ 79,135,000
Wastewater Revenue	3,044,158
Connection and Other Fees	<u>1,686,249</u>
Total Operating Revenues	<u>83,865,407</u>

OPERATING EXPENSES

Cost of Water Sales	54,364,884
Wastewater	1,866,711
Administrative and General	19,437,141
Depreciation	<u>16,194,992</u>
Total Operating Expenses	<u>91,863,728</u>

Operating Income (Loss) (7,998,321)

NON-OPERATING REVENUES (EXPENSES)

Investment Earnings	656,925
Taxes and Assessments	3,856,276
Availability Charges	685,555
Gain (Loss) on Sale of Capital Assets	30,282
Rents and Leases	1,232,920
Miscellaneous Revenues	2,490,796
Donations	(117,462)
Interest Expense	(4,545,530)
Miscellaneous Expenses	<u>(1,324,155)</u>

Total Non-operating Revenues (Expenses) 2,965,607

Income (Loss) Before Capital Contributions (5,032,714)

Capital Contributions 3,081,894

Change in Net Position (1,950,820)

Total Net Position, Beginning, As Previously Reported 444,807,820

Prior Period Adjustment (40,434,674)

Total Net Position, Beginning, As Restated 404,373,146

Total Net Position, Ending \$ 402,422,326

The accompanying notes are an integral part of this statements.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 84,879,648
Receipts from Connections and Other Fees	1,686,249
Other Receipts	2,490,796
Payments to Suppliers	(57,803,850)
Payments to Employees	(20,838,190)
Other Payments	<u>(1,501,218)</u>
Net Cash Provided By (Used For) Operating Activities	<u>8,913,435</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from Taxes and Assessments	3,877,931
Receipts from Property Rents and Leases	<u>1,115,458</u>
Net Cash Provided By (Used For) Noncapital and Related Financing Activities	<u>4,993,389</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Contributions	2,979,305
Proceeds from Sale of Capital Assets	30,735
Proceeds from Debt Related Taxes and Assessments	685,555
Principal Payments on Long-Term Debt	(3,495,000)
Interest Payments and Fees	(4,497,782)
Acquisition and Construction of Capital Assets	<u>(8,632,578)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(12,929,765)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	643,313
Proceeds from Sale and Maturities of Investments	44,917,589
Purchase of Investments	<u>(53,932,480)</u>

Net Cash Provided By (Used For) Investing Activities (8,371,578)

Net Increase (Decrease) in Cash and Cash Equivalents (7,394,519)

Cash and Cash Equivalents - Beginning 30,610,113

Cash and Cash Equivalents - Ending \$ 23,215,594

Continued



STATEMENT OF CASH FLOWS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of Operating Income (Loss) to Net Cash Flows

Provided By (Used For) Operating Activities:

Operating Income (Loss)	\$ (7,998,321)
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	16,194,992
Miscellaneous Revenues	2,490,796
Miscellaneous Expenses	(1,501,218)
(Increase) Decrease in Accounts Receivable	2,892,071
(Increase) Decrease in Inventory	(32,001)
(Increase) Decrease in Net OPEB Asset	(1,087,050)
(Increase) Decrease in Prepaid Items and Other Receivables	58,826
(Increase) Decrease in Contributions to Pension Plan	(318,984)
Increase (Decrease) in Accounts Payable	(2,126,549)
Increase (Decrease) in Accrued Payroll and Related Expenses	280,629
Increase (Decrease) in Other Accrued Liabilities	245,011
Increase (Decrease) in Customer Deposits	(191,581)
Increase (Decrease) in Prepaid Capacity Fees	6,814
	<hr/>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 8,913,435</u></u>

Schedule of Cash and Cash Equivalents:

Current Assets:

Cash and Cash Equivalents	\$ 23,168,511
Restricted Cash and Cash Equivalents	47,083
	<hr/>
Total Cash and Cash Equivalents	<u><u>\$ 23,215,594</u></u>

Supplemental Disclosures

Non-Cash Investing and Financing Activities Consisted of the Following:

Contributed Capital for Water and Sewer System	\$ 102,590
Change in Fair Value of Investments and Recognized Gains/Losses	23,827
Amortization Related to Long-term Debt	78,118
Amortization Related to Pension	1,241,985



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The reporting entity Otay Water District (the “District”) includes the accounts of the District and the Otay Water District Financing Authority (the “Financing Authority”).

The Otay Water District (the “District”) is a public entity established in 1956 pursuant to the Municipal Water District Law of 1911 (Section 711 et. Seq. of the California Water Code) for the purpose of providing water and sewer services to the properties in the District. The District is governed by a Board of Directors consisting of five directors elected by geographical divisions based on District population for a four-year alternating term.

The District formed the Financing Authority on March 3, 2010 under the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to assist the District in the financing of public capital improvements.

The financial statements present the District and its component units. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for the Financing Authority as a “blended” component unit. Despite being legally separate, the Financing Authority is so intertwined with the District that it is in substance, part of the District’s operations. Accordingly, the balances and transactions of this component unit are reported within the funds of the District. Separate financial statements are not issued for the Financing Authority.

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic financial statements of the Otay Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the assets, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of the net investment in capital assets.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that do not meet the definition of “net investment in capital assets” or “restricted net position”.

The District distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not associated with the normal business of supplying water and wastewater treatment services.

The District recognizes revenues from water sales, wastewater revenues, and meter fees as they are earned. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies of \$39,225 at June 30, 2015.

Additionally, capacity fee contributions received which are related to specific operating expenses are offset against those expenses and included in Cost of Water Sales in the Statements of Revenues and Expenses and Changes in Net Position.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the Board’s discretion.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) New Accounting Pronouncements

Implemented

The GASB has issued Statements No. 68, “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27”, No. 69 “Government Combinations and Disposals of Government Operations”, and No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68”. The requirements for Statements No. 68 and No. 71 are effective for financial statements for periods beginning after June 15, 2014 and Statement No. 69 is effective for financial statements for periods beginning after December 15, 2013. Statement No. 69 is not applicable to the District at this time. Statements No. 68 and No. 71 have been implemented and are reflected on the Districts financial statements and beginning net position.

Pending Accounting Standards

GASB has issued the following statement which impact the District’s financial reporting requirements in the future:

- i. GASB 72 – “Fair Value Measurement and Application”, effective for the fiscal years beginning after June 15, 2015.
- ii. GASB 73 – “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, effective for fiscal years beginning after June 15, 2015.
- iii. GASB 74 – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, effective for fiscal years beginning after June 15, 2016.
- iv. GASB 75 – “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, effective for fiscal years beginning after June 15, 2017.
- v. GASB 76 – “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, effective for fiscal years beginning after June 15, 2015.

D) Deferred Outflows / Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, *deferred contributions to pension plan*, which is related to contributions subsequent to the measurement date of the pension plan.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. Accordingly, the item, deferred actuarial pension cost, are deferred and recognized as an inflow of resources in the period that the amounts become available.



NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

F) Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. All investments are stated at their fair value, the District has not elected to report certain investments at amortized costs.

G) Inventory and Prepaids

Inventory consists primarily of materials used in the construction and maintenance of the water and sewer system and is valued at weighted average cost. Both inventory and prepaids use the consumption method whereby they are reported as an asset and expensed as they are consumed.

H) Capital Assets

Capital assets are recorded at cost, where historical records are available, and at an estimated historical cost where no historical records exist. Infrastructure assets in excess of \$20,000 and other capital assets in excess of \$10,000 are capitalized if they have an expected useful life of two years or more. The District will also capitalize individual purchases under the capitalization threshold if they are part of a new capital program. The cost of purchased and self-constructed additions to utility plant and major replacements of property are capitalized. Costs include materials, direct labor, transportation, and such indirect items as engineering, supervision, employee fringe benefits, overhead, and interest incurred during the construction period. Repairs, maintenance, and minor replacements of property are charged to expense. Donated assets are capitalized at their approximate fair market value on the date contributed.

The District capitalizes interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest for fiscal year ending June 30, 2015 of \$179,476 is included in the cost of water system assets and is depreciated on the straight-line basis over the estimated useful lives of such assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Water System	15-70 Years
Field Equipment	2-50 Years
Buildings	30-50 Years
Communication Equipment	2-10 Years
Transportation Equipment	2-4 Years
Office Equipment	2-10 Years
Recycled Water System	50-75 Years
Sewer System	25-50 Years



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Compensated Absences

It is the District’s policy to record vested or accumulated vacation and sick leave as an expense and liability as benefits accrue to employees.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 2,352,861	\$ 2,700,572	\$ 2,523,241	\$ 2,530,192	\$ 253,019

⁽¹⁾Balance is reflected in Accrued Payroll Liabilities on the Statement of Net Position.

J) Classification of Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

K) Allowance for Doubtful Accounts

The District charges doubtful accounts arising from water sales receivable to bad debt expense when it is probable that the accounts will be uncollectible. Uncollectible accounts are determined by the allowance method based upon prior experience and management’s assessment of the collectibility of existing specific accounts. The allowance for doubtful accounts was \$158,716 for 2015.

L) Property Taxes

Tax levies are limited to 1% of full market value (at time of purchase) which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

The County of San Diego (the “County”) bills and collects property taxes on behalf of the District. The County’s tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

M) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2) CASH AND INVESTMENTS

The primary goals of the District’s Investment Policy are to assure compliance with all Federal, State, and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Cash Equivalents	\$ 23,168,511
Restricted Cash and Cash Equivalents	47,083
Investments	35,888,511
Board Designated Investments	22,395,347
Restricted Investments	<u>4,532,725</u>
 Total Cash and Investments	 <u><u>\$ 86,032,177</u></u>

Cash and Investments consist of the following:

Cash on Hand	\$ 2,950
Deposits with Financial Institutions	2,074,424
Investments	<u>83,954,803</u>
 Total Cash and Investments	 <u><u>\$ 86,032,177</u></u>



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	None	None
Certificates of Deposit	5 years	15%	None
Corporate Medium-Term Notes	5 years	15%	None
Commercial Paper	270 days	15%	10%
Money Market Mutual Funds	N/A	15%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

⁽¹⁾ Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s Investment Policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rates risk is by purchasing investments with shorter durations than what is allowable under the District investment policy and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations are provided by the following tables that show the distribution of the District’s investments by maturity as of June 30, 2015.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

Investment Type	Remaining Maturity (in Months)				
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
U.S. Government Sponsored Entities	\$ 62,730,204	\$ 3,000,390	\$ 28,006,120	\$ 31,723,694	\$ -
Local Agency Investment Fund (LAIF)	7,593,516	7,593,516	-	-	-
San Diego County Pool	13,584,000	13,584,000	-	-	-
Money Market Funds	47,083	47,083	-	-	-
Total	<u>\$ 83,954,803</u>	<u>\$ 24,224,989</u>	<u>\$ 28,006,120</u>	<u>\$ 31,723,694</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, or debt agreements, and the Moody's ratings as of June 30, 2015.

Investment Type	Minimum Legal Rating	Rating as of Year End			
		AAA	AA	A-1	Not Rated
U.S. Government Sponsored Entities	N/A	\$ 62,730,204	\$ -	\$ -	\$ -
Local Agency Investment Fund (LAIF)	N/A	-	-	-	7,593,516
San Diego County Pool	N/A	-	-	-	13,584,000
Money Market Funds	N/A	-	-	47,083	-
Total		<u>\$ 62,730,204</u>	<u>\$ -</u>	<u>\$ 47,083</u>	<u>\$ 21,177,516</u>

Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of June 30, 2015 are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Government Sponsored Entities	\$ 13,989,160
Federal Home Loan Mortgage Corp	U.S. Government Sponsored Entities	\$ 22,006,280
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 8,003,200
Federal Farm Credit Banks	U.S. Government Sponsored Entities	\$ 18,731,564



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, \$1,569,955 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost-basis.

San Diego County Pooled Fund

The San Diego County Pooled Investment Fund (SDCPIF) is pooled investment fund program governed by the County of San Diego Board of Supervisors, and administered by the County of San Diego Treasurers and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty.

The County of San Diego's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of San Diego Auditor-Controller's Office - 1600 Pacific Coast Highway, San Diego California 92101.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

2) CASH AND INVESTMENTS - Continued

Restricted Cash and Cash Equivalents

Debt Service:	
Water Revenue Bond Series 2010A	\$ 12,816
Water Revenue Bond Series 2010B	<u>34,267</u>
Total	<u>\$ 47,083</u>

Board Designated Investments

Investments are Board restricted for the cost of the following District projects:

New Water Supply	\$ 287,697
Replacement	<u>22,107,650</u>
Total	<u>\$ 22,395,347</u>

Restricted Investments

Debt Service:	
General Obligation Bond ID No. 27-2009	\$ 793,131
Water Revenue Bond Series 2010A	1,031,267
Water Revenue Bond Series 2010B	<u>2,708,327</u>
Total	<u>\$ 4,532,725</u>



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

3) CAPITAL ASSETS

The following is a summary of changes in Capital Assets for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 13,714,963	\$ -	\$ -	\$ 13,714,963
Construction in Progress	<u>11,642,506</u>	<u>9,829,453</u>	<u>(6,365,623)</u>	<u>15,106,336</u>
Total Capital Assets Not Depreciated	<u>25,357,469</u>	<u>9,829,453</u>	<u>(6,365,623)</u>	<u>28,821,299</u>
Capital Assets, Being Depreciated				
Infrastructure	617,348,375	4,032,123	(296,458)	621,084,040
Field Equipment	8,812,693	16,188	(108,693)	8,720,188
Buildings	18,928,879	63,773	-	18,992,652
Transportation Equipment	3,308,602	205,180	(115,412)	3,398,370
Communication Equipment	2,880,141	216,927	-	3,097,068
Office Equipment	<u>17,513,193</u>	<u>755,189</u>	<u>(44,938)</u>	<u>18,223,444</u>
Total Capital Assets Being Depreciated	<u>668,791,883</u>	<u>5,289,380</u>	<u>(565,501)</u>	<u>673,515,762</u>
Less Accumulated Depreciation:				
Infrastructure	193,225,204	13,624,785	(278,683)	206,571,306
Field Equipment	7,495,508	182,754	(108,694)	7,569,568
Buildings	8,336,568	504,880	-	8,841,448
Transportation Equipment	2,299,848	259,162	(115,412)	2,443,598
Communication Equipment	1,746,613	473,344	-	2,219,957
Office Equipment	<u>14,394,208</u>	<u>1,150,067</u>	<u>(44,485)</u>	<u>15,499,790</u>
Total Accumulated Depreciation	<u>227,497,949</u>	<u>16,194,992</u>	<u>(547,274)</u>	<u>243,145,667</u>
Total Capital Assets Being Depreciated, Net	<u>441,293,934</u>	<u>(10,905,612)</u>	<u>(18,227)</u>	<u>430,370,095</u>
Total Capital Assets, Net	<u>\$ 466,651,403</u>	<u>\$ (1,076,159)</u>	<u>\$ (6,383,850)</u>	<u>\$ 459,191,394</u>

Depreciation expense for the year ended June 30, 2015 was \$16,194,992.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

4) LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Improvement District No. 27 - 2009	\$ 5,700,000	\$ -	\$ 550,000	\$ 5,150,000	\$ 570,000
Unamortized Bond Premium	<u>133,563</u>	<u>-</u>	<u>16,355</u>	<u>117,208</u>	<u>-</u>
Net General Obligation Bonds	<u>5,833,563</u>	<u>-</u>	<u>566,355</u>	<u>5,267,208</u>	<u>570,000</u>
Certificates of Participation:					
1996 Certificates of Participation	9,900,000	-	500,000	9,400,000	600,000
2007 Certificates of Participation	36,790,000	-	995,000	35,795,000	1,035,000
1996 COPS Unamortized Discount	(9,687)	-	(745)	(8,942)	-
2007 COPS Unamortized Discount	<u>(204,999)</u>	<u>-</u>	<u>(9,044)</u>	<u>(195,955)</u>	<u>-</u>
Net Certificates of Participation	<u>46,475,314</u>	<u>-</u>	<u>1,485,211</u>	<u>44,990,103</u>	<u>1,635,000</u>
Revenue Bonds:					
2010 Water Revenue Bonds Series A	11,435,000	-	845,000	10,590,000	870,000
2010 Water Revenue Bonds Series B	36,355,000	-	-	36,355,000	-
2013 Water Revenue Refunding Bonds	7,075,000	-	605,000	6,470,000	615,000
2010 Series A Unamortized Premium	762,617	-	74,402	688,215	-
2013 Bonds Unamortized Premium	<u>880,873</u>	<u>-</u>	<u>96,095</u>	<u>784,778</u>	<u>-</u>
Net Revenue Bonds	<u>56,508,490</u>	<u>-</u>	<u>1,620,497</u>	<u>54,887,993</u>	<u>1,485,000</u>
Total Long-Term Liabilities	<u>\$ 108,817,367</u>	<u>\$ -</u>	<u>\$ 3,672,063</u>	<u>\$ 105,145,304</u>	<u>\$ 3,690,000</u>

General Obligation Bonds

In June 1998, the District issued \$11,835,000 of General Obligation Refunding Bonds. The proceeds of this issue, together with other lawfully available monies, were to be used to establish an irrevocable escrow to advance refund and defease in their entirety the District's previous outstanding General Obligation Bond issue. In November 2009, the District issued \$7,780,000 of General Obligation Refunding Bonds Improvement District No. 27-2009 to refund the 1998 issue. The proceeds from the bond issue were \$7,989,884, which included an original issue premium of \$209,884. An amount of \$7,824,647, which consisted of unpaid principal and accrued interest, was deposited into an escrow fund. Pursuant to an optional redemption clause in the 1998 bonds, the District was able to redeem the 1998 bonds, without premium at any time after September 1, 2009. On December 15, 2009 the 1998 bonds were refunded.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

4) LONG-TERM DEBT - Continued

General Obligation Bonds - Continued

These bonds are general obligations of Improvement District No. 27 (ID 27) of the District. The Board of Directors has the power and is obligated to levy annual ad valorem taxes without limitation, as to rate or amount for payment of the bonds and the interest upon all property which is within ID 27 and subject to taxation. The General Obligation Bonds are payable from District-wide tax revenues. The Board may utilize other sources for servicing the bond debt and interest.

The Improvement District No. 27-2009 General Obligation Refunding Bonds have interest rates from 3.00% to 4.00% with maturities through Fiscal Year 2023.

Future debt service requirements for the bonds are as follows:

For the Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 570,000	\$ 187,362
2017	585,000	169,306
2018	605,000	147,700
2019	635,000	122,900
2020	650,000	97,200
2021-2025	<u>2,105,000</u>	<u>127,900</u>
	<u>\$ 5,150,000</u>	<u>\$ 852,368</u>

Certificates of Participation (COPS)

In June 1996, COPS with face value of \$15,400,000 were sold by the Otay Service Corporation to finance the cost of design, acquisition, and construction of certain capital improvements. An installment purchase agreement between the District, as Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPS. The installment payments are to be paid from taxes and net revenues, as described in the installment agreement. The certificates bear interest at a variable weekly rate not to exceed 12%. The variable interest rate is tied to the 30-day LIBOR index and the Securities Industry and Financial Markets Association (SIFMA) index. An irrevocable letter of credit facility is necessary to market the District's variable rate debt. This facility is with Union Bank and covers the outstanding principal and interest. The facility expires on June 29, 2017. The interest rate at June 30, 2014 was 0.15%. The installment payments are to be paid annually at \$350,000 to \$900,000 from September 1, 1996 through September 1, 2026.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

4) LONG-TERM DEBT - Continued

Certificates of Participation (COPS) - Continued

In March 2007, Revenue Certificates of Participation (COPS) with face value of \$42,000,000 were sold by the Otay Service Corporation to improve the District's water storage system and distribution facilities. An installment purchase agreement between the District, as a Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPS. The installment payments are to be paid from taxes and net revenues, as described in the installment agreement. The certificates are due in annual installments of \$785,000 to \$2,445,000 from September 1, 2007 through September 1, 2036; bearing interest at 3.7% to 4.47%.

There is no aggregate reserve requirement for the COPS. Future debt service requirements for the certificates are as follows:

For the Year Ended June 30,	1996 COPS		2007 COPS	
	Principal	Interest ⁽¹⁾	Principal	Interest
2016	\$ 600,000	\$ 4,450	\$ 1,035,000	\$ 1,479,239
2017	600,000	4,150	1,075,000	1,439,408
2018	600,000	3,850	1,115,000	1,397,798
2019	700,000	3,508	1,155,000	1,354,234
2020	700,000	3,158	1,200,000	1,308,456
2021-2025	4,100,000	9,942	6,785,000	5,762,360
2026-2030	2,100,000	725	8,335,000	4,192,867
2031-2035	-	-	10,310,000	2,208,437
2036-2037	-	-	4,785,000	211,641
	<u>\$ 9,400,000</u>	<u>\$ 29,783</u>	<u>\$ 35,795,000</u>	<u>\$ 19,354,440</u>

⁽¹⁾Variable Rate - Interest reflected at June 30, 2015 at a rate of 0.05%.

The two COP debt issues contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water System which will at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2015.

Water Revenue Bonds

In April 2010, Water Revenue Bonds with a face value of \$50,195,000 were sold by the Otay Water District Financing Authority to provide funds for the construction of water storage and transmission facilities. The bond issue consisted of two series; Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt) with a face value of \$13,840,000 plus a \$1,078,824 original issue premium, and Water Revenue Bonds Series 2010B (Taxable Build America Bonds) with a face value of \$36,255,000. The Series 2010A bonds are due in annual installments of \$785,000 to \$1,295,000 from September 1, 2012 through September 1, 2025; bearing interest at 2% to 5.25%. The Series 2010B bonds are due in annual installments of



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

4) LONG-TERM DEBT - Continued

Water Revenue Bonds - Continued

\$1,365,000 to \$3,505,000 from September 1, 2026 through September 1, 2040; bearing interest at 6.377% to 6.577%. Interest on both Series is payable on September 1, 2010 and semiannually thereafter on March 1st and September 1st of each year until maturity or earlier redemption. The installment payments are to be made from Taxes and Net Revenues of the Water System as described in the installment purchase agreement, on parity with the payments required to be made by the District for the 1996, and 2007 Certificates of Participation described above and the 2013 Water Revenue Refunding Bonds described below.

The proceeds of the bonds will be used to fund the project described above as well as to fund reserve funds of \$1,030,688 (Series 2010A) and \$2,707,418 (Series 2010B). \$542,666 was used to fund various costs of issuance.

The original issue premium is being amortized over the 14 year life of the Series 2010A bonds. Amortization for the year ending June 30, 2015 was \$74,402 and is included in interest expense. The unamortized premium at June 30, 2015 is \$688,215.

The 2010 Water Revenue Bonds contains various covenants and restrictions, principally that the District fix, prescribe, revise and collection rates, fees and charges for the Water System which will at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2015.

In June 2013, the 2013 Water Revenue Refunding Bonds were issued to defease the 2004 Refunding Certificates of Participation. The bonds were issued with a face value of \$7,735,000 plus a \$984,975 original issue premium. The bonds are due in annual installments of \$660,000 to \$835,000 from September 1, 2013 through September 1, 2023; bearing interest at 1% to 4%. The installment payments are to be made from Taxes and Net Revenues of the Water System, on parity with the payments required to be made by the District for the 1996, and 2007 Certificates of Participation and the 2010A and 2010B described above.

The original issue premium is being amortized over the 11 year life of the Series 2013 bonds. Amortization for the year ending June 30, 2015 was \$96,095 and is included in interest expense. The unamortized premium at June 30, 2015 is \$784,778.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

4) LONG-TERM DEBT - Continued

Water Revenue Bonds - Continued

The total amount outstanding at June 30, 2015 and aggregate maturities of the revenue bonds for the fiscal years subsequent to June 30, 2015, are as follows:

For the Year Ended June 30,	2010 Water Revenue Bond Series A		2010 Water Revenue Bond Series B		2013 Water Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 870,000	\$ 478,488	\$ -	\$ 2,371,868	\$ 615,000	\$ 243,425
2017	900,000	443,088	-	2,371,868	635,000	221,500
2018	940,000	406,287	-	2,371,868	660,000	195,600
2019	975,000	367,987	-	2,371,868	685,000	168,700
2020	1,015,000	323,112	-	2,371,868	715,000	140,700
2021-2025	5,890,000	779,569	-	11,859,342	3,160,000	258,800
2026-2030	-	-	7,745,000	10,685,177	-	-
2031-2035	-	-	10,570,000	7,756,703	-	-
2036-2040	-	-	14,535,000	3,664,212	-	-
2041-2042	-	-	3,505,000	115,262	-	-
	<u>\$ 10,590,000</u>	<u>\$ 2,798,531</u>	<u>\$ 36,355,000</u>	<u>\$ 45,940,036</u>	<u>\$ 6,470,000</u>	<u>\$ 1,228,725</u>

Revenues Pledged

The District has pledged a portion of future water sales revenues to repay its Water Revenue Bonds and Certificates of Participation. Total principal and interest remaining on the water revenue bonds and certificates of participation is \$167,961,515 payable through fiscal year 2042. For the current year, principal and interest paid by the water sales revenues were \$2,945,000 and \$4,634,937, respectively.

5) NET POSITION

Designations of Net Position

In addition to the restricted net position, a portion of unrestricted net position, have been designated by the Board of Directors for the following purposes as of June 30, 2015:

Designated Betterment	\$ 5,072,063
Expansion Reserve	4,486,171
Replacement Reserve	23,822,678
Designated New Supply Fund	758,956
Employee Benefits Reserve	<u>31,445</u>
Total	<u>\$ 34,171,313</u>



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN

A) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District’s Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2.7% at 55	2% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8%	6.25%
Required Employer Contribution Rates	20.869% - 25.435%	25.435% - 29.152%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	161
Inactive Employees Entitled to But Not Yet Receiving Benefits	142
Active Employees	137
Total	440



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN - Continued

A) General Information about the Pension Plans - Continued

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B) Net Pension Liability

The District’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using the annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below:

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN - Continued

B) Net Pension Liability - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrator expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN - Continued

B) Net Pension Liability - Continued

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

C) Changes in the Net Position Liability

The changes in the Net Position Liability for the Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Beginning Balance	\$ 106,716,218	\$ 63,144,370	\$ 43,571,848
Changes in the Year:			
Service Cost	2,330,709		2,330,709
Interest on the Total Pension Liability	7,907,915		7,907,915
Changes in Benefit Terms		0	0
Differences Between Actual and Expected			
Experience	0		0
Changes in Assumptions	0		0
Contribution - Employer		3,137,174	(3,137,174)
Contribution - Employee		1,074,954	(1,074,954)
Net Investment Income		10,874,999	(10,874,999)
Benefit Payments, Including Refunds of Employee Contributions	(4,885,406)	(4,885,406)	0
Net Changes	5,353,218	10,201,721	(4,848,503)
Ending Balance	\$ 112,069,436	\$ 73,346,091	\$ 38,723,345



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN - Continued

C) Changes in the Net Position Liability - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District for the Plan, calculated using the discount rate for the Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.50%
Net Pension Liability	\$	53,440,281
Current Discount Rate		7.50%
Net Pension Liability	\$	38,723,345
1% Increase		8.50%
Net Pension Liability	\$	26,496,138

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the District recognized pension expense of \$3,256,611. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,575,595	\$
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on pension plan investments		(4,967,940)
	\$ 3,575,595	\$ (4,967,940)
Total	\$ 3,575,595	\$ (4,967,940)

\$3,575,595 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:



NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6) DEFINED BENEFIT PENSION PLAN - Continued

D) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Year Ended June 30		
2016	\$	(1,241,985)
2017		(1,241,985)
2018		(1,241,985)
2019		(1,241,985)
2020		
Thereafter		

E) Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$167,970 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

7) OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District’s defined benefit postemployment healthcare plan, (DPHP), provides medical benefits to eligible retired District employees and beneficiaries. DPHP is part of the Public Agency portion of the California Employers’ Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Prior to the plan agreements signed in 2011, the eligibility in the plan was broken into 3 tiers, employees hired before January 1, 1981, employees hired on or after January 1, 1981 but before July 1, 1993 and employees hired on or after July 1, 1993. Board members elected before January 1, 1995 are also eligible for the plan. Eligibility also includes age and years of service requirements which vary by tier. Benefits include 100% medical and dental premiums for life for the retiree for Tier I, II or III employees, and up to 100% spouse premium until death of retiree or age 65 whichever is greater and dependent premium up to age 19 depending on the tier. The plan also includes survivor benefits to Medicare.

Subsequent to the agreements in 2011 and 2012 all employees are eligible for the plan after 20 years of consecutive service and unrepresented employees hired before January 1, 2013 are eligible after 15 years. Survivor benefits are covered beyond Medicare.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

7) OTHER POST EMPLOYMENT BENEFITS - Continued

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. Effective January 1, 2013, represented employees hired prior to January 1, 2013 or hired on or after January 1, 2013 from another public agency that has reciprocity without having a break in service of more than six months, contribute .75% of covered salaries. In addition, unrepresented and represented employees hired on or after January 1, 2013, and do not have reciprocity from another public agency, contribute 1.75% and 2.5% of covered salaries, respectively. DPHP members receiving benefits contribute based on their selected plan options of EPO, HMO or PPO and whether they are outside the State of California. Contributions by plan members range from \$0 to \$165 per month for coverage to age 65, and from \$0 to \$170 per month, respectively, thereafter.

Annual OPEB Cost and Net OPEB Obligation/Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 11.4% of the annual covered payroll.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation/asset for the year ended June 30, 2015:

Annual Required Contribution (ARC)	\$	1,413,000
Interest on Net OPEB Asset		(752,937)
Adjustment to Annual Required Contribution (ARC)		713,000
Annual OPEB Cost (Expense)		1,373,063
Contributions Made		2,460,113
Increase in Net OPEB Asset		(1,087,050)
Net OPEB Asset - Beginning of Year		(10,385,336)
Net OPEB Asset - End of Year	\$	(11,472,386)

For 2015, in addition to the ARC, the District contributed cash benefit payments outside the trust (healthcare premium payments for retirees to Special District Risk Management Authority (SDRMA) in the amount of \$929,113, which is included in the \$2,460,113 of contributions shown above.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

7) OTHER POST EMPLOYMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation/Asset - Continued

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/asset for the fiscal years 2015, 2014 and 2013 were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$ 1,373,063	179%	\$ (11,472,386)
6/30/14	\$ 1,386,456	175%	\$ (10,385,336)
6/30/13	\$ 1,226,662	183%	\$ (9,345,437)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 22,891,000
Actuarial Value of Plan Assets	\$ 11,831,000
Unfunded Actuarial Accrued Liability (UAAL)	\$ 11,060,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	51.68%
Covered Payroll (Active Plan Members)	\$ 11,969,000
UAAL as a Percentage of Covered Payroll	92.41%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

7) OTHER POST EMPLOYMENT BENEFITS - Continued

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	23-Year Fixed (Closed) Period as of the Valuation Date
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.25% (Net of Administrative Expenses)
Projected Salary Increase	3.25%
Inflation	3.00%
Individual Salary Growth	CalPERS 1997-2007 Experience Study
Healthcare Cost Trend Rate	Medical: 10% per annum graded down in approximately one-half percent increments to an ultimate rate of 5%. Dental: 4% per annum.

8) WATER CONSERVATION AUTHORITY

In 1999 the District formed the Water Conservation Garden Authority (the “Authority”), a Joint Powers Authority, with other local entities to construct, maintain and operate a xeriscape demonstration garden in the furtherance of water conservation. The authority is a non-profit public charity organization and is exempt from income taxes. During the year ended June 30, 2015, the District contributed \$117,462 for the development, construction and operation costs of the xeriscape demonstration garden.

A summary of the Authority’s June 30, 2014 audited financial statement is as follows (latest report available):

Assets	\$ 1,467,333
Liabilities	<u>0</u>
Net Assets	\$ 1,467,333
Revenues, Gains and Other Support	\$ 520,000
Expenses	<u>604,707</u>
Changes in Net Assets	<u><u>\$ (84,707)</u></u>

9) COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District had committed to capital projects under construction with an estimated cost to complete of \$12,724,286 at June 30, 2015.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

9) COMMITMENTS AND CONTINGENCIES - Continued

Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

Refundable Terminal Storage Fees

The District has entered into an agreement with several developers whereby the developers prepaid the terminal storage fee in order to provide the District with the funds necessary to build additional storage capacity. The agreement further allows the developers to relinquish all or a portion of such water storage capacity. If the District grants to another property owner the relinquished storage capacity, the District shall refund to the applicable developer \$746 per equivalent dwelling unit (EDU). There were 17,867 EDUs that were subject to this agreement. At June 30, 2015, 1,750 EDUs had been relinquished and refunded, 15,076 EDUs had been connected, and 1,041 EDUs have neither been relinquished nor connected.

Developer Agreements

The District has entered into various Developer Agreements with developers towards the expansion of District facilities. The developers agree to make certain improvements and after the completion of the projects the District agrees to reimburse such improvements with a maximum reimbursement amount for each developer. Contractually, the District does not incur a liability for the work until the work is accepted by the District. As of June 30, 2015, none of the outstanding developer agreements had been accepted, however it is anticipated that the District will be liable for an amount not to exceed \$221,320 at the point of acceptance. Accordingly, the District has accrued a liability as of year end.

10) RISK MANAGEMENT

General Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. Beginning in July 2003, the District began participation in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

10) RISK MANAGEMENT - Continued

General Liability - Continued

General and Auto Liability, Public Officials' Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$10 million combined single limit at \$10 million per occurrence, subject to the following deductibles:

- \$500 per occurrence for third party general liability property damage;
- \$1,000 per occurrence for third party auto liability property damage;
- 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, as respects any employment practices claim or suit arising in whole or any part out of any action involving discipline, demotion, reassignment or termination of any employee of the member.

Employee Dishonesty Coverage: Total of \$400,000 per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage's effective July 1, 2014. Coverage was increased by \$600,000 during the fiscal year for a total of \$1,000,000 as of June 30, 2015.

Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2014.

Boiler and Machinery: Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible, effective July 1, 2014.

Public Officials Personal Liability: \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage's, deductible of \$500 per claim, effective July 1, 2014.

Comprehensive and Collision: On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA; Policy No. LCA - SDRMA – 2014-15, effective July 1, 2014.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, effective July 1, 2014.

Health Insurance

Beginning in January 2008, the District began providing health insurance through SDRMA covering all of its employees, retirees, and other dependents. SDRMA is a pooled medical program, administered in conjunction with the California State Association of Counties (CSAC).



NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

10) RISK MANAGEMENT - Continued

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

11) INTEREST EXPENSE

Interest expense for the years ended June 30, 2015 is as follows:

Amount Expensed	\$ 4,545,530
Amount Capitalized as a Cost of Construction Projects	<u>179,476</u>
Total Interest	<u>\$ 4,725,006</u>

12) SEGMENT INFORMATION

During the June 30, 2011 fiscal year, the District issued Revenue Bonds to finance certain capital improvements. While water and wastewater services are accounted for jointly in these financial statements, the investors in the Revenue Bonds rely solely on the revenues of the water services for repayment.



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

12) SEGMENT INFORMATION - Continued

Summary financial information for the water services is presented for June 30, 2015:

Condensed Statement of Net Position June 30, 2015

	<u>Water Services</u>
ASSETS	
Current Assets	\$ 98,230,595
Capital Assets	441,407,136
Other Assets	<u>11,472,386</u>
Total Assets	<u>551,110,117</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Contributions to Pension Plans	<u>3,411,118</u>
Total Deferred Outflows of Resources	<u>3,411,118</u>
LIABILITIES	
Current Liabilities	23,872,564
Long-term Liabilities	<u>139,053,533</u>
Total Liabilities	<u>163,926,097</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Actuarial Pension Costs	<u>4,739,415</u>
Total Deferred Inflows of Resources	<u>4,739,415</u>
NET POSITION	
Net Investment in Capital Assets	336,261,832
Restricted for Debt Service	4,658,306
Unrestricted	<u>45,935,585</u>
Total Net Position	<u>\$ 386,855,723</u>



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

12) SEGMENT INFORMATION - Continued

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2015

	<u>Water Services</u>
Operating Revenues	
Water Sales	\$ 79,135,000
Connection and Other Fees	1,679,503
	<hr/>
Total Operating Revenues	80,814,503
	<hr/>
Operating Expenses	
Cost of Water Sales	54,324,307
Administrative and General	19,520,170
Depreciation	15,144,486
	<hr/>
Total Operating Expenses	88,988,963
	<hr/>
Operating Income (Loss)	(8,174,460)
	<hr/>
Nonoperating Revenues (Expenses)	
Investment Earnings	583,225
Taxes and Assessments	3,855,839
Availability Charges	641,002
Gain (Loss) on Sale of Capital Assets	30,282
Rents and Leases	1,232,920
Miscellaneous Revenues	2,490,796
Donations	(117,462)
Interest Expense	(4,545,530)
Miscellaneous Expenses	(1,312,480)
	<hr/>
Total Nonoperating Revenues (Expenses)	2,858,592
	<hr/>
Income (Loss) Before Capital Contributions	(5,315,868)
	<hr/>
Capital Contributions	2,394,280
	<hr/>
Change in Net Position	(2,921,588)
	<hr/>
Total Net Position, Beginning, As Previously Stated	428,351,990
	<hr/>
Prior Period Adjustment	(38,574,679)
	<hr/>
Total Net Position, Beginning, As Restated	389,777,311
	<hr/>
Total Net Position, Ending	<u>\$ 386,855,723</u>



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

12) SEGMENT INFORMATION - Continued

Condensed Statement of Cash Flows For the Year Ended June 30, 2015

	<u>Water Services</u>
Net Cash Provided/(Used) by:	
Operating Activities	\$ 7,808,220
Non-capital and Related Financing Activities	5,110,851
Capital and Related Financing Activities	(11,878,822)
Investing Activities	<u>(8,434,768)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,394,519)
Cash and Cash Equivalents, Beginning	<u>30,610,113</u>
Cash and Cash Equivalents, Ending	<u>\$ 23,215,594</u>

13) PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$40,434,674 relates to the implementation of GASB Statements 68 and 71 for defined benefit pension plans. According to GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 68 Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*, which was implemented by the District in the 2015 fiscal year, recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to defined benefit pension plans.

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015



REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress for DPHP

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll [(B-A)/C]
6/30/13						
Miscellaneous	\$ 11,831,000	\$ 22,891,000	\$ 11,060,000	51.68%	\$ 11,969,000	92.41%
6/30/11						
Miscellaneous	\$ 7,893,000	\$ 18,289,000	\$ 10,396,000	43.16%	\$ 12,429,000	83.64%
6/30/09						
Miscellaneous	\$ 6,273,000	\$ 10,070,000	\$ 3,797,000	62.29%	\$ 11,878,000	31.97%



**SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2015**

Measurement Period	2013-14 ¹
TOTAL PENSION LIABILITY	
Service Cost	\$ 2,330,709
Interest	7,907,915
Changes of Benefit Terms	0
Difference Between Expected and Actual Experience	0
Changes of Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(4,885,406)
Net Change in Total Pension Liability	5,353,218
Total Pension Liability - Beginning	106,716,218
Total Pension Liability – Ending (a)	\$ 112,069,436
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 3,137,174
Contributions - Employee	1,074,954
Net Investment Income ²	10,874,999
Benefit Payments, Including Refunds of Employee Contributions	(4,885,406)
Other Changes in Fiduciary Net Position	0
Net Change in Fiduciary Net Position	10,201,721
Plan Fiduciary Net Position - Beginning	63,144,370
Plan Fiduciary Net Position – Ending (b)	\$ 73,346,091
Plan Net Pension Liability/(Asset) – Ending (a) – (b)	\$ 38,723,345
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.45%
Covered-Employee Payroll	\$ 12,276,578
Plan Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	315.42%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable

² Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have results from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.



SCHEDULE OF CONTRIBUTIONS YEAR ENDED JUNE 30, 2015

Schedule of Plan Contributions¹

	Fiscal Year 2013-14
Actuarially Determined Contribution ²	\$ 3,137,174
Contributions in Relation to the Actuarially Determined Contribution ²	(3,137,174)
Contribution Deficiency (Excess)	\$ 0
Covered-Employee Payroll ^{3,4}	\$ 12,276,578
Contributions as a Percentage of Covered-Employee Payroll ³	25.55%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions toward their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year \$11,919,008 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details see June 30, 2011 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Otay Water District
Spring Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Otay Water District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Riverside, California
_____, 2015

_____ 2015

Board of Directors
Otay Water District
Spring Valley, CA

We have audited the financial statements of the business-type activities of the Otay Water District (the "District") for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 6 to the financial statements, the District changed accounting policies related to Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in the 2015 fiscal year. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year are reported in the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the business-type activities' financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net other postemployment benefits (OPEB) obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation of defined benefit pension obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the defined benefit pension obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note 3 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of other postemployment benefits and the net OPEB obligation in Note 7 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on these key factors and assumptions used for the actuarial valuation.

The disclosure of defined benefit pension plan in Note 6 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on these key factors and assumptions used for the actuarial valuation.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as of a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management and discussion and analysis, and the required supplementary information section, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. Joseph Beachem
Chief Financial Officer
Otay Water District
Spring Valley, CA

We have performed the procedures enumerated below, which were agreed to by the Otay Water District (the "District"), solely to assist the District's senior management in evaluating the investments of the District as of and for the fiscal year ended June 30, 2015. The District's management is responsible for evaluating the investments of the District. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain a copy of the District's investment policy and determine that it is in effect for the fiscal year ended June 30, 2015.

Finding: At June 30, 2015, the current investment policy (Policy #27) is dated August 10, 2011 and was amended on May 7, 2014. This policy was reviewed and approved for the 2014-2015 fiscal year under Resolution No. 4233 at the May 7, 2014 regular board meeting. Therefore the investment policy is in effect for the time period under review.

2. Select 4 investments held at year end and determine if they are allowable investments under the District's Investment Policy.

Finding: We selected the following investments: FHLMC - Maturity 7/29/2016, FHLMC - Maturity 6/16/2017, FHLB - Maturity 5/11/2018, and FFCB - Maturity 3/27/2017. All four investments are allowable and within maturity limits as stated in the District's investment policy at June 30, 2015.

3. For the four investments selected in #2 above, determine if they are held by a third party custodian designated by the District.

Finding: The four investments examined are held by a third party custodian, Union Bank of California, designated by the District in compliance with the District's investment policy. Per discussion with the District's management and evidenced by Union Bank of California's statement, Union Bank does not act as a broker dealer for the District but acts as a custodial agent of the District holding the investments in a trust capacity.

4. Confirm the par or original investment amount and market value for the four investments selected above with the custodian or issuer of the investments.

Finding: No exceptions were noted as a result of our procedures.

5. Select two investment earnings transactions that took place during the year and recompute the earnings to determine if the proper amount was received.

Finding: Selected the following investment earnings transactions: interest earned on FNMA Note on March 6, 2015 and interest earned on FHLMC Bond on September 19, 2014. No exceptions were noted as a result of our procedures.

6. Trace amounts received for transactions selected at #5 above into the District's bank accounts.

Finding: No exceptions were noted as a result of our procedures.

7. Select five investment transactions (buy, sell, trade or maturity) occurring during the year under review and determine that the transactions are permissible under the District's investment policy.

Finding: We selected the following investment transactions: FAMC Note purchased on January 8, 2015, FFCB Bond purchased on November 25, 2014, FHLB Bond sold on August 26, 2014, FHLB Bond purchased on March 30, 2015, and FHLMC Note purchased on December 12, 2014. Those transactions were permissible under the District's investment policy. No exceptions were noted as a result of our procedures.

8. Review the supporting documents for the five investments selected at #7 above to determine if the transactions were appropriately recorded into the District's general ledger.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the investments of the District for the fiscal year ending June 30, 2015. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is limited solely for the information and use of the Board of Directors and senior management of the Otay Water District and is not limited to be and should not be used by anyone other than these specified parties.

Riverside, California
_____, 2015

AGENDA ITEM 4



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 4, 2015
SUBMITTED BY:	Armando Buelna Communications Officer	PROJECT:	DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	2015 Customer Awareness and Opinion Survey Report		

GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors receive the findings of the 2015 Customer Awareness and Opinion Survey conducted by Rea and Parker Research Inc.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To present the Board of Directors with the findings of the 2015 residential Customer Awareness and Opinion Survey.

ANALYSIS:

The Otay Water District's Strategic Plan (Strategic Goal 1.1.100) calls for conducting a statistically reliable customer opinion and awareness survey among residential customers. The purposes are to obtain information from customers about their overall perception of the District's services, programs, and activities, track this information year-to-year, with the ultimate goal of the improving customer service.

Rea and Parker Research Inc. conducted the survey, which took place between August 31st and September 9th 2015. The survey was a random telephone survey with a sample size of 314 customers, 214 of which

were traditional landline customers and 100 cell phone customers. The margin of error is plus or minus 5.5 percent at the 95 percent confidence level.

The respondents were screened to exclude residents who have not lived in the Otay Water District's service area for at least one year. The survey cooperation rate was 47.6 percent.

The survey was available to be conducted in English or Spanish (upon request). Spanish language respondents comprised 4.4 percent of the survey population, including 6 percent of cell phone users.

The average length of the survey was 17 minutes.

Highlights of the 2015 survey are as follows:

- The 2015 Customer Awareness and Opinion Survey found high levels of overall satisfaction from customers with the Otay Water District as their water service provider.
- While the percentage of customers who rated the District as poor or very poor increased slightly from the last customer survey, this was overshadowed by the number of customers who rated the District as being excellent (increasing from 29 to 53 percent).
- With the drought on the mind of most customers, 7 in 10 respondents agree that the District has been a good partner in helping conserve water; nearly three-fourths (74 percent) acknowledge the District has provided its customers with adequate and timely information about the drought; nearly three-fifths (59 percent) state that the District is not at fault when it comes to the drought; and while about two-fifths (39 percent) agree with the statement "the District did not anticipate the severity of the drought and was not well-prepared for it", a near equal number (38 percent) feel the District was prepared for the severity of the drought (23 percent were unsure).
- The survey found that approximately 21 percent of customers have called the District for service or help in the past year. Among those callers, 76 percent indicated that their service was either excellent (59 percent) or very good (17 percent), an 8 percent increase from the previous survey.
- The survey has identified that two-thirds (68 percent) of respondents have a lawn or grass area for which someone in their household has direct responsibility for maintaining. Among these

customers, nearly two-fifths (37 percent) have already replaced grass with stone, water-wise plants or artificial turf. Another 12 percent plan to make some type of lawn replacement in the future.

- Nineteen percent of customers have no plans to replace grass with a water-conserving alternative. These customers cite cost as the main barrier to replacing grass. Another barrier includes customers who indicate that they rent their residences, and while responsible to maintain their lawn areas, are not responsible for major infrastructure changes.
- Over 9 in 10 customers (93 percent) have familiarity with the mandatory water-use restrictions that are in effect across the District's service area. Of those customers, 92 percent have taken specific actions to reduce water use in response to these restrictions (86 percent of all customers).
- Sixty-two percent of Otay customers have visited the District website. This represents a 10 percent increase from the last customer survey, and continues a steady increase of customers who have visited the website since 2008 (when 27 percent indicated that they visited the website).
- Of customers who have visited the website, nearly half reported that they visited the website in order to pay their bill online.

In conclusion, the 2015 Customer Awareness and Opinion Survey Report states that among customers, "there are strong indications of support for the work of the Otay Water District", and that "the overall satisfaction with the District as a water service provider is notably higher than every survey period since this series of surveys began in 2005."

The complete survey findings are included as Attachment C

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

1.1.100 CUSTOMER - Measure customer satisfaction. This goal measures the level of overall customer satisfaction with the District.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action
Attachment B -2015 Customer Awareness and Opinion
Survey Report PowerPoint Presentation
Attachment C - 2015 Customer Awareness and Opinion
Survey Report



ATTACHMENT A

SUBJECT/PROJECT:	2015 Customer Awareness and Opinion Survey Report
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COMMITTEE ACTION:

The Finance, Administration and Communication Committee reviewed this item at a meeting held on October 21st, 2015 and received the findings of the 2015 Customer Awareness and Opinion Survey Report.

Customer Satisfaction and Awareness Survey Otay Water District—October, 2015



Principal Researchers:
Richard A. Parker, Ph.D.
Louis M. Rea, Ph.D.

Rea & Parker Research
Professors, School of Public Affairs, SDSU

SAMPLE

- **n = 314**
 - **100 cell phone residential customers and 214 landline residential customers**
- **Margin of error = +/- 5.5% at 95% confidence**
- **20% of respondents have annual household incomes below \$50,000**
- **4.4% preferred to take the survey in Spanish**

**Otay Water District General Survey Respondent Characteristics
(weighted for cell phone and landline usage)**

CHARACTERISTIC	2015	2012	2011	2010	2009	2008
ETHNICITY						
White	43%	55%	56%	44%	55%	52%
Hispanic/Latino	35%	26%	26%	29%	28%	30%
Asian/Pacific Islander	13%	10%	14%	15%	8%	8%
Black/African-American	7%	5%	2%	8%	6%	6%
HOUSEHOLD INCOME						
Median	\$83,800	\$79,900	\$80,400	\$85,600	\$75,700	\$83,500
% \$100,000 or more	33%	28%	32%	36%	26%	30%
% \$25,000 to under \$50,000	14%	-----	-----	-----	-----	-----
% under \$25,000	6%	6%	6%	10%	8%	5%
AGE						
Median	51 years	53 years	53 years	53 years	53 years	47 years
YEARS CUSTOMER						
Median	10 years	12 years	15 years	9 years	12 years	8 years
EDUCATION						
High School or Less	13%	17%	16%	12%	17%	22%
At Least One Year College, Trade, Vocational School	29%	32%	24%	30%	32%	28%
Bachelor's Degree	32%	34%	34%	41%	39%	33%
1+ Year Graduate Work	26%	17%	24%	17%	12%	17%
OWN/RENT						
Home Owner	80%	91%	97%	85%	91%	88%
Renter	20%	9%	3%	15%	9%	12% ³

Otay Water District
2015 General Survey Respondent Characteristics
Landline and Cell Phone Customers

CHARACTERISTIC	Landline Customers	Cell Phone Customers
ETHNICITY		
White	44%	38%
Hispanic/Latino	35%	29%
Asian/Pacific Islander	13%	18%
Black/African-American	7%	7%
ANNUAL HOUSEHOLD INCOME		
Median	\$85,200	\$71,300
% \$100,000 or more	34%	25%
% \$25,000 to under \$50,000	14%	20%
% under \$25,000	6%	6%
AGE		
Median	54	44
YEARS CUSTOMER OF DISTRICT		
Median	10	6
EDUCATION		
High School or Less	13%	11%
At Least One Year College, Trade, Vocational School	29%	34%
Bachelor's Degree	32%	31%
1+ Year of Graduate Work	26%	24%
OWN/RENT		
Home Owner	82%	64%
Renter	18%	36%

KEY FINDINGS

- **Very strong customer support for the work of the Otay Water District**
 - Higher support than in any survey from 2005 forward
- **Trust in Otay Water District to provide clean, safe water AND at reasonable prices is also higher than in any of those surveys since 2005.**
- **There is much awareness of water conservation issues and a considerable amount of action has been undertaken by customers to reduce their water usage.**
 - The primary driver of these conservation measures is the drought.
- **The desalination agreement for water from Rosarito Beach has seen a slow increase in overt support and opposition seems to have weakened somewhat.**
- **Use of online services for bill payment has remained relatively unchanged, with the least use of online services being lower income and older customers, both of which groups are less frequent computer users, in general.**

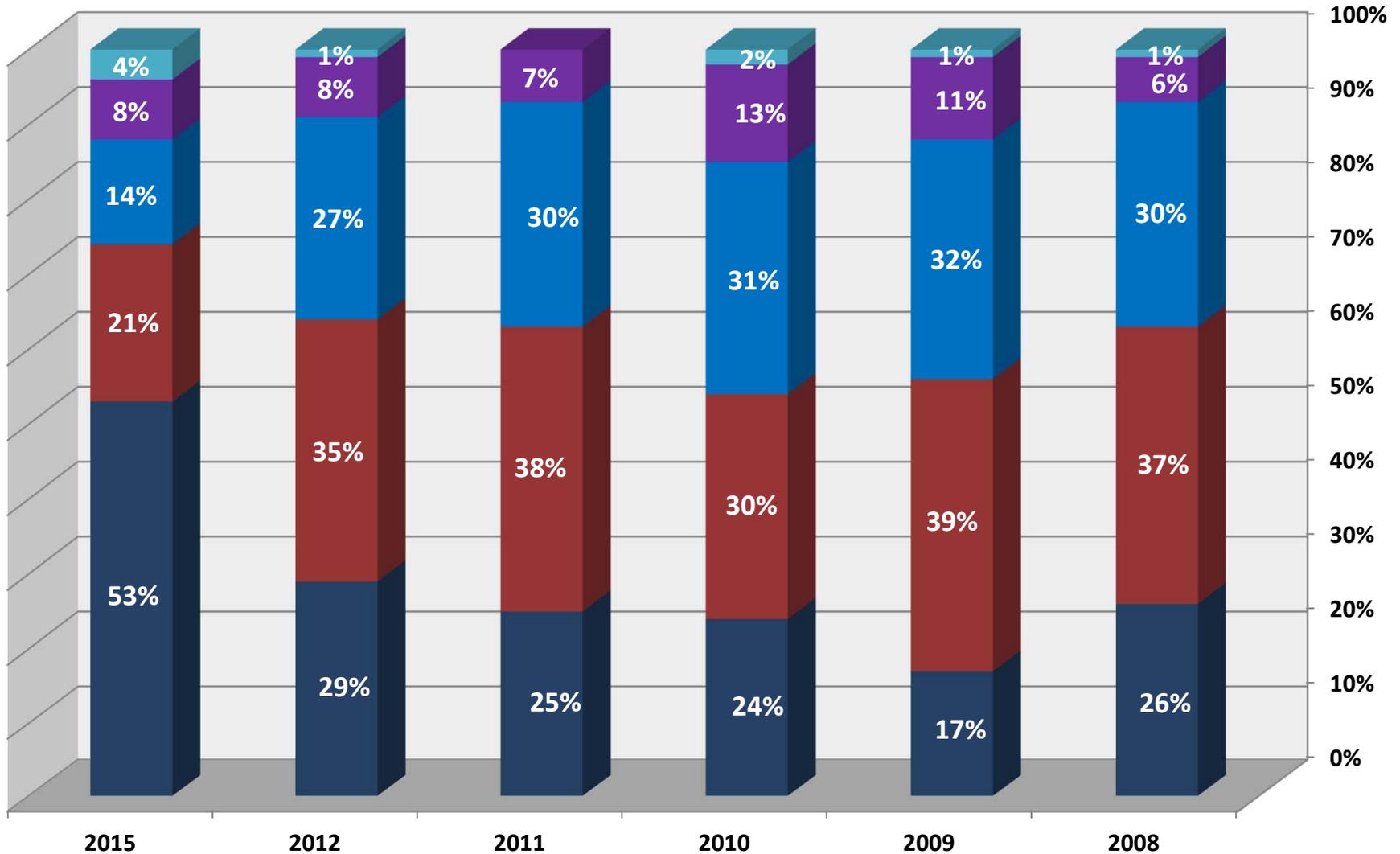
**SATISFACTION WITH
OTAY WATER
DISTRICT**

*6-point scale prior to 2015--codes 4 and 5 merged for prior years into "poor" category.

Overall Satisfaction with Otay Water District as Water Service Provider

(Mean = 1.88 -- Scale: 1= Excellent and 5 = Very Poor*)

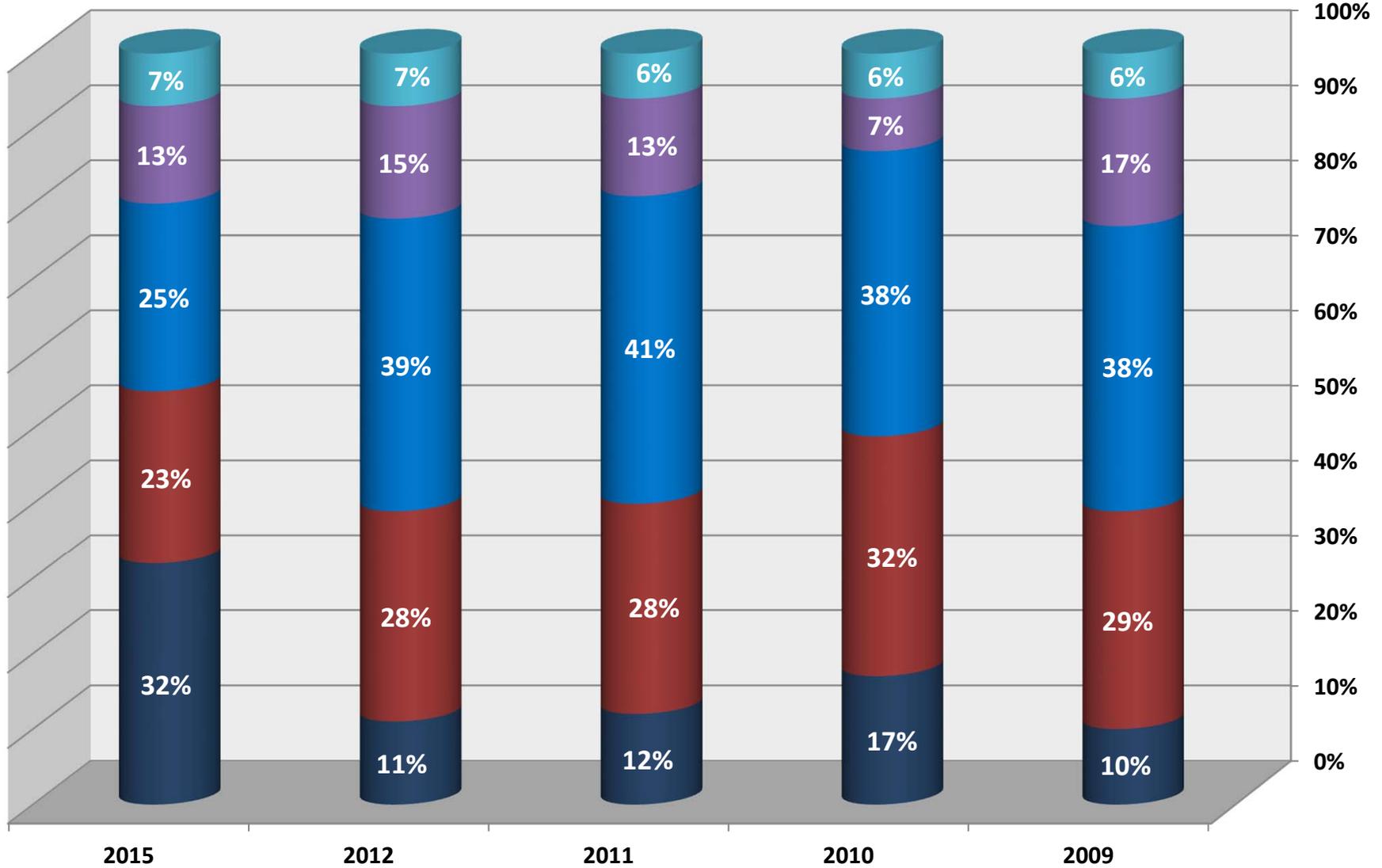
- Very Poor
- Poor
- Fair
- Very Good
- Excellent



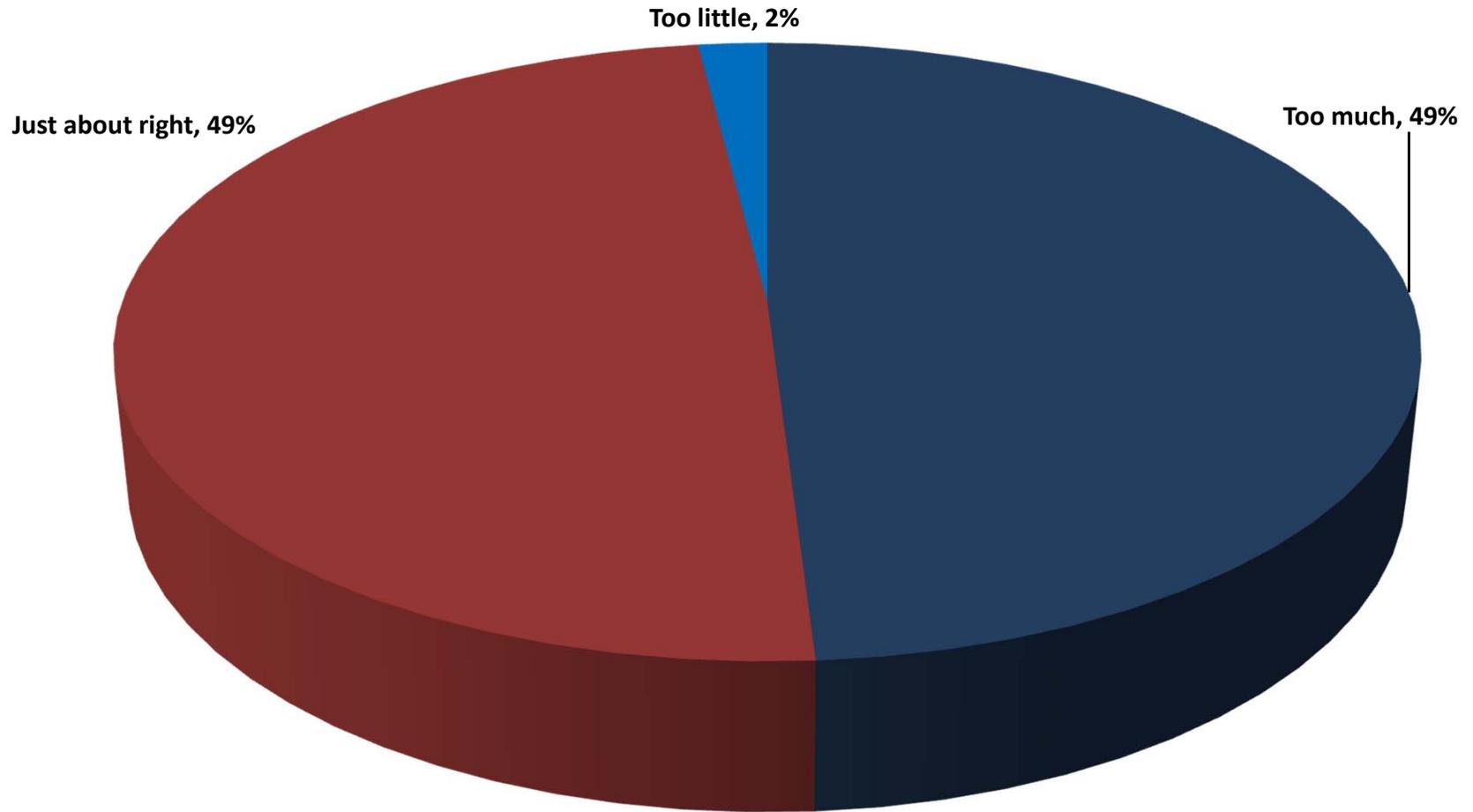
Trust Otoy Water District to Obtain Water at Reasonable Price

(Mean = 2.39--Scale: 1 = Great Deal of Trust and 5 = No Trust at All)

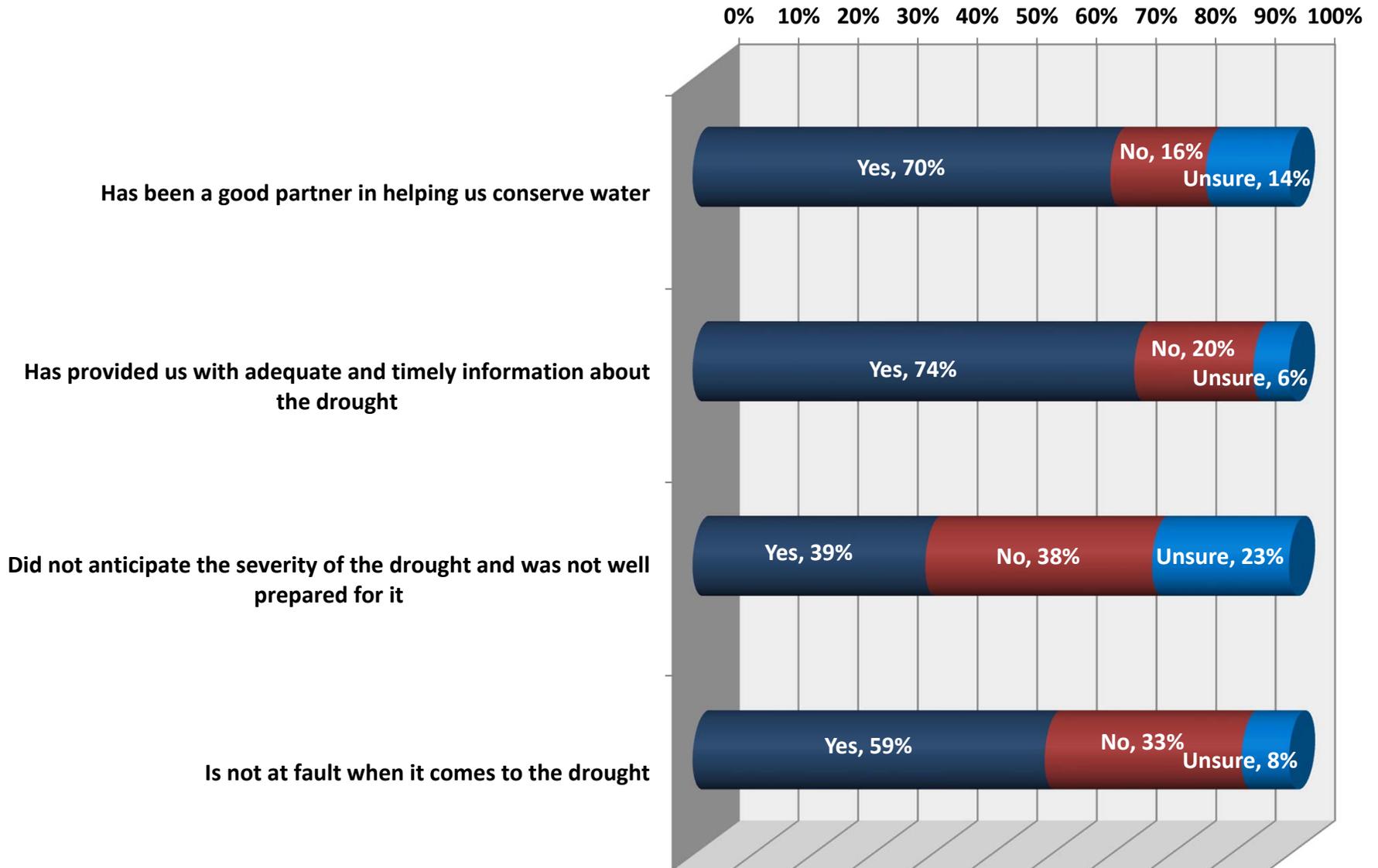
- No Trust at All
- Not Much Trust
- Some Trust
- Good Amount of Trust
- Great Deal of Trust



Cost of Water is...



During Recent Drought, the Otay Water District.....



Percentage of customers who called Customer Service in past years:

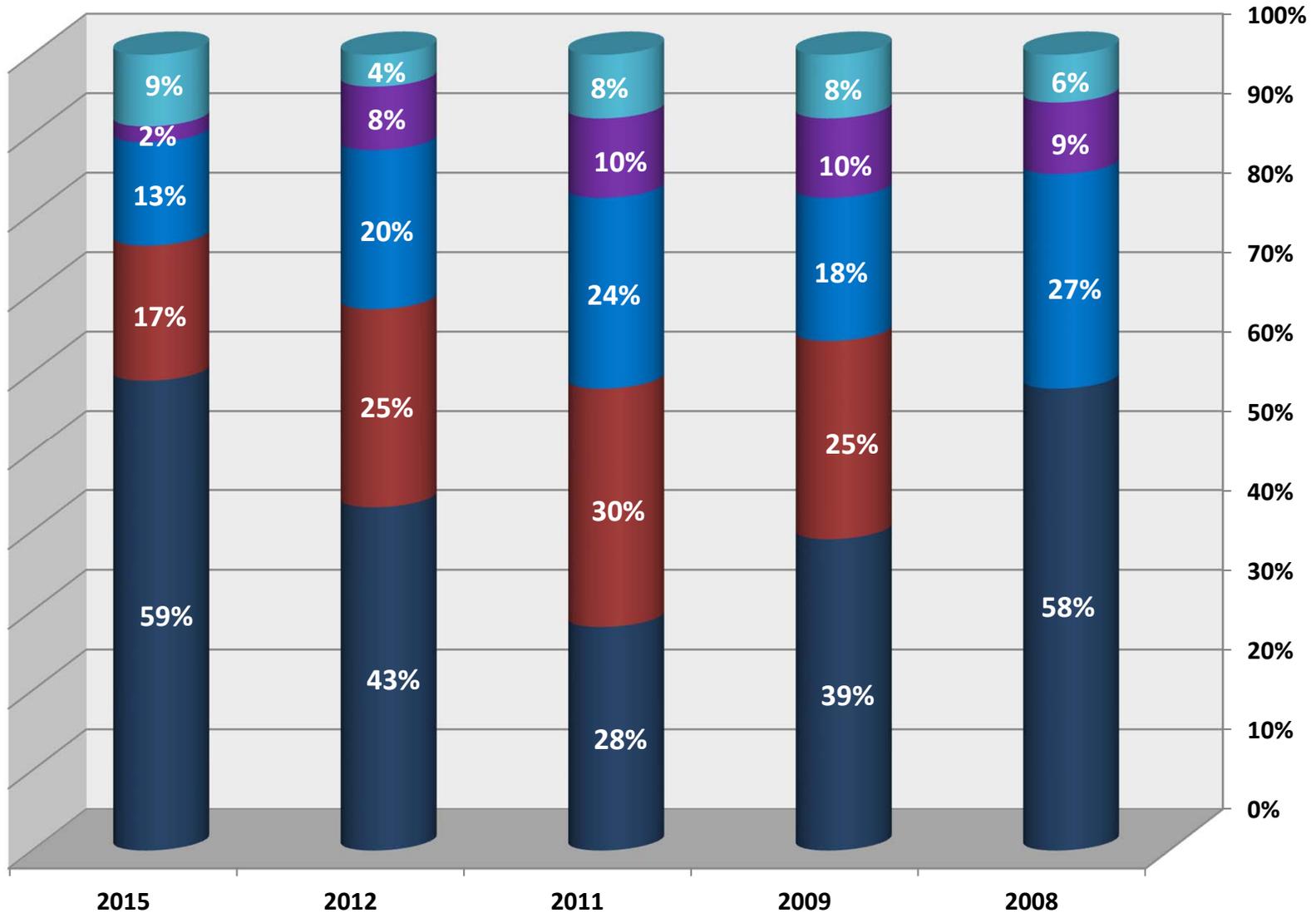
2015 = 21%
 2012 = 9%
 2011 = 17%
 2010 = 17%
 2008 = 10%

Renters call more often = 31%

Satisfaction with Calls to Customer Service

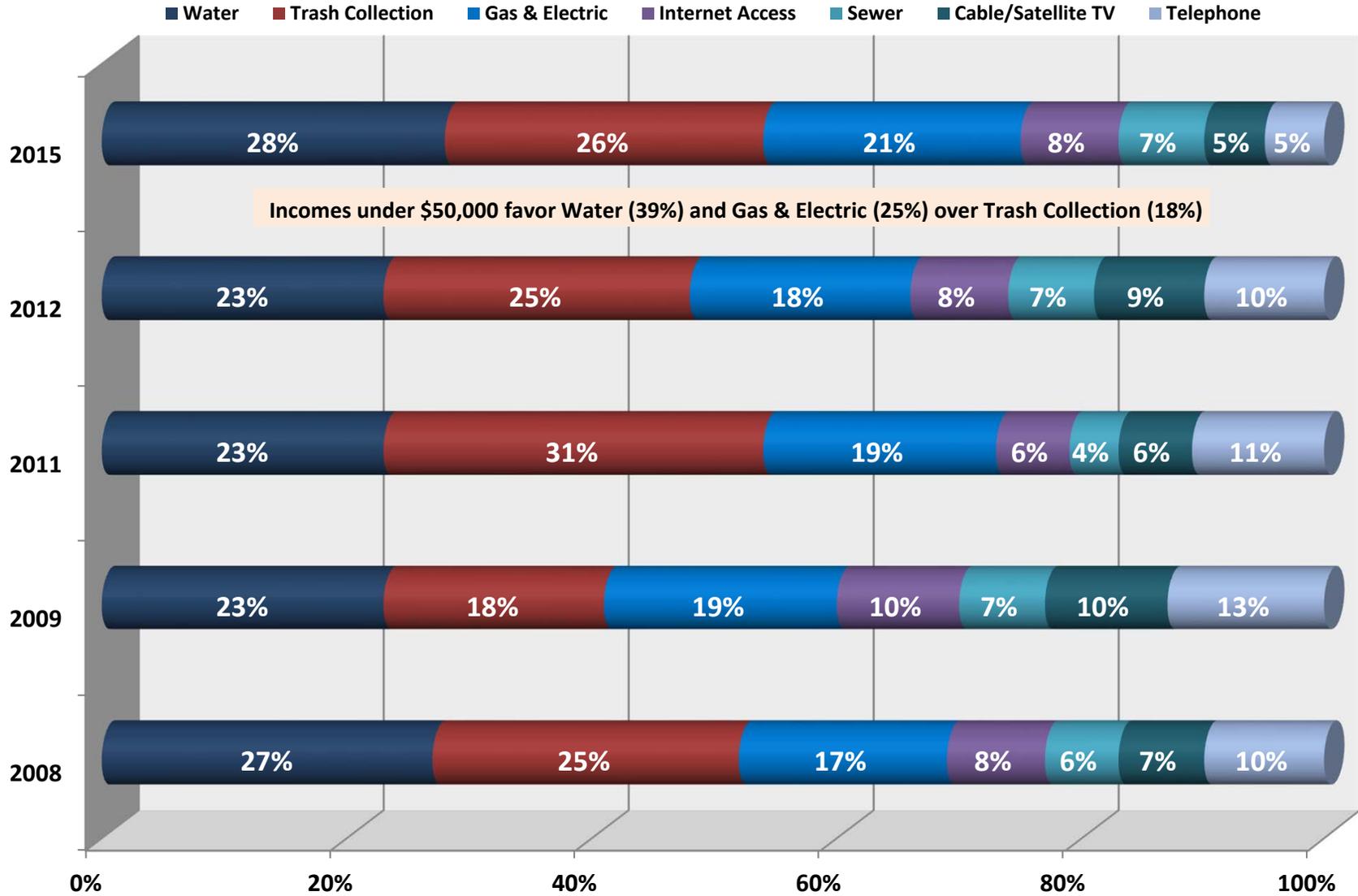
(Mean Satisfaction = 1.85 --Scale: 1 = Excellent and 5 = Very Poor)

- Very Poor
- Poor
- Fair
- Very Good
- Excellent



Best Value Among Utilities--Weighted

(Utilities Ranked 1-2-3 and weighted--3 points for first choice, 2 points for second and 1 point for third)

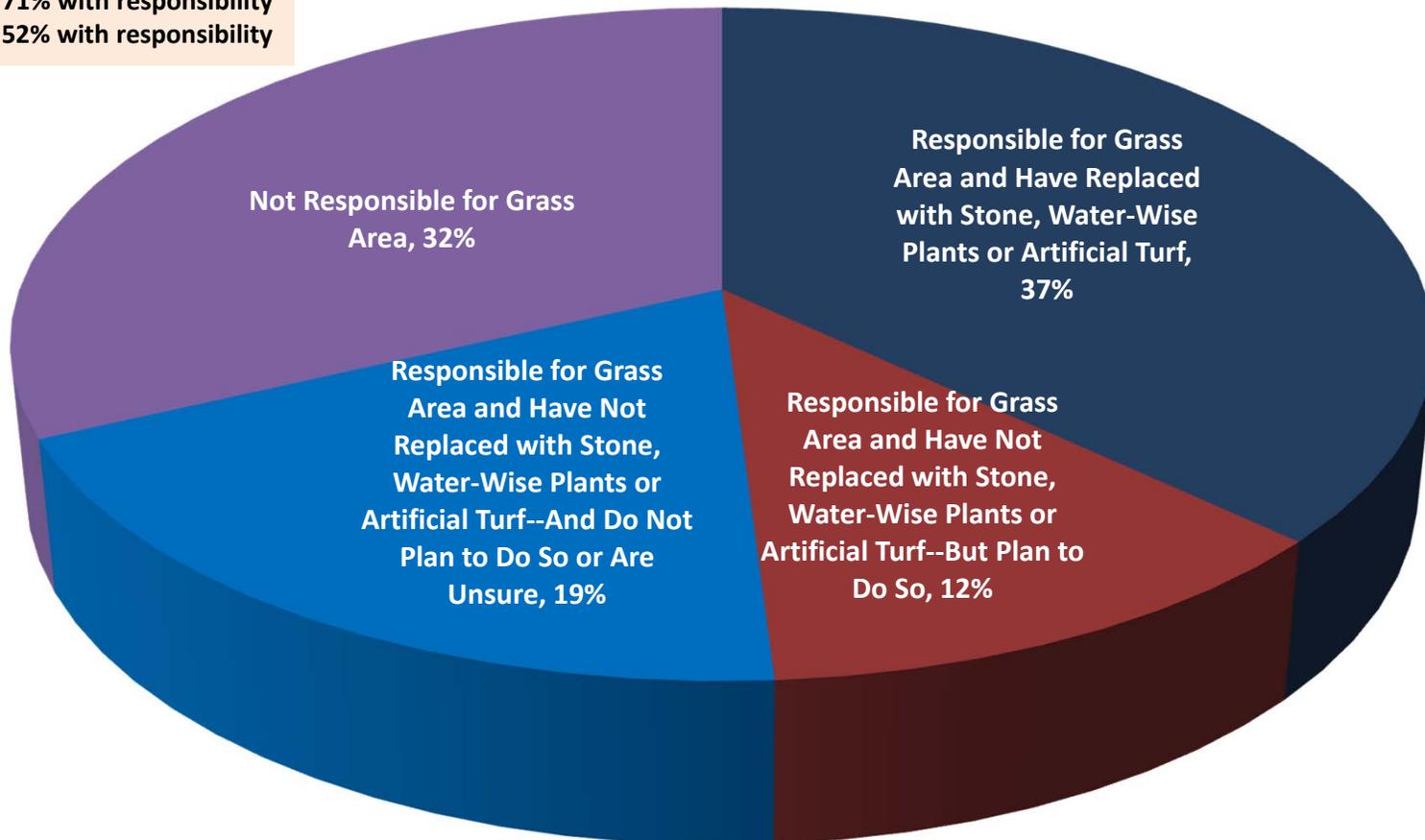


WATER CONSERVATION

Replaced All or Some of Grass Area with Low-Water Use Landscaping

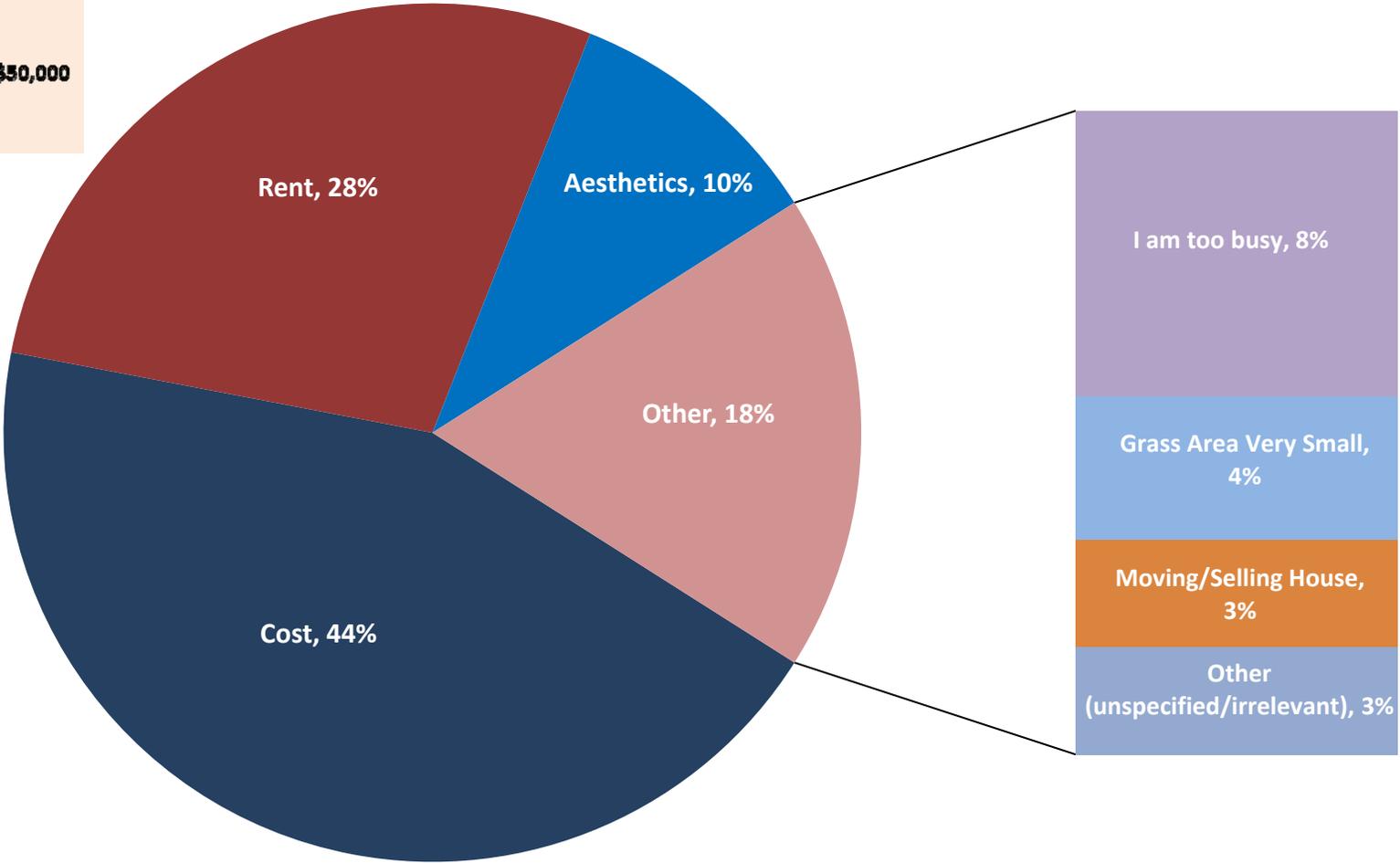
Overall % responsible for grass area = 68%

Owners = 71% with responsibility
Renters = 52% with responsibility



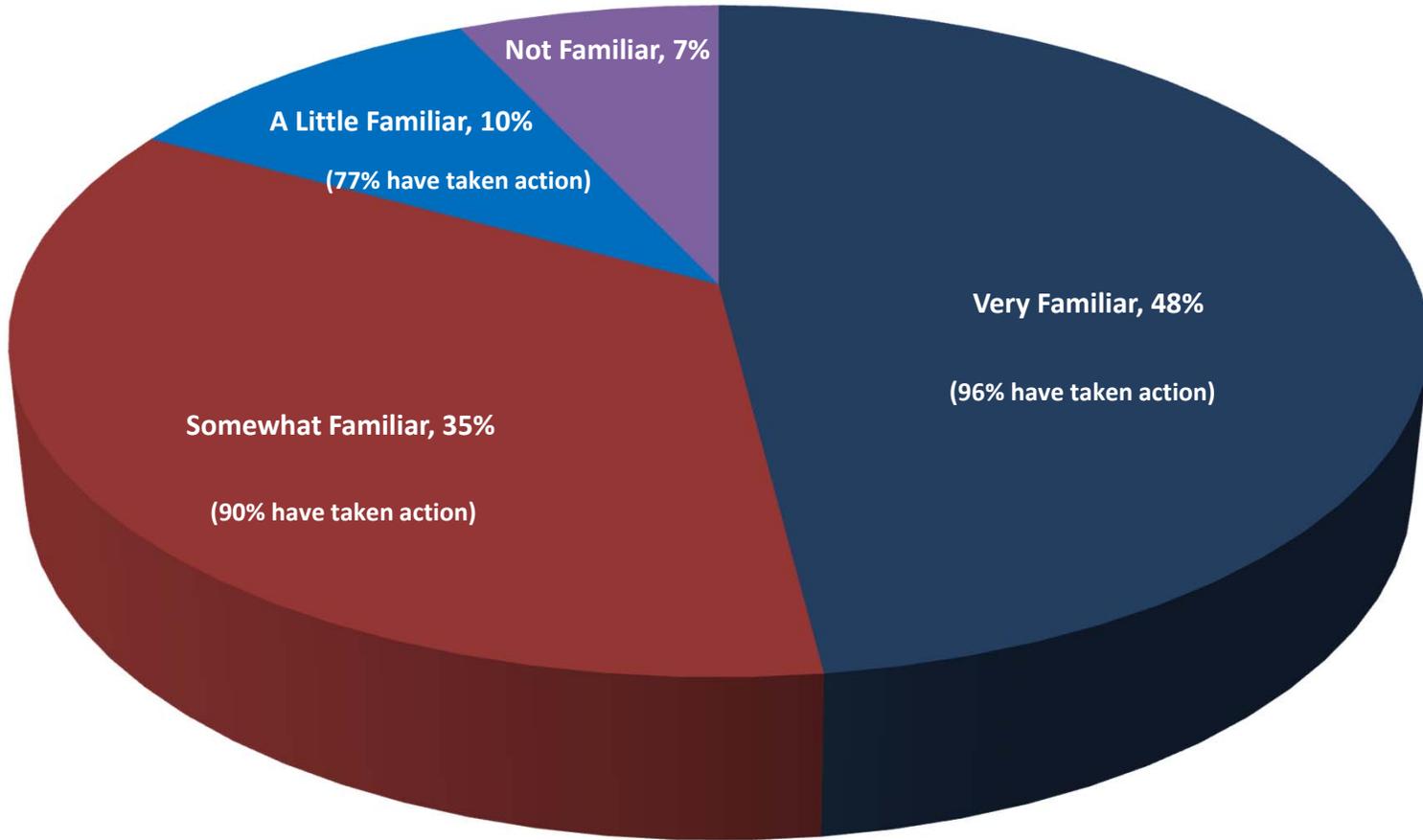
Main Barrier to Replacing Grass Area with Low-Water Landscaping (Among 19% with Grass Area Who Have Not Replaced or Do Not Plan to Replace It)

Main Barriers:
Income < \$50,000
Rent = 56%
Cost = 22%
Income >= \$50,000
Cost = 54%
Rent = 26%



Familiarity with Mandatory Water-Use Restrictions

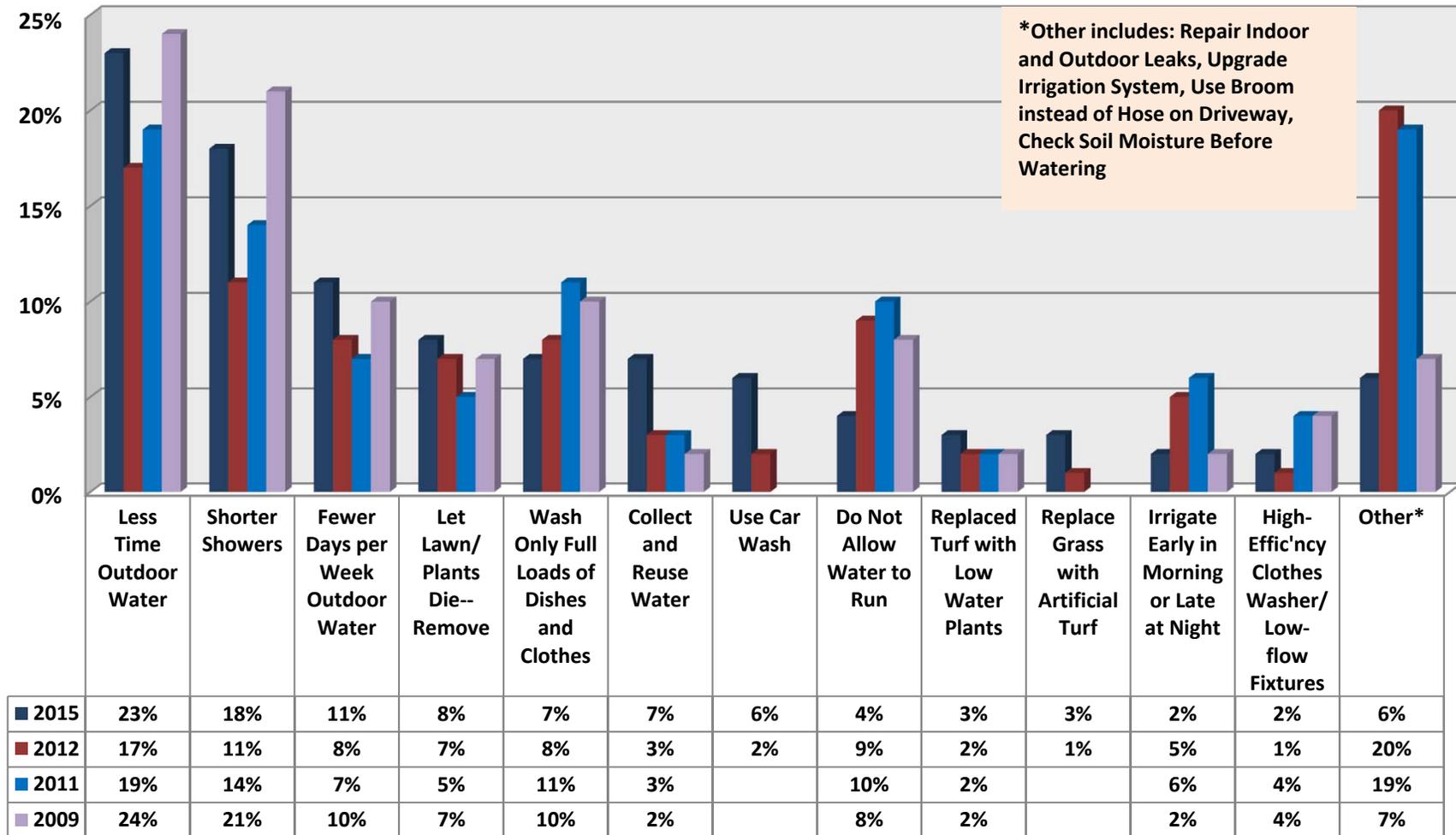
(92% with Some Familiarity Have Taken Action in Response to Restrictions)



Very or Somewhat Familiar:
Incomes under \$50,000 = 88%
Incomes of \$50,000 and over = 82%

Specific Actions Taken to Reduce Water Use in Response to Mandatory Restrictions

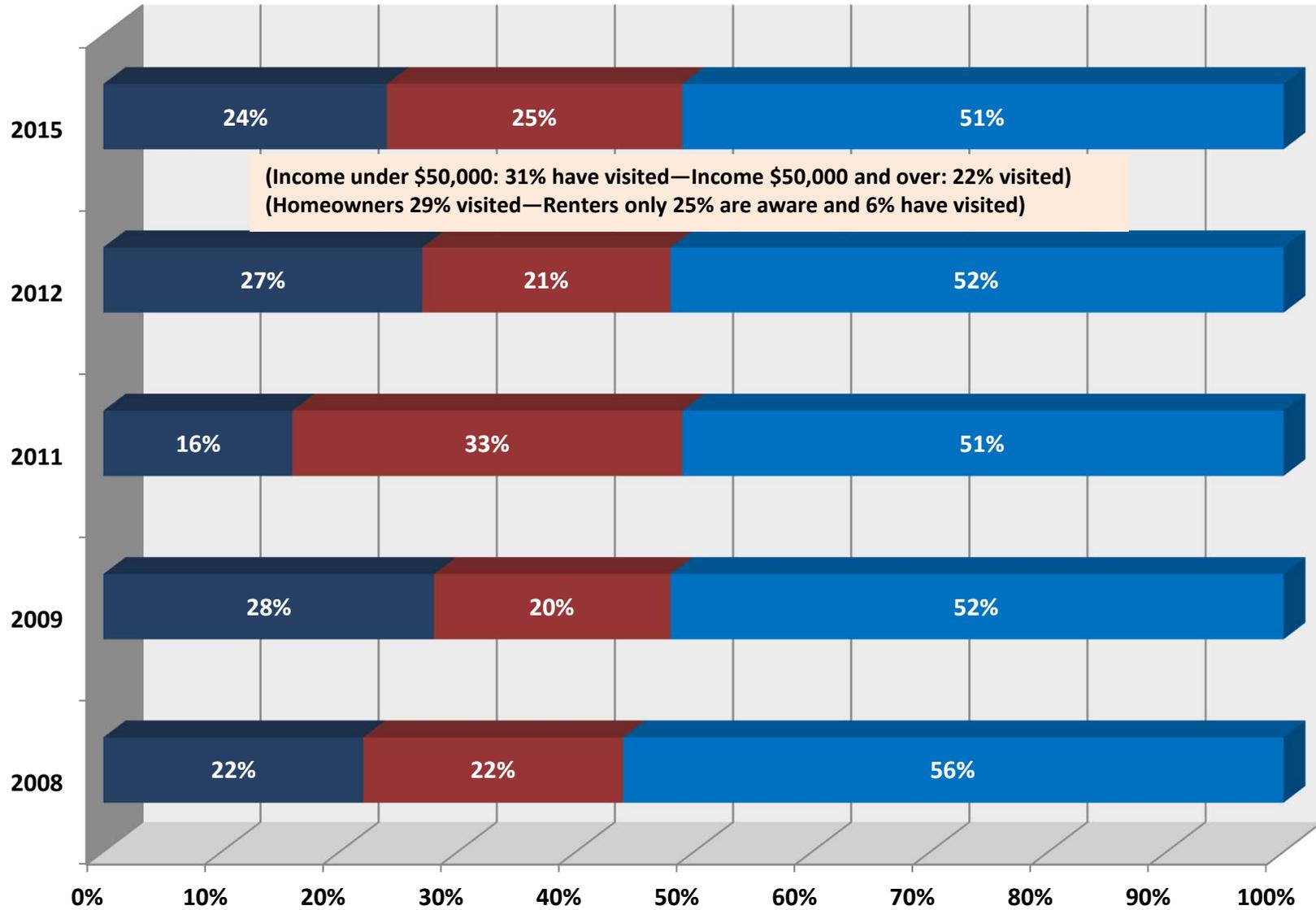
(Among 92% of Respondents with Some Familiarity with Restrictions and Have Taken Action = 86% of All Customers)



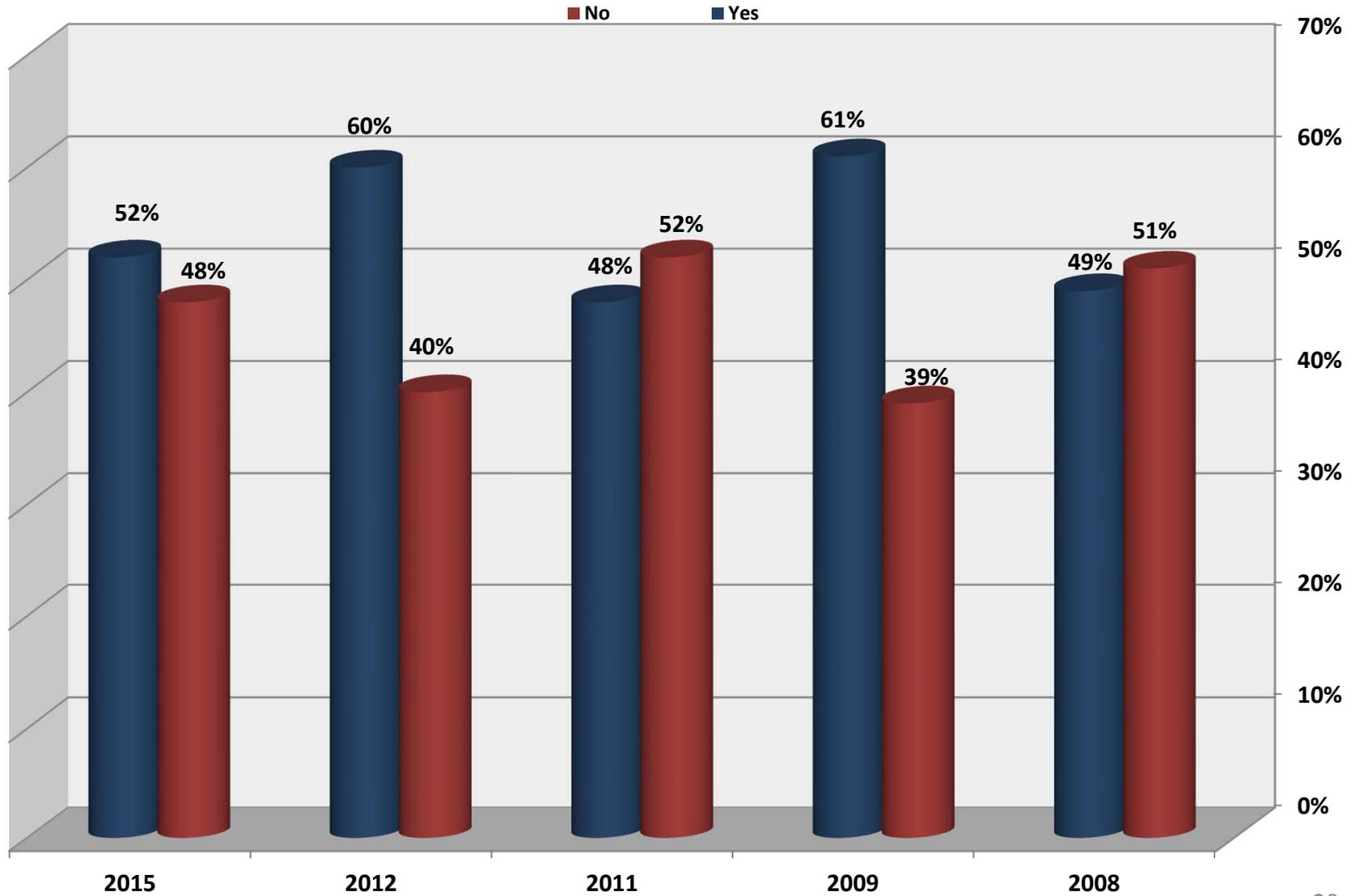
**WATER CONSERVATION
GARDEN
AT CUYAMACA COLLEGE**

Water Conservation Garden at Cuyamaca College

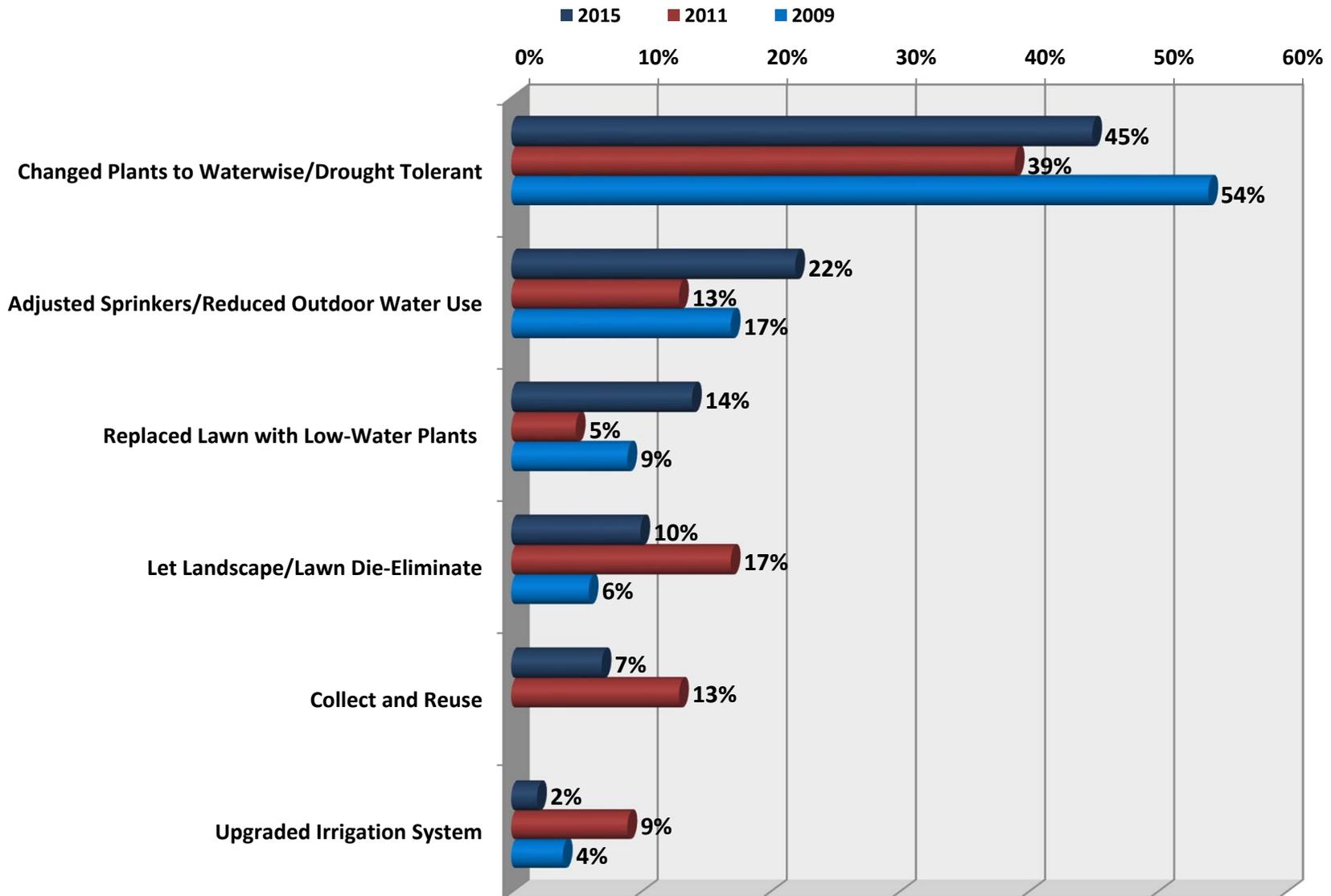
■ Heard of and Visited Conservation Garden ■ Heard of but Not Visited ■ Never Heard of or Seen Anything



Made Changes to Landscaping as a Result of Visiting Water Conservation Garden (Among 24% Who Have Visited)



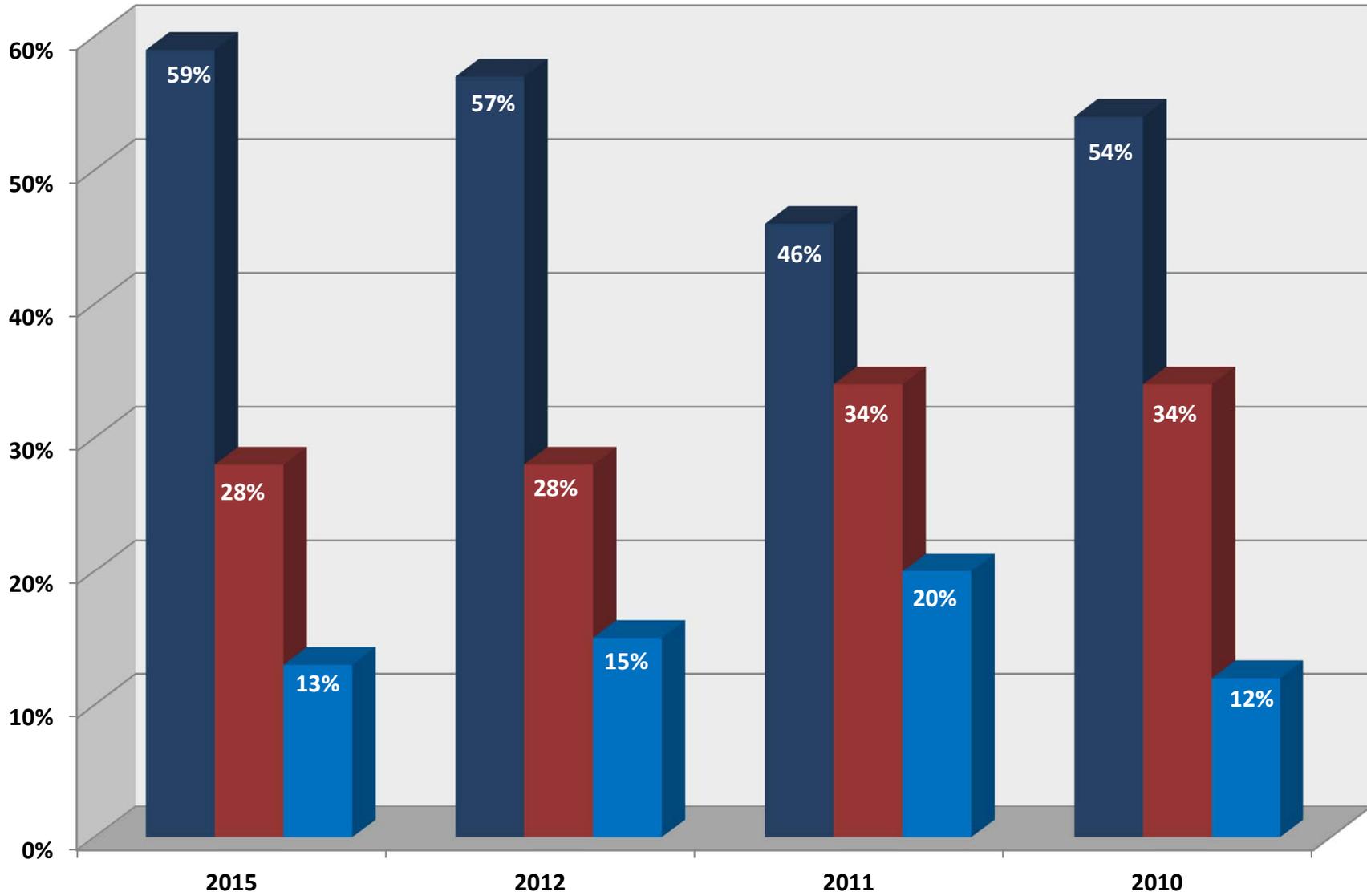
Most Significant Change in Landscape as a Result of Visiting Water Conservation Garden



ROSARITO BEACH DESALINATION

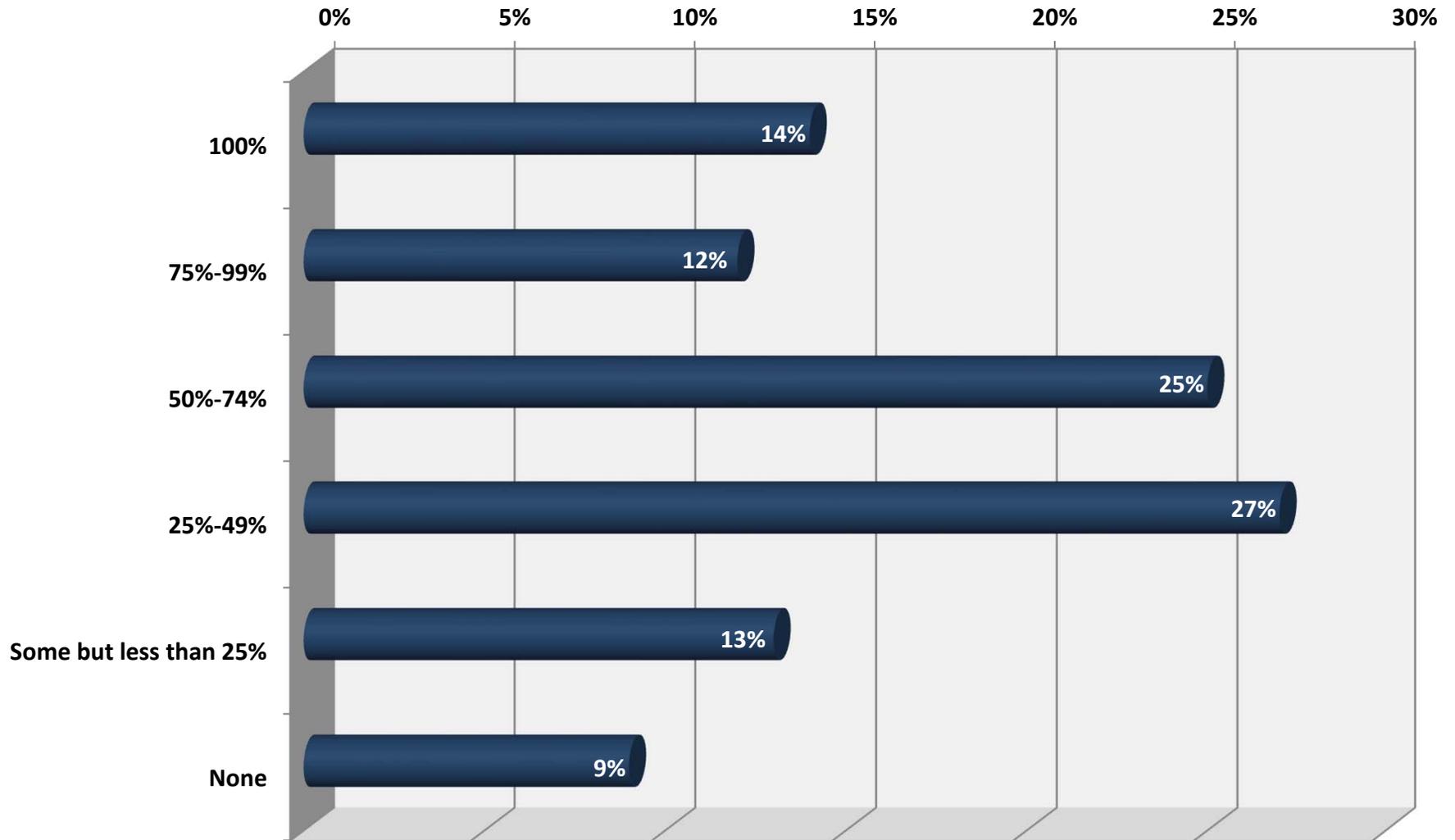
In Favor of Pursuing Agreement for Rosarito Beach Desalinated Water

Favor Not Favor Unsure

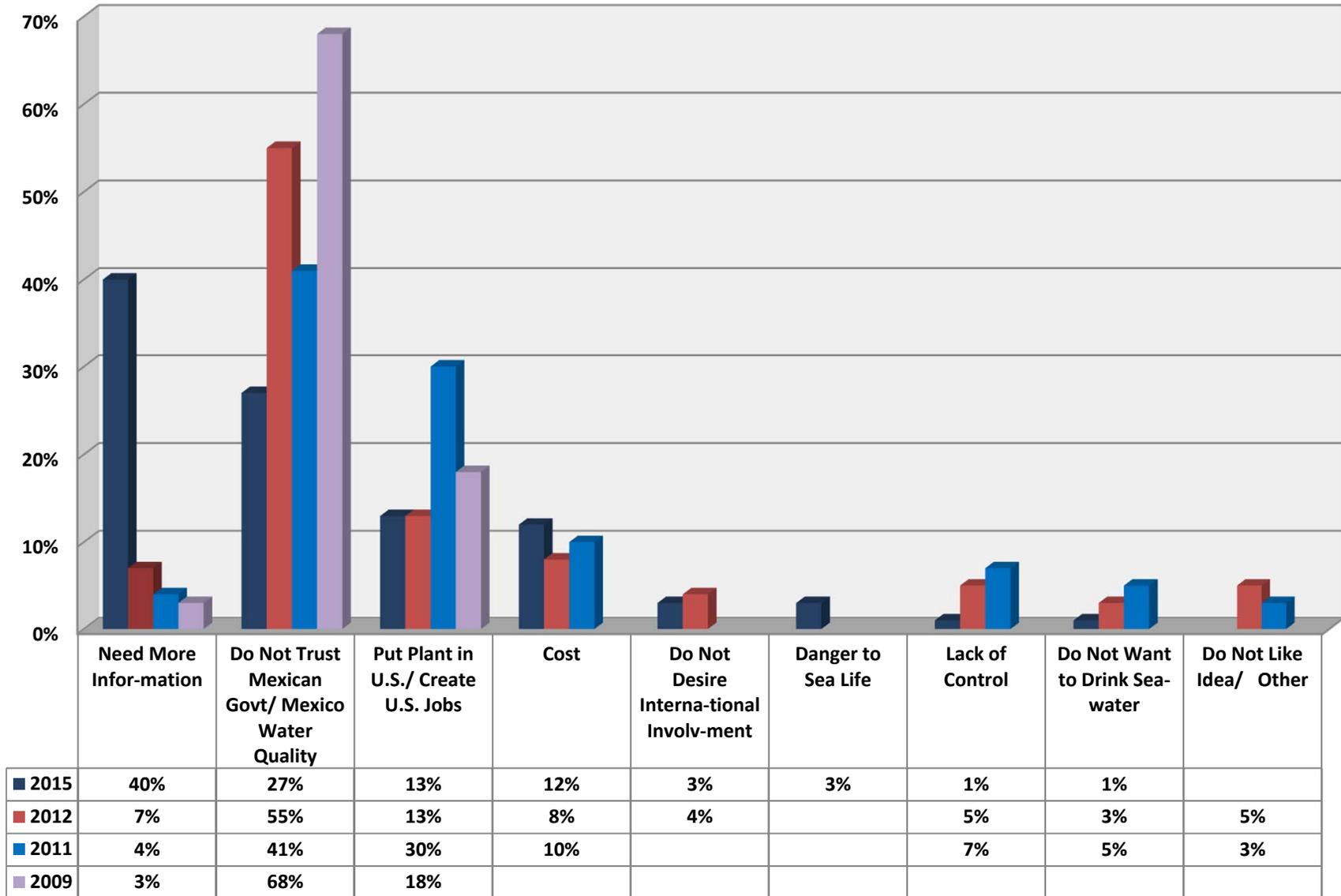


Percentage of All Otay Water District Water that is Preferred from Rosarito Beach Desalination Plant

(Among 59% Who Favor the Agreement---Median Percentage = 50%)

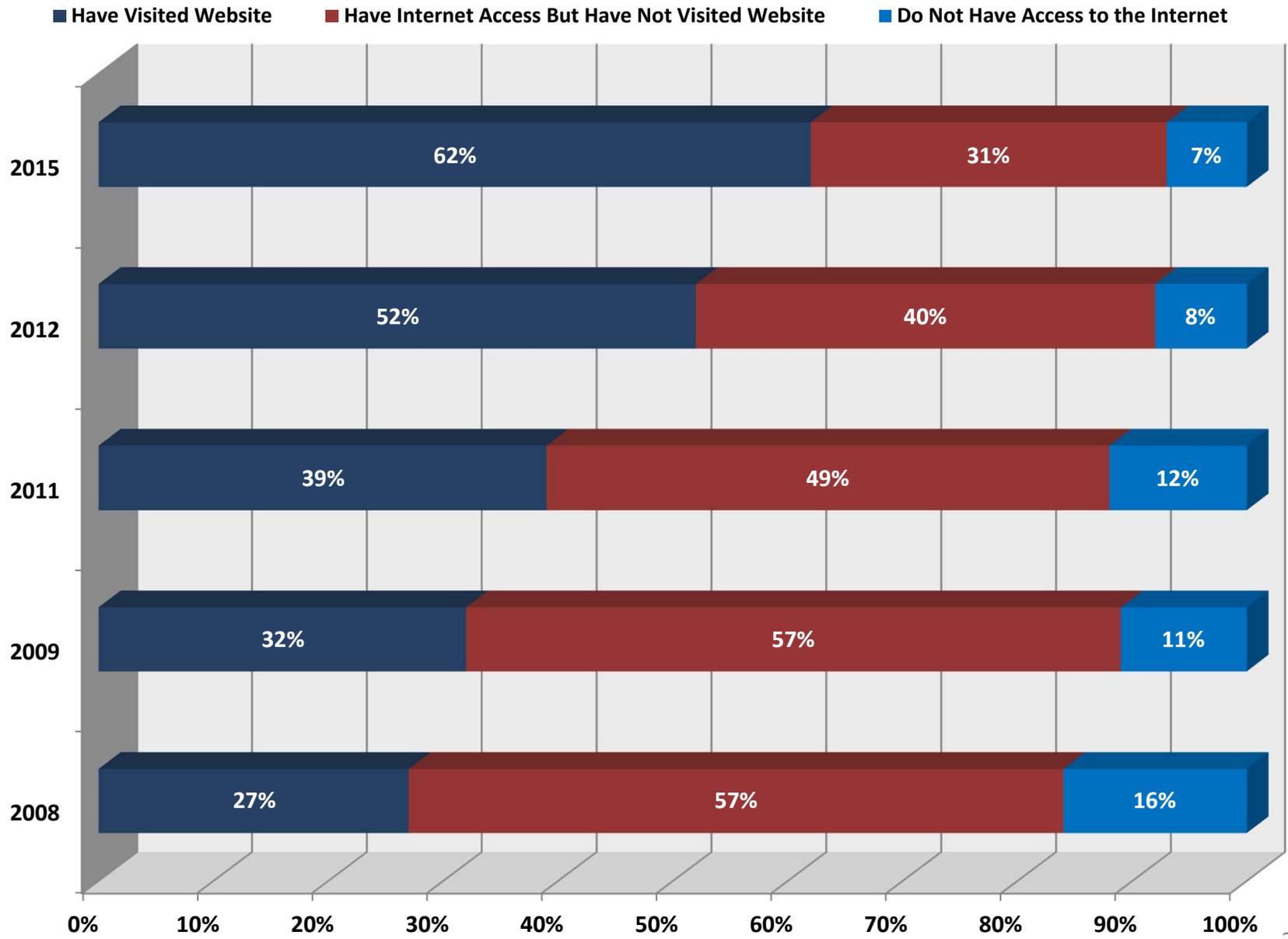


Why Not Favor Desalination Agreement? (Among 28% Not in Favor and 13% Unsure)



COMMUNICATION

Visited Otay Water District Website?

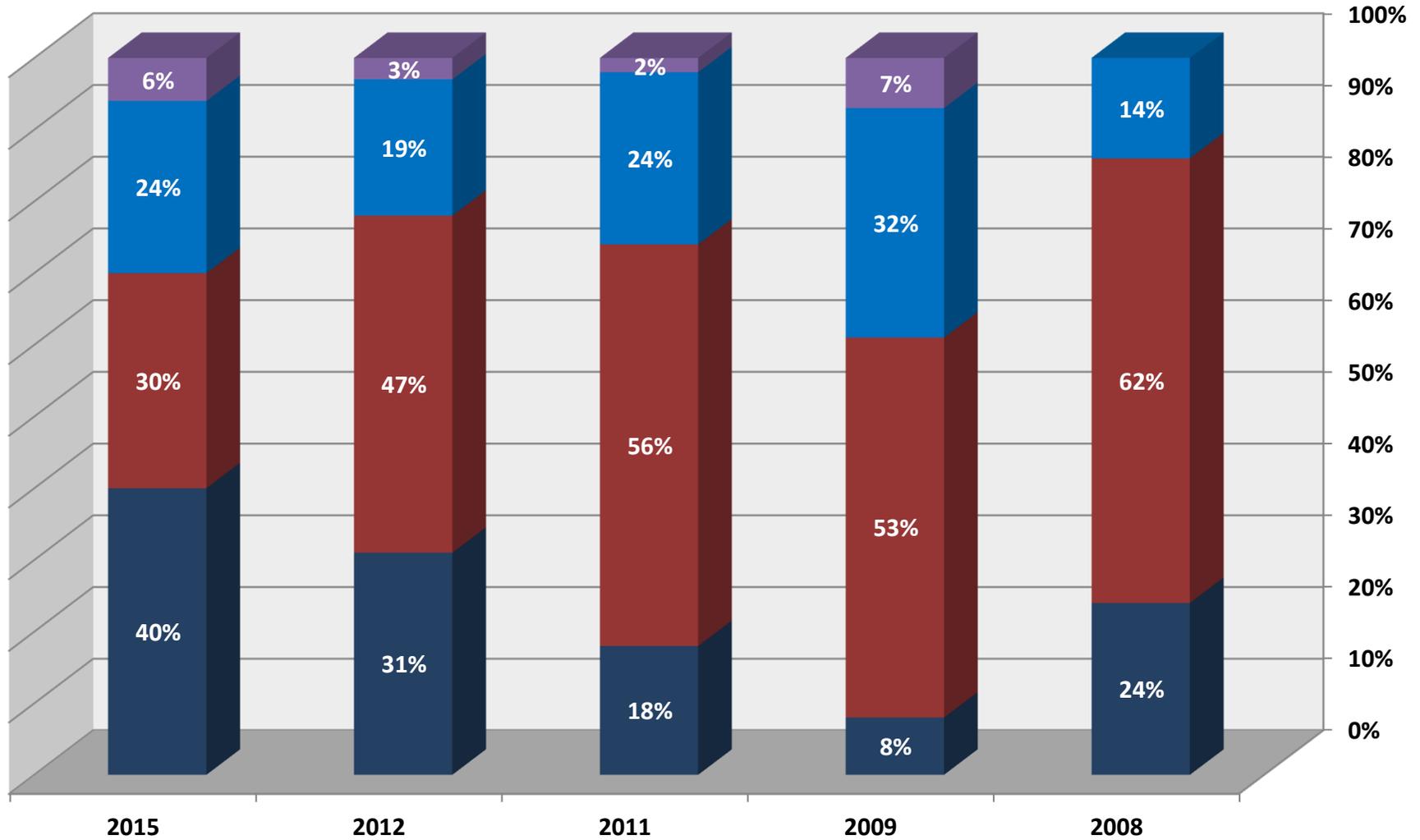


*2015: "Poor" category includes 5% who rated the website at 4 and 1% who rated it at 5. Prior years ratings were 1-4 only.

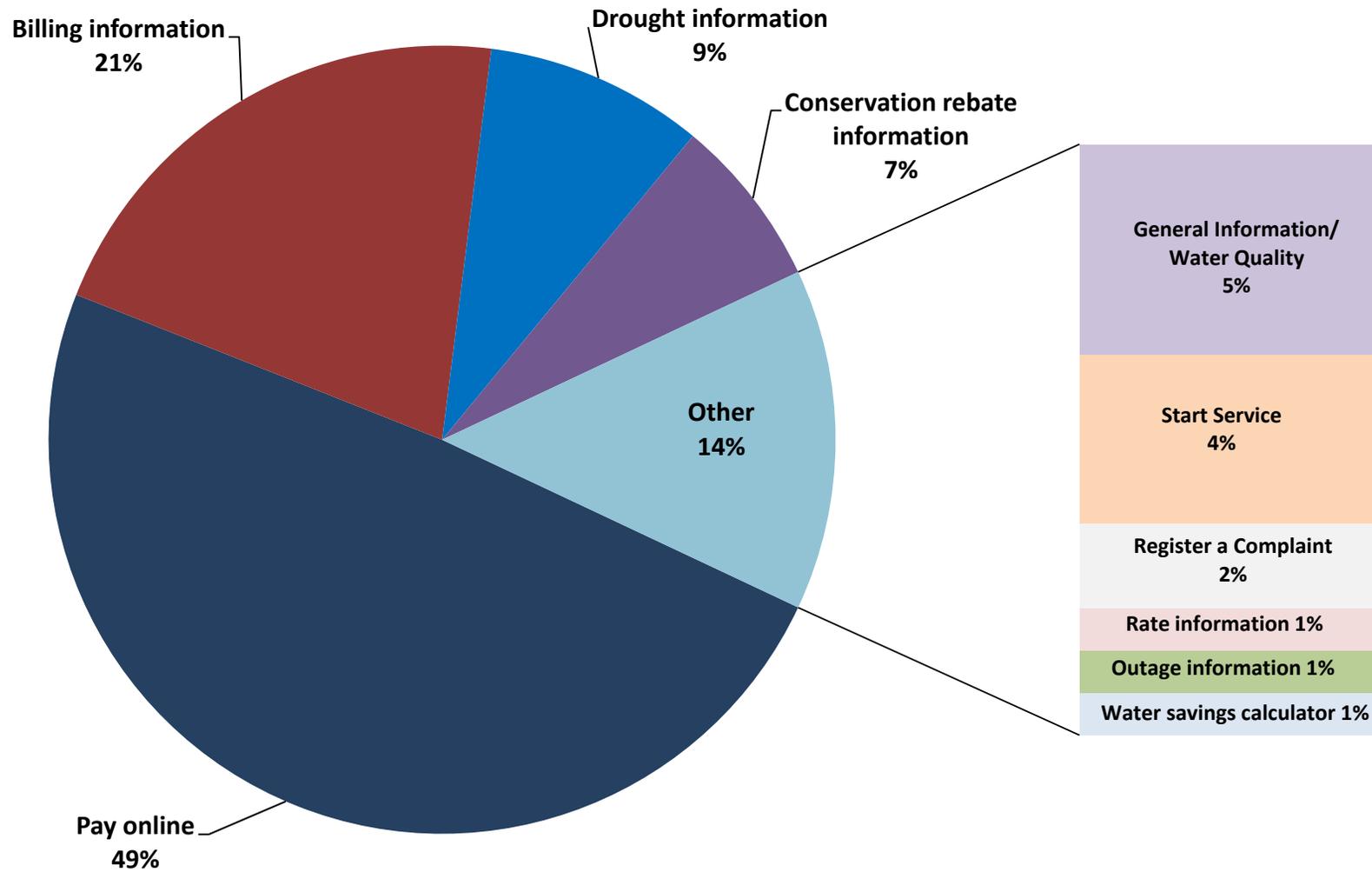
Rating of User Friendliness of Website

(respondents = 62% who have visited website)
 (Mean = 1.99--Scale: 1=Excellent and 5=Poor*)

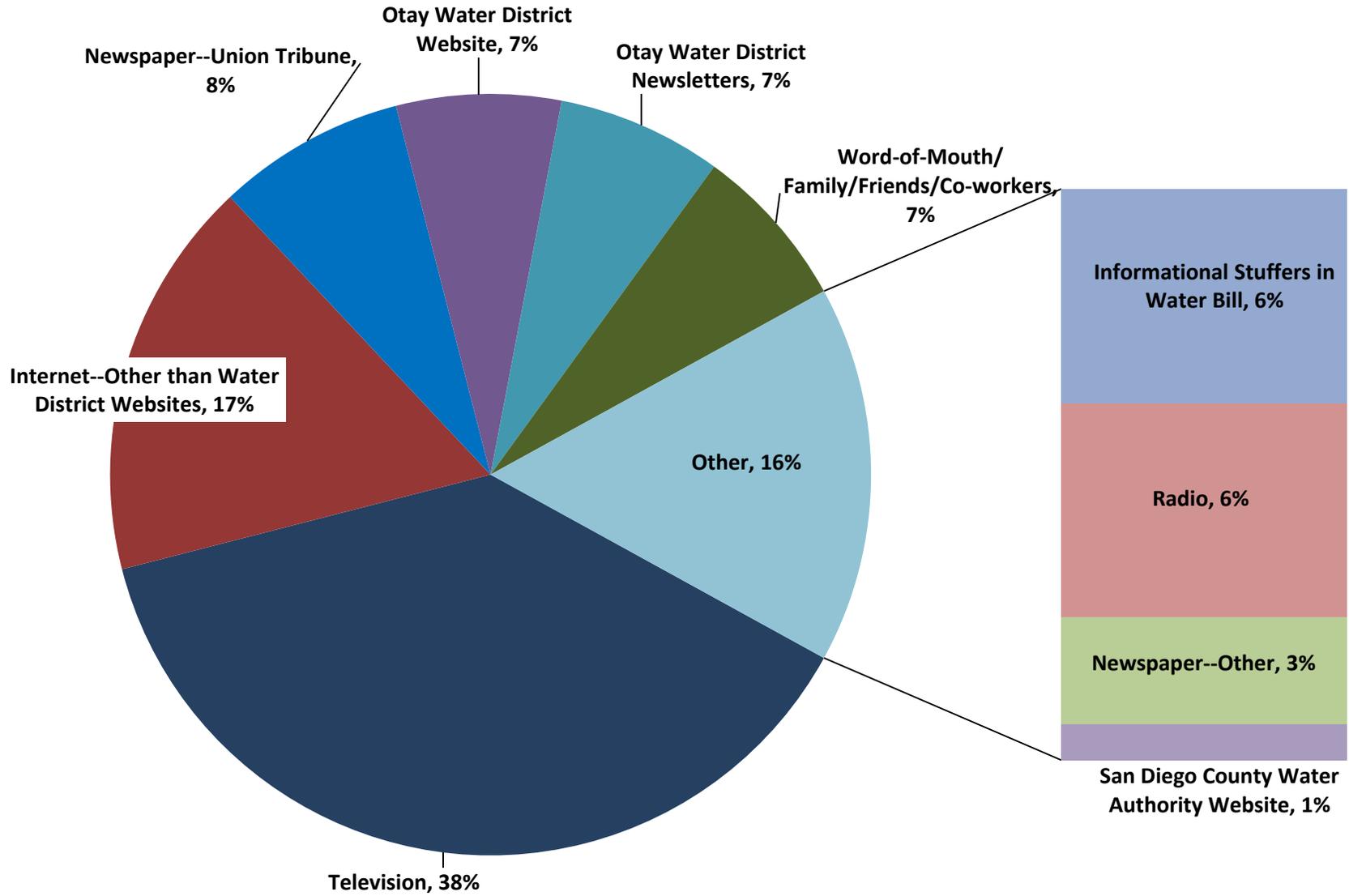
- Poor
- Fair
- Very Good
- Excellent



Primary Reason for Visiting Website (among 62% who had visited website)



Primary Source of Information About Water Issues



2015

Otay Water District Customer Awareness and Opinion Survey Report



Rea & Parker Research

September, 2015

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Otay Water District 2015 Residential Customer Opinion and Awareness Survey

Executive Summary

The Otay Water District has elected to conduct a statistically reliable customer opinion and customer awareness telephone survey among residential customers. The purpose of the survey is twofold – first, to provide information concerning customer satisfaction and customer awareness of water issues and secondly to compare the results of this 2015 study with the results of the 2005, 2006, 2008, 2009, 2011, and 2012 Residential Customer Opinion and Awareness Surveys as well as the 2010 Ocean Water Desalination Opinion Survey where data are comparable for a limited number of questions only.

Sample

The survey was conducted by a random telephone sample of 314 respondents, which equates to a margin of error of +/- 5.5% at the 95% confidence level. Among these respondents, 100 were customers who provided cell phone contact information to the District.

Respondents were a plurality of White customers (43 percent), with another 35 percent being Hispanic/Latino. Survey respondents earn an annual median household income of \$83,800, with 33 percent earning \$100,000 or more and 20 percent earning under \$50,000, including 6 percent under \$25,000. Respondents have a median age of 51 years and have been customers of the Otay Water District for a median of 10 years. Among these respondents, 58 percent possess a Bachelor's degree or higher, with 13 percent having a high school education or less. Survey respondents are mostly homeowners (80 percent) with a mean household size of 3.52.

Survey Findings

This survey report has been divided into nine essential information components as follows:

- Demographic Statistics/Respondent Characteristics
- Customer Satisfaction and Confidence and Trust in Water Reliability
- Comparative Rating of Utilities and the Cost of Water
- Outdoor Watering the Landscape Maintenance
- Water Conservation
- Cuyamaca College Water Conservation Garden
- Alternative Water Supply: Desalination
- Bill Payment
- Information about Water Issues

Customer Satisfaction and Confidence and Trust in Water Reliability

- Otay Water District customers demonstrate a very high level of satisfaction with the District as their provider of water service with almost three-fourths (74 percent) rating the District as excellent (53 percent) or very good (21 percent). These ratings are substantially higher than those recorded in the 2012 survey where 64 percent of respondents rated their

- level of satisfaction as either excellent (29 percent) or very good (35 percent). This rating also greatly exceeds the satisfaction recorded in all previous surveys dating back to 2005.
- Respondents feel that the Otay Water District has responded well to issues related to the recent drought. Specifically, 70 percent of respondents agree that the District has been a good partner in helping conserve water. Nearly three-fourths (74 percent) acknowledge that the District has provided its customers with adequate and timely information about the drought. Nearly three-fifths (59 percent) state that the District is not at fault when it comes to the drought.
 - Nearly four-fifths of respondents (84 percent) have a substantial amount of trust in the ability of the Otay Water District to provide clean, safe, water for its customers (53 percent a great deal of trust and 31 percent a good amount of trust). Only 4 percent expressed a lack of trust. These ratings represent, again, a noteworthy increase in the amount of trust respondents have in the ability of the District to provide clean, safe, water reversing the ratings portrayed in previous General Surveys.
 - Well over one-half (55 percent) of customers have either a great deal of trust (32 percent) or a good amount of trust (23 percent) in the ability of the Otay Water District to obtain water at reasonable prices. This level of trust is higher than the comparable trust ratings in previous General Surveys (ranging from 39 percent in 2009 and 2012 to 49 percent in 2010).
 - Among the 21 percent who called the Otay Water District for service in 2015, 76 percent indicated that their service was either excellent (59 percent) or very good (17 percent). This level of satisfaction is similar to the satisfaction level found in the 2012 General Survey. Further, the satisfaction levels in both the 2015 and 2012 Surveys substantially exceed the satisfaction levels recorded in 2009 and 2011.

Comparative Rating of Utilities and the Cost of Water

- Nearly two-fifths (37 percent) of Otay Water District customers rate trash collection as the utility with the best value for the money paid. Water (30 percent) and gas and electric (18 percent) follow trash collection in perceived value. This represents a reversal from the 2012 ratings where water was rated slightly above trash collection as the utility with the best value.
- Using a composite ranking that takes first, second, and third rankings for each utility into account, water becomes the utility with the best value followed by trash collection and gas and electric.

Outdoor Watering and Landscape Maintenance

- Over two-thirds (68 percent) of respondents have a lawn or grass area at their residence for which someone in their household has direct responsibility. Among these customers, nearly two-fifths (37 percent = 25 percent of all customers) have already replaced this grass area with a water-conserving alternative. Another 12 percent (8 percent of total customers) plan to make some type of lawn replacement.
- Among those customers who have replaced their grass area and among those who plan to do so, one-fourth (25 percent) are making use of water-wise, drought resistant plants. Another 23 percent view rocks and stones as an appropriate ground cover and one-fifth (20 percent) are replacing their lawns with artificial turf.
- Over two-fifths (44 percent) of those who do not plan to replace their grass area cite cost as the main barrier.

Water Conservation

- More than 9 in 10 customers (93 percent) have familiarity with mandatory water-use restrictions that are in effect across the Otay Water District's service area. In fact, nearly one-half (48 percent) report that they are very familiar with such restrictions.
- Among the 93 percent of customers who express familiarity with mandatory water restrictions, 92 percent (86 percent of all District customers) have taken specific actions to reduce water use. One-half (50 percent) of the actions taken involve reducing water use outdoors, including less time watering outdoors (23 percent), fewer days per week watering outdoors (11 percent), and letting lawn/plants die (8 percent).
- Just over two-fifths (44 percent) of customers are aware that the Otay Water District offers conservation rebates and incentives.

Cuyamaca College Water Conservation Garden

- Nearly one-half (49 percent) have seen or heard about the Water Conservation Garden at Cuyamaca College. Nearly one-fourth (24 percent) of all respondents have, in fact, visited the Garden. This visitation pattern is consistent with the patterns found in the 2008 survey (22 percent), the 2009 survey (28 percent), and the 2012 survey (27 percent).
- Over one-half (52 percent = 12 percent of all customers) of those who visited the Water Conservation Garden made changes to their landscaping that resulted from that visit.
- As a result of visiting the Water Conservation Garden, the most significant change customers made was an effort to use more water-wise/drought tolerant plants (45 percent). This change is followed by adjusting sprinklers and reducing outdoor water use (22 percent) and replacing lawn with low-water plants (14 percent). These adjustments are consistent with changes made in previous survey periods.

Alternative Water Supply: Desalination

- Nearly three-fifths (59 percent) of District customers favor an international agreement to purchase desalinated water from a proposed Rosarito Beach desalination facility in Mexico. This represents an increase of 2 percent from the results of the 2012 survey and 13 percent from the results of the 2011 survey where 46 percent favored such an agreement.
- The median percentage of the District's water that customers feel should derive from the proposed desalination plant is 50 percent.
- Among the 28 percent who oppose the international agreement with Mexico or are unsure (13 percent) about it, two fifths (40 percent = 16 percent of all customers) say they need more information about the Project and just over one-quarter (27 percent = 11 percent of all customers) indicates that they do not trust the quality of water in Mexico and/or they do not trust the Mexican government. Another 13 percent (5 percent of all customers) feels that the plant should be located in the United States in order to create jobs domestically.
 - These recent survey results affirm a positive trend in that a fairly large proportion of respondents who feel negatively about the project are requesting more information about it and presumably are showing more interest in it. Further, a smaller percentage of respondents exhibits distrust for the Mexican government – down from 55 percent in 2012.

Bill Payment

- Nearly two-thirds (66 percent) of respondents receive their monthly bill by mail in paper format. Among the 66 percent who receive their bill by mail, over two-fifths (44 percent) object to paperless billing because they want a paper record for bookkeeping and taxes.
- Nearly one-half (48 percent) of respondents examine their bill for water usage or other factors every time. Nearly one-fifth (17 percent) examine their bill most times and 24 percent do so sometimes.
- Over two fifths (41 percent) of customers pay their bill online, 26 percent pay their bill through automatic bank deductions, one-fourth (25 percent) pay by sending a check in the mail and others pay by credit card over the telephone (6 percent) and in person at District offices (2 percent). It is noteworthy that 46 percent of customers would prefer to pay online (5 percent more than actually do so) and 20 percent would prefer to use postal mail (5 percent less than actually do so).
- Respondents in 2015 demonstrate a decrease in the use of paying their bill by check through postal mail (36 percent in 2012 to 25 percent in 2015). The use of automatic bank deductions to pay bills increased from 18 percent in 2012 to 26 percent in 2015. There is, therefore, some evidence that customers of the Otay Water District are using or considering using electronic methods of bill paying and relying less on postal mail.
- About 7 in 10 respondents (71 percent) who currently do not pay their bill online would still not do so even if a chat function were available to interact directly with a customer service representative.
- Among customers who do not pay online and indicate a reason for not doing so, nearly one-half (45 percent) indicate that there is nothing the District can do to make paying on line more appealing. In 2012, customers who did not wish to pay online were even firmer in their resolve that the District can do nothing to motivate them to do so (55 percent). Both years show that three-fourths of those disinclined to pay on-line are not going to be easily swayed.

Information about Water Issues

- More than one-half (55 percent) of customers obtain information about water issues from television (38 percent) and the Internet (17 percent--other than Water District websites). One fifth (20 percent) receive information from sources associated with the Otay Water District (Otay Water District website and Otay Water District newsletters – each 7 percent – and informational stuffers in the water bill – 6 percent).
- Over three-fifths (62 percent) of customers have visited the Otay Water District website. This represents an increase over the 2012 survey results where 52 percent indicated that they had visited the website.
- Website visitors give the District Website very good ratings – 73 percent excellent or very good, 24 percent fair, and 6 percent poor.
- More than one-fourth of customers (26 percent) always read the newsletter or bill inserts that come in the mail with the monthly water bill, 23 percent read these materials most months, and another 33 percent read them sometimes, leaving 18 percent who never read the newsletter or bill inserts. Survey results show a consistent increase in readership patterns since 2008.
- English is not the first language of 20 percent of the survey respondents. Among these 20 percent, 18 percent can read newsletters and reports in English and nearly 2 percent cannot read newsletters and reports in English but they have someone available who can translate

this information for them. This material is inaccessible to less than 0.5 percent who cannot read English and do not have someone available to help them translate it for them.

Conclusions

The results of the 2015 General Survey not only demonstrate that there are strong indications of continued customer support for the work of the Otay Water District, but also that support has reached a higher level than has been recorded during the past decade. That is, the overall satisfaction with the District as a water service provider is notably higher than every survey period since this series of surveys began in 2005. The level of trust and confidence in the ability of the District to provide clean, safe water and to provide it at reasonable prices is also higher than in previous surveys.

Water and trash collection have been the top two utilities in the District's surveys since the inception of these surveys. That is, these two utilities represent to customers the best value that they perceive for the money paid among the most commonly used utilities.

The results of this survey should be viewed as a very powerful ratification by the public of the importance and quality of the work done by the District and as an expression of the high value to the customers of the District of the work in which the Otay Water District is engaged.

Introduction and Methodology

In 1956, the Otay Water District was authorized by the State Legislature and gained its entitlement to water that was imported into the region. Today, the District serves the needs of more than 217,000 people within 125.5 square miles in southern San Diego County by purchasing water from the Metropolitan Water District of Southern California through the San Diego County Water Authority and Helix Water District. Sewer services are also provided to portions of the customer base. Since its inception, the Otay Water District also has collected and reclaimed wastewater generated within the Jamacha Drainage Basin and pumps the reclaimed water south to the Salt Creek Basin where it is used for irrigation and other non-potable uses, such as golf courses, playing fields, parks and roadside landscape.

The Otay Water District has elected to conduct a statistically reliable customer opinion and customer awareness telephone survey among its residential customers. The purpose of the survey is twofold – first, to provide information concerning customer satisfaction and customer awareness of water issues and secondly to compare the results of this 2015 study with the results of the 2005, 2006, 2008, 2009, 2011, and 2012 Residential Customer Opinion and Awareness Surveys (referred to throughout this report as General Surveys) as well as the 2010 Ocean Water Desalination Opinion Survey where data are comparable for a limited number of questions only.

Rea & Parker Research was selected to conduct the 2015 study, as it was for the 2005, 2006, 2008, 2009, 2010, 2011, and 2012 studies. The purpose of the research is to:

- Determine overall satisfaction with the services of the Otay Water District including the level of trust in the District to provide enough water at reasonable rates;
- Determine opinions and perceptions of various issues, including:
 - Effect of California's drought on overall satisfaction with the District
 - Effect of the drought on landscape choices
 - Cost of water
 - Awareness and interest in water conservation
 - Methods of and attitudes toward mandatory and voluntary water conservation
 - Attitudes toward desalination

- Formal district communication efforts including the official website
 - Monthly billing alternatives
 - Customer service
 - Water Conservation Garden at Cuyamaca College
 - Sources of information about water issues
 - Relative value of water service in comparison to other utilities
- Obtain demographic data about the population for use in descriptive analysis and crosstabulations of data that can result in new, optimally targeted and tailored public awareness programs.
 - Compare the results of this survey with the results of the 2005, 2006, and 2008, 2009, 2010, 2011, and 2012 surveys of District customers.

Sample

The survey was conducted by a random telephone sample of 314 respondents in order to secure a margin of error not to exceed +/-5.5 percent @ 95 percent confidence¹. This figure represents the widest interval that occurs when the survey question represents an approximate 50 percent-50 percent proportion of the sample. When it is not 50 percent-50 percent, the interval is somewhat smaller. For example, in the survey findings that follow, 48.0 percent of respondent households indicate that they are “very familiar” with existing mandatory water use restrictions due to the drought. This means that there is a 95 percent chance that the true proportion of the total population of the District’s service area that has not seen or heard these messages is between 42.5 percent and 53.5 percent (48.0 percent +/- 5.5 percent).

Survey respondents were screened to exclude those customers who have not lived in San Diego County for at least one year. When respondents asked about who was sponsoring the survey, they were told “this project is sponsored by the Otay Water District, and it’s about issues related to your household water supply.” The survey sample included, within the 314 respondents, 100 customers who indicated that they regularly use cell phones. These cell phone users were weighted back into the over data that follow to

¹ Past years’ general surveys have mostly been conducted with 300 respondents and a +/- 5.7 percent margin of error at 95 percent confidence. In 2012, 480 respondents were obtained with a margin of error of +/- 4.5% at 95% confidence.

reflect 90.4 percent of Otay Water District customers who have provided a landline telephone number only to the District and 9.6 percent who provided cell phone contact information.

The survey was conducted in both English and Spanish. Spanish language respondents comprised 4.4 percent of the survey population, including 6 percent of cell phone users. The distribution of respondents according to gender was 52 percent male and 48 percent female.

The survey was conducted from August 31, 2015 to September 9, 2012. The total survey cooperation rate was 47.6 percent, as indicated in Table 1. This survey report has been divided into nine essential information components as follows:

Demographic Statistics/Respondent Characteristics

Customer Satisfaction and Confidence and Trust in Water Reliability

Comparative Rating of Utilities and the Cost of Water

Outdoor Watering and Landscape Maintenance

Water Conservation

Cuyamaca College Water Conservation Garden

Alternative Water Supplies: Desalination

Bill Payment

Information about Water Issues

Charts have been prepared for each of these major components depicting the basic survey results. Subgroup analyses for different age groups, various levels of education, gender, home ownership/rental status, household size, residential tenure in the community, different income categories, ethnicity of residents of the service area, and cell phone versus land line customers will be presented in succinct bulleted format when statistical significance and relevance warrants such treatment.

Frequency distributions for the weighted responses and verbatim listings of open-ended responses to survey questions as well as the survey instrument, itself, are contained in the Appendix.

Table 1 Otay Water District 2015 Customer Survey Telephone Call Disposition Report	
Unknown Eligibility	
No Answer/Busy	1238
Answering Machine	1579
Not Home—Call Back	380
Language Barrier	34
Refusal/Mid-term Termination	345
Total Unknown	3576
Ineligible	
Disconnect	551
Fax/Wrong Number	210
Total Ineligible	761
Not Qualified—less than one year	58
Eligible	
Complete	314
Total Attempts	4,709
Cooperation Rate (Complete/(Complete + Refusal))	47.6%

Survey Findings

Demographic Statistics/Respondent Characteristics

Table 2 presents selected demographic characteristics of the survey respondents. Respondents are a White plurality (43 percent), with another 35 percent being Hispanic/Latino. This is the least White and most Hispanic/Latino survey for the Otay Water District since this series of surveys began in 2005. Survey respondents earn an annual median household income of \$83,800—the highest in the series of surveys, with 33 percent earning \$100,000 or more and 20 percent earning under \$50,000, including 6 percent under \$25,000).

Table 2 Otay Water District General Survey Respondent Characteristics ² (weighted for cell phone and land line usage)						
Characteristic	2015	2012	2011	2010	2009	2008
Ethnicity						
<i>White</i>	43%	55%	56%	44%	55%	52%
<i>Hispanic/Latino</i>	35%	26%	26%	29%	28%	30%
<i>Asian/Pacific Islander</i>	13%	10%	14%	15%	8%	8%
<i>Black/African-American</i>	7%	5%	2%	8%	6%	6%
<i>Native American/Middle East/Mixed/Other</i>	2%	4%	2%	4%	3%	4%
Annual Household Income						
<i>Median</i>	\$83,800	\$79,900	\$80,400	\$85,600	\$75,700	\$83,500
<i>% \$100,000 or more</i>	33%	28%	32%	36%	26%	30%
<i>% \$25,000 to under \$50,000</i>	14% ³					
<i>% under \$25,000</i>	6%	6%	6%	10%	8%	5%
Age						
<i>Median</i>	51 years	53 years	53 years	53 years	53 years	47 years
Years Customer of Otay Water District						
<i>Median</i>	10 years	12 years	15 years	9 years	12 years	8 years
Education						
<i>High School or Less</i>	13%	17%	16%	12%	17%	22%
<i>At Least One Year College, Trade, Vocational School</i>	29%	32%	24%	30%	32%	28%
<i>Bachelor's Degree</i>	32%	34%	34%	41%	39%	33%
<i>At Least One Year of Graduate Work</i>	26%	17%	24%	17%	12%	17%
Own/Rent						
<i>Home Owner</i>	80%	91%	97%	85%	91%	88%
<i>Renter</i>	20%	9%	3%	15%	9%	12%
Persons Per Household						
<i>Mean</i>	3.52	3.12	2.83	3.67	3.28	2.88

² Data from 2005 and 2006 for Table 1 and all charts are available in the 2012 and prior survey reports.

³ This new category was added to Table 2 to demonstrate that 20 percent of survey respondent households earn less than \$50,000 annually. This was established as a quote that the survey sample was required to achieve.

These respondents have a median age of 51 years and have been customers of the Otay Water District for a median of 10 years. Among these respondents, 58 percent possess a Bachelor's degree or more, with 13 percent having a high school education or less. Survey respondents are mostly homeowners (80 percent) with a mean household size of 3.52. The decline in homeownership from the mid-80 percent to mid-90 percent level of past years is notable and is consistent with the lesser median number of years being a customer (10 years versus 12-15 in the 2012 and 2011 surveys). It is also consistent with the homeownership rate in the United States that reached a 48-year low in the second quarter of 2015.

Table 3 presents a comparison between the landline survey sample that has been the source of respondents for these Otay Water District Customer Opinion and Awareness Surveys since 2005 and the addition in 2015 of cell phone users. Noteworthy differences between cell phone users and landline customers can be summarized as follows:

- Cell phone customers are both less White and less Hispanic/Latino, with higher Asian/Pacific Islander (5 percent higher) and mixed or other, unspecified ethnicities (7 percent higher) present.
- Annual household income among cell phone customers is \$14,000 less than for landline customers. Consistent with this is that cell phone customers are also 10 years younger.
- Cell phone customers are more likely to be renters than are landline customers (36 percent versus 18 percent). The inclusion of cell phone customers in 2015 is, therefore, another contributing factor to the lower homeownership percentage found in this 2015 General Survey. In keeping with being renters to a greater extent and being younger, cell phone users have been customers of the Otay Water District for 4 fewer years than have landline users.

Table 3 Otay Water District 2015 General Survey Respondent Characteristics Landline and Cell Phone Customers		
Characteristic	Landline Customers	Cell Phone Customers
Ethnicity		
<i>White</i>	44%	38%
<i>Hispanic/Latino</i>	35%	29%
<i>Asian/Pacific Islander</i>	13%	18%
<i>Black/African-American</i>	7%	7%
<i>Native American/Middle East/Mixed/Other</i>	1%	8%
Annual Household Income		
<i>Median</i>	\$85,200	\$71,300
<i>% \$100,000 or more</i>	34%	25%
<i>% \$25,000 to under \$50,000</i>	14%	20%
<i>% under \$25,000</i>	6%	6%
Age		
<i>Median</i>	54	44
Years Customer of Otay Water District		
<i>Median</i>	10	6
Education		
<i>High School or Less</i>	13%	11%
<i>At Least One Year College, Trade, Vocational School</i>	29%	34%
<i>Bachelor's Degree</i>	32%	31%
<i>At Least One Year of Graduate Work</i>	26%	24%
Own/Rent		
<i>Home Owner</i>	82%	64%
<i>Renter</i>	18%	36%
Persons Per Household		
<i>Mean</i>	3.27	3.95

Customer Satisfaction and Confidence and Trust in Water Reliability

Chart 1 shows that customers of the Otay Water District demonstrate a high level of satisfaction with the District as their provider of water service. In fact, 74 percent rate the Otay Water District as either excellent (53 percent) or very good (21 percent). It is noteworthy that the percentage of respondents rating the Otay Water District as “excellent” in the current survey is substantially higher than the percentage of respondents who provided this rating in the 5 previous general surveys that are shown on **Chart 1** and is also higher than the two surveys done prior to those shown on the chart. That is, this opinion that the Otay Water District is serving its customers in an excellent fashion exceeds any such rating during the past 10 years.⁴

Using a broader measure, the 2015 satisfaction ratings (74 percent excellent or very good) exceed those recorded in the 2011 and 2012 surveys where 63 percent and 64 percent of respondents respectively rated their level of satisfaction as either excellent or very good. The ratings in 2011, 2012, and 2015 are notably higher than those expressed in the 2009 and 2010 Surveys. For example, in 2009, 56 percent of customers rated the Otay Water District as either excellent or very good, and, in 2010, 54 percent indicated either a very good or excellent rating. Since 2009, there has been a clear trend toward higher levels of satisfaction with the services provided by the Otay Water District.

The high level of satisfaction accorded to the Otay Water District by its customers is further affirmed by the mean satisfaction rating of 1.88. This mean rating is based on a scale of 1 to 5, where 1 = excellent, 2 = very good, 3 = fair, 4 = poor, and 5 = very poor.

- Customers with some graduate education (mean of 2.17) are less satisfied with the Otay Water District than are customers in all other education categories combined (mean of 1.79); this favorability among groups with less education is particularly the case for customers with a high school education or less (mean of 1.54).
- Cell phone users (mean of 1.61) have a higher level of satisfaction than landline users (mean of 1.91).

Over four-fifths (83 percent) of respondents indicate that their satisfaction with the Otay Water District has stayed the same over the past year (**Chart 2**). This finding represents a measure of stability over the past year reaffirming the highly favorable satisfaction ratings expressed in **Chart 1**.

⁴ Rea & Parker Research is in possession of comparable data as far back as 2005.

*6-point scale prior to 2015--codes 4 and 5 merged for prior years

Chart 1
Overall Satisfaction with Otay Water District
as Water Service Provider

(Mean = 1.88 -- Scale: 1= Excellent and 5 = Very Poor*)

Very Poor
 Poor
 Fair
 Very Good
 Excellent

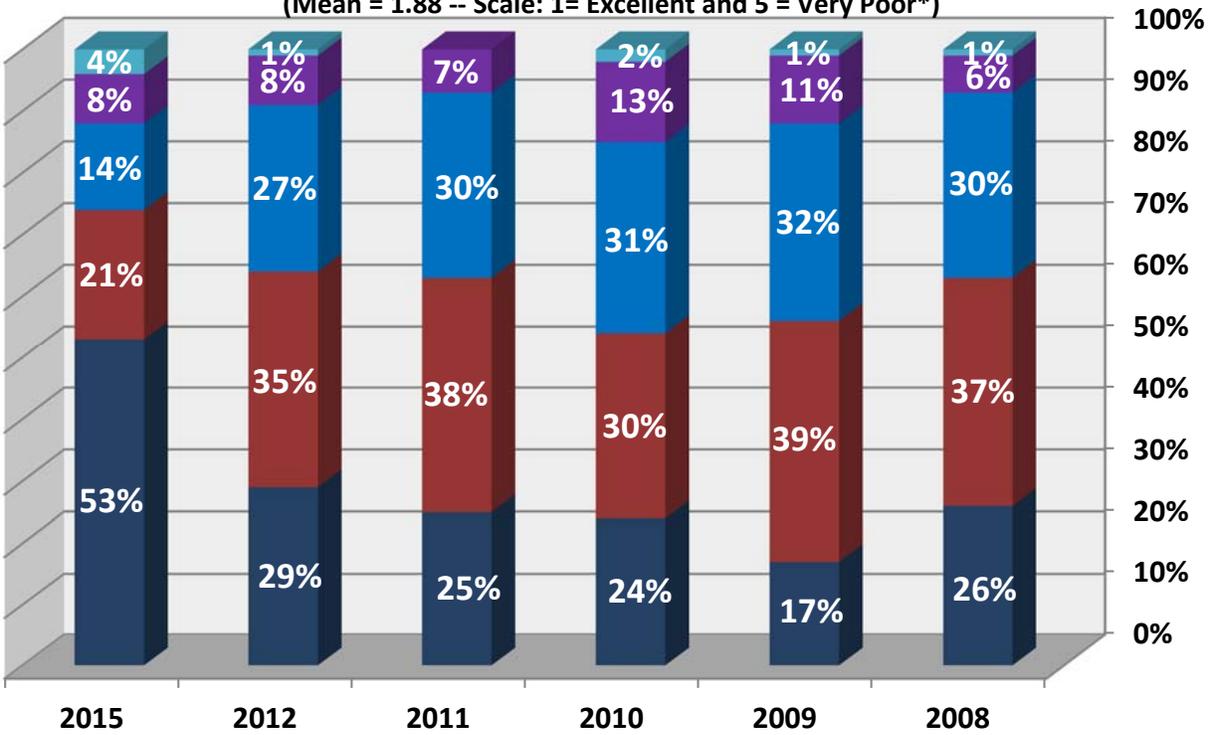


Chart 2
Satisfaction with Otay Water District Over the Past Year

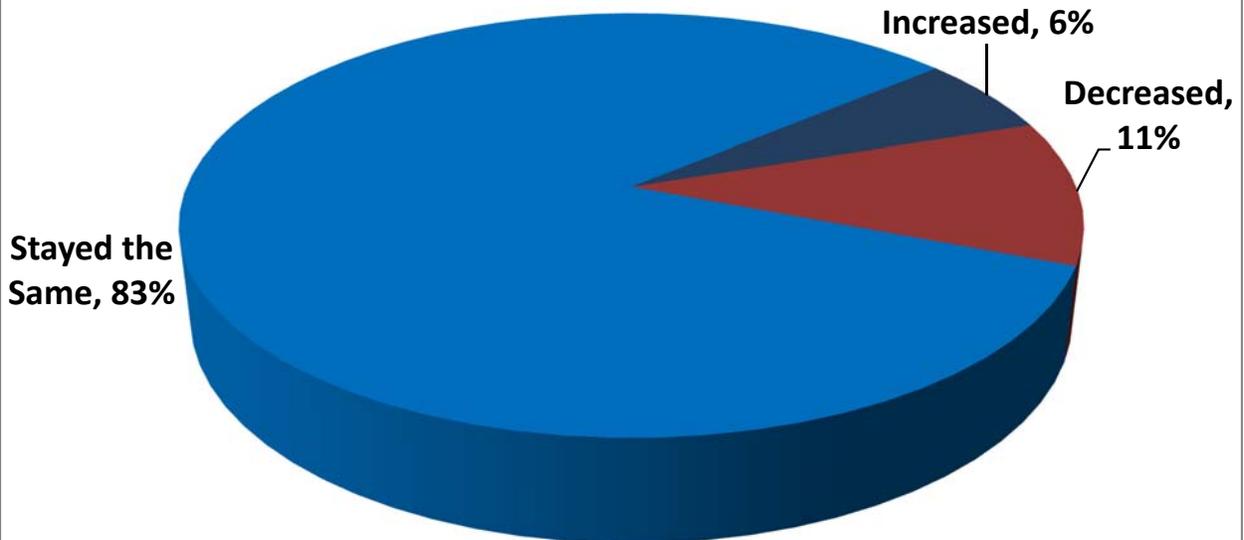
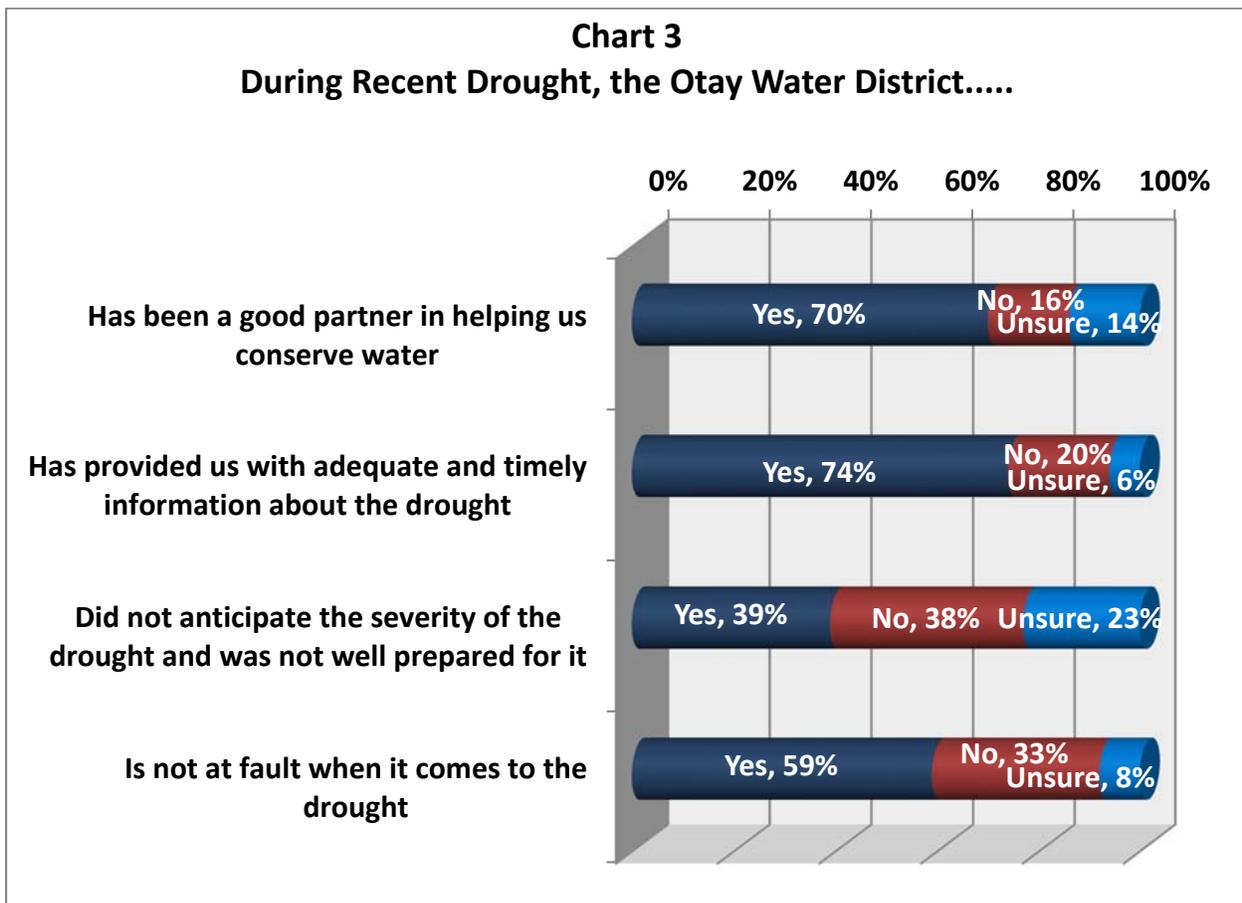


Chart 3 shows that respondents feel that the Otay Water District has responded well to issues related to the recent drought. For example, 7 in 10 respondents agree that the Otay Water District has been a good partner in helping conserve water. Nearly three-fourths (74 percent) acknowledge that the District has provided its customers with adequate and timely information about the drought. Further, nearly three-fifths (59 percent) state that the Otay Water District is not at fault when it comes to the drought. Customers, however, have mixed feelings regarding the District’s preparation to address the drought. About two-fifths (39 percent) agree that the District did not anticipate the severity of the drought and was not well-prepared for it, while another 38 percent feel that the District was prepared for the severity of the drought.



The following significant relationships are associated with customer sentiment regarding the response by the Otay Water District to the drought.

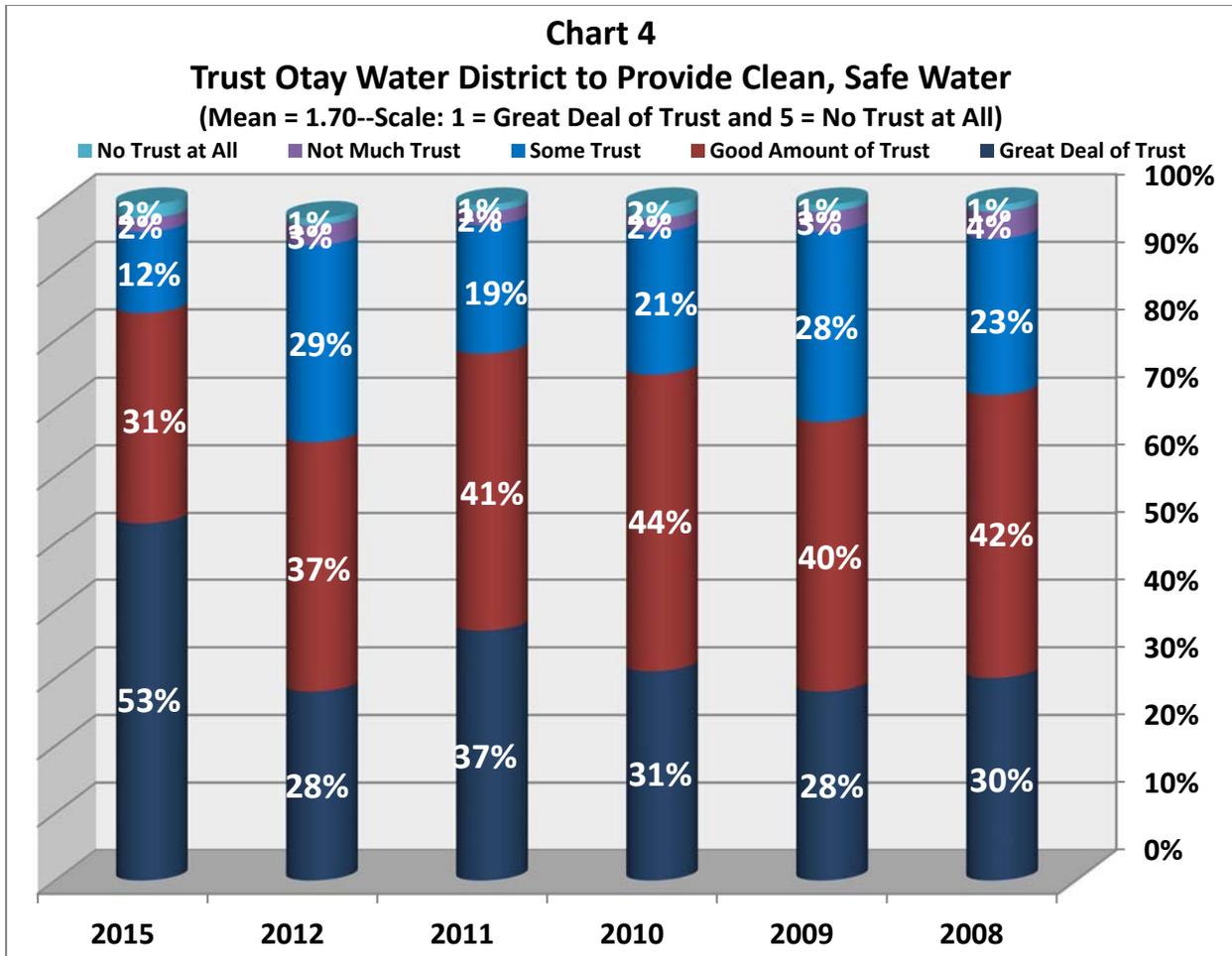
- The following subgroups agree that the Otay Water District is a good partner in helping to conserve water:
 - Cell phone users (84.0 percent) versus landline users (68.2 percent).
 - Customers with one year of college education or less (78.6 percent) as opposed to those who have a college degree or more education (63.5 percent).

- The following subgroups acknowledge that the Otay Water District has provided adequate and timely information about the drought:
 - Customers whose first language is English (75.5 percent) versus those whose first language is not English (67.2 percent)
 - Customers with larger household sizes – 3 or more persons per household (78.7 percent) versus customers with 1 and 2 persons per household (63.9 percent).
- The following subgroups are in agreement that the Otay Water District is not at fault when it comes to the drought:
 - Customers who are 54 years of age and under (65.2 percent) versus those who are 55 years of age and older (49.3 percent).
 - Cell phone users (69.0 percent) as opposed to landline users (57.5 percent).

Chart 4 shows that over four-fifths of respondents (84 percent) have a substantial amount of trust in the ability of the Otay Water District to provide clean, safe, water for its customers (53 percent demonstrate a great deal of trust and 31 percent a good amount of trust). Only 4 percent expressed a lack of trust. In previous surveys from 2008 to 2012, the percentage of respondents expressing “a great deal of trust” was much lower than in the current survey – ranging from 28 percent in 2009 and 2012 to 37 percent in 2011. These current 2015 ratings represent an increase in the amount of trust respondents have in the ability of the District to provide clean, safe, water, reversing a slight downward trend in this rating in the 2010, 2011, and 2012 surveys where 78 percent, 75 percent and 65 percent respectively indicated either a great deal of trust or a good amount of trust.

The high level of trust accorded to the Otay Water District by its customers to provide clean, safe, water is further confirmed by the mean rating of 1.70. This mean rating is based on a scale of 1 to 5, where 1 = a great deal of trust, 2 = a good amount of trust, 3 = some trust, 4 = not much trust, and 5 = no trust at all. This mean rating is clearly more favorable than the mean rating in the 2012 Survey – 2.06.

Chart 5 shows that 55 percent of customers have either a great deal of trust (32 percent) or a good amount of trust (23 percent) in the ability of the Otay Water District to obtain water at reasonable prices. One-fifth (20 percent) lack trust in the District’s ability to provide water at reasonable prices – not much trust (13 percent) and no trust at all (7 percent). This level of trust in the ability of the District to provide water at reasonable prices, exhibited in the current survey, is notably higher than the comparable trust ratings in previous General Surveys (ranging from 39 percent in 2009 and 2012 to 49 percent in 2010). It is important to note that nearly one-third (32 percent) of respondents in the current survey have “a great deal of trust” in the District to obtain water at reasonable prices, while in previous surveys respondents expressing a great deal of trust ranged from 10 percent in 2009 to 17 percent in 2010.



The relatively high level of trust accorded to the Otay Water District by its customers to obtain water at reasonable prices is further affirmed by the mean rating of 2.39. This mean rating is based on a scale of 1 to 5, where 1 = a great deal of trust, 2 = a good amount of trust, 3 = some trust, 4 = not much trust, and 5 = no trust at all. This mean rating is clearly more favorable than the mean rating in the 2012 Survey – 2.79.

The following subgroups tend to have a lower level of trust in the ability of the Otay Water District to obtain water at reasonable prices.

- Customers with some graduate education (mean of 2.90) have less trust in the Otay Water District to obtain water at reasonable prices than do customers in all other education categories combined (mean of 2.22); particularly the case for customers with a high school education or less (mean of 1.95).
- Customers who are between 55 and 64 years of age (mean of 2.88) have less trust in the Otay Water District to obtain water at reasonable prices than do customers in all other age brackets combined (mean of 2.19); particularly the case for customers who are 34 years of age and under (mean of 1.96).
- Customers who have lived in the District for 11 years or more (mean of 2.60) have less trust that water will be obtained at reasonable prices than those who have lived in the District for 5 years or less (mean of 2.12).

- Landline users (mean of 2.42) have less trust in the District regarding prices than do cell phone users (mean of 2.11),

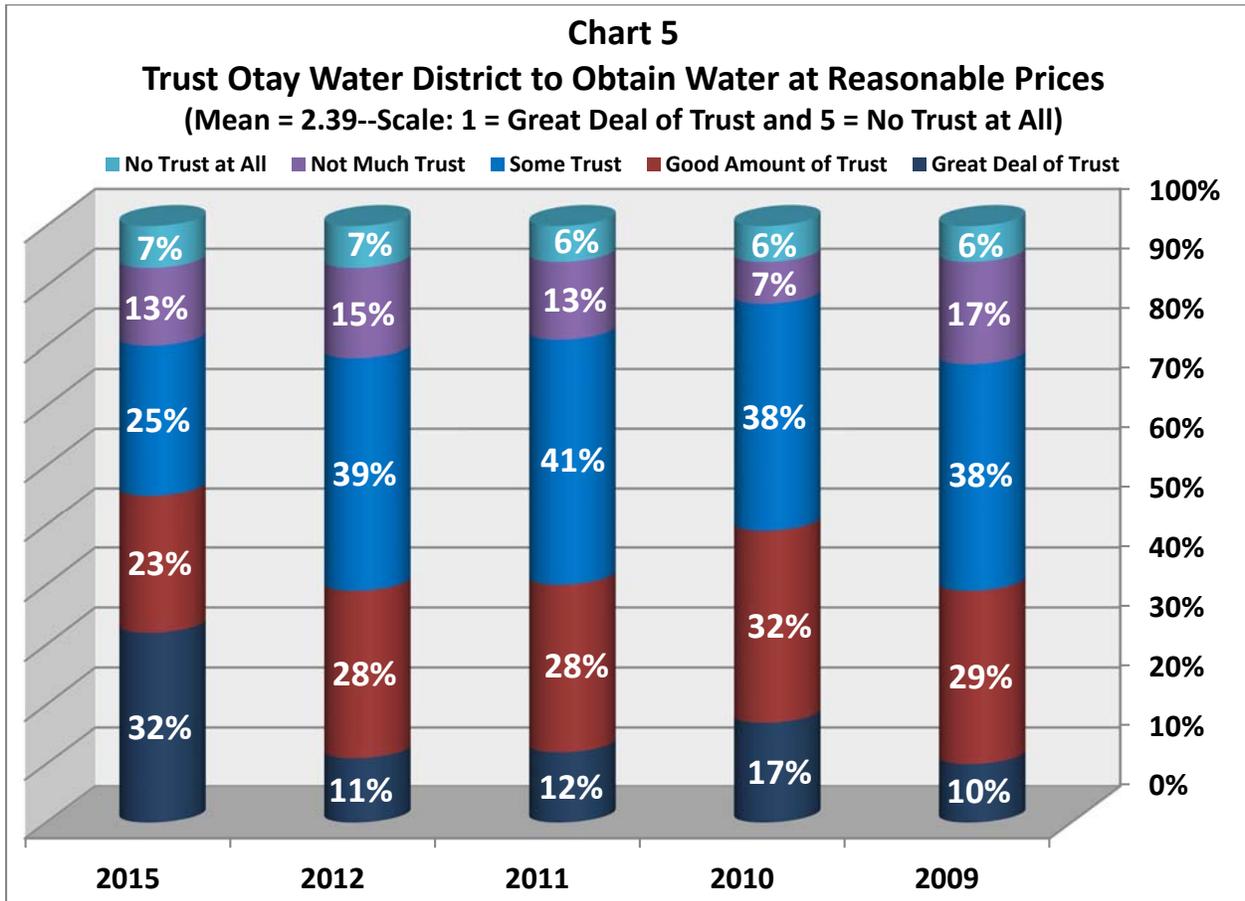
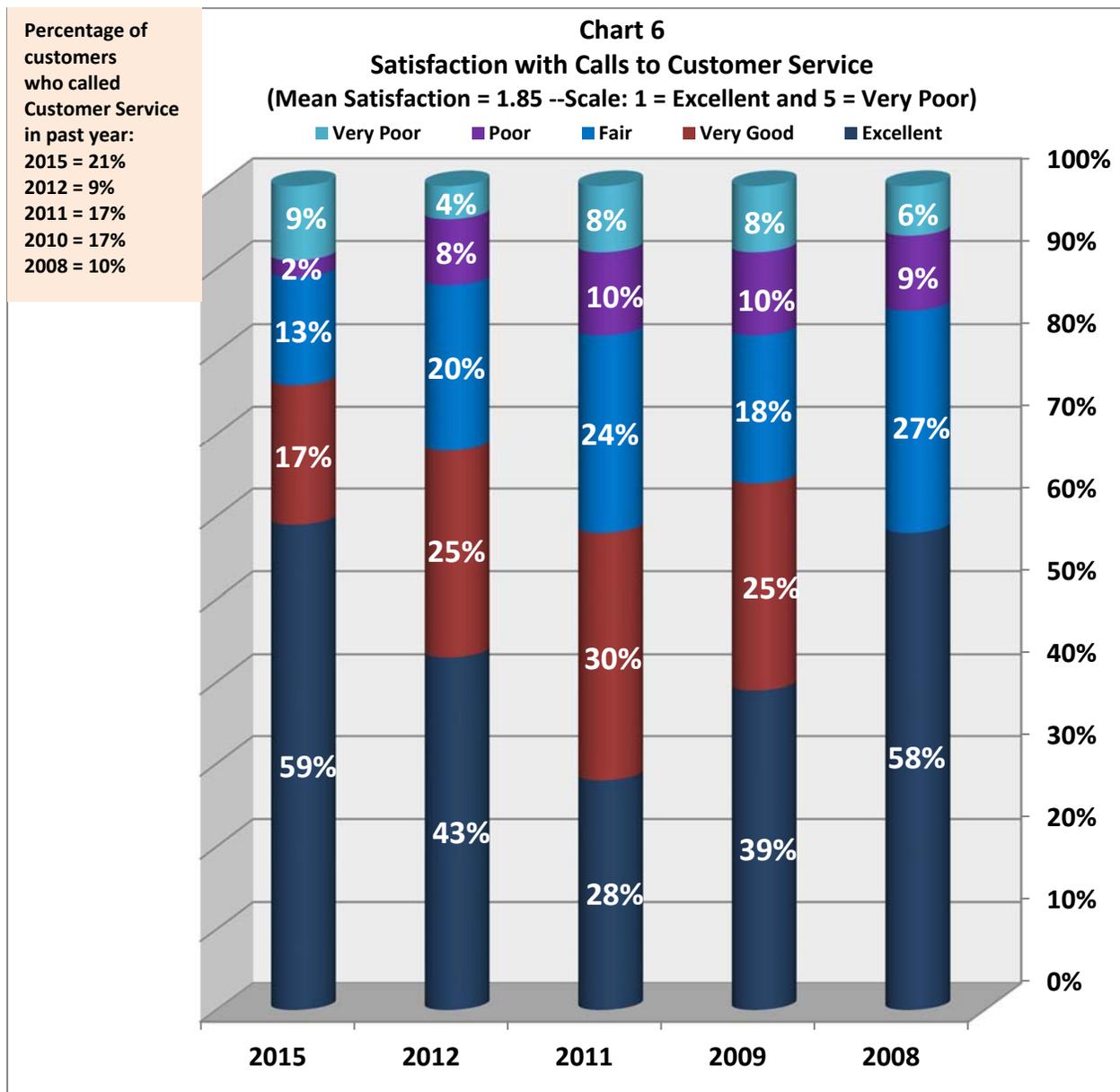


Chart 6 indicates that 21 percent of customers have called the Otay Water District for service or help in the past year. In previous surveys, customers were asked to indicate whether they called the District for service or help in the previous 6 months. This doubling of the call period coincides with a doubling of the call rate from the 2012 survey period, where the percentage of customers who reported to have called the District for service was 9 percent. It can be concluded that the call rate has not changed from the 2012 survey period. The effective call rates in 2015 and 2012 are lower than the call rates in the 2009 and 2011 surveys – both at 17 percent. This can be taken as one possible indication of the high satisfaction level demonstrated by Otay Water District customers. Among the 21 percent who called for service in the current 2015 survey, 76 percent indicated that their service was either excellent (59 percent) or very good (17 percent) (**Chart 6**). This level of satisfaction is similar to the satisfaction level found in the 2012 Survey. Further, the satisfaction levels in both the 2015 and 2012 General Surveys substantially exceed the satisfaction levels recorded in 2009 and 2011.

- Customers who rent their residence (30.6 percent) are more likely to call the Otay Water District for service than are those who own their residence (18.5 percent).



Comparative Rating of Utilities and the Cost of Water

Chart 7 indicates that 37 percent of Otay Water District customers rate trash collection as the utility with the best value for the money paid. Water (30 percent) and gas and electric (18 percent) follow trash collection in perceived value. This represents a reversal from the 2012 ratings where water was rated

slightly above trash collection as the utility with the best value; moreover, the current 2015 ratings represent a return to 2011 where trash collection was rated as the best value and water was rated second.

The following subgroups tend to rate trash collection as the utility with the best value:

- Customers who earn \$100,000 or more annually (51.6 percent) versus those who earn under \$100,000 annually (28.0 percent)
- Respondents with a higher level of education – 1 year of college or more education (38.0 percent) as opposed to those with a high school education or less (24.4 percent).

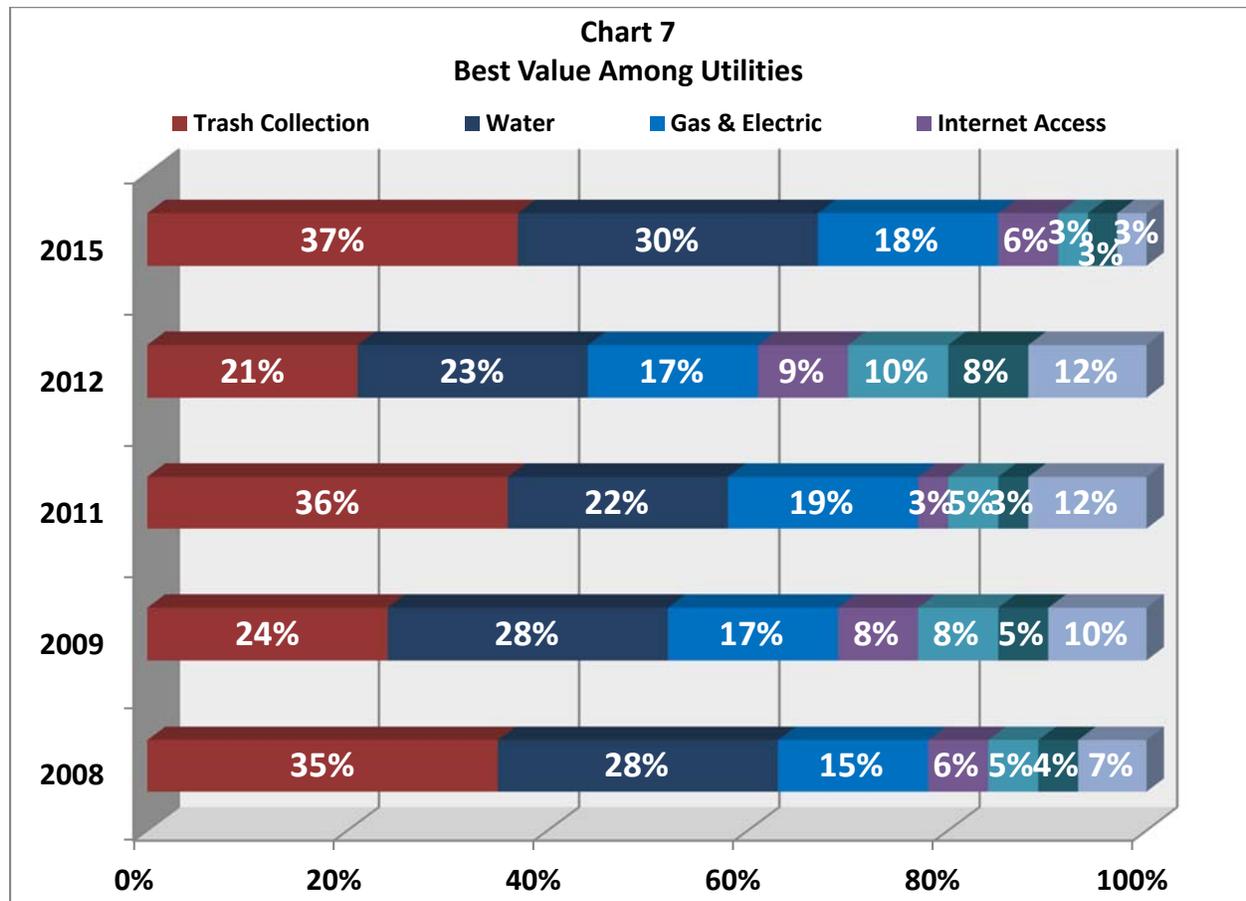
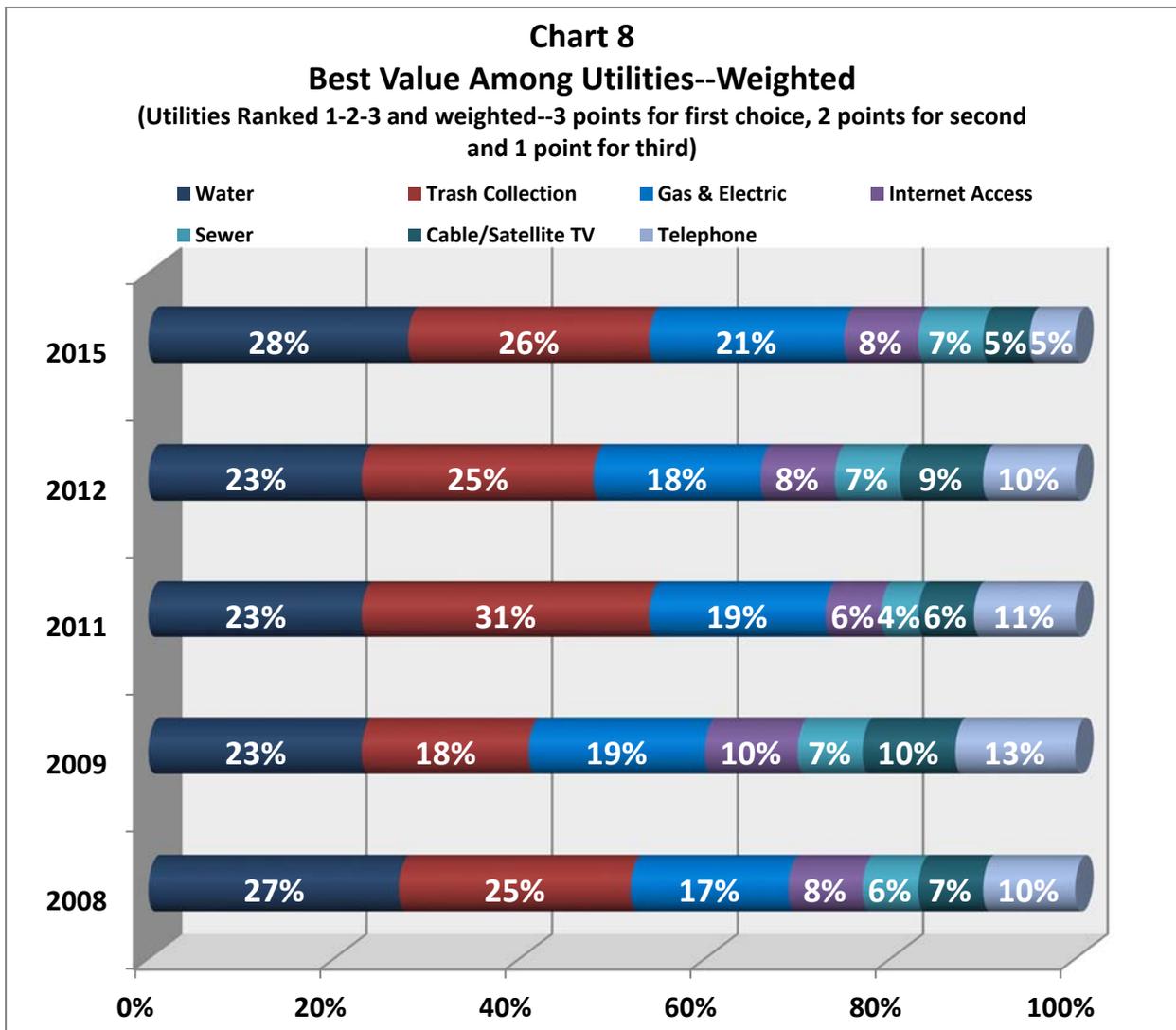


Chart 8 further analyzes the customers' ratings regarding the utility with the best value by accounting for second and third rankings. Using a composite ranking that takes first, second, and third rankings for each utility into account, water becomes the utility with the best value followed by trash collection and gas and electric. Other utilities are far behind by comparison. In 2011 and 2012, trash collection emerged as the best value when composite, weighted rankings were used. However, in 2008 and 2009, based on composite rankings, water was reported to be the best value with trash collection following in second place.



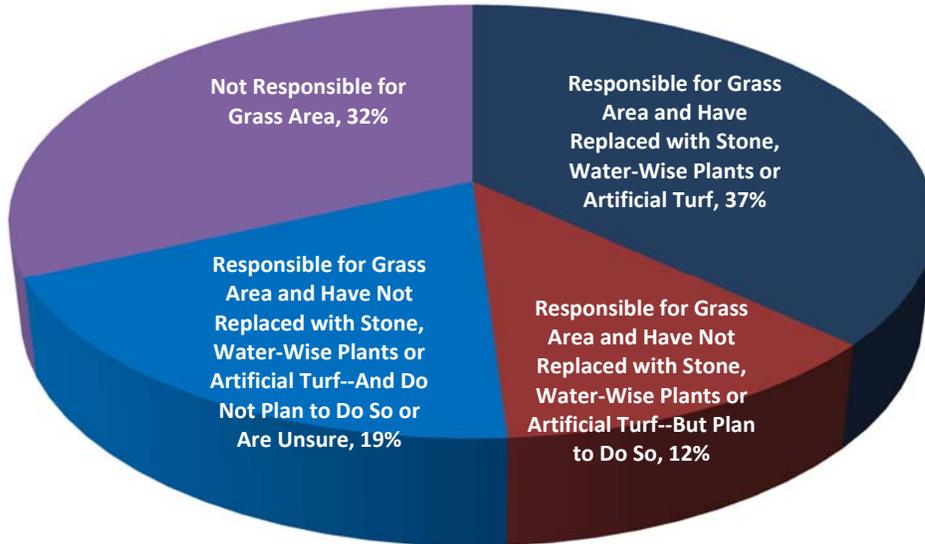
Nearly one-half (49 percent) of District customers report that the cost of water is too high. Another 49 percent indicate that the cost is just about right (**Chart 9**).

- Customers whose first language is English (53.9 percent) are more likely to feel that the cost of water is just about right more so than those whose first language is not English (32.8 percent).

Outdoor Watering and Landscape Maintenance

Chart 10 shows that over two-thirds (68 percent) of respondents have a lawn or grass area at their residence for which someone in their household has direct responsibility. Among these customers, nearly two-fifths (37 percent) have already replaced this grass area with stone, water-wise plants or artificial turf. Another 12 percent plan to make some type of lawn replacement. Nearly one-fifth (19 percent) of those who are responsible for a grass area do not plan to replace their grass with a water-conserving alternative.

Chart 10
**Replaced All or Some of Grass Area with Low-
 Water Use Landscaping**



Among those customers who have replaced their grass area (37 percent) and among those who plan to do so (12 percent), one-fourth (25 percent = 12 percent of total population) of them are making use of water-wise, drought resistant plants. Another 23 percent (11 percent of total) view rocks and stones as an appropriate alternative ground cover and one-fifth (20 percent= 10 percent of total) are replacing their lawns with artificial turf (**Chart 11**). Over two fifths (44 percent) of those who do not plan to replace their grass area cite cost as the main barrier. Another 28 percent indicated that they rent their residence and, while they are responsible to maintain their lawn area, they are not responsible for major infrastructural changes in the landscape of their residence (**Chart 12**).

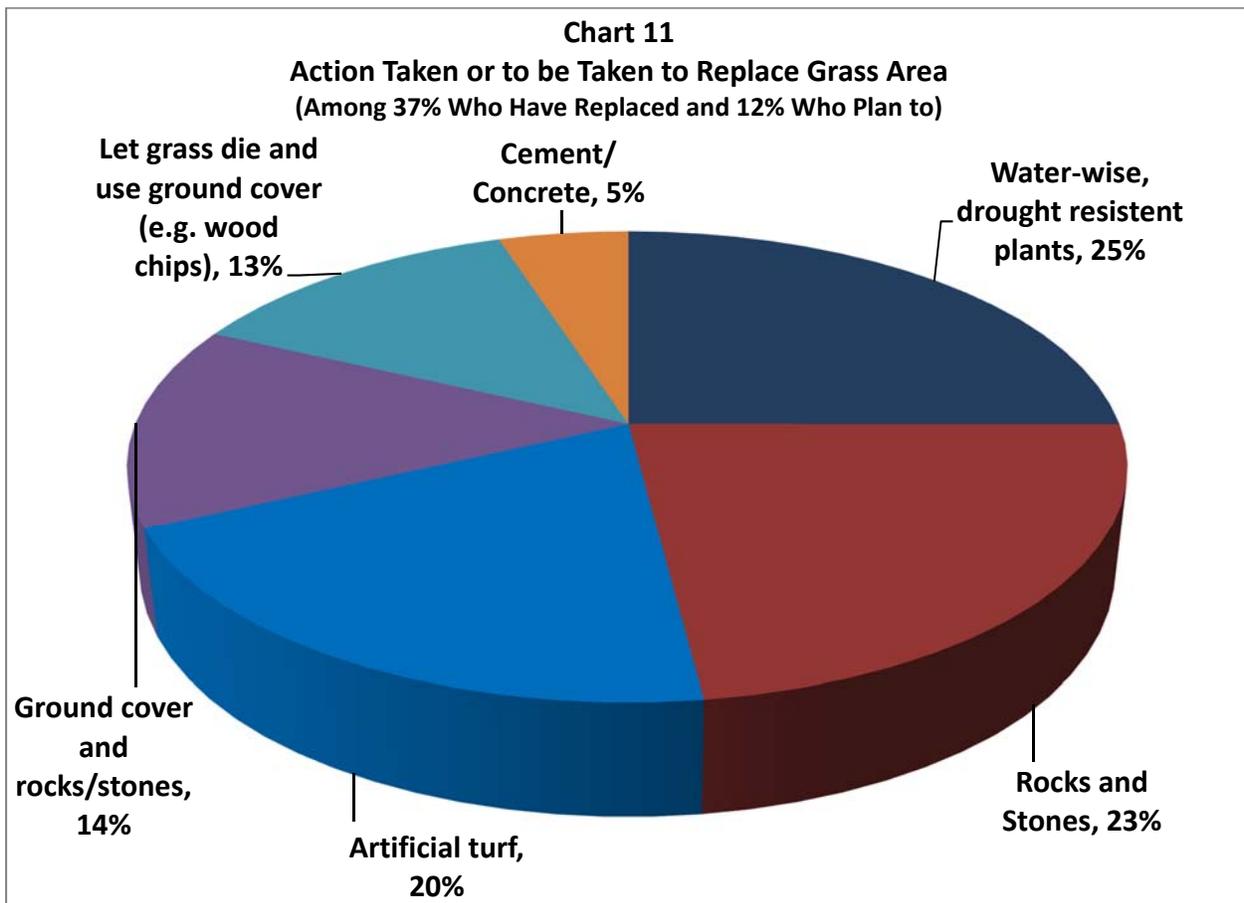
The following subgroup plans to replace some or all of their lawn with low-water use landscaping within the next year.

- Customers with a higher level of education – College degree or more (45.6 percent) versus one year of college or less (26.3 percent).

The following subgroups have taken action or plan to take action to replace their grass area within the next year:

- Let grass die or replace grass with ground cover

- Customer households earning less than \$100,000 annually (19.3 percent) versus household earning over \$100,000 (2.0 percent).
- Females (20.3 percent) versus males (6.8 percent).
- Replace lawn with water-wise plants
 - Males (28.4 percent) versus females (14.5 percent)
 - Customer households earning less than \$50,000 annually (36.0 percent) as opposed to those earning \$50,000 or more (15.0 percent).
- Replace lawn with rocks and stones
 - Females (24.6 percent) versus Males (18.9 percent).



Water Conservation

Chart 13 indicates that over 9 in 10 customers (93 percent) have familiarity with mandatory water-use restrictions that are in effect across the Otay Water District’s service area. In fact, nearly one-half (48 percent) report that they are very familiar with such restrictions. Among the 93 percent of customers who express familiarity with mandatory water restrictions, 92 percent have taken specific actions to reduce water use in response to these restrictions. This represents 86 percent of all customers.

Chart 12
Main Barrier to Replacing Grass Area with Low-Water Landscaping
 (Among 19% with Grass Area Who Have Not Replaced or Do Not Plan to Replace It)

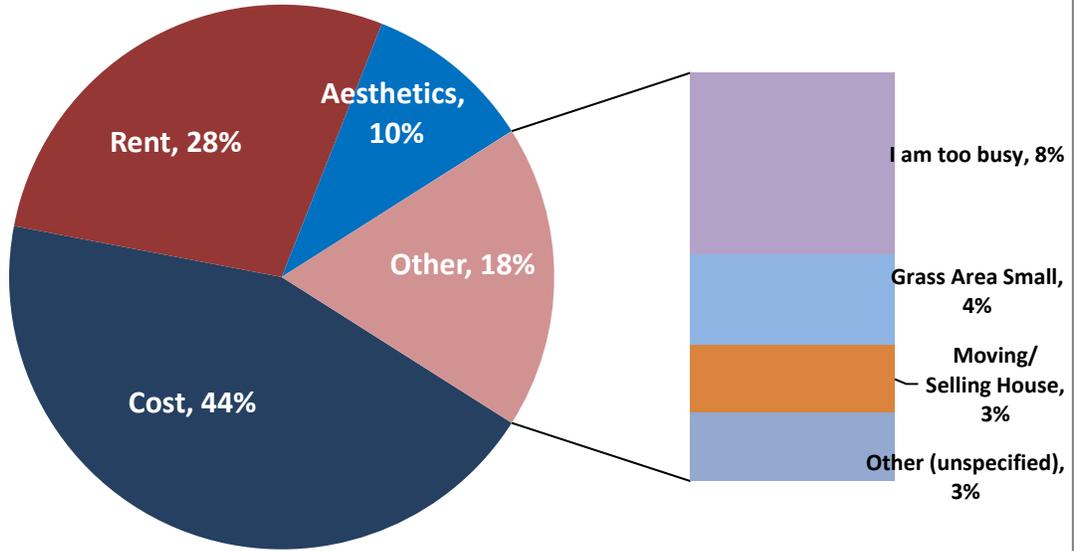
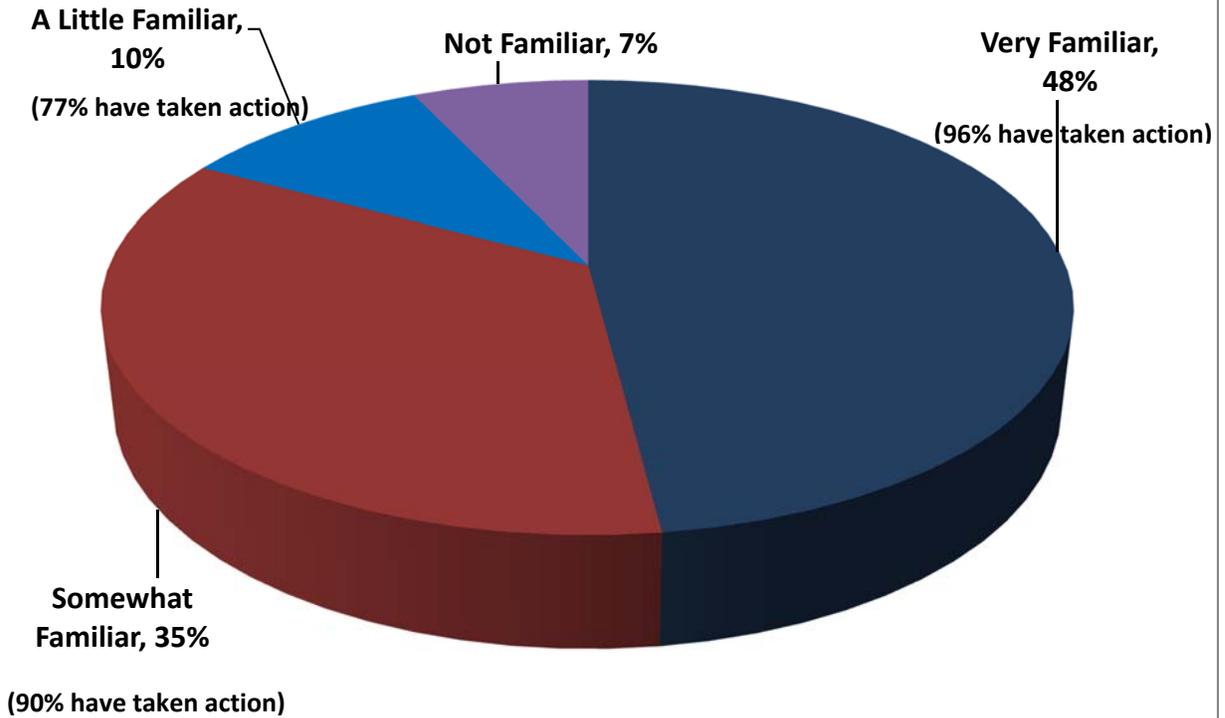


Chart 13
Familiarity with Mandatory Water-Use Restrictions



- Customers who are over the age of 55 tend to be very familiar (61.9 percent) with mandatory water restrictions more so than are those 54 years of age and under (36.7 percent).
- The following two subgroups are either very familiar or somewhat familiar with mandatory water restrictions:
 - Females (88.0 percent) versus males (78.1 percent).
 - Customers whose first language is English (87.5 percent) as opposed to those whose first language is not English (67.2 percent).

Chart 14 shows that one-half (50 percent) of the actions taken by customers to comply with these restrictions involves reducing water use outdoors, including less time watering outdoors (23 percent), fewer days per week watering outdoors (11 percent), and letting lawn/plants die (8 percent). Nearly one-fifth (18 percent) of those who have taken action report that they take shorter showers. Similar actions were taken by customers in previous survey periods to reduce water use. In 2012, nearly one-fifth (17 percent) spent less time watering outdoors and 11 percent took shorter showers. Similar to the current survey, customers in the 2011 survey also indicated that the dominant methods they used to conserve water were through spending less time watering outdoors (19 percent) and taking shorter showers (14 percent).

Chart 15 shows that just over two fifths (44 percent) of customers are aware that the Otay Water District offers conservation rebates and incentives.

The following two subgroups tend to be particularly aware of conservation rebates and incentives:

- Customers whose first language is English (48.5 percent) versus those whose first language is not English (27.1 percent).
- Whites (53.1 percent) versus African-Americans (28.6 percent) and Asians (23.7 percent).

Cuyamaca College Water Conservation Garden

A Water Conservation Garden is located at Cuyamaca College in El Cajon. The Garden demonstrates various drought resistant and water efficient plants in an attractive and educational environment. Respondents were asked if they had ever seen or heard anything about the Garden and nearly one-half of the respondents (49 percent) responded in the affirmative; 24 percent of all respondents have, in fact, visited the Cuyamaca College Water Conservation Garden. The visitation pattern in the current survey is consistent with the patterns found in the 2008 survey (22 percent), the 2009 survey (28 percent), and the 2012 survey (27 percent). In 2008, visitation was notably low at 16 percent (**Chart 16**).

Chart 14
Specific Actions Taken to Reduce Water Use in Response to
Mandatory Restrictions
 (Among 92% of 93% with Some Familiarity with Restrictions=86% of All Customers)

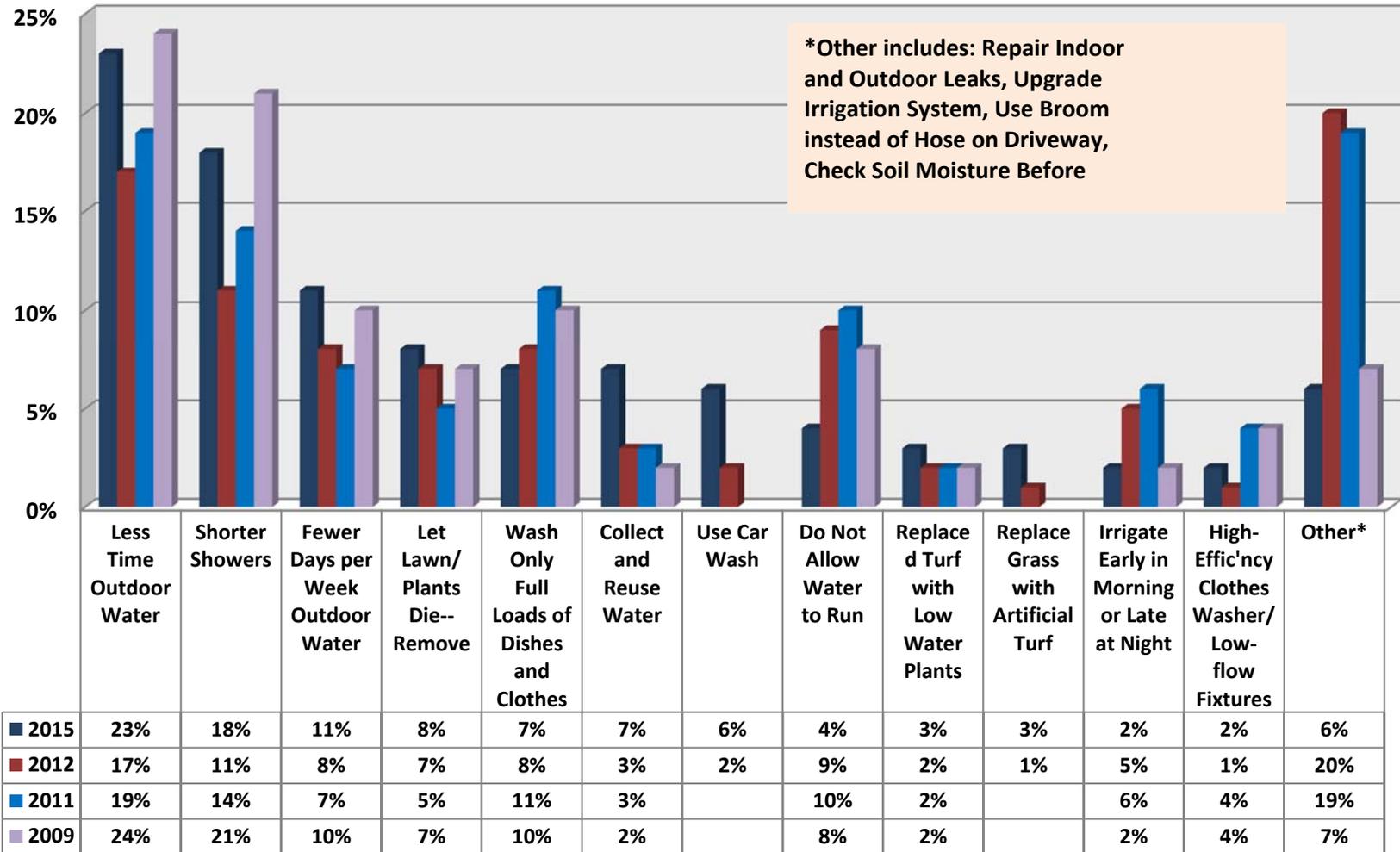


Chart 15
Aware that Otay Water District Offers Conservation Rebates and Incentives

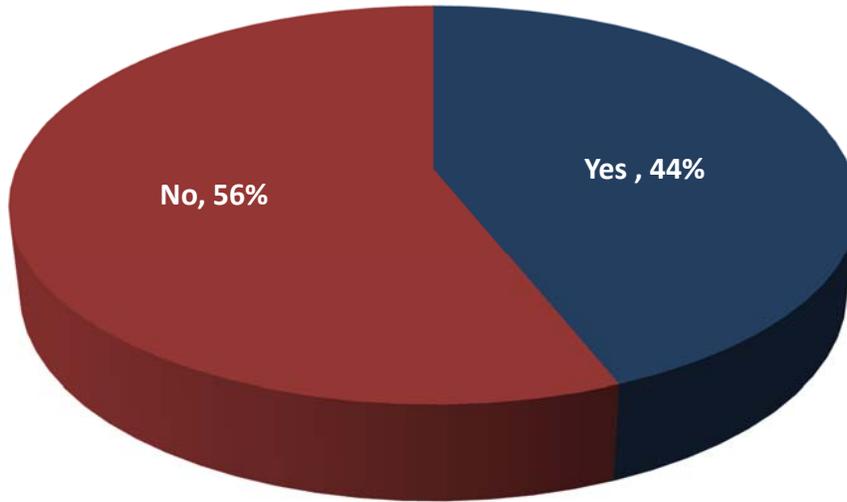
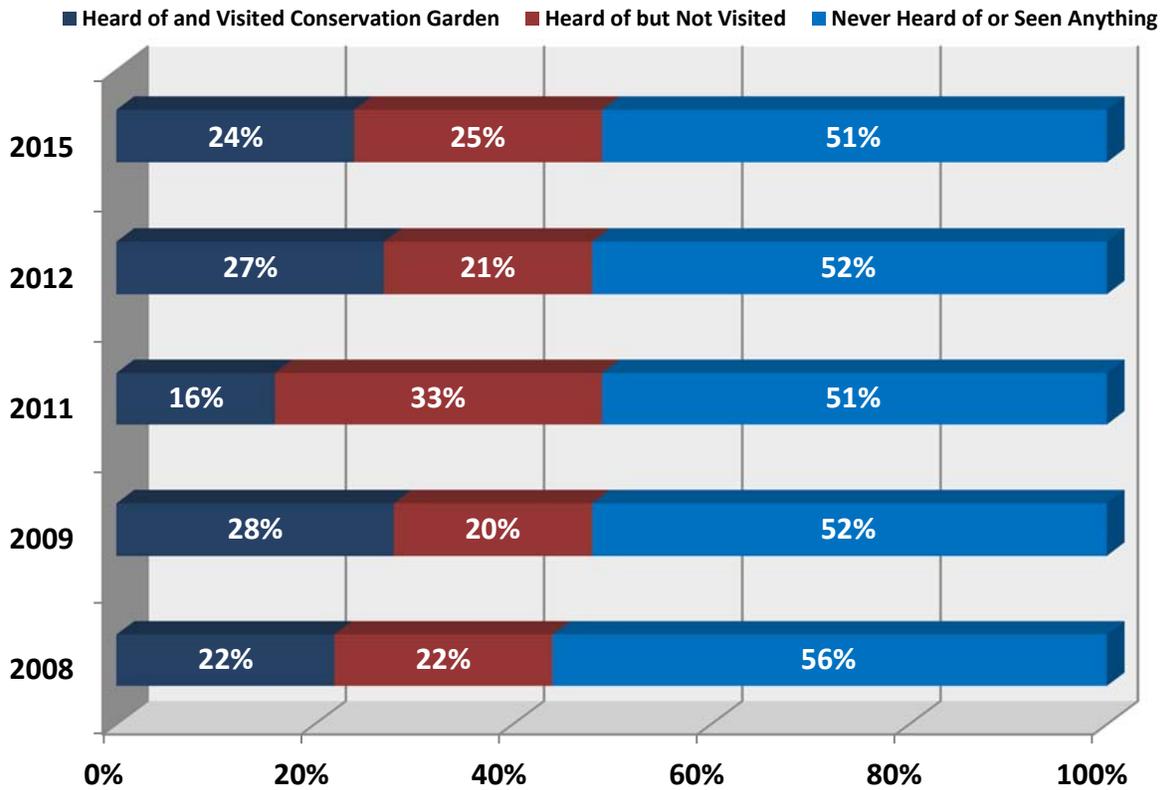


Chart 16
Water Conservation Garden at Cuyamaca College



The following subgroups are more likely to have heard or seen something about the Cuyamaca College Water Conservation Garden:

- Females (57.2 percent) versus males (41.6 percent).
- Whites (60.2 percent) versus Latinos (40.6 percent), Asians (35.1 percent), and African-Americans (28.6 percent).
- Longer-term customers of the Otay Water District (6 or more years – 48.7 percent) versus shorter term customers (5 or fewer years – 31.2 percent).
- Homeowners (54.9 percent) versus renters (25.4 percent).
- Smaller household sizes (1 and 2 persons per household – 64.8 percent) versus larger households of 3 persons or more (41.1 percent).
- Customers who are 45 years of age and older (59.3 percent) versus those who are 44 years of age and younger (32.2 percent).
- Landline users (50.2 percent) versus cell phone users (37.8 percent).

The following subgroups are more likely to have visited the Cuyamaca College Water Conservation Garden:

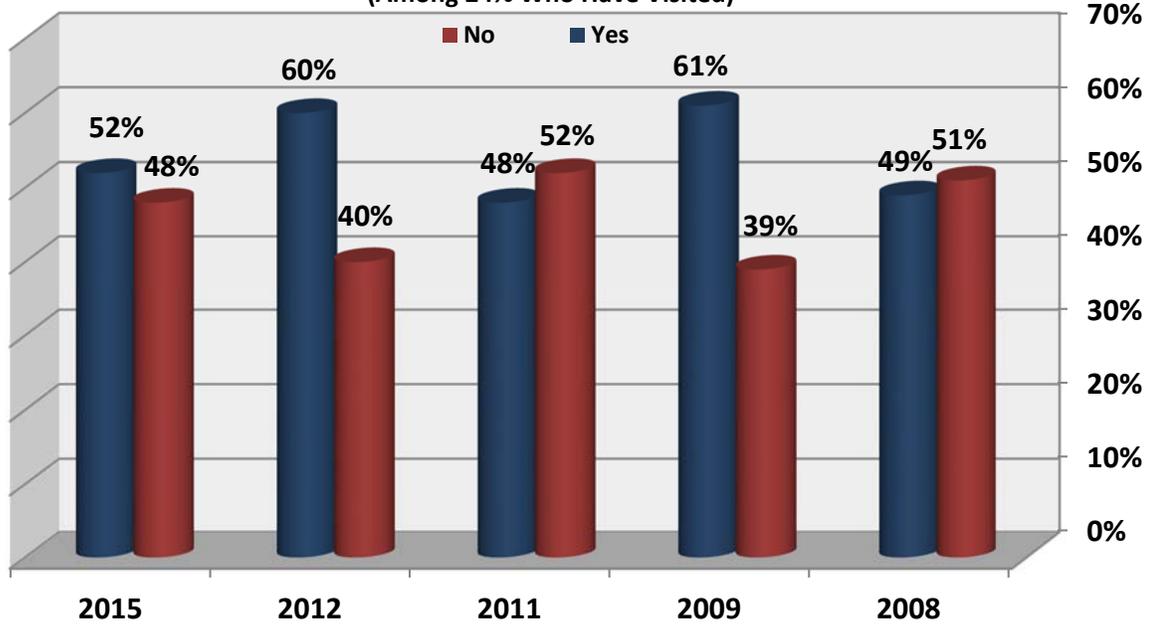
- Homeowners (53.0 percent) versus renters (25.0 percent).
- Customers with a higher level of education – one year of college or more (52.6 percent) as opposed to high school or less (20.0 percent).

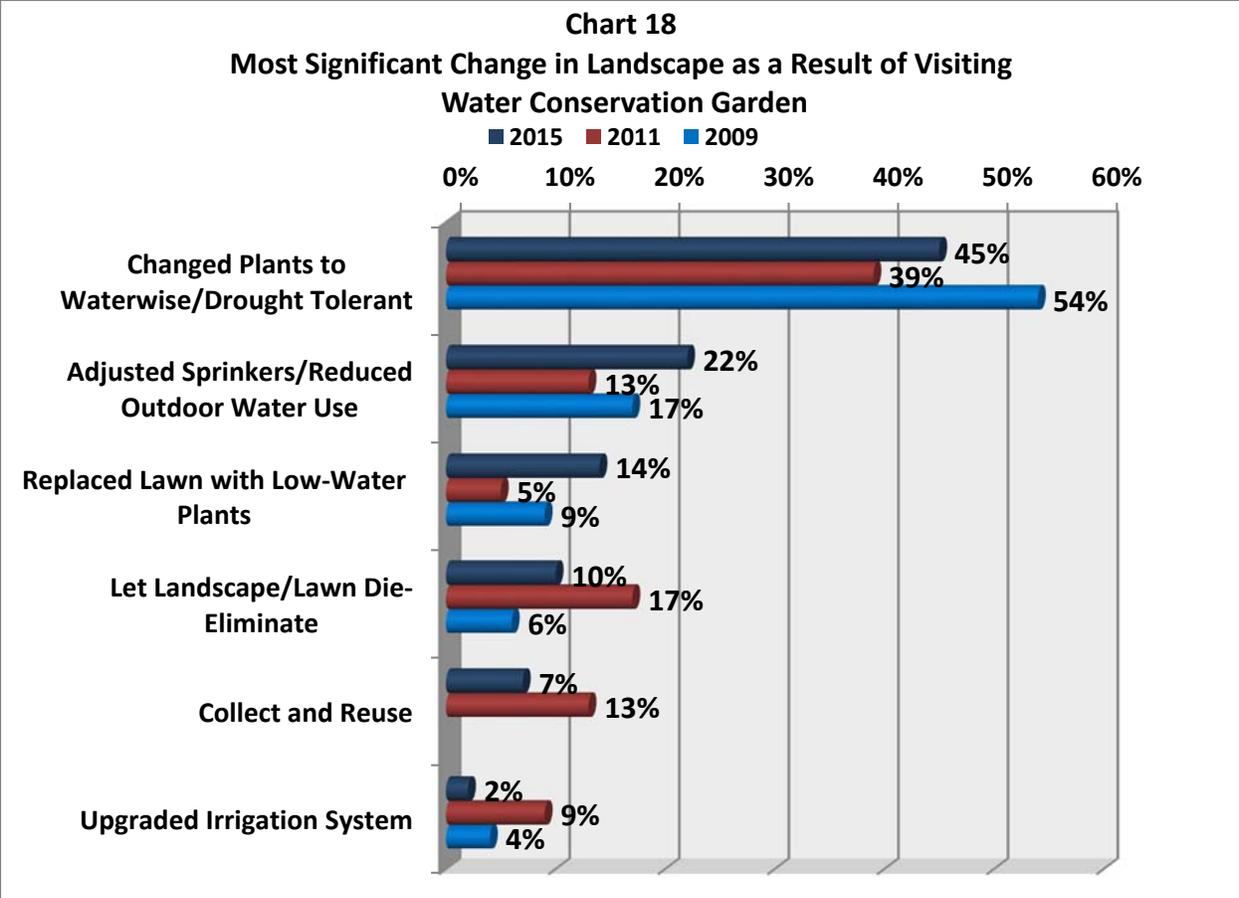
Chart 17 shows that over one-half (52 percent) of those who visited the Water Conservation Garden made changes to their landscaping that resulted from their visit(s). This represents a decline among visitors who made changes to their watering and landscaping practices from 2012 where 60 percent made such changes. The results of the current survey are more consistent with customers in 2011 (48 percent) and 2008 (49 percent) than they are with customers in 2009 (61 percent) in terms of those who made changes to their landscaping as a result of visiting the Garden.

- After visiting the Garden, males (66.7 percent) are more likely to make changes to their landscaping than are females (38.5 percent).

As a result of visiting the Water Conservation Garden, the most significant change customers made was an effort to use more water-wise/drought tolerant plants (45 percent). This change is followed by adjusting sprinklers and reducing outdoor water use (22 percent) and replacing lawn with low-water plants (14 percent). These adjustments are fairly consistent with the changes made by customers in 2011 and 2009 after they visited the Cuyamaca Water Conservation Garden (**Chart 18**).

Chart 17
Made Changes to Landscaping as a Result of Visiting
Water Conservation Garden
 (Among 24% Who Have Visited)

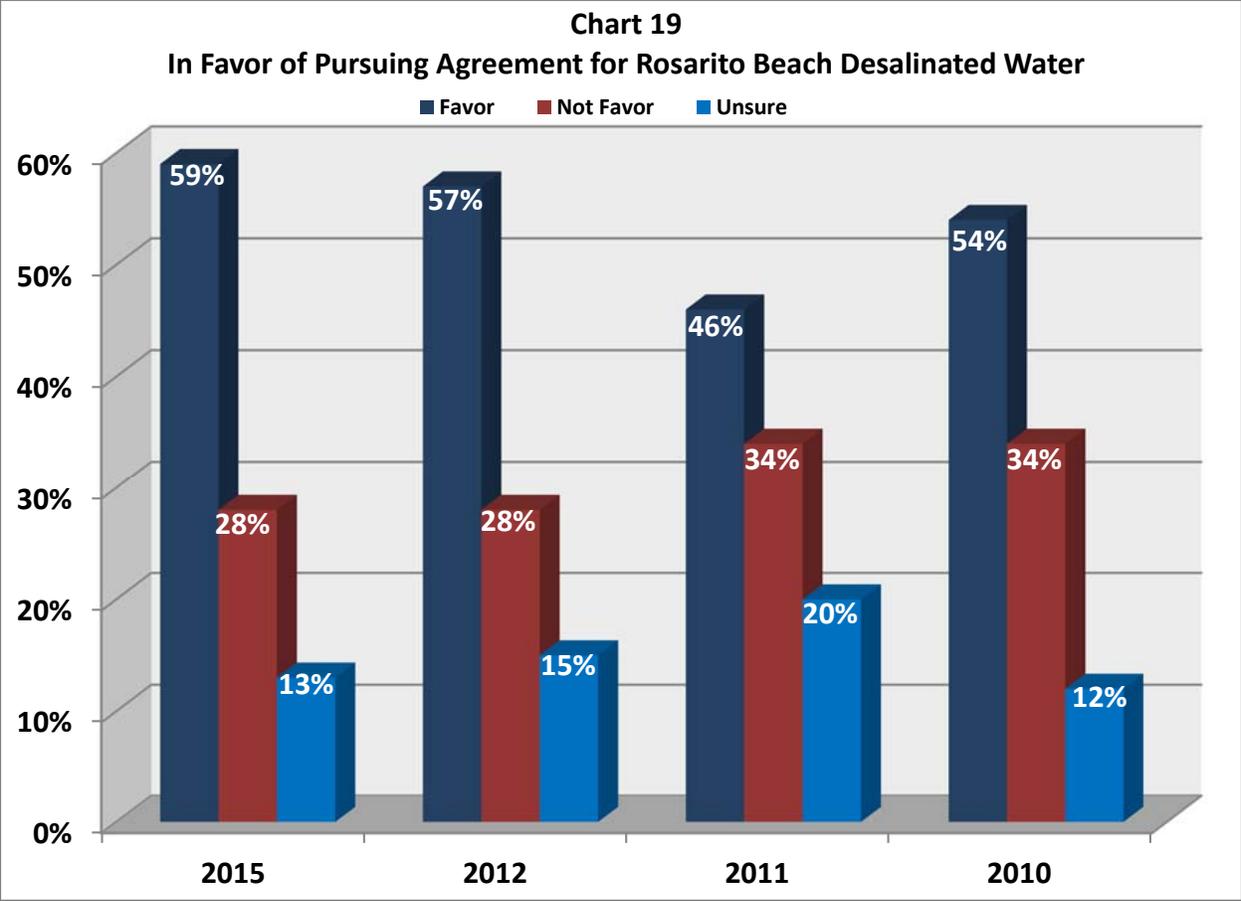




Alternative Water Supply: Desalination

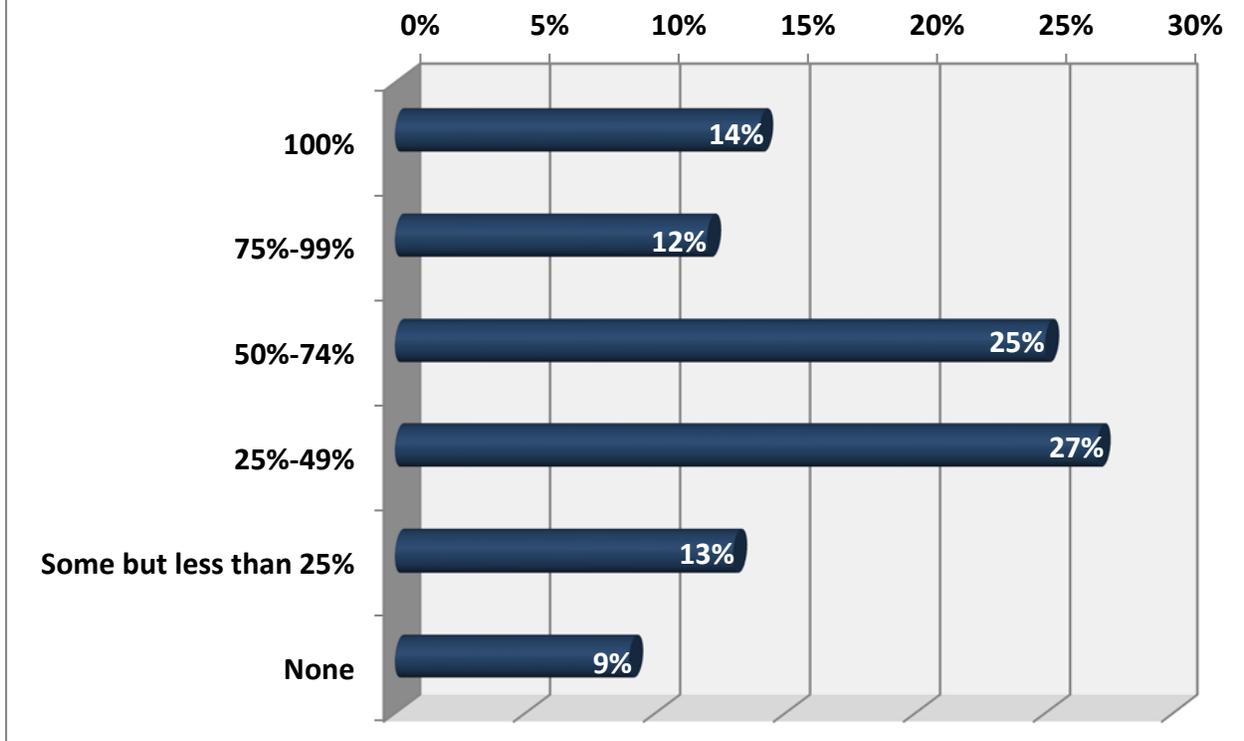
Chart 19 shows that 59 percent of District customers favor an international agreement to purchase desalinated water from a proposed Rosarito Beach desalination facility in Mexico. This percentage represents an increase of 2 percent from the results of the 2012 survey and 13 percent from the results of the 2011 survey where 46 percent favored such an agreement. The favorability rating in the current survey is comparable to the one in 2010 where 54 percent of customers indicated that they favored an international agreement with Mexico. It is important to recall that the 2010 survey was conducted specifically about desalination and a great deal of information was included in that survey in contrast to the few questions and limited information in the 2011, 2012 and 2015 general customer surveys. The evidence shows that customer support is building for an international agreement with Mexico to purchase desalinated ocean water from the proposed Rosarito Beach facility.

- Males (67.3 percent) tend to favor an international agreement with Mexico more so than do females (49.0 percent).



Among the 59 percent of District customers who favor the Agreement, over one-fourth (26 percent) feels that 75 to 100 percent of the District’s water should derive from the Rosarito Beach desalination plant. Another 25 percent thinks that 50 to 74 percent of the District’s water should come from this plant. The median percentage of the District’s water that customers feel should derive from the proposed Desalination Plant is 50 percent (i.e. half of the residents who favor the plant prefer a higher percentage and half prefer a lower percentage) (**Chart 20**).

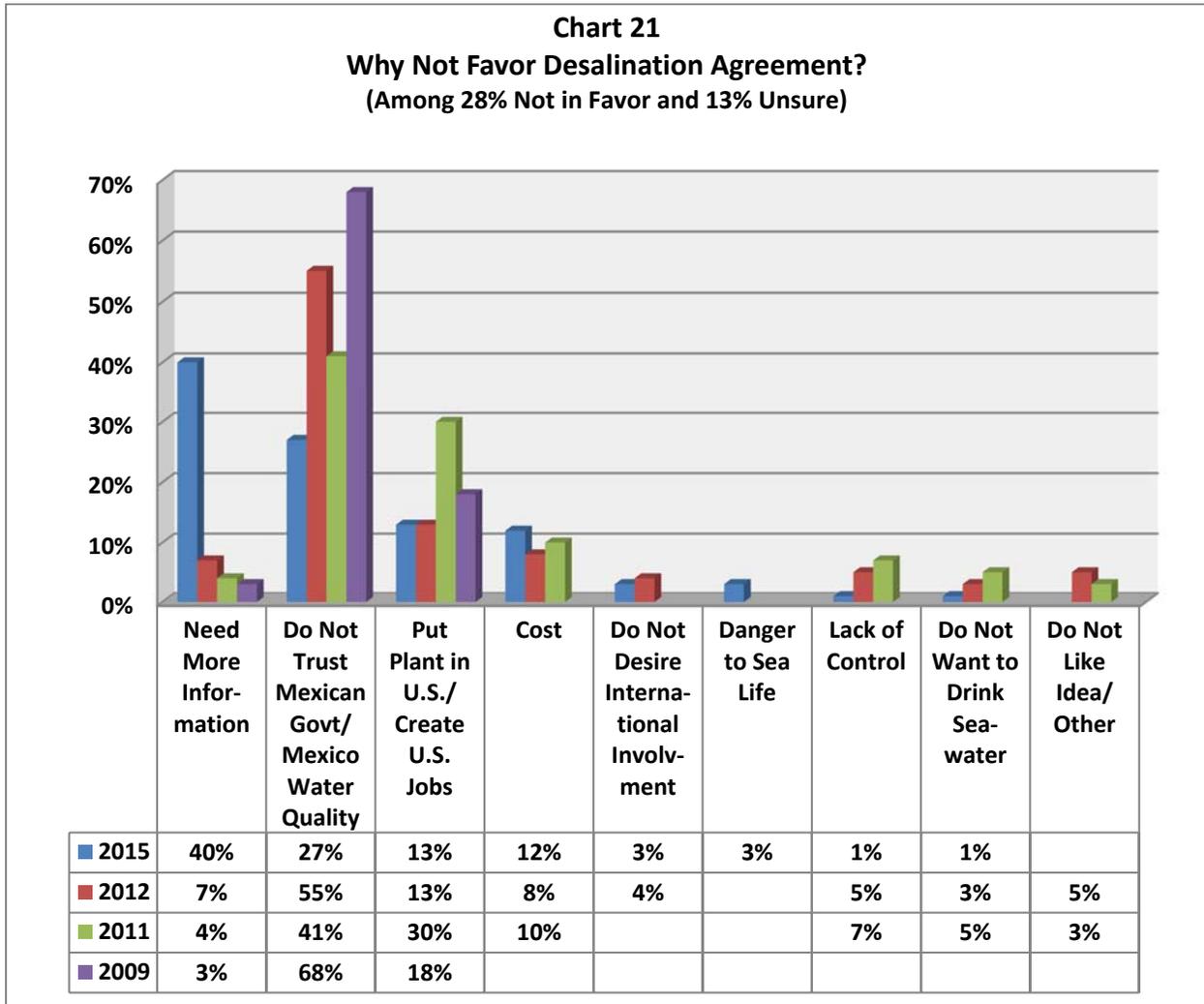
Chart 20
Percentage of All Otay Water District Water that is Preferred from
Rosarito Beach Desalination Plant
(Among 59% Who Favor the Agreement---Median Percentage = 50%)



Among the 28 percent who oppose the international agreement with Mexico or are unsure (13 percent) about it, two fifths (40 percent) say they need more information about the Project and just over one-quarter (27 percent) indicates that they do not trust the quality of water from Mexico and/or they do not trust the Mexican government. Another 13 percent feels that the plant should be located in the United States in order to create jobs domestically. In previous surveys, the opinions for opposing the desalination agreement with Mexico differ from the current survey in three important ways. First, a much smaller percentage of respondents in 2012 (7 percent), 2011 (4 percent), and 2009 (3 percent) needed more information about the Desalination Plant than in 2015. Trust in the Mexican government and in water quality in Mexico has improved substantially since 2009 when 68 percent expressed a lack of trust in Mexico. Since 2011, a smaller percentage of respondents are advocating that the Desalination Plant should be located in the U.S. to create jobs in the U.S. (13 percent) – down from 30 percent in 2011. A positive trend emerges as respondents have become interested enough in the Desalination Project to require more information about it, they have less distrust in the Mexican government and the quality of water in Mexico, and there is less negative sentiment about locating the plant in Mexico as opposed to the United States and the foregone opportunity to create jobs in the United States (**Chart 21**). This likely reflects either a greater degree of

faith in the U.S. economy than in 2011 or an increased recognition that the time and cost to create such a plant in the United States may be problematic.

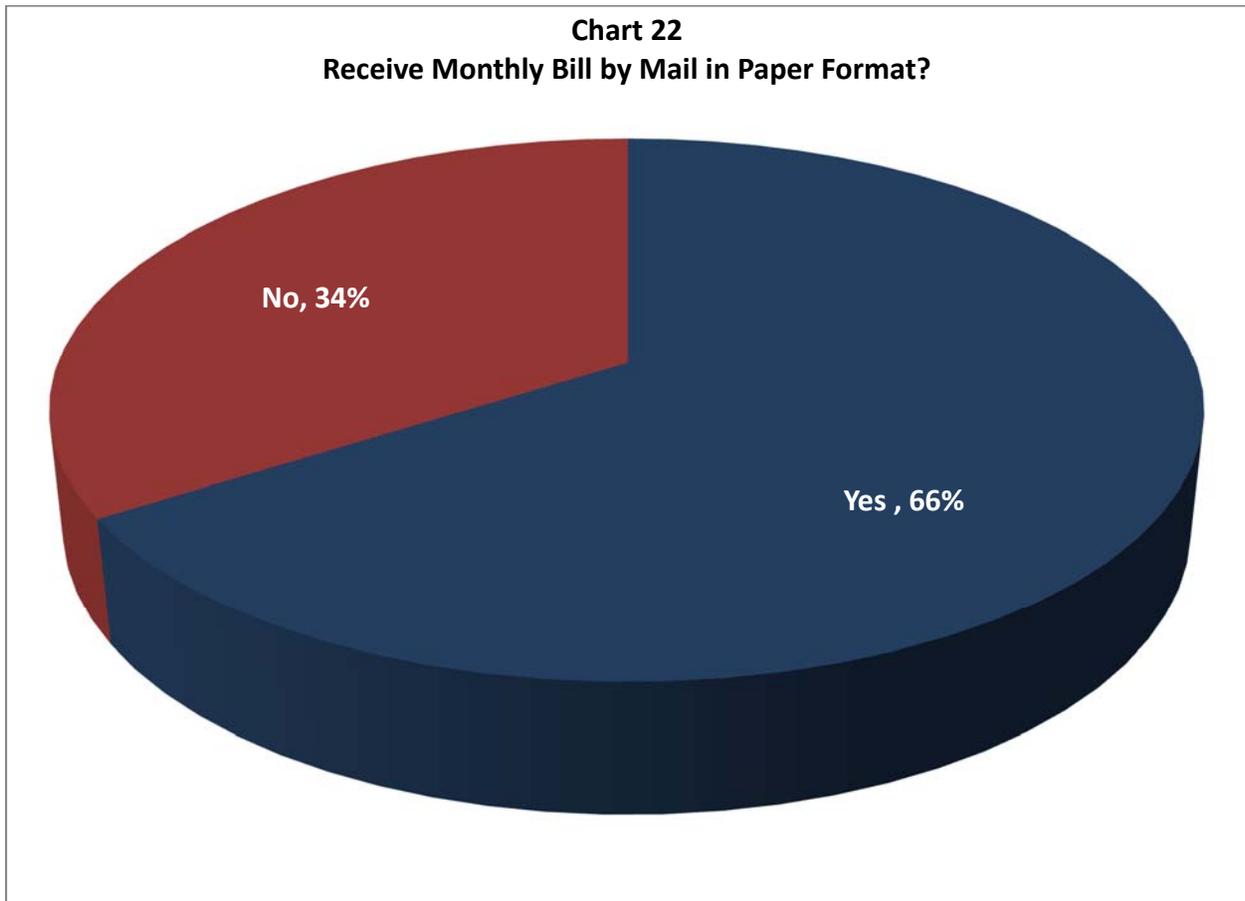
- Customers who are 45 years of age and older (17.9 percent) tend to distrust the Mexican government and the water quality in Mexico more so than those 44 years of age and under (7.7 percent).



Bill Payment

Chart 22 shows that nearly two-thirds (66 percent) of respondents receive their monthly bill by mail in paper format. Among the 66 percent who receive their bill by mail, over two-fifths (44 percent) object to paperless billing because they want a paper record for bookkeeping and taxes and 15 percent indicate that they do not use computers very often. The percentage of customers who are concerned that the paperless option does not afford a paper record increased substantially since the 2011 survey (27 percent in 2011 to

44 percent in 2015). Computer use seems to be increasing among these respondents to a limited extent. Those who indicated that they do not use computer very often fell from 23 percent in 2011 to 16 percent in 2012 and to 15 percent in 2015. Finally, in the current 2015 survey, respondents also offered the following reasons for their objection to paperless bill paying: They will forget to check the computer for the bill and the bill simply comes by mail and I pay it– each 9 percent (**Chart 23**).



The following subgroups are more likely to receive a paper copy of their bill:

- African-Americans (76.2 percent), Whites (68.7 percent), and Latinos (68.6 percent) as opposed to Asians (45.0 percent).
- Longer-term customers of the Otay Water District – 11 or more years (78.5 percent) versus 10 years and under (54.8 percent).
- Older residents of the Otay Water District – 65 years of age and older (85 percent) versus 34 years of age and under (52.3 percent).

- Residents with less education – high school education or less (87.5 percent) as opposed to 1 year of college or more (61.8 percent).

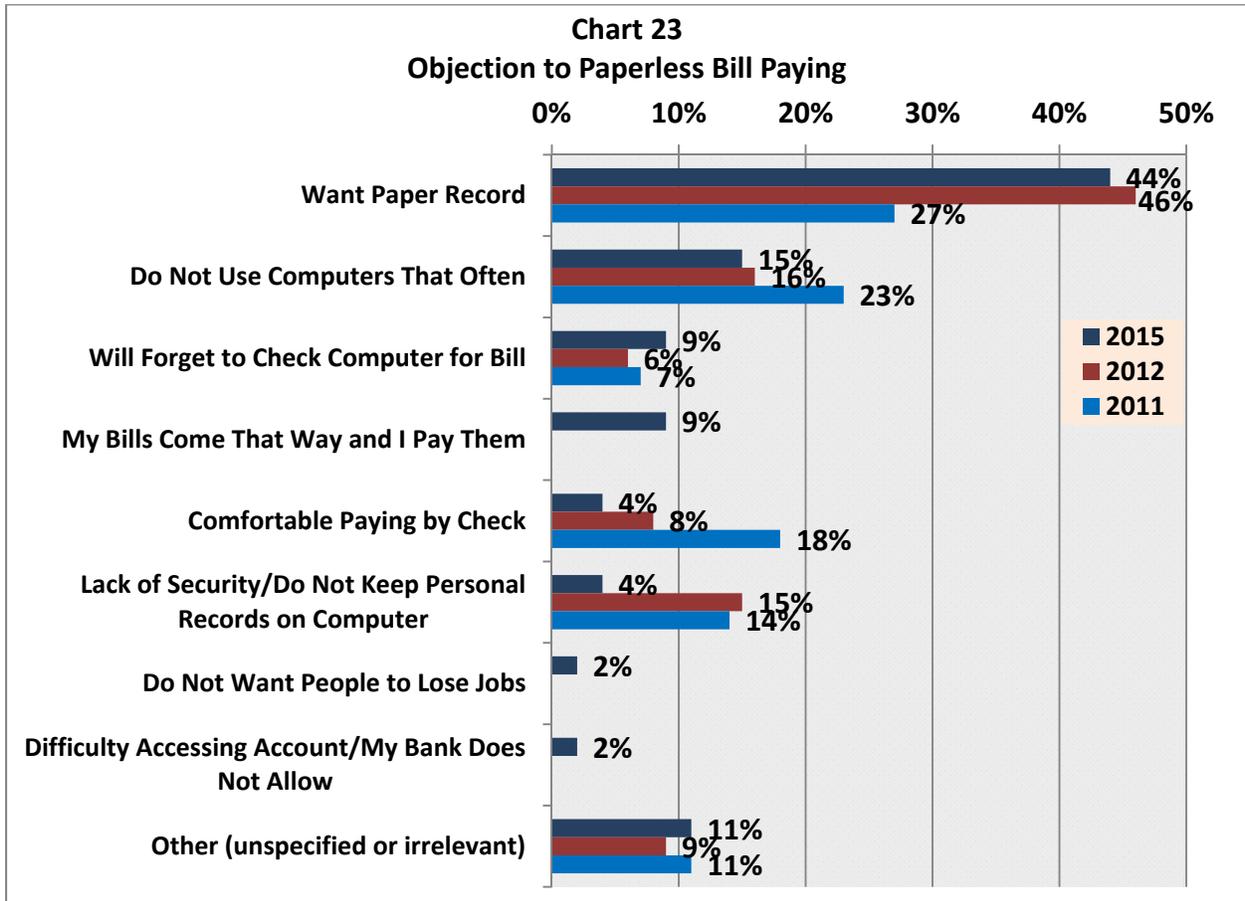
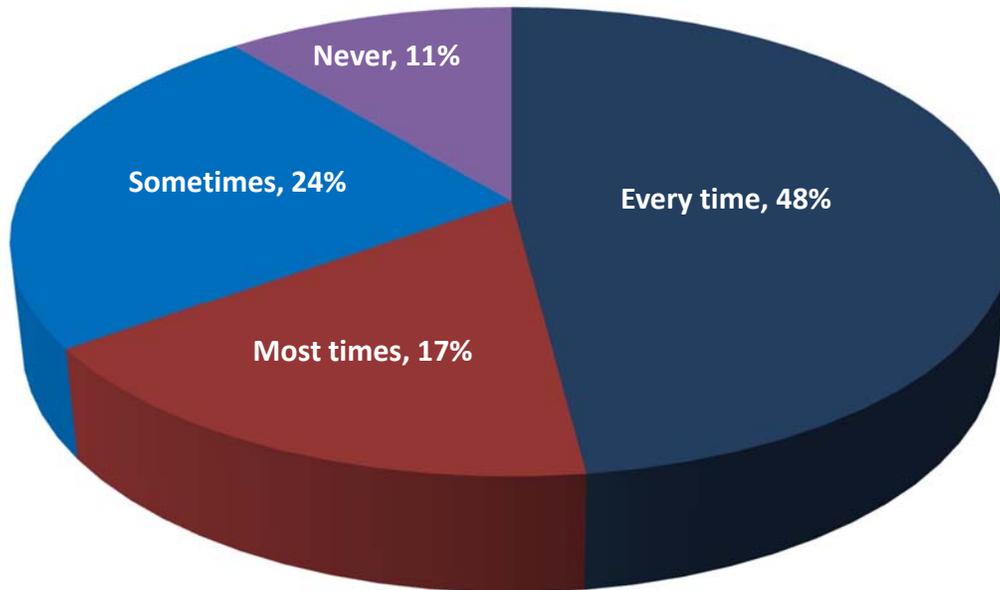


Chart 24 indicates that nearly one-half (48 percent) of respondents examine their bill for water usage or other factors every time. Nearly one-fifth (17 percent) examine their bill most times and 24 percent do so sometimes.

Chart 24
Examine Bill for Water Usage or Other Factors?

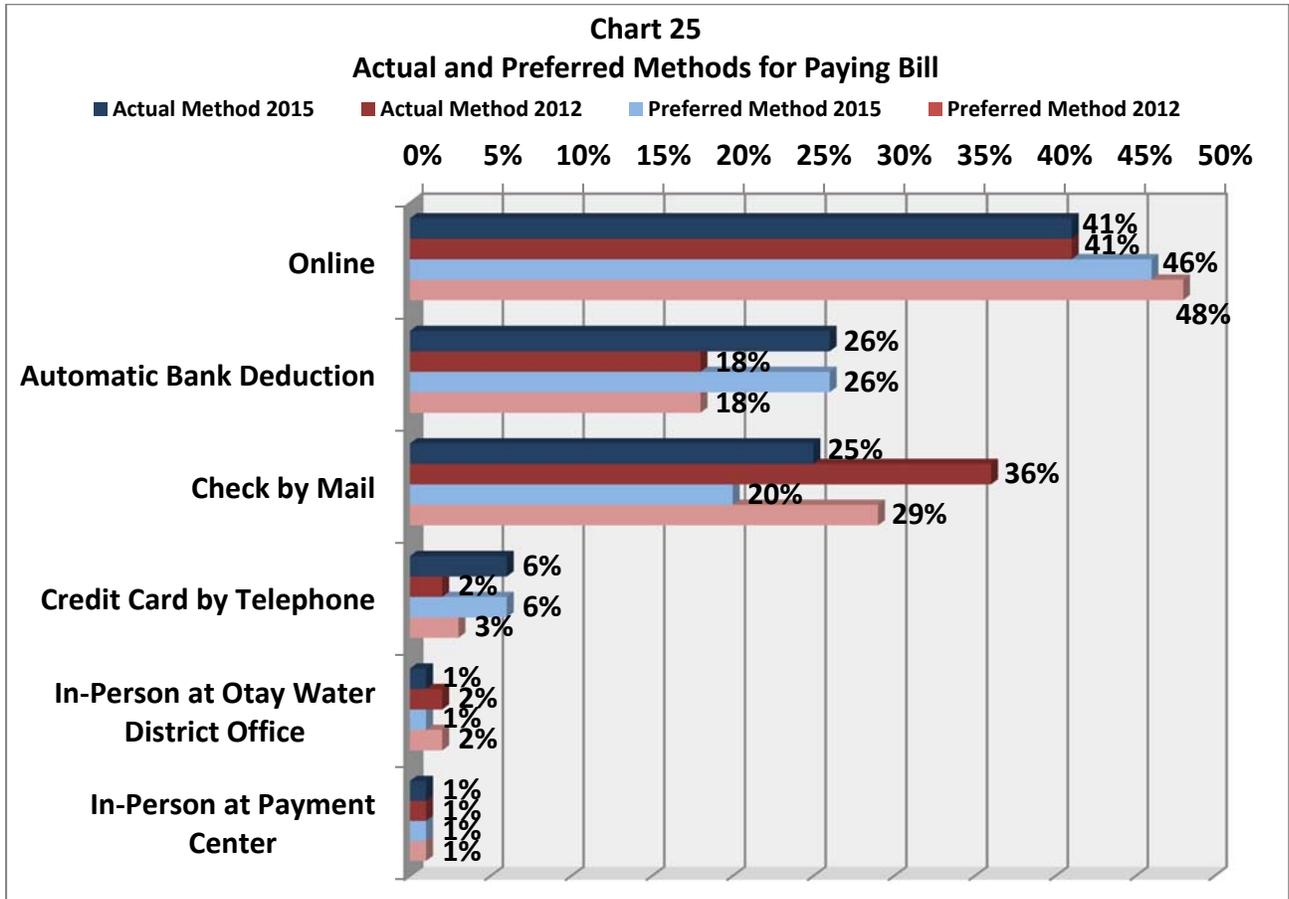


The following subgroups tend to examine their bill frequently.

- Customers who examine their bill everytime:
 - Whites (56.9 percent) versus African-Americans (45.0 percent), Latinos (41.0 percent), and Asians (35 percent).
 - Homeowners (52.6 percent) as opposed to renters (31.7 percent).
- Customers who examine their bill everytime or most months:
 - Longer-term residents of the Otay Water District – 11 years or more (71.8 percent) versus 10 years and under (59.9 percent).
 - Customers who are 55 years of age and over (78.2 percent) as opposed to those 54 years of age and under (56.3 percent).

Chart 25 shows that over two fifths (41 percent) of customers pay their bill online, 26 percent pay their bill through automatic bank deductions, one-fourth (25 percent) pay by sending a check in the mail and others pay by credit card over the telephone (6 percent) or in person at District offices (2 percent). It is noteworthy that 46 percent of customers would prefer to pay online (5 percent more than actually do so) and 20 percent would prefer to use postal mail (5 percent less than actually do so). Respondents in 2015

demonstrate a decrease in the use of paying their bill by check through postal mail (36 percent in 2012 to 25 percent in 2015). The use of automatic bank deductions to pay bills increased from 18 percent in 2012 to 26 percent in 2015). These trends point to the conclusion that customers of the Otay Water District are either using or considering the use of electronic methods of bill paying and wish to rely less on postal mail.



The following subgroups are more likely to pay their water bill online (Internet);

- Larger households of 3 persons or more (45.4 percent) versus smaller households of 1 or 2 persons (34.0 percent).
- Cell phone users (47.5 percent) versus landline users (40.6 percent).
- Renters (49.2 percent) versus owners (39.3 percent).
- Customers with some graduate education (54.4 percent) as opposed to those with a college degree or less education (37.4 percent).
- Latinos (56.3 percent) versus Asians (35.0 percent, Whites (34.6 percent), and African-Americans (23.8 percent).
- Customers who earn \$50,000 or more annually (48.0 percent) as opposed to those who earn under \$50,000 (27.6 percent).
- Customers who have less residential tenure in the District – 20 years or fewer (45.5 percent) versus 21 or more years (26.9 percent).

The following subgroups tend to pay their water bill by sending a check in the mail.

- Homeowners (27.1 percent) versus renters (14.3 percent)
- Landline users (25.5 percent) as opposed to cell phone users (14.1 percent).
- Smaller households of 3 persons or fewer (33.3 percent) versus larger households of 4 or more persons (14.8 percent).
- Longer term customers of the District – 21 or more years (49.3 percent) versus customers who have lived in the District for 20 years and under (17.3 percent).

The following subgroups indicate that they would prefer to pay their bill on-line no matter how they currently pay their bill.

- Renters (53.2 percent) versus homeowners (43.7 percent).
- Customers with some graduate education (57.5 percent) as opposed to those with a college degree or less – 42.6 percent).
- Latinos (61.2 percent) versus African-Americans (23.8 percent).
- Cell phone users (54.5 percent) versus landline users (44.3 percent).
- Shorter-term residential tenure in the District – 20 years or less (49.8 percent) versus 21 or more years (28.8 percent).
- Customers who are 54 years of age and under (59.9 percent) versus those who are 55 years of age and older (26.2 percent).

The following subgroups would prefer to pay their water bill by sending a check in the mail no matter how they currently pay their bill.

- Homeowners (22.3 percent) versus renters (9.7 percent).
- Landline users (20.8 percent) versus cell phone users (10.1 percent).
- Residents whose annual household income is \$50,000 and over (51.8 percent) as opposed to those who earn less than \$50,000 (32.1 percent).
- Longer-term residential tenure – 21 years or more (43.9 percent) versus 20 years or less (13.2 percent).

Chart 26 shows that about 7 in 10 respondents (71 percent) of the 59 percent who currently do not pay their bill on-line would still not do so even if a chat function were available to interact directly with a customer service representative.

The following subgroups are more likely to use a chat function to interact directly with a customer service representative.

- Asians (46.2 percent) versus Whites (8.0 percent).
- Renters (35.5 percent) as opposed to homeowners (19.0 percent).
- Cell phone users (39.6 percent) versus landline users (20.3 percent).
- Residents of the District for 20 years or less (28.6 percent) as opposed to those who are residents of 21 years or more (3.9 percent).

Chart 26
**Use Website to Pay If Chat Function Were Available to Interact Directly
with Customer Service Representative?**
(Among 59% Who Do Not Presently Pay Online)

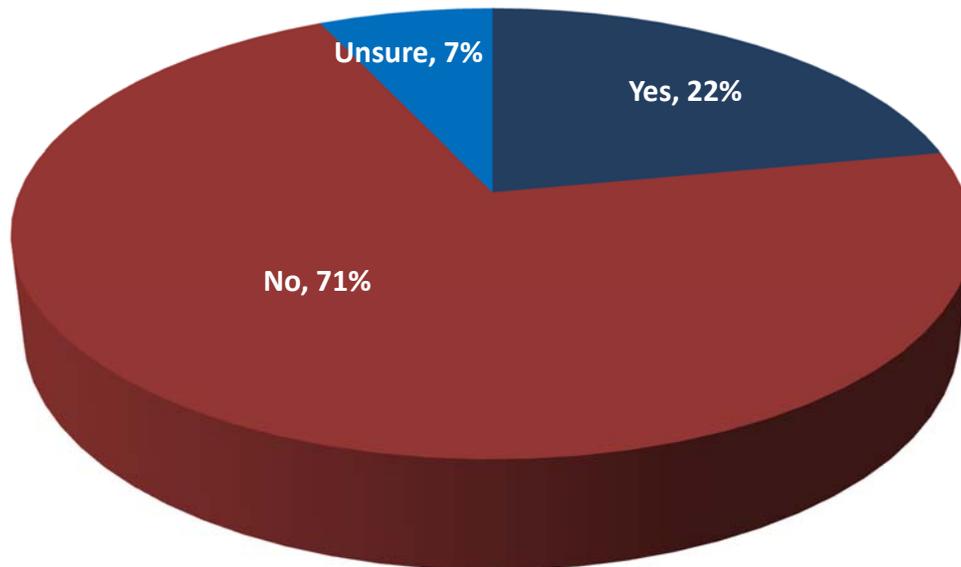
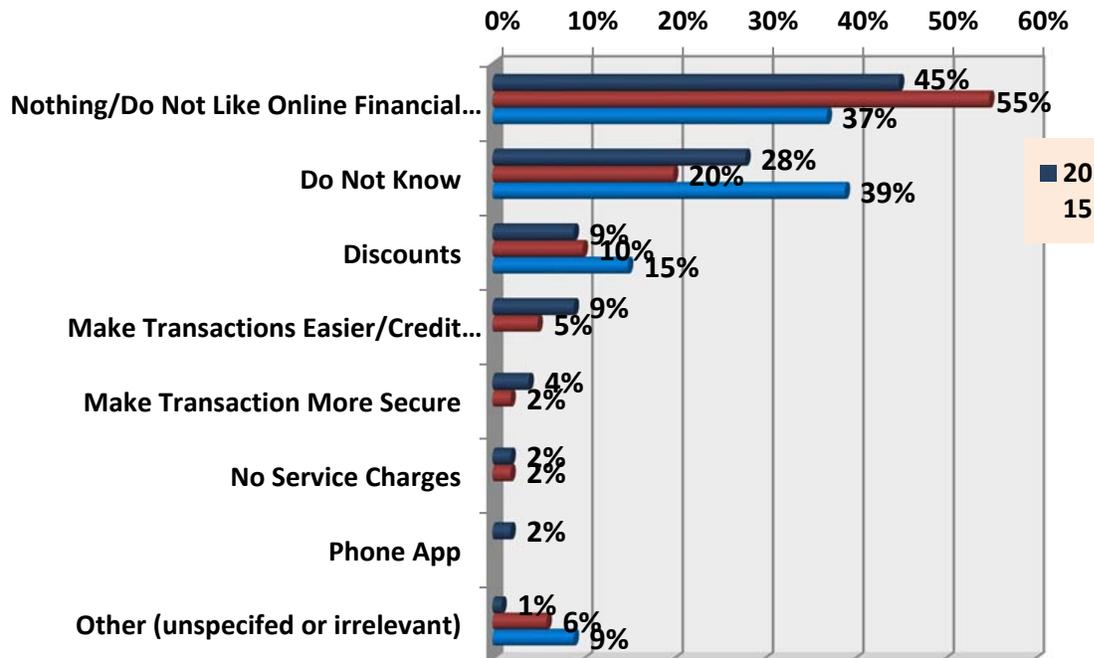


Chart 27 shows that, among customers who do not pay online and indicate a reason for not doing so, nearly one-half (45 percent) indicate that there is nothing the District can do to make paying online more appealing and another 28 percent do not really know what the District can do in this regard. Some customers indicate that discounts on their bill would make paying on-line more appealing and multiple payment options to make transactions easier would facilitate online bill paying – 9 percent each. In 2012, customers who did not wish to pay online were even firmer in their resolve that the District can do nothing to motivate them to do so (55 percent). Further, in 2012, the uncertainty about what the District could do to make online bill paying more appealing stood at 20 percent. In both 2015 and 2012, these two dominant responses indicate that these customers cannot think of anything that would move them toward online bill payment— both years show that three-fourths of those disinclined to pay online are not going to be easily swayed.

Chart 27
What Can Otay Water District Do to Make Paperless Bill Paying a More Appealing Option?
 (Among 59% Who Do Not Presently Pay Online)



Information about Water Issues

Chart 28 shows that more than one-half (55 percent) of customers obtain information about water issues from television (38 percent) and the Internet (17 percent--other than Water District websites). One fifth (20 percent) receive information from various sources associated with the Otay Water District (Otay Water District Website and Otay Water District Newsletters – each 7 percent – and informational staffers in the water bill – 6 percent).

The following subgroups are more likely to obtain information about water issues from the Internet:

- Latinos (22.5 percent) versus African-Americans (5.0 percent)
- Shorter residential tenure – 10 years or less as a resident of the District (20.7 percent) as opposed to 11 or more years (11.2 percent).
- Cell phone users (36.4 percent) versus landline users (14.6 percent).

The following subgroups are more likely to obtain information about water issues from television.

- Customers with an annual household income of under \$100,000 (43.2 percent) versus those with household incomes of \$100,000 or more (23.3 percent).

- African-Americans (50 percent) and Asians (45.0 percent) versus Whites (36.6 percent) and Latinos (33.3 percent).
- Landline users (38.5 percent) as opposed to cell phone user (29.3 percent).
- Customers who are 18-24 years of age (75.0 percent) versus customers who are 25 years of age and over (37.8 percent).

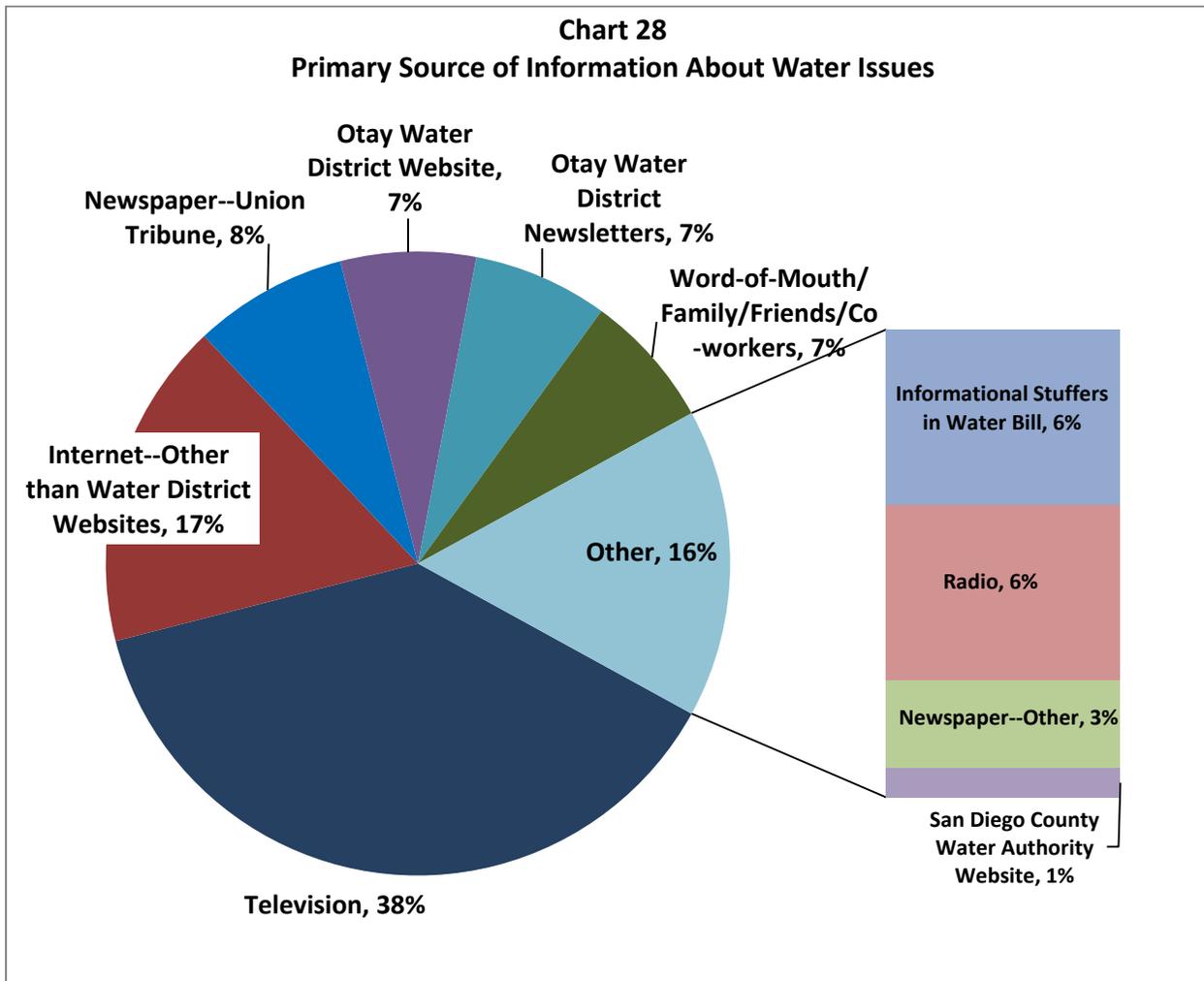


Chart 29 shows that over three-fifths of customers (62 percent) have visited the Otay Water District website. This represents a substantial increase over the 2012 survey results where 52 percent indicated that they had visited the website. Further, there has been a steady increase of customers who have visited the Otay Water District website since 2008. Specifically, in 2008, 27 percent visited the website, 32 percent visited the website in 2009, and 39 percent visited the website in 2011.

The following subgroups are more likely to have visited the Otay Water District website:

- Customers of 10 years or less – 75.4 percent versus longer term customers of 11 years or more – 46.8 percent.

- Customers who rent their residence (71.0 percent) as opposed to those who are homeowners (60.1 percent).
- Customers with annual incomes \$50,000 and over (67.9 percent) versus those with annual incomes of under \$50,000 (35.1 percent).
- Respondents who are 54 years of age and under (74.7 percent) as opposed to those 55 years of age and older (44.3 percent).

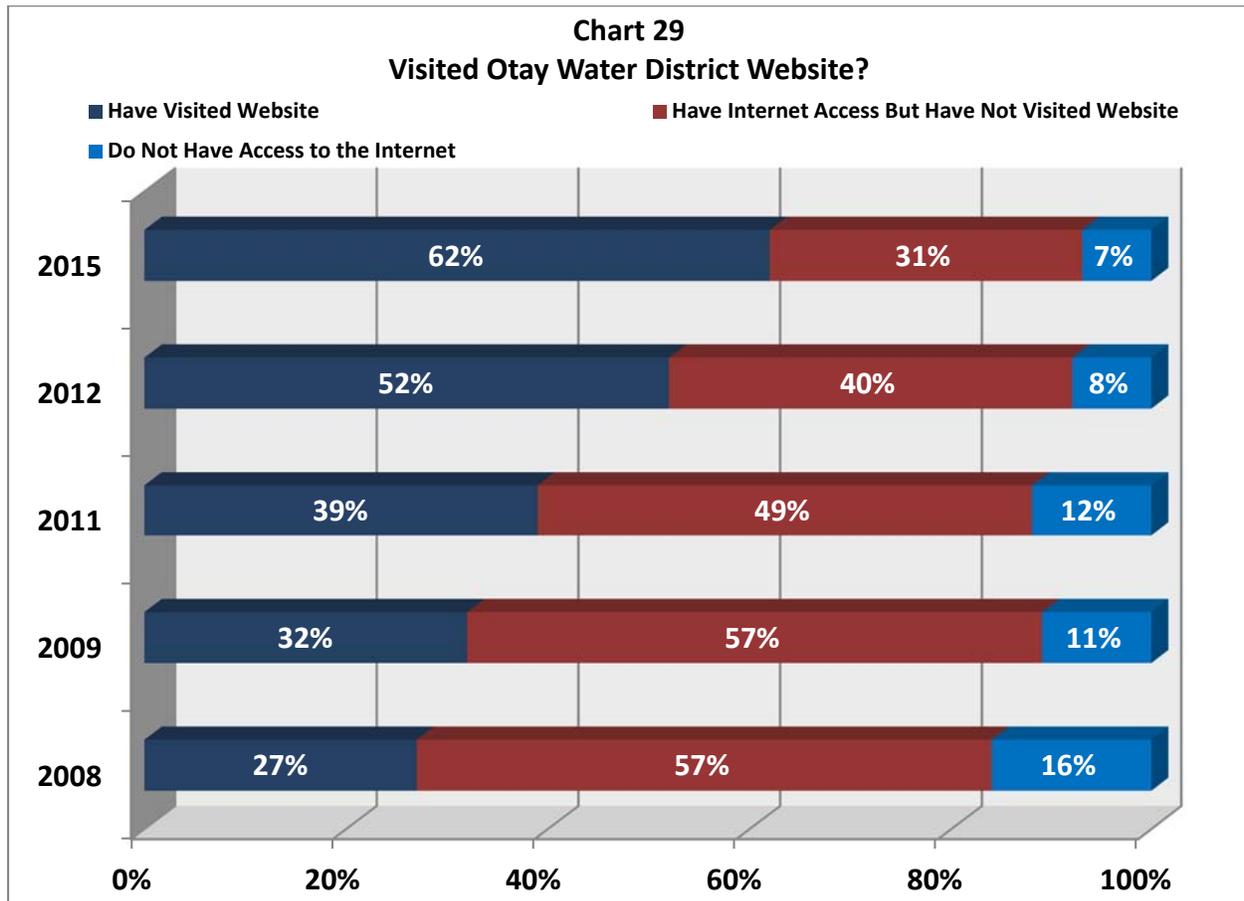
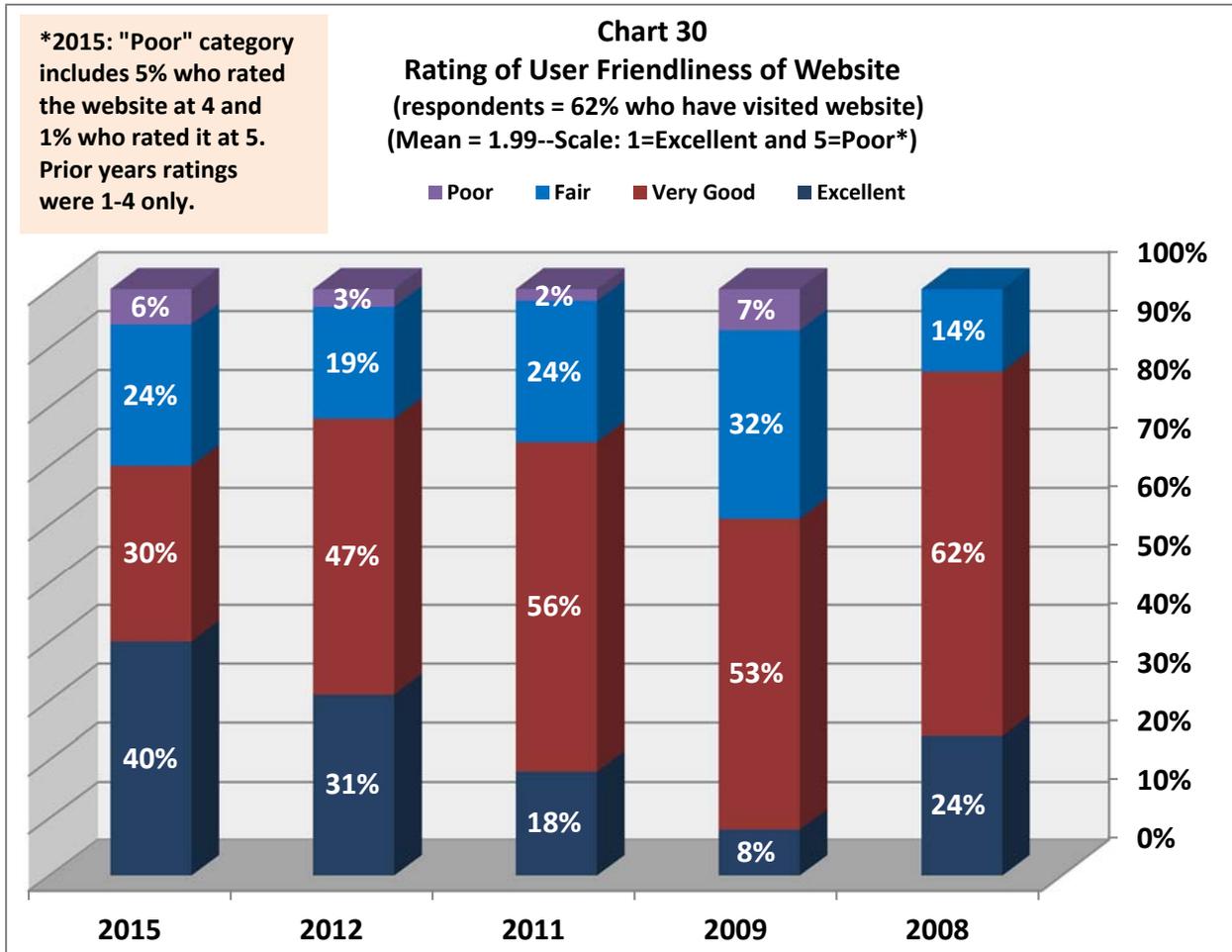


Chart 30 indicates that website visitors give the Otay Water District website very good ratings – 70 percent excellent or very good, 24 percent fair, and 6 percent poor. These ratings represent a decline from the 2012 survey ratings where 78 percent rated the website as either excellent or very good. The current 2015 ratings are well above the 2009 ratings (61 percent rating the Website as excellent or very good) but well below the 2008 ratings (86 percent rating the Website as excellent or very good). The rating of the website, therefore, varies considerably from year-to-year, which could parallel updates and changes to the website. It might be interesting to examine this potential correlation.

Customers who have visited the website rate the website with an overall mean of 1.99. This mean is based upon a scale of 1 to 4, where 1 = excellent, 2 = very good, 3 = fair, and 4 = poor. This reaffirms the

relatively high rating indicated and explained above. The current mean rating is less positive, however, than the 1.83 rating recorded in 2012.

- Higher income customers rate the Website less favorably -- \$150,000 or more (mean of 2.53) versus all other income categories (mean of 1.85).



Among the 62 percent of customers who visited the Otay Water District Website, nearly one half (49 percent) reported that they do so in order to pay their bill online (**Chart 31**). Another one fifth (21 percent) access the website to obtain billing information. Nearly 1 in 10 (9 percent) of website visitors are seeking drought information and 7 percent are in search of conservation rebate information.

Chart 32 shows that 26 percent of customers always read the newsletter or bill inserts that come in the mail with the monthly water bill, 23 percent read these materials most months, and another 33 percent read them sometimes, leaving 18 percent who never read the newsletter or bill inserts. These results show a consistent increase in readership patterns since 2008. For example, in the current 2015 survey, 49 percent of

respondents read these materials every month or most months. In 2012 and 2011, 52 percent and 49 percent of customers respectively read the newsletter and bill inserts that frequently. It is noteworthy that the last four survey periods (2009, 2011, 2012, and 2015) show a higher readership pattern than does the 2008 survey (31 percent every month or most months). Also, the percentage of customers who never read the newsletter or bill inserts decreased by 9 percent over the 2008 survey (27 percent in 2008 to 18 percent in 2015).

- Customers with longer residential tenure in the District tend to read the Newsletter and bill inserts every time or most times more so than do customers with a shorter residential tenure (11 years or more – 57.7 percent; 10 years and under -- 41.3 percent)

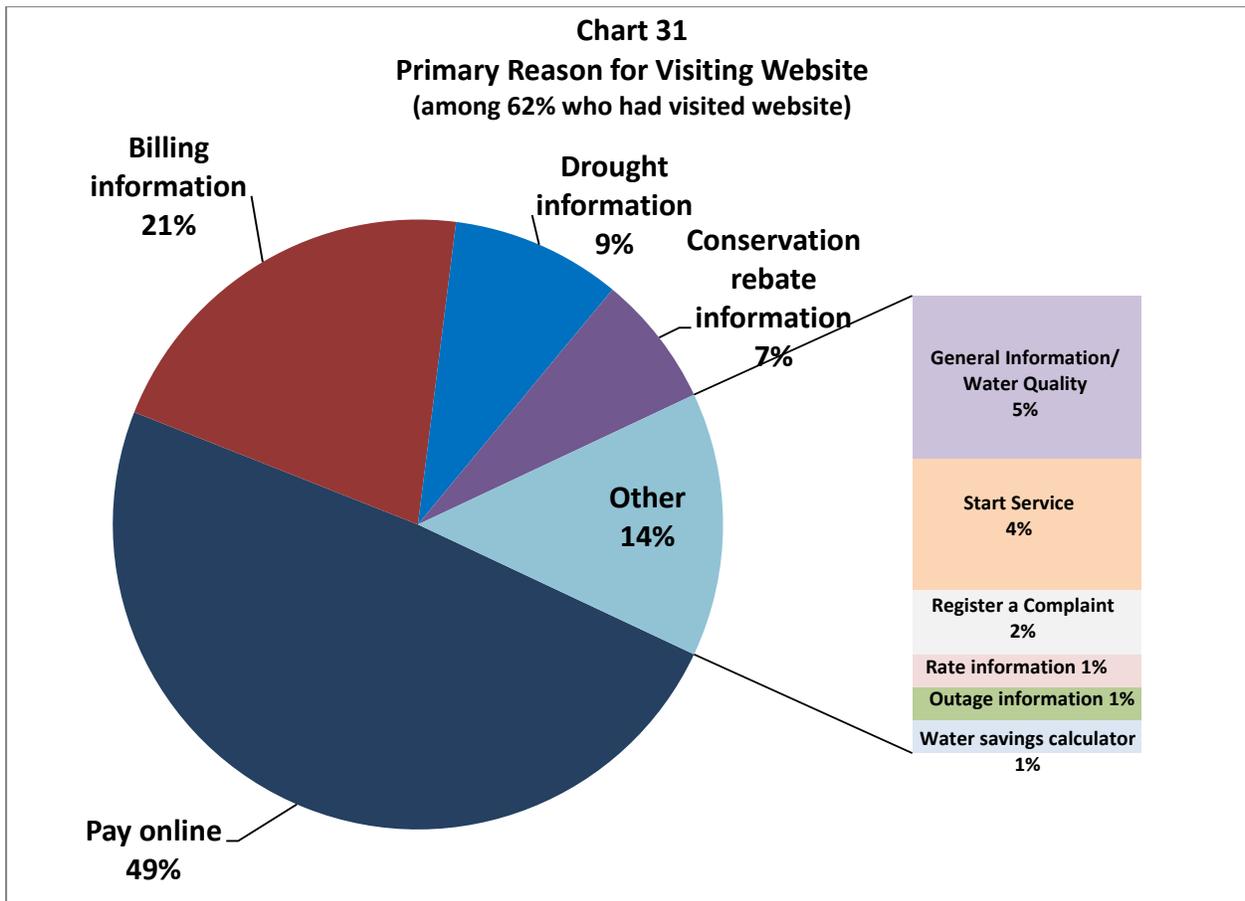
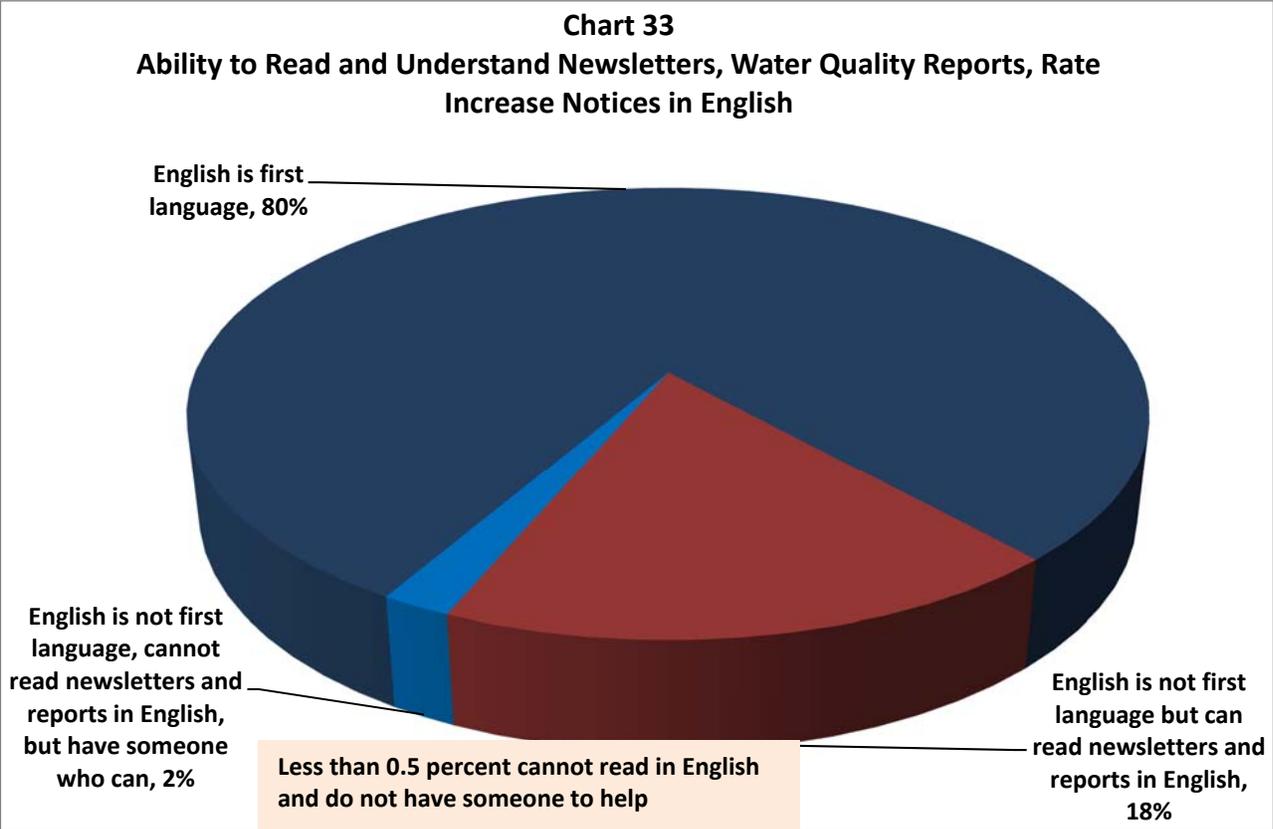
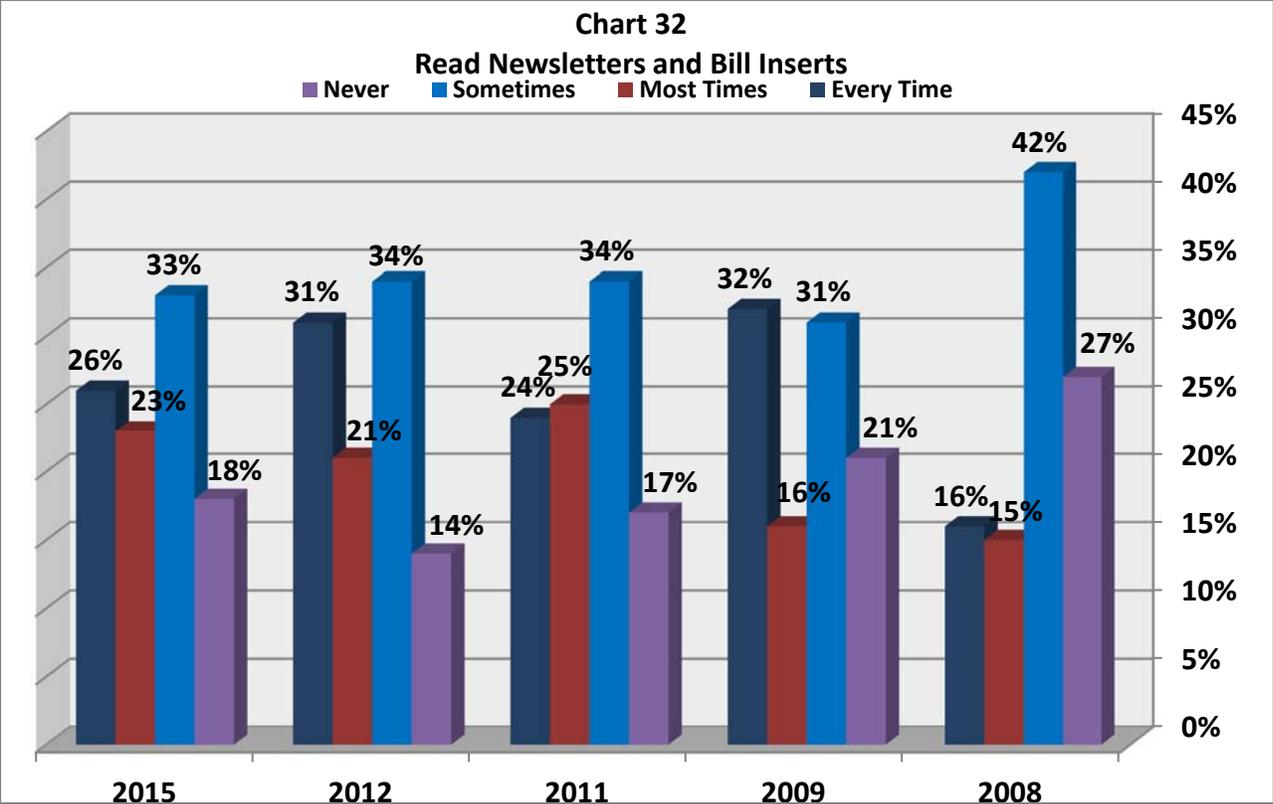


Chart 33 indicates that English is not the first language of 20 percent of the survey respondents. Among these 20 percent, 18 percent can read newsletters and reports in English and nearly 2 percent cannot read newsletters and reports in English but they have someone available who can translate this information for them. Less than 0.5 percent cannot read English and do not have someone available to help them translate newsletters and reports for them.



Conclusions

The results of the 2015 General Survey not only demonstrate that there are strong indications of continued customer support for the work of the Otay Water District, but also that support has reached a higher level than has been recorded during the past decade. That is, the overall satisfaction with the District as a water service provider is notably higher than every survey period since this series of surveys began in 2005. The level of trust and confidence in the ability of the District to provide clean, safe water and to provide it at reasonable prices is also higher than in previous surveys.

Water and trash collection have been the top two utilities in the District's surveys since the inception of these surveys. That is, these two utilities represent to customers the best value that they perceive for the money paid among the most commonly used utilities.

The results of this survey should be viewed as a very powerful ratification by the public of the importance and quality of the work done by the District and as an expression of the high value to the customers of the District of the work in which the Otay Water District is engaged.

APPENDIX

Questionnaire

Frequencies—Weighted

Open-Ended Responses, including Other, Please Specify

Otay Water District
General Survey 2015

INT. Hello, my name is _____. I'm calling on behalf of the Otay Water District. We're conducting a study about some issues having to do with your household water supply and we're interested in your opinions. **[IF NEEDED:]** Are you at least 18 years of age or older? **[IF 18+ HOUSEHOLDER NOT AVAILABLE NOW, ASK FOR FIRST NAME AND MAKE CB ARRANGEMENTS]**

VER. **[VERSION OF INTERVIEW:]** 1 - VERSION A 2 - VERSION B*

* = RESPONSE OPTIONS REVERSED ON VERSION B FOR ALL QUESTIONS INDICATED

IC. Let me assure you that no names or addresses are associated with the telephone numbers, and all of your responses are completely anonymous. The questions take about 15 minutes. To ensure that my work is done honestly and correctly, this call may be monitored. Do you have a few minutes right now?

[IF ASKED ABOUT MONITORING:] My supervisor randomly listens to interviews to make sure we're reading the questions exactly as written and not influencing answers in any way.

TOP. **[ONLY IF ASKED FOR MORE INFORMATION ABOUT TOPIC OR WHO'S SPONSORING IT?:]** This project is sponsored by the Otay Water District, and it's about some issues related to your household water supply. **[IF SPONSOR INFORMATION GIVEN TO RESPONDENT, "TOPIC"=1]**

CUST. How long have you been a customer of the Otay Water District? **[IF LESS THAN ONE YEAR, THANK AND CODE NQR-RES]**

_____ YEARS
0 -----> "**NQR-RES**"
99 - DK/REF, BUT AT LEAST ONE YEAR

SEX. **[RECORD GENDER OF RESPONDENT:]**

1 - MALE
2 - FEMALE

----- **QUALIFIED RESPONDENT: QUOTAS CHECKED; DATA SAVED** -----

LP. **[IF INDICATED BY ACCENT:]** Would you prefer that we speak in...

1 - English or
2 - Spanish?

SATISFACTION---OPERATIONAL EXCELLENCE

Q1: On a scale of 1 to 5, where 1 is Excellent and 5 is Poor, how would you rate your overall satisfaction with the Otay Water District as your water service provider?

1---Excellent

2—

3 --

4 --

5—Poor

9 - DK/REF [DO NOT READ]

Q2. During the past year, has your satisfaction with the Otay Water District...

1—Increased?

2—Decreased?

3—Stayed the same?

9 - DK/REF [DO NOT READ]

Q3a-d. During this recent drought, would you say that the Otay Water District...

Yes (1)

No (2)

DK/REF(9) Do Not Read

a---has been a good partner in helping us to conserve water?

b—has provided us with adequate and timely information about the drought?

c—did not anticipate the severity of the drought and was not well prepared for it?

d—is not at fault when it comes to the drought?

Q4: Have you called the Otay Water District for service or other help during the last year?

1 - YES

2 - NO – [GO TO Q5]

9 - DK/REF [DO NOT READ]– [GO TO Q5]

Q4a—[IF Q4 = 1] On a scale of 1 to 5, where 1 is Excellent and 5 is Poor, how would you rate your overall level of satisfaction with the service you received when you called for service or help? **REVERSE**

1---Excellent

2

3

4

5—Poor

9 - DK/REF [DO NOT READ]

Q5. With 1 being a great deal of trust and 5 being no trust at all, how much trust do you have in the ability of the Otay Water District to provide clean, safe water to the district? **REVERSE**

- 1 – a great deal of trust,
- 2
- 3
- 4
- 5 – no trust at all?
- 9 - DK/REF [DO NOT READ]**

Q6. Again with 1 being a great deal of trust and 5 being no trust at all, how much trust do you have in the Otay Water District to obtain this water for you at a reasonable price? **REVERSE**

- 1 – a great deal of trust,
- 2
- 3
- 4
- 5 – no trust at all
- 9 - DK/REF [DO NOT READ]**

Q7. Have you ever visited the Otay Water District website?

- 1 - YES
- 2 – HAVE ACCESS TO INTERNET, BUT HAVE NOT VISITED WEBSITE -----
-----> **GO TO Q8**
- 3—DO NOT HAVE ACCESS TO THE INTERNET----->**GO TO Q8**
- 9 - DK/REF [DO NOT READ]-----> GO TO Q8**

Q7a. **[IF Q7 = 1]** On a scale of 1 to 5, with 1 being excellent and 5 being poor, how would you rate the user friendliness of the website? Would you say...

- 1 - excellent
- 2
- 3
- 4
- 5 - poor
- 9 - DK/REF [DO NOT READ]**

Q7b. What was the reason for your last visit to the Otay Water District website?

RECORD ONE RESPONSE

DO NOT READ-----CODE USING FOLLOWING SCHEMA]

- 1. Drought Information
- 2. Water Savings Calculator
- 3. Billing Information
- 4. Pay Online
- 5. Rate Information
- 6. How to Read the Water Meter

- 7. How to Check for Leaks
- 8. Outages
- 9. Conservation Rebate Information
- 10. Board of Directors Meetings and Information
- 11. Employee Directory
- 20. Other, specify _____
- 25. DK/REF

WATER RATES

Q8a-c. I am going to mention six utilities that serve the needs of residents and businesses in the region. Considering only those utilities that you pay for, which would you say is the best value for the amount of money that you pay. Which ones are second and third?

[ROTATE LIST]

	MOST (8a)	SECOND (8b)	THIRD (8c)
a. Trash collection	1	1	1
b. Water	2	2	2
c. Sewer	3	3	3
d. Telephone	4	4	4
e. Cable or Satellite TV	5	5	5
f. Internet access	6	6	6
g. Gas & Electric	7	7	7

- Q9. Do you feel that water costs too much, too little, or priced about right?
- 1. water costs too much
 - 2. the cost of water is just about right
 - 3. water costs too little

BILLING

We would like to ask a few questions about the District’s invoices

- Q10. Do you get a paper copy of your bill?**
- 1. YES
 - 2. NO –GO TO Q11
 - 3. DK/REF—DO NOT READ—GO TO Q11

Q10a. **[IF Q10 =1]** Why haven’t you chosen to receive electronic, paperless invoices?

**[USE FOLLOWING CODING BUT DO NOT READ—ENTER OTHER ANSWERS
VERBATIM—99 = DK/REF]**

1. **Want paper record**
2. **Computers can fail**
3. **Trust/security**
4. **Do not use computers that often**
5. **I do not keep personal records on the computer**
6. **Used to paying by check**
7. **I will forget to check for the bill on the computer**
8. **That is just the way the bills have been coming**
20. **Other, specify _____**

Q11. No matter how you get your monthly water bill, do you look through your monthly water bill to examine your water usage or other factors ...

- 1 - every time,
- 2 - most times,
- 3 - sometimes, or
- 4 - never? -----
- 9 - **DK/REF [DO NOT READ]----**

Q12. How do you pay your water bill most months?

- 1—Send check by mail
- 2—Automatic bank deduction
- 3—Credit card over the telephone
- 4—In person at the Otay Water District office
- 5—In person at payment center
- 6—On-line (Internet) **[GO TO Q13]**

Q12a. **[IF Q12 DOES NOT = 6]** Do you think that you would use the website to pay your bill if a chat function were available that allows you to ask questions directly to a customer service representative?

- 1—YES
- 2—NO
- 9 - **DK/REF—DO NOT READ**

Q12b. **[IF Q12 DOES NOT = 6]** What else can the District do to make paying on-line a more appealing option for you?

DK/REF = 99

[USE THE FOLLOWING CODES BUT DO NOT READ THEM. ENTER ALL OTHER ANSWERS VERBATIM—CODE 20]

1. **THERE IS NOTHING THAT WOULD MAKE ME PAY ONLINE**
2. **OFFER DISCOUNTS ON THE BILL**
3. **OFFER MORE PAYMENT OPTIONS (SUCH AS PAYPAL, CREDIT/DEBIT CARDS)**

4. NO SERVICE CHARGES

5. ENHANCED SECURITY

20. Other, specify _____

Q13. No matter how you presently pay your bill, how would you prefer to pay your bill most of the time?

1—Send check by mail

2—Automatic bank deduction

3—Credit card over the telephone

4—In person at the Otay Water District office

5—In person at payment center

6—On-line (Internet)

9 - DK/REF [DO NOT READ]

SOCIAL MEDIA/INFORMATION

Q14. What source do you primarily rely upon to get information about water issues affecting our region? **(DO NOT READ: PROBE AND RECORD ONLY ONE)**

1 – NEWSPAPER: UNION TRIBUNE

2 - NEWSPAPER: OTHER

3. – OTAY WATER DISTRICT WEBSITE

4. - THE SAN DIEGO COUNTY WATER AUTHORITY WEBSITE

5. – THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA WEBSITE

6 - INTERNET—other than water district websites

7. – RADIO

8. – TELEVISION

9. – MAGAZINES

10. – SPEAKERS AT COMMUNITY GROUPS

11. – WORD-OF-MOUTH/FAMILY/FRIENDS/CO-WORKERS

12. – Otay Water District Newsletters

13. – Informational stuffers in my water bill

20. – OTHER, SPECIFY: _____

99—NONE—DK/REF—DO NOT READ

Q. 15 Do you read the newsletter or bill inserts that come in the mail or come electronically with your bill

1 - every time,

2 - most times,

3 - sometimes, or

4 - never?

9 - DK/REF [DO NOT READ]

CONSERVATION GARDEN

Q16. Have you ever seen or heard anything about the Water Conservation Garden at Cuyamaca College?

- 1 - YES
- 2 - NO-----> **GO TO Q17**
- 3 - DK/REF -----> **GO TO Q17**

Q16a. **[IF Q16 = 1:]** Have you or any member of your family ever visited the garden?

- 1 - YES
- 2 - NO
- 3 - DK/REF

Q16b. **[IF Q16a = 1].** Have you made any changes to your watering or landscaping practices as a result of visiting the Garden?

- 1 - YES
- 2 - NO—**GO TO Q17**
- 3 -- DK/REF—**GO TO Q17**

Q16c. What is the most significant change you have made as a result of visiting the garden?

[DO NOT READ-----CODE USING FOLLOWING SCHEMA]

- 1 **Adjusted sprinklers/reduced water usage**
- 2. **Changed plants to be more drought-tolerant/waterwise**
- 3. **Eliminated plants/let plants die**
- 4. **Eliminated lawn/let lawn die—replaced with waterwise ground cover**
- 5. **Replaced unused turf with low-water plants**
- 6. **Check the soil's moisture level before watering**
- 7. **Upgraded irrigation system to include new, higher-efficiency equipment**
- 20. **Other, specify _____**

OUTDOOR WATERING

Q17. These next few questions deal with using water outdoors. Does your residence have any lawn or grass area that someone in your household is directly responsible for maintaining?

- 1 - YES
- 2 - NO/APT/CONDO/NO YARD RESPONSIBILITIES -----> **GO TO Q19**
- 3 - **DK/REF—DO NOT READ -----> GO TO Q19**

Q18. Have you replaced some or all of your lawn or grass area with low-water-use landscaping including water-wise plants, stone or artificial turf?

- 1 – YES –GO TO Q18b-c
- 2 - NO (GO TO Q18a)
- 9 - DK/REF [DO NOT READ]—GO TO Q18a

Q18a. Do you plan to replace some or all of your grass area with low-water-use landscaping including water-wise plants, stone or artificial turf within the next year?

- 1 – YES
- 2 - NO (GO TO Q18d)
- 9 - DK/REF [DO NOT READ]—GO TO Q18d

Q18b-c. What did you do to replace your grass area or what are you planning to do within the next year?

[DO NOT READ]-----CODE USING FOLLOWING SCHEMA]

RECORD UP TO TWO RESPONSES

- 1—Let grass area die and will leave as is or throw ground cover (e.g. wood chips) on former grass area
- 2—Ground cover and rocks/stones
- 3—Rocks and stones
- 3—Water-wise, drought resistant plants
- 4—artificial turf
- 9—other, specify _____

GO TO Q19

Q18d. (IF Q18a = 2 or 3) What is the main barrier keeping you from replacing some or all of your grass with low-water-use landscaping including water-wise plants, stone or artificial turf?

[DO NOT READ]-----CODE USING FOLLOWING SCHEMA]

- 1. Cost
- 2. Homeowner association regulations
- 3. Need help knowing which plants to use
- 4. Not physically capable of doing the work
- 5. Don't know where to start
- 6. Aesthetics. Don't like rocks, cactus or succulents
- 7. I am too busy
- 20. Other, specify _____

CONSERVATION

Q19. Mandatory water-use restrictions are in effect across the Otay Water District's service area. Generally speaking, how familiar are you with the restrictions in your community?

1. Very familiar
2. Somewhat familiar
3. A little familiar
4. Not at all familiar (GO TO Q22)

Q20a-b. What specific actions, if any, have you taken to reduce your water use in response to the mandatory water-use restrictions?

[DO NOT READ-----CODE USING FOLLOWING SCHEMA:]

RECORD UP TO TWO RESPONSES

- 1 – OUTDOOR WATER LESS TIME
 - 2 - USE THE **WATERING CALCULATOR FOUND ON THE DISTRICT'S WEBSITE OR AT WWW.BEWATERWISE.COM** TO SET A WATER-WISE IRRIGATION SCHEDULE
 - 3 - IRRIGATE EARLIER IN THE MORNING OR LATER AT NIGHT
 - 4—LET MY LANDSCAPE/LAWN DIE
 - 5 - OUTDOOR WATERING FEWER DAYS DAY PER WEEK
 - 6 - CHECK THE SOIL'S MOISTURE LEVEL BEFORE WATERING
 - 7 - REPLACE UNUSED TURF WITH LOW-WATER PLANTS
 - 8 - UPGRADE IRRIGATION SYSTEM TO INCLUDE NEW, HIGH-EFFICIENCY EQUIPMENT
 - 9 – PURCHASE A HIGH EFFICENCY CLOTHES WASHER
 - 10 – WASH ONLY FULL LOADS OF CLOTHES OR DISHES
 - 11 – TAKE SHORTER SHOWERS
 - 12 – USE A BROOM INSTEAD OF A HOSE ON PAVED AREAS
 - 13 – FIX INDOOR LEAKS (TOILET, FAUCET, ETC.)
 - 14 – FIX OUTDOOR LEAKS (SPRINKLERS, SPAS, ETC.)
 - 15-- DO NOT LET WATER RUN
 - 16 – COLLECT AND REUSE
 - 17 – REPLACE GRASS WITH ARTIFICIAL/SYNTHETIC TURF
 - 20 – OTHER, SPECIFY _____
-
- 25—NONE (GO TO Q22)
99—DK/REF (GO TO Q22)

Q21a-b. What motivated you to reduce your water use?

[DO NOT READ—CODE USING FOLLOWING SCHEMA RECORD UP TO TWO RESPONSES]

1. Watching our budget/trying to save money
2. Concerned about the drought
3. Water agency tells us to
4. Messages in the media
5. Conserving water is the “right” thing to do
6. Anticipating higher rates in the future and want to be better prepared
15. Other, specify_____
- 20. DK/REF/NOTHING—DO NOT READ**

Q.22 Are you aware that the Otay Water District offers conservation rebates and incentives to help the District’s customers reduce their water usage?

- 1 - YES
- 2 - NO
- 3 - DK/REF [DO NOT READ]

DESALINATION

Q23. AN OCEAN WATER DESALINATION PLANT IS TENTATIVELY PLANNED FOR THE CITY OF ROSARITO BEACH IN MEXICO AND THE OTAY WATER DISTRICT HAS THE OPPORTUNITY TO PURCHASE SOME OF THAT WATER AS EARLY AS 2018. THIS PROJECT WOULD BE FINANCED AND OPERATED BY INTERNATIONAL COMPANIES WITH CONSIDERABLE EXPERIENCE IN OCEAN WATER DESALINATION, WITH TIJUANA, ROSARITO BEACH, AND THE OTAY WATER DISTRICT BEING THE PLANT’S CUSTOMERS.

Would you be in favor of pursuing such an agreement with these international companies to develop additional supplies of water from ocean water desalination?

1. Yes
2. No—**GO TO Q23b**
- 9 - DK/REF [DO NOT READ]—**GO TO Q23b**

Q23a. **[IF Q23 =1** Please stop me when I say the approximate percentage of all of the water supplied by the Otay Water District that would you like to see come from this desalination plant? _____

[REVERSE]

1. All/100%
2. Not all but at least 75%
3. Between half/50% and 75%
4. Between one-fourth/25% and half/50%
5. Some, but less than 25%
6. None

(GO TO LAN)

Q23b. **[IF Q23 NOT = 1]** Why are you not in favor or uncertain about this desalination agreement?

[USE FOLLOWING CODING BUT DO NOT READ—ENTER OTHER ANSWERS VERBATIM WITH CODE = 20— DK/REF = 99]

1. Questionable water quality
2. It should be done in U.S—US needs the jobs.
3. Do not trust/want to deal with Mexico
4. High cost
5. Do not know enough yet—Need more information
6. Do not want to drink ocean/sea water
7. Want local control

ASK ALL:

In closing, these questions are for comparison purposes only.

LAN (IF LP=1—Otherwise go to LAN-a): Is English your first language?

- 1—YES (Go to PPH)
- 2—NO
- 9 - DK/REF—DO NOT READ (GO TO PPH)**

LAN-a: The Otay Water District sends its customers information in newsletters, water quality reports and rate increase notices in English. Are you able to read and understand this information that the District sends to you?

- 1—YES (Go to PPH)
- 2—NO
- 9 - DK/REF—DO NOT READ**

LAN-b. Do you have someone available who can translate this information for you?

- 1—YES
- 2—NO
- 9 - DK/REF—DO NOT READ**

PPH. How many persons, including yourself, live in your household?

99 - DK/REF

TEN. Is your residence owned by someone in your household, or is it rented?

- 1 - OWN
- 2 - RENT/OTHER STATUS
- 9 - DK/REF [DO NOT READ]**

EDU. What is the highest grade or year of school that you have completed and received credit for...

- 1 - high school or less,
- 2 - at least one year of college, trade or vocational school,
- 3 - graduated college with a bachelor's degree, or
- 4 - at least one year of graduate work beyond a bachelor's degree?
- 9 - DK/REF [DO NOT READ]**

AGE. Please tell me when I mention the category that contains your age...

- 1 - 18 to 24,
- 2 - 25 to 34,
- 3 - 35 to 44,
- 4 - 45 to 54,
- 5 - 55 to 64, or
- 6 - 65 or over?
- 9 - DK/REF [DO NOT READ]**

ETH. Which of the following best describes your ethnic or racial background...

- 1 - white, not of Hispanic origin;
- 2 - black, not of Hispanic origin;
- 3 - Hispanic or Latino;
- 4 - Asian or Pacific Islander;
- 5 - Native American;
- 6 - Middle Eastern
- 15 - another ethnic group? [SPECIFY:] _____
- 20 - DK/REF [DO NOT READ]**

INC. Now, we don't want to know your exact income, but just roughly, could you tell me if your annual household income before taxes is...

- 1 - under \$25,000,
- 2 - \$25,000 up to but not including \$50,000,
- 3 - \$50,000 up to (but not including) \$75,000,
- 4 - \$75,000 up to (but not including) \$100,000,
- 5 - \$100,000 up to but not including \$150,000?
- 6 -- \$150,000 and over
- 9 - DK/REF [DO NOT READ]**

ZIP. RECORD ZIP CODE FROM CALL LIST _____

PHONE. RECORD FROM CALL LIST

- 1—Landline
- 2---Cell Phone

Frequency Table--WEIGHTED

CUST. How long have you been a customer of the Otay Water District?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	9.3	9.4	9.4
	2	33	10.4	10.5	19.9
	3	15	4.7	4.7	24.6
	4	15	4.9	5.0	29.6
	5	18	5.8	5.8	35.5
	6	12	3.8	3.8	39.3
	7	12	3.9	3.9	43.1
	8	11	3.4	3.5	46.6
	9	4	1.3	1.3	47.9
	10	18	5.7	5.8	53.7
	11	4	1.1	1.1	54.9
	12	9	2.7	2.8	57.6
	13	6	1.8	1.8	59.4
	14	8	2.5	2.6	62.0
	15	15	4.9	5.0	67.0
	16	12	3.9	3.9	70.9
	17	2	.7	.7	71.6
	18	3	1.0	1.0	72.7
	19	1	.4	.4	73.1
	20	15	4.9	5.0	78.1
	21	3	.8	.9	78.9
	22	1	.4	.4	79.3
	23	4	1.3	1.3	80.6
	24	1	.4	.4	81.0
	25	9	2.7	2.8	83.8
	26	4	1.3	1.3	85.1
	27	3	.8	.9	85.9
	30	12	3.8	3.8	89.8
	31	4	1.3	1.3	91.0

	35	4	1.3	1.3	92.3
	36	1	.4	.4	92.8
	37	1	.4	.4	93.2
	38	5	1.7	1.7	94.9
	39	3	.8	.9	95.7
	40	5	1.7	1.7	97.4
	41	1	.4	.4	97.9
	44	3	.8	.9	98.7
	50	4	1.3	1.3	100.0
	Total	311	99.1	100.0	
Missing	Don't Know	0	.1		
	System	2	.8		
	Total	3	.9		
Total		314	100.0		

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	165	52.4	52.4	52.4
	Female	149	47.6	47.6	100.0
	Total	314	100.0	100.0	

Language Preference

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	English	302	96.0	96.0	96.0
	Spanish	12	4.0	4.0	100.0
	Total	314	100.0	100.0	

Q1: How would you rate your overall satisfaction with the Otay Water District as your water service provider?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	163	51.9	52.8	52.8
	Very Good	66	21.0	21.4	74.2
	Neutral	43	13.8	14.1	88.3
	Not Good	24	7.7	7.8	96.1
	Poor	12	3.8	3.9	100.0
	Total	308	98.2	100.0	
Missing	DK/REF	6	1.8		
Total		314	100.0		

Q2. During the past year, has your satisfaction with the Otay Water District...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	17	5.4	5.4	5.4
	Decreased	35	11.1	11.2	16.7
	Stayed the same	258	82.3	83.3	100.0
	Total	310	98.7	100.0	
Missing	DK/REF	4	1.3		
Total		314	100.0		

Q3a. OWD has been a good partner in helping us to conserve water

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	219	69.7	69.7	69.7
	No	51	16.4	16.4	86.1
	DK/REF	44	13.9	13.9	100.0
Total		314	100.0	100.0	

Q3b. OWD has provided us with adequate and timely information about the drought

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	232	74.0	74.0	74.0
	No	64	20.3	20.3	94.2
	DK/REF	18	5.8	5.8	100.0
	Total	314	100.0	100.0	

Q3c. OWD did not anticipate the severity of the drought and was not well prepared for it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	121	38.5	38.5	38.5
	No	119	38.0	38.0	76.5
	DK/REF	74	23.5	23.5	100.0
	Total	314	100.0	100.0	

Q3d. OWD is not at fault when it comes to the drought

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	184	58.6	58.6	58.6
	No	106	33.6	33.6	92.2
	DK/REF	24	7.8	7.8	100.0
	Total	314	100.0	100.0	

Q4: Have you called the Otay Water District for service or other help during the last year?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	66	20.9	21.0	21.0
	No	247	78.7	79.0	100.0
	Total	313	99.6	100.0	
Missing	DK/REF	1	.4		
Total		314	100.0		

Q4a: How would you rate your overall level of satisfaction with the service you received when you called for service or help?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	38	12.1	59.1	59.1
	Very Good	11	3.4	16.8	75.9
	Neutral	9	2.7	13.3	89.2
	Not Good	1	.4	2.1	91.3
	Poor	6	1.8	8.7	100.0
	Total	64	20.5	100.0	
Missing	DK/REF	1	.4		
	System	248	79.1		
	Total	250	79.5		
Total		314	100.0		

Q5. How much trust do you have in the ability of the Otay Water District to provide clean, safe water to the district?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A great deal of trust	160	51.1	52.8	52.8
	Some trust	95	30.2	31.2	84.0
	Neutral	36	11.3	11.7	95.7
	More distrust than trust	7	2.1	2.1	97.8
	No trust at all	7	2.1	2.2	100.0
	Total	304	96.9	100.0	
Missing	DK/REF	10	3.1		
Total		314	100.0		

Q6. How much trust do you have in the Otay Water District to obtain this water for you at a reasonable price?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A great deal of trust	99	31.5	32.2	32.2
	Some trust	72	22.8	23.4	55.6
	Neutral	76	24.1	24.7	80.4
	More distrust than trust	39	12.4	12.7	93.0
	No trust at all	21	6.8	7.0	100.0
	Total	306	97.6	100.0	
Missing	DK/REF	8	2.4		
Total		314	100.0		

Q7. Have you ever visited the Otay Water District website?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	194	61.7	62.2	62.2
	Have access to the internet, but have not visited the website	97	30.9	31.2	93.4
	Do not have access to the internet	21	6.5	6.6	100.0
	Total	311	99.2	100.0	
Missing	DK/REF	3	.8		
Total		314	100.0		

Q7a. How would you rate the user friendliness of the website? Would you say...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	73	23.2	39.8	39.8
	Very Good	54	17.2	29.5	69.3
	Neutral	44	13.9	23.9	93.1
	Not Good	10	3.1	5.4	98.5
	Poor	3	.8	1.5	100.0
	Total	183	58.3	100.0	
Missing	DK/REF	11	3.4		
	System	120	38.3		
	Total	131	41.7		
Total		314	100.0		

Q7b. What was the reason for your last visit to the Otay Water District website?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Drought information	18	5.8	9.4	9.4
	Water savings calculator	1	.4	.7	10.1
	Billing information	40	12.7	20.6	30.6
	Pay online	95	30.3	49.1	79.7
	Rate information	3	.9	1.5	81.2
	Outages	1	.4	.7	81.9
	Conservation rebate information	13	4.3	6.9	88.9
	Start service	8	2.6	4.2	93.1
	Register a complaint	3	1.0	1.7	94.7
	General information--water quality information--check out website	10	3.2	5.3	100.0
	Total	194	61.7	100.0	
Missing	System	120	38.3		
Total		314	100.0		

Q8a. Considering only those utilities that you pay for, which would you say is the best value for the amount of money that you pay.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trash collection	115	36.5	36.5	36.5
	Water	95	30.2	30.2	66.7
	Sewer	9	2.9	2.9	69.7
	Telephone	8	2.6	2.6	72.3
	Cable or satellite TV	9	2.8	2.8	75.1
	Internet access	20	6.4	6.4	81.5
	Gas & Electric	58	18.5	18.5	100.0
	Total	314	100.0	100.0	

Q8b. Second best value among utilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trash collection	51	16.1	16.1	16.1
	Water	87	27.6	27.6	43.6
	Sewer	28	8.8	8.8	52.4
	Telephone	22	6.9	6.9	59.4
	Cable or satellite TV	17	5.5	5.5	64.8
	Internet access	29	9.2	9.2	74.0
	Gas & Electric	82	26.0	26.0	100.0
	Total	314	100.0	100.0	

Q8c. Third best value among utilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trash collection	52	16.6	16.6	16.6
	Water	64	20.4	20.4	37.0
	Sewer	48	15.3	15.3	52.3
	Telephone	23	7.2	7.2	59.5
	Cable or satellite TV	38	12.2	12.2	71.8
	Internet access	33	10.5	10.5	82.3
	Gas & Electric	56	17.7	17.7	100.0
	Total	314	100.0	100.0	

Q9. Do you feel that water costs too much, too little, or priced about right?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Water costs too much	154	49.1	49.1	49.1
	The cost of water is just about right	154	49.0	49.0	98.1
	Water costs too little	6	1.9	1.9	100.0
	Total	314	100.0	100.0	

Q10. Do you get a paper copy of your bill?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	205	65.3	65.6	65.6
	No	108	34.3	34.4	100.0
	Total	313	99.6	100.0	
Missing	DK/REF	1	.4		
Total		314	100.0		

Q10a-1. Why haven't you chosen to receive electronic, paperless invoices?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Want a paper record	89	28.4	43.9	43.9
	Trust/security	7	2.2	3.4	47.3
	Do not use computers that often	27	8.5	13.2	60.5
	I do not keep personal records on the computer	0	.1	.1	60.6
	Used to paying by check	8	2.6	4.1	64.7
	I will forget to check for the bill on the computer	18	5.8	9.0	73.7
	That is just the way the bills have been coming	19	6.0	9.2	83.0
	Difficulty accessing account/Bank will not allow automatic deduction	4	1.2	1.9	84.9
	Not aware of paperless option	2	.6	.9	85.8
	Do not want people to lose jobs	3	.9	1.5	87.3
	Other	26	8.2	12.7	100.0
	Total	203	64.7	100.0	
	Missing	DK/REF	2	.6	
System		109	34.7		
Total		111	35.3		
Total		314	100.0		

Q11. No matter how you get your monthly water bill, do you look through your monthly water bill to examine your water usage or other factors...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Every time	150	47.9	48.2	48.2
	Most times	54	17.3	17.4	65.5
	Sometimes	74	23.7	23.8	89.3
	Never	33	10.6	10.7	100.0
	Total	312	99.5	100.0	
Missing	DK/REF	2	.5		
Total		314	100.0		

Q12. How do you pay your water bill most months?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Send check by mail	76	24.2	24.4	24.4
	Automatic bank deduction	81	25.7	25.9	50.3
	Credit card over the phne	18	5.7	5.8	56.1
	In person at the Otay Water Discript office	4	1.3	1.3	57.4
	In person at payment center	4	1.4	1.4	58.8
	On-line (internet)	128	40.8	41.2	100.0
	Total	311	99.1	100.0	
	Missing	DK/REF	3	.9	
Total		314	100.0		

Q12a. Do you think that you would use the website to pay your bill if a chat function were available that allows you to ask questions directly to a customer service representative?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	13.0	22.0	22.0
	No	131	41.7	70.6	92.5
	DK/REF	14	4.4	7.5	100.0
	Total	186	59.2	100.0	
Missing	System	128	40.8		
Total		314	100.0		

Q12b-1. What else can the District do to make paying on-line a more appealing option for you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	There is nothing that would make me pay online/do not use internet	81	25.7	62.9	62.9
	Offer discounts on the bill	17	5.4	13.1	76.0
	Offer more payment options (such as paypal, credit/debit card)	3	.8	2.1	78.1
	No service charges	4	1.4	3.3	81.4
	Enhanced security	6	1.8	4.4	85.8
	Make it easier to use/ability to talk to somebody/instructions online	10	3.1	7.6	93.4
	phone app	4	1.4	3.3	96.8
	My bank does not make it available	2	.7	1.7	98.5
	Other	2	.6	1.5	100.0
	Total	128	40.9	100.0	
Missing	DK/REF	50	15.9		
	System	136	43.2		
	Total	186	59.1		
Total		314	100.0		

Q13. No matter how you presently pay your bill, how would you prefer to pay your bill most of the time?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Send check by mail	61	19.6	19.7	19.7
	Automatic bank deduction	82	26.0	26.2	46.0
	Credit card over the telephone	19	6.1	6.2	52.2
	In person at the Otay Water District office	4	1.1	1.1	53.3
	In person at payment center	4	1.4	1.4	54.7
	On-line (internet)	141	44.9	45.3	100.0
	Total	311	99.1	100.0	
Missing	DK/REF	3	.9		
Total		314	100.0		

Q14. What source do you primarily rely upon to get information about water issues affecting our region?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Newspaper: Union Tribune	23	7.5	7.8	7.8
	Newspaper: Other	9	3.0	3.1	10.9
	Otay Water District website	21	6.5	6.8	17.6
	The San Diego County Water Authority website	3	.9	1.0	18.6
	Internet - other than water district websites	51	16.1	16.8	35.4
	Radio	17	5.3	5.5	40.9
	Television	114	36.2	37.6	78.5
	Speakers at community groups	0	.1	.1	78.6
	Word-of-mouth/family/friends/co-workers	22	7.1	7.4	86.0
	Otay Water District newsletters	22	7.1	7.4	93.4
	Informational stuffers in my water bill	19	5.9	6.2	99.6
	Other	1	.4	.4	100.0
	Total	302	96.1	100.0	
Missing	DK/REF	12	3.9		
Total		314	100.0		

Q15. Do you read the newsletter or bill inserts that come in the mail or come electronically with your bill

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Every time	82	26.1	26.3	26.3
	Most times	71	22.6	22.7	49.0
	Sometimes	103	32.7	32.9	81.8
	Never	57	18.1	18.2	100.0
	Total	312	99.5	100.0	
Missing	DK/REF	2	.5		
Total		314	100.0		

**Q16. Have you ever seen or heard anything about the Water Conservation Garden at
Cuyamaca College?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	150	47.9	49.0	49.0
	No	156	49.8	51.0	100.0
	Total	307	97.7	100.0	
Missing	DK/REF	7	2.3		
Total		314	100.0		

Q16a. Have you or any member of your family ever visited the garden?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	74	23.6	49.3	49.3
	No	76	24.3	50.7	100.0
	Total	150	47.9	100.0	
Missing	System	164	52.1		
Total		314	100.0		

**Q16b. Have you made any changes to your watering or landscaping practices as a result of
visiting the Garden?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	12.3	52.1	52.1
	No	36	11.3	47.9	100.0
	Total	74	23.6	100.0	
Missing	System	240	76.4		
Total		314	100.0		

Q16c. What is the most significant change you have made as a result of visiting the garden?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adjusted sprinklers/reduced water usage	9	2.7	22.1	22.1
	Changed plants to be more drought-tolerant/waterwise	18	5.6	45.4	67.6
	Eliminated plants/let plants die	1	.4	3.4	71.0
	Eliminated lawn/let lawn die-replaced with waterwise ground	3	.8	6.9	77.9
	Replaced unused turf with low-water plants	5	1.7	13.7	91.6
	Upgraded irrigation system to include new, higher-efficiency	1	.2	1.6	93.1
	Collect and reuse	3	.8	6.9	100.0
	Total	39	12.3	100.0	
Missing	System	275	87.7		
Total		314	100.0		

Q17. Does your residence have any lawn or grass area that someone in your household is directly responsible for maintaining?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	211	67.3	67.5	67.5
	No/Apt/Condo/No yard responsibilities	101	32.3	32.5	100.0
	Total	313	99.6	100.0	
Missing	DK/REF	1	.4		
Total		314	100.0		

Q18. Have you replaced some or all of your lawn or grass area with low-water-use landscaping including water-wise plants, stone or artificial turf?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	115	36.7	55.0	55.0
	No	94	30.1	45.0	100.0
	Total	210	66.7	100.0	
Missing	DK/REF	2	.5		
	System	103	32.7		
	Total	104	33.3		
Total		314	100.0		

Q18a. Do you plan to replace some or all of your grass area with low-water-use landscaping including water-wise plants, stone or artificial turf within the next year?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	11.4	37.4	37.4
	No	52	16.5	54.0	91.4
	DK/REF	8	2.6	8.6	100.0
	Total	96	30.6	100.0	
Missing	System	218	69.4		
Total		314	100.0		

Q18b. What did you do to replace your grass area or what are you planning to do within the next year?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Let grass area die and will leave as is or throw ground cove	19	6.1	13.2	13.2
	Ground cover and rocks/stones	22	7.1	15.6	28.8
	Rocks and stones	31	9.8	21.4	50.2
	Water-wise, drought resistant plants	32	10.2	22.1	72.3
	Artificial turf	31	10.0	21.7	94.1
	Cement/Concrete	7	2.3	5.0	99.1
	Other	1	.4	.9	100.0
	Total	144	45.9	100.0	
Missing	DK/REF	4	1.4		
	System	166	52.7		
	Total	170	54.1		
Total	314	100.0			

Q18c. What did you do to replace your grass area or what are you planning to do within the next year? Second change.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Let grass area die and will leave as is or throw ground cove	6	1.9	11.0	11.0
	Ground cover and rocks/stones	5	1.7	9.9	20.9
	Rocks and stones	14	4.6	26.7	47.5
	Water-wise, drought resistant plants	16	5.0	29.4	76.9
	Artificial turf	9	3.0	17.6	94.5
	Cement/Concrete	3	.9	5.5	100.0
	Total	54	17.1	100.0	
Missing	DK/REF	4	1.1		
	System	257	81.7		
	Total	260	82.9		
Total	314	100.0			

Q18d. What is the main barrier keeping you from replacing some or all of your grass with low-water-use landscaping including water-wise plants, stone or artificial turf?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cost	24	7.7	44.1	44.1
	Homeowner association regulations	0	.1	.6	44.7
	Aesthetics. Don't like rocks, cactus or succulents	6	1.8	10.3	55.0
	I am too busy	4	1.4	7.9	62.8
	Renter	15	4.9	28.2	91.0
	Moving/selling home	2	.5	3.0	94.0
	Grass area very small	2	.6	3.5	97.6
	Other	1	.4	2.4	100.0
	Total	54	17.4	100.0	
Missing	DK/REF	6	1.8		
	System	254	80.9		
	Total	259	82.6		
Total		314	100.0		

Q19. Mandatory water-use restrictions are in effect across the Otay Water District's service area. Generally speaking, how familiar are you with the restrictions in your community?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very familiar	150	47.9	47.9	47.9
	Somewhat familiar	110	35.1	35.1	83.0
	A little familiar	32	10.3	10.3	93.2
	Not at all familiar	21	6.8	6.8	100.0
	Total	314	100.0	100.0	

Q19a - Have you taken any specific actions to reduce your water use in response to the mandatory water-use restrictions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	258	82.0	91.8	91.8
	No	23	7.4	8.2	100.0
	Total	281	89.4	100.0	
Missing	DK/REF	12	3.8		
	System	21	6.8		
	Total	33	10.6		
Total		314	100.0		

Q20a. What specific action, if any, have you taken to reduce your water use in response to the mandatory water-use restrictions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Outdoor Water Less Time	85	26.9	32.8	32.8
	Use The Watering Calculator Found On The District's Website	2	.5	.6	33.5
	Irrigate Earlier In The Morning Or Later At Night	6	2.0	2.4	35.9
	Let My Landscape/Lawn Die	23	7.3	8.9	44.8
	Outdoor Watering Fewer Days Per Week	34	10.7	13.1	57.9
	Check The Soil's Moisture Level Before Watering	5	1.7	2.1	60.0
	Replace Unused Turf With Low-Water Plants	12	3.8	4.6	64.6
	Upgrade Irrigation System To Include New, High-Efficiency Eq	3	.9	1.1	65.7
	Wash Only Full Loads Of Clothes Or Dishes	11	3.6	4.4	70.1
	Take Shorter Showers	38	12.2	14.9	85.0
	Use A Broom Instead Of A Hose On Paved Areas	1	.4	.5	85.5
	Fix Indoor Leaks (Toilet, Faucet, Etc.)	3	.9	1.1	86.7

	Fix Outdoor Leaks (Sprinklers, Spas, Etc.)	3	.8	1.0	87.7
	Do Not Let Water Run	6	1.9	2.3	90.0
	Collect And Reuse	8	2.6	3.1	93.1
	Replace Grass With Artificial/Synthetic Turf	5	1.6	1.9	95.0
	Do not wash car at home	7	2.4	2.9	97.9
	Replaced toilet/dishwasher/shower heads	5	1.5	1.8	99.7
	Wash car with buckets/restricted hose nozzle	1	.2	.2	99.9
	Other	0	.1	.1	100.0
	Total	258	82.0	100.0	
Missing	System	56	18.0		
Total		314	100.0		

Q20b. What specific action, if any, have you taken to reduce your water use in response to the mandatory water-use restrictions? Second action

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Outdoor Water Less Time	21	6.8	12.8	12.8
	Irrigate Earlier In The Morning Or Later At Night	3	.8	1.6	14.4
	Let My Landscape/Lawn Die	12	3.9	7.3	21.7
	Outdoor Watering Fewer Days Day Per Week	13	4.0	7.5	29.2
	Replace Unused Turf With Low-Water Plants	4	1.4	2.6	31.8
	Purchase A High Efficiency Clothes Washer	1	.2	.4	32.1
	Wash Only Full Loads Of Clothes Or Dishes	17	5.4	10.2	42.3
	Take Shorter Showers	32	10.2	19.1	61.5
	Use A Broom Instead Of A Hose On Paved Areas	0	.1	.2	61.7
	Fix Indoor Leaks (Toilet, Faucet, Etc.)	4	1.3	2.4	64.0

	Fix Outdoor Leaks (Sprinklers, Spas, Etc.)	3	.9	1.8	65.8
	Do Not Let Water Run	9	3.0	5.7	71.5
	Collect And Reuse	19	6.1	11.5	83.0
	Replace Grass With Artificial/Synthetic Turf	7	2.3	4.3	87.3
	Do not wash car at home	11	3.6	6.8	94.1
	Replaced toilet/dishwasher/shower heads	3	.9	1.8	95.9
	Wash car with buckets/restricted hose nozzle	1	.2	.4	96.3
	Displacers in toilet/Less flushing	5	1.5	2.7	99.0
	Other	2	.5	1.0	100.0
	Total	167	53.1	100.0	
Missing	DK/REF	3	1.0		
	System	144	45.8		
	Total	147	46.9		
Total		314	100.0		

Q21a. What motivated you to reduce your water use?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Watching our budget/trying to save money	45	14.3	17.5	17.5
	Concerned about the drought	134	42.5	51.8	69.3
	Water agency tells us to	20	6.3	7.7	77.0
	Messages in the media	1	.2	.2	77.2
	Conserving water is the "right" thing to do	54	17.2	21.0	98.2
	Anticipating higher rates in the future and want to be better prepared	3	.8	1.0	99.3
	Other	2	.6	.7	100.0
	Total	258	82.0	100.0	
Missing	System	56	18.0		
Total		314	100.0		

Q21b. What motivated you to reduce your water use? Second motivation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Watching our budget/trying to save money	16	5.0	23.6	23.6
	Concerned about the drought	11	3.5	16.7	40.2
	Water agency tells us to	6	1.9	8.9	49.1
	Messages in the media	1	.4	2.0	51.1
	Conserving water is the "right" thing to do	16	5.1	24.0	75.1
	Anticipating higher rates in the future and want to be better prepared	6	1.8	8.4	83.6
	Other	11	3.5	16.4	100.0
	Total	66	21.2	100.0	
Missing	System	247	78.8		
Total		314	100.0		

Q.22 Are you aware that the Otay Water District offers conservation rebates and incentives to help the District's customers reduce their water usage?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	135	43.0	43.7	43.7
	No	174	55.3	56.3	100.0
	Total	309	98.3	100.0	
Missing	DK/REF	5	1.7		
Total		314	100.0		

Q23. Would you be in favor of pursuing such an agreement with these international companies to develop additional supplies of water from ocean water desalination?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	185	58.8	58.8	58.8
	No	87	27.8	27.8	86.6
	DK/REF	42	13.4	13.4	100.0
Total		314	100.0	100.0	

Q23a. Please stop me when I say the approximate percentage of all of the water supplied by the Otay Water District that would you like to see come from this desalination plant?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	All/100%	26	8.2	14.0	14.0
	Not all but at least 75%	21	6.8	11.6	25.6
	Between half/50% and 75%	46	14.7	25.0	50.6
	Between one-fourth?25% and half/50%	51	16.1	27.4	78.0
	Some, but less than 25%	24	7.8	13.3	91.3
	None	16	5.1	8.7	100.0
	Total	185	58.8	100.0	
Missing	System	129	41.2		
Total		314	100.0		

Q23b-1. Why are you not in favor or uncertain about this desalination agreement?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Questionable water quality	10	3.1	9.1	9.1
	It should be done in the US, US needs the jobs	15	4.8	14.1	23.2
	Do not trust/want to deal with Mexico	14	4.5	13.3	36.5
	High cost	13	4.1	12.0	48.5
	Do not know enough yet, need more information	48	15.3	45.1	93.6
	Want local control	1	.3	.8	94.5
	Do not trust international companies	3	.8	2.5	97.0
	Danger to sea life	3	1.0	3.0	100.0
	Total	107	34.0	100.0	
Missing	DK/REF	22	7.1		
	System	185	58.8		
	Total	207	66.0		
Total		314	100.0		

Q23b-2. Why are you not in favor or uncertain about this desalination agreement? Second reason

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Questionable water quality	6	1.8	46.3	46.3
	It should be done in the US, US needs the jobs	1	.4	11.0	57.2
	Do not trust/want to deal with Mexico	3	.8	21.9	79.1
	High cost	1	.4	11.0	90.1
	Do not want to drink ocean/sea water	1	.3	7.4	97.5
	Want local control	0	.1	2.5	100.0
	Total	12	3.9	100.0	
Missing	System	302	96.1		
Total		314	100.0		

Is English your first language?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	241	76.7	79.8	79.8
	No	61	19.4	20.2	100.0
	Total	302	96.0	100.0	
Missing	System	12	4.0		
Total		314	100.0		

LAN-a: The Otay Water District sends its customers information in newsletters, water quality reports and rate increase notices in English. Are you able to read and understand this information that the District sends to you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	65	20.6	88.3	88.3
	No	9	2.7	11.7	100.0
	Total	73	23.3	100.0	
Missing	System	241	76.7		
Total		314	100.0		

LAN-b. Do you have someone available who can translate this information for you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	7	2.2	81.0	81.0
	No	2	.5	19.0	100.0
	Total	9	2.7	100.0	
Missing	System	305	97.3		
Total		314	100.0		

PPH. How many persons, including yourself, live in your household?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	25	8.1	8.1	8.1
	2	81	25.9	26.0	34.1
	3	57	18.2	18.2	52.3
	4	66	21.0	21.0	73.3
	5	53	17.0	17.0	90.3
	6	11	3.5	3.5	93.8
	7	11	3.4	3.4	97.3
	8	6	1.9	1.9	99.2
	9	3	.8	.8	100.0
	Total		314	99.9	100.0
Missing	Don't Know/refused	0	.1		
Total		314	100.0		

TEN. Is your residence owned by someone in your household, or is it rented?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Own	250	79.7	80.0	80.0
	Rent/Other status	63	19.9	20.0	100.0
	Total	313	99.6	100.0	
Missing	DK/REF	1	.4		
Total		314	100.0		

EDU. What is the highest grade or year of school that you have completed and received credit for...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school or less	40	12.9	13.1	13.1
	At least one year of college, trade or vocational school	91	29.0	29.4	42.5
	Graduated college with a bachelor's degree	98	31.3	31.7	74.1
	At least one year of graduate work beyond a bachelor's degree	80	25.5	25.9	100.0
	Total	310	98.7	100.0	
Missing	DK/REF	4	1.3		
Total		314	100.0		

AGE. Please tell me when I mention the category that contains your age...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 24	4	1.4	1.4	1.4
	25 - 34	40	12.7	12.8	14.2
	35 - 44	73	23.2	23.4	37.5
	45 - 54	61	19.4	19.6	57.1
	55 - 64	53	17.0	17.1	74.2
	65 or over	80	25.6	25.8	100.0
	Total	311	99.2	100.0	
Missing	DK/REF	3	.8		
Total		314	100.0		

ETH. Which of the following best describes your ethnic or racial background...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	White, not of Hispanic origin	132	42.0	43.4	43.4
	Black, not of Hispanic origin	21	6.6	6.8	50.2
	Hispanic or Latino	105	33.5	34.7	84.9
	Asian or Pacific Islander	40	12.6	13.0	97.9
	Native American	2	.5	.5	98.4
	Middle Eastern	3	.8	.8	99.3
	Mixed ethnicities	2	.7	.7	100.0
	Total	304	96.8	100.0	
Missing	DK/REF	10	3.2		
Total		314	100.0		

Total Household Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under \$25,000	16	5.2	5.9	5.9
	\$25,000 up to but not including \$50,000	40	12.8	14.4	20.3
	\$50,000 up to (but not including) \$75,000	59	18.6	21.0	41.2
	\$75,000 up to (but not including) \$100,000	71	22.5	25.3	66.5
	\$100,000 up to but not including \$150,000	51	16.4	18.4	84.9
	\$150,000 and over	42	13.4	15.1	100.0
	Total	279	89.0	100.0	
Missing	DK/REF	35	11.0		
Total		314	100.0		

Zip Code

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	91902	7	2.3	2.3	2.3
	91910	42	13.4	13.4	15.7
	91911	50	16.0	16.0	31.7
	91913	55	17.6	17.6	49.4
	91914	32	10.3	10.3	59.7
	91915	30	9.6	9.6	69.2
	91917	1	.4	.4	69.7
	91935	12	3.7	3.7	73.3
	91941	1	.4	.4	73.8
	91977	34	10.7	10.7	84.4
	91978	7	2.1	2.1	86.6
	92019	33	10.5	10.5	97.0
	92020	7	2.1	2.1	99.2
	92109	1	.4	.4	99.6
	92113	1	.4	.4	100.0
	Total	314	100.0	100.0	

Source

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Landline	214	68.2	68.2	68.2
	Cell phone list	100	31.8	31.8	100.0
	Total	314	100.0	100.0	

Frequencies—OPEN-ENDED

Other reasons for visiting website

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	295	93.9	93.9	93.9
Checking out the website	1	.3	.3	94.3
Checking quality of Otay water	1	.3	.3	94.6
Checking water usage	1	.3	.3	94.9
Compare their usage from last year to the current year	1	.3	.3	95.2
Comparing last year's bill to this year's bill	1	.3	.3	95.5
General information	2	.6	.6	96.2
I was checking schedule and requirements for the pool we installed	1	.3	.3	96.5
Initial hook up	1	.3	.3	96.8
Just to look	1	.3	.3	97.1
Open account	1	.3	.3	97.5
Random information	1	.3	.3	97.8
To check it out	1	.3	.3	98.1
To make a complaint	1	.3	.3	98.4
To see tips & info on what to expect from customers	1	.3	.3	98.7
To set up service	1	.3	.3	99.0
To sign up	1	.3	.3	99.4
Water quality	1	.3	.3	99.7
We had an appt with them and they never showed up or called to change.	1	.3	.3	100.0
Total	314	100.0	100.0	

Why getting paper bill?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	282	89.8	89.8	89.8
Because I'm too lazy	1	.3	.3	90.1
Because you might miss out on the rebates only receive by mail	1	.3	.3	90.4
Can't setup automatic pay through USAA bank	1	.3	.3	90.8
Decision of husband	1	.3	.3	91.1
Don't have time to go online sometimes	1	.3	.3	91.4
Email address got discontinued	1	.3	.3	91.7
Father worked for the postal services	1	.3	.3	92.0
Going to do it	1	.3	.3	92.4
Haven't be prompted to	1	.3	.3	92.7
Haven't had chance will probably do that	1	.3	.3	93.0
Haven't had the time	1	.3	.3	93.3
Haven't signed up	1	.3	.3	93.6
I do both	1	.3	.3	93.9
I have ask for electronic invoice	1	.3	.3	94.3
I haven't set up my auto bill pay yet but I will do them both at the same time	1	.3	.3	94.6
I'm a retired postal worker and I like to keep my ex employees in a job	1	.3	.3	94.9
If the water company had an app I would use it	1	.3	.3	95.2
It wasn't available when I requested through the bank	1	.3	.3	95.5
It's a pain with all the passwords	1	.3	.3	95.9
Just never thought about it	1	.3	.3	96.2
Laziness	1	.3	.3	96.5

May have already done that	1	.3	.3	96.8
Never had it brought up to me	1	.3	.3	97.1
Never told about paperless	1	.3	.3	97.5
No other choice.	1	.3	.3	97.8
Provides more jobs for people	1	.3	.3	98.1
Sometimes it is difficult to access my account	1	.3	.3	98.4
Tried to through Navy Federal Credit Union and was to do automatic pay	1	.3	.3	98.7
Was unsuccessful at setting it up	1	.3	.3	99.0
Was working and didn't have check computer	1	.3	.3	99.4
Wife pay bill and easy to keep record, internet might not work on phone	1	.3	.3	99.7
Work on computer don't want to come home and get on computer	1	.3	.3	100.0
Total	314	100.0	100.0	

What can District do to encourage paperless?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	284	90.4	90.4	90.4
An online orientation about the water usage & how to conserve water	1	.3	.3	90.8
App friendly user	1	.3	.3	91.1
Be more user friendly	1	.3	.3	91.4
Changing my attitude about the online	1	.3	.3	91.7
Cutting edge water research information made available through their website	1	.3	.3	92.0
Develop an app	1	.3	.3	92.4

Easier access for auto pay/more user friendly	1	.3	.3	92.7
Fix website; processing problem	1	.3	.3	93.0
Have offices closer by us	1	.3	.3	93.3
If it were on my statement and info online	1	.3	.3	93.6
If online payment was available through Navy Federal Credit Union would pay on I	1	.3	.3	93.9
Make easier	1	.3	.3	94.3
Make it available	1	.3	.3	94.6
Make it easy	1	.3	.3	94.9
Make it more easily to speak with someone	1	.3	.3	95.2
Make it more user friendly	1	.3	.3	95.5
No internet service	2	.6	.6	96.2
No jobs for people that's why I prefer to pay in the mail	1	.3	.3	96.5
Offer some senior discounts	1	.3	.3	96.8
Over the phone is better because sometime don't have internet signal	1	.3	.3	97.1
Send text messages to cell phone with easy payment available	1	.3	.3	97.5
Send text reminders for bill pay	1	.3	.3	97.8
The ability to make changes to the amount paid	1	.3	.3	98.1
The way I do it is easier	1	.3	.3	98.4
To be available	1	.3	.3	98.7
To make more computer friendly	1	.3	.3	99.0
We don't have internet	1	.3	.3	99.4
We have no computer	1	.3	.3	99.7
Whatever reduces the cost for the company which would reduce the cost for payers	1	.3	.3	100.0
Total	314	100.0	100.0	

Other outdoor conservation actions undertaken

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	293	93.3	93.3	93.3
Artificial grass, removed water pond, we plan to start collecting rain water	1	.3	.3	93.6
Brick and cement	1	.3	.3	93.9
Bubbler on the plants	1	.3	.3	94.3
Cement	1	.3	.3	94.6
Cement for parking maybe	1	.3	.3	94.9
Cement in backyard	1	.3	.3	95.2
Cement instead of grass	1	.3	.3	95.5
Concrete pool	1	.3	.3	95.9
Desert setting	1	.3	.3	96.2
Garden	1	.3	.3	96.5
Grass area is very small	1	.3	.3	96.8
I put concrete where part of my lawn used to be	1	.3	.3	97.1
Less plants	1	.3	.3	97.5
More cement less grass	1	.3	.3	97.8
Pavers	1	.3	.3	98.1
Replacing with concrete	1	.3	.3	98.4
turf to pavers, don't plan on doing anything else	1	.3	.3	98.7
unsure grass is dying	1	.3	.3	99.0
waiting for rain to bring back my grass	1	.3	.3	99.4
we do not water plan to use stones	1	.3	.3	99.7
zero scaping	1	.3	.3	100.0
Total	314	100.0	100.0	

Barriers to taking outdoor conservation actions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	287	91.4	91.4	91.4
Area is too small and artificial is too hot and rough for child's play	1	.3	.3	91.7
Backyard is concrete	1	.3	.3	92.0
Because I rent	1	.3	.3	92.4
Because I'm renting and cost	1	.3	.3	92.7
Because renting landlord won't allow	1	.3	.3	93.0
Big back yard	1	.3	.3	93.3
Everyone's grass is brown like mine so i don't see the point in investing	1	.3	.3	93.6
Getting ready to move	1	.3	.3	93.9
Grass area too small	1	.3	.3	94.3
I don't just don't because it just might die out again	1	.3	.3	94.6
I might sell my home	1	.3	.3	94.9
I'm lazy	1	.3	.3	95.2
It's not our yard renting	1	.3	.3	95.5
The grass we currently have cost us a lot of money.	1	.3	.3	95.9
We are renters	13	4.1	4.1	100.0
Total	314	100.0	100.0	

Other mandatory restrictions actions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	298	94.9	94.9	94.9
A tank-less water heater	1	.3	.3	95.2
Appliances	1	.3	.3	95.5
Aware of extra flushing of toilet	1	.3	.3	95.9
Covers pool; use paper plates	1	.3	.3	96.2

Don't flush my toilet all the time	1	.3	.3	96.5
Don't let the children play in the water	1	.3	.3	96.8
Grass died dirt	1	.3	.3	97.1
Kids take shower instead of baths	1	.3	.3	97.5
Less flushing	1	.3	.3	97.8
Never home in the navy	1	.3	.3	98.1
No baths, waters garden less, different ways to wash clothes and dishes	1	.3	.3	98.4
Not washing car with hose, not flushing urine, just watering plants	1	.3	.3	98.7
Wash the car with buckets rather than hose	1	.3	.3	99.0
Water bottle in toilet	1	.3	.3	99.4
Water displacers in toilet	1	.3	.3	99.7
When washing car using water restricted hose nozzle	1	.3	.3	100.0
Total	314	100.0	100.0	

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Other opposition to desalination

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	299	95.2	95.2	95.2
Don't harm sea life and environmentally friendly	1	.3	.3	95.5
Don't like money leaving the state	1	.3	.3	95.9
Don't want to deal international company	1	.3	.3	96.2
Get capital gain here, better to invest in US	1	.3	.3	96.5
Have to look into some other options	1	.3	.3	96.8
I don't know what the outcome will be	1	.3	.3	97.1

I don't know where the waste will be going to	1	.3	.3	97.5
Inefficient and there better methods	1	.3	.3	97.8
Makes me nervous having international company dealing with my water	1	.3	.3	98.1
Taking water from sea animals	1	.3	.3	98.4
They are planning to use the money to support building more condos	1	.3	.3	98.7
They need to do the extensive research because it is very detrimental to sea life	1	.3	.3	99.0
Unless it stops raining completely for a significant period of time	1	.3	.3	99.4
What will happen to sea life?	1	.3	.3	99.7
Would be more comfortable with it being in the US	1	.3	.3	100.0
Total	314	100.0	100.0	

AGENDA ITEM 5



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 4, 2015
SUBMITTED BY:	Mark Watton, General Manager	PROJECT:	DIV. NO. ALL
SUBJECT:	Approve Agreement for General Counsel Services		

GENERAL MANAGER'S RECOMMENDATION:

Approve an agreement with the law firm of Stutz, Artiano, Shinoff and Holtz, A Professional Corporation, for a term of two (2) years through December 31, 2017, to provide general counsel services to the District.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To present for the Board's consideration an agreement with the law firm of Stutz, Artiano, Shinoff and Holtz, A Professional Corporation, for a term of two (2) years through December 31, 2017, to provide general counsel services to the District.

ANALYSIS:

Stutz, Artiano, Shinoff and Holtz, A Professional Corporation (SASH), has served as the District's special counsel since January 1, 2011. The District's current contract with SASH was for a two-year period and is set to expire at the end of calendar year 2015.

The District has been happy with the services SASH has provided and is recommending that the board approve the proposed agreement as per the terms indicated in the agreement (Attachment B). If approved, the agreement would provide for a two (2) year term expiring on December 31, 2017.

FISCAL IMPACT:

Joe Beachem, Chief Financial Officer

The agreement allows for one hundred (100) hours or \$20,000 per calendar month of basic retainer services as described in the attached agreement. Additional services, as described in Section 4.b of the agreement, and time in excess of the one hundred (100) hours will be compensated on an hourly basis based on the rates noted in the agreement. Legal expenses associated with this agreement has been budgeted in the FY 2016 budget.

LEGAL IMPACT:

None.

Attachments:

Attachment A - Committee Actions

Attachment B - Proposed Legal Services Agreement



ATTACHMENT A

SUBJECT/PROJECT:	Approve Agreement for General Counsel Services
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee is scheduled to review this item on October 21, 2015. This attachment will be updated with notes from the committee's discussion.

LEGAL SERVICES AGREEMENT

1. IDENTIFICATION OF PARTIES. This Agreement, executed in duplicate with each party receiving an executed original, is made between Stutz Artiano Shinoff & Holtz, A Professional Corporation, hereinafter referred to as "Law Firm" and Otay Water District, hereinafter referred to as "Client." This Agreement is entered into beginning the month of January, 2016, for legal services. The agreement is made for a term of two years up to and including December 31, 2017. The Client and Law Firm will hold an annual review in 2016 regarding expectations, performance, and other issues impacting the Client and Law Firm under this agreement.

2. LEGAL SERVICES TO BE PROVIDED. The legal services to be provided by Law Firm to Client are as follows:

Representation, counsel and consultation in connection with Client's general counsel needs; human resources, legal support including review of policies and procedures, contract review; preparation and participation in monthly Board meetings and special meetings ("Services").

Without limiting the generality of the foregoing, this Agreement shall govern so long as Client desires to retain the Law Firm in connection with Services.

3. RESPONSIBILITIES OF LAW FIRM AND CLIENT. Law Firm will perform the services called for under this Agreement, keep Client informed of progress and developments, and respond promptly to Client's inquiries and communications. Daniel R. Shinoff and Jeffery A. Morris are intended to be the Law Firm attorneys primarily responsible for the consultation and representation. Client will cooperate with the Law Firm in the representation set forth herein, and will timely make any payments required by this Agreement.

4. ATTORNEY'S FEES. Client will pay Law Firm for attorneys' fees for the consultation and legal services provided under this Agreement as follows:

A. Basic Retainer. Law Firm shall be compensated for the performance of basic retainer services pursuant to this Agreement in the amount of Twenty Thousand Dollars (\$20,000) per calendar month commencing as of the effective date of this Agreement. Basic retainer services for the purposes of this Agreement shall be deemed to be the first one hundred (100) hours of Law Firm's legal services rendered each month.

B. Additional Services. Law Firm shall be compensated for additional services in accordance with the following:

1. As directed by the General Manager or Board President;
2. PERB hearings, writs of mandate, or other litigated matters not covered by insurance;

3. Other complex matters, employment, personnel matters, or special projects with the approval of the General Manager or Board President.

Additional services and time in excess of the one hundred (100) hours per calendar month spent by Law Firm's Attorneys, Law Firm shall be compensated on an hourly basis at \$240.00 per hour for partners, \$210.00 per hour for associates, and \$95.00 per hour for paralegals. The Law Firm will charge in increments of one-tenth of an hour, rounded off for each particular activity to the nearest one-tenth of an hour. The minimum time charged for any particular activity will be one-tenth of an hour.

Law Firm will charge for all activities undertaken in providing consultation and legal services to Client under this Agreement, including, but not limited to, the following: time spent formulating and dispensing legal advice and opinions; negotiation; gathering relevant information; conferences; correspondence and legal documents (review and preparation); legal research; and telephone conversations.

Client acknowledges that Law Firm has made no promises about the total amount of attorneys' fees to be incurred by Client under this Agreement.

5. COSTS. Client will pay all "costs" in connection with Law Firm's representation of Client under this Agreement. Costs will be billed directly to Client unless, at the option of Law Firm, costs are advanced by Law Firm. Costs include, but are not limited to, long-distance telephone charges, messenger service fees, photocopying expenses, as well as any other items generally accepted as "costs."

6. STATEMENTS AND PAYMENTS. Law Firm will send Client monthly statements indicating attorneys' fees and costs incurred and their basis, any amounts applied from deposits, and any current balance owed. If no attorney's fees or costs are incurred for a particular month, or if they are minimal, the statement may be held and combined with that for the following month. Any balance will be paid in full within thirty (30) days after the statement is mailed.

7. MEDIATION CLAUSE. Client and Law Firm are agreeing to have any and all disputes (except where Client may request arbitration of a fee dispute by the State Bar) that arise out of, or relate to this Agreement, including but not limited to claims of negligence or malpractice arising out of or relating to the legal services provided by Law Firm to Client, go to mediation before the filing of any civil proceeding. Client, however, may request arbitration of a fee dispute by the State Bar or San Diego County Bar Association as provided by Business and Professions Code Section 6200, et seq.

8. ERRORS AND OMISSIONS INSURANCE. The Law Firm maintains errors and omissions insurance coverage applicable to the services to be rendered under this Agreement.

9. TERMINATION. The Client or the Law Firm may, at any time, with or without reason, terminate this Agreement upon thirty (30) days prior written notice to the other party. In the

event of termination, the Law Firm shall be entitled to payment only for acceptable and allowable work performed under this Agreement through the date of termination.

THE FOREGOING IS AGREED TO BY:

DATED: _____

OTAY WATER DISTRICT

By: _____

Mark Watton
General Manager

DATED: _____

STUTZ ARTIANO SHINOFF & HOLTZ
A Professional Corporation

By: _____

Daniel R. Shinoff, Esq.
Partner

AGENDA ITEM 6



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 4, 2015
SUBMITTED BY:	Rita Bell, Finance Manager Kevin Koeppen, Finance Manager Andrea Carey, Customer Service Manager	PROJECT:	Various DIV.NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Asst. General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Due to Conservation's Impact on Revenues and the City of San Diego's Proposed Recycled Water Rate Increase, Staff is Presenting to the Board a Number of Financial Considerations with Regard to the Current Budget Impact and Future Rate Increases. Staff is Seeking Board Consideration and Direction.		

GENERAL MANAGER'S RECOMMENDATION:

Due to conservation's impact on revenues and the City of San Diego's proposed recycled water rate increase, staff is presenting to the Board a number of financial considerations with regard to current budget impact and future rate increases. Staff is seeking Board consideration and direction.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To update the Board on the financial impact of both conservation and the City of San Diego's recycled water rate increase. Conservation is projected to reduce net water revenues for this fiscal year by \$1.55 million from the budget levels.

The City of San Diego has proposed a unitary recycled water rate increase which will cause an addition unanticipated water cost of \$740,000 in this fiscal year and \$1.9 million in the following years.

Staff is working very diligently to have the City of San Diego consider and implement a zone rate for recycled water. Staff has reviewed financial information from the City, has met with numerous community leaders, and has also met with many City staff and officials.

On November 17, 2015, the City of San Diego Council will vote on this issue. A vote for unitary recycled water rates will have a substantial impact on this year's budget as the rates are set to increase on January 1, 2016. A vote for zone rates will also produce a budget impact; however, not as substantial.

Staff provides this information to the Board and looks to discuss with the Board possible directions to protect the District finances and credit rating.

ANALYSIS:

A State mandated water conservation target of 20% is in effect, and Otay's customers have achieved an even greater monthly water savings percentage. With this savings, water sales have significantly decreased. Each 1% of conservation brings the District's net revenues down by \$136,000. This, along with the City of San Diego's proposed water rate increase, places the District in a difficult financial position where it might not have sufficient net revenues to meet its bond covenants. The Board can react using many options, a few are discussed below.

- 1) Using only the savings staff has identified below and without an additional rate increase this year the District is able to mitigate much of the financial impact. No additional rate increase is certainly one strategy; however, this delays and heightens the impact on rates in January 2017.
- 2)
 - a. If the City selects zone rates, and no increases in expected conservation or expenses occur, then the District is within \$150,000 of violating the bond covenants. This is a narrow margin and would require ongoing monitoring to insure that violation of the bond covenant does not occur. The rate increase in 2017 would likely be 8.8%.
 - b. If the City selects a unitary rate, the District's net revenues will be \$290,000 below the point of violating the bond covenant. Additional savings would need to be identified to avoid violation of the bond covenant. The rate increase in 2017 would likely be 10.5%.
- 3) Raise rates solely to cover the City's rate increase. Under both the following options the 2017 rate increase would be held down to around 7.0%.

- a. If the City selects a zone rate, an additional rate increase of 1.2% would be needed this year. The District's net revenues would be at \$420,000 above the minimum needed to maintain debt coverage, again a fairly narrow margin.
 - b. If the City selects a unitary rate, an additional rate increase of 2.8% would be needed this year. The District's net revenues would be \$500,000 above the minimum to maintain debt coverage.
- 4) Raising rates an additional 4.1% will keep the overall rate increase under 10%. This additional increase would offset the City's proposed rate increase and also offset some of the projected conservation. This would reduce the impact on 2017 rates bringing them down to a projected 4.4% if the City selects zone rates and 5.4% if the City selects unitary rates.

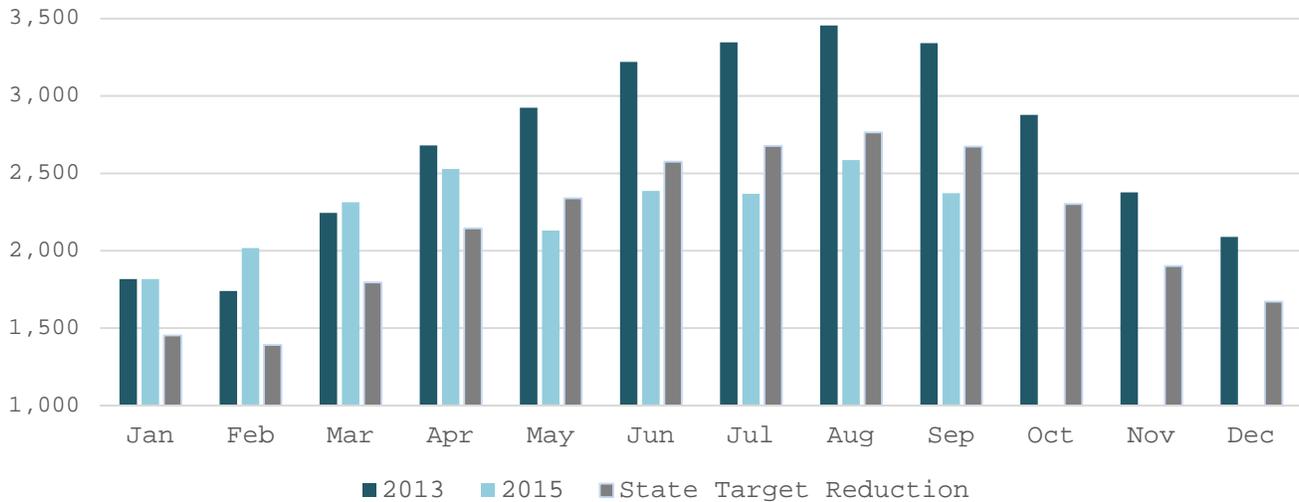
Conservation Financial Impact on the District's Debt Coverage Ratio

Currently, staff's projections indicate that the actual conservation levels will exceed the budgeted conservation levels. As a result, the lower than budgeted potable water sales revenue adds significant pressure to the District's ability to meet debt coverage covenants.

In the FY 2016 budget process, a 12% conservation percentage off the FY 2013 volumes was used. This would allow the District to bear a 17.2% conservation level before the debt coverage ratio was compromised. Staff has projected that potable water sales will have a conservation level of 25.7% at year-end and 5% conservation for recycled water sales. These conservation levels are in terms of reductions from the 2013 levels.

The chart below compares the monthly actual potable water usage from 2013, 2015, and the 20% state target level. The District's customers have consistently exceeded the target from May through September. To meet the 20% state target through February, when the order expires, the District would only need to conserve 14% per month going forward.

20% Reduction Target



	May	June	July	August	September
Target	20%	20%	20%	20%	20%
Actual	27%	26%	29%	25%	29%
Budget	-	-	12%	12%	12%

Impact of Failing to Meet the Debt Coverage Ratio Covenants

In the event that the District violates the coverage requirements, it will be placed on credit watch by the rating agencies and will be subject to 90-day reviews. Any action taken by the rating agencies would be dependent on the actions the District takes to bring itself back into compliance. If the District continues to violate the coverage compliance in consecutive years, the District can expect to have its credit rating downgraded. Also, the bond holders can force the District to hire a rate consultant to oversee the budget and rate setting process.

There are no legal requirements to disclose a debt coverage ratio violation early; however, it is recommended to keep communications open with the rating agencies so that they are aware of the District's financial position. If the District is proactive and reports the violation to rating agencies prior to the annual review, the District will then be required to update the status on a regular basis. If the District is proactive in reporting the violation, our financial advisor, Suzanne Harrell, recommends that the District file a notification upon completion of the FY 2017 budget process, during which time the District should perform a preliminary debt coverage forecast for FY 2016.

Potable Water Rate Increase

With an additional 4.1% rate increase on top of the already approved 5.8% rate increase, the significant financial impacts of conservation and the City of San Diego's rate increase will be absorbed over two years instead of all falling to the 2017 rate increase. The increase will also coincide more closely with the City of San Diego's rate increase.

If the City of San Diego approves a zone rate, and if there is no additional rate increase to address the added costs and reduced revenues, staff projects that one-time savings and other budget modifications will make it possible to avoid violation of the bond covenants. However, this is not sustainable and the financial impact of this would fall solely on the 2017 rate increase. The current projection of the 2017 rate increase, with a favorable zone rate, goes from the current 5.4% to 8.8%. As mentioned above, this jumps to 10.8% if the City selects the unitary rate.

Recycled Water Rate Increases

On November 17, 2015, the City of San Diego will have a Proposition 218 hearing for water rates, including increasing the recycled water rates.

The City of San Diego's own analysis for a zone rate calculates separate rates of \$1.17 hcf for the South system and \$2.14 hcf for the North system. A unitary rate of \$1.73 hcf could also be adopted by the City which would mean that South Bay customers would pay \$1.2 million annually more than what it costs to serve them, and North customers would pay \$1.2 million less than what it would cost to serve them. South Bay customers would be subsidizing the North by \$7.2 million over the next six years to pay for a North system they do not use.

In the FY 2016 Rate Model, staff had no indication that the City of San Diego would raise recycled water rates. The rates the City adopts will determine the financial impact on the District.

Recycled Rate Notices and Proposition 218 Notices

The Proposition 218 notices completed in 2013 allows the District to pass through all water rate increases from our providers. The potential City of San Diego increase qualifies as a pass-through and therefore no additional Proposition 218 hearing is required. The District would however, be required to send a rate increase notice to all customers no less than 30 days prior to the affected usage.

Recycled Pricing Impact on the District's Debt Coverage Ratio

Staff has analyzed both the zone rate and unitary rate scenarios and has determined the shortfall that would need to be overcome in order to achieve the obligation to keep a minimum debt coverage of 125%. The two scenarios include the zone rate at \$1.17 hcf and the unitary rate at \$1.73 hcf.

Below are the items that are projected to bring the District's net revenues below the minimum debt coverage ratio of 125%. These projections are as of year-end. What is not shown is an additional \$1 million loss of revenues that is projected to bring the debt coverage ratio down from a budgeted 140% to a minimum of 125%.

Description	Recycled \$1.17 hcf	Recycled \$1.73 hcf
Impact of Conservation Efforts	\$ 550,000	\$ 550,000
City of San Diego Pricing	300,000	740,000
Impact of Legal/Outreach	100,000	*100,000
Total Required Savings	\$ 950,000	\$1,390,000

*If the unitary rate is approved by the City of San Diego, additional legal/outreach costs are likely to be incurred which will impact the 2017 rates. This cost is potentially significant.

Operational Budget Cuts and/or Deferrals

Finance staff has worked with the departments to identify budget savings and/or deferral of costs which are outlined below.

On-going reductions in costs or increases in revenues:

Property Tax Collections	\$ 116,000
Current & Projected Vacancies	170,000
Desalination consultant	*24,000
OPEB	120,000
Conservation Efforts	**200,000
Total on-going savings	\$ <u>630,000</u>

*This amount will increase to \$48,000 in future years.

**Projected to decrease by 50% in future years.

One-time savings

Temporary Services	\$	50,000
Emergency kits/emergency response supplies		75,000
Engineering Outside Services & misc. admin costs		54,000
Estimated reductions for leak detection program		195,000
Variable Debt Interest		<u>100,000</u>
Total one-time savings	\$	<u>474,000</u>
 Total Savings	 \$	 <u>1,104,000</u>

Conclusion

Conservation has put the District and all the water districts in difficult financial positions. On top of this, Otay is being challenged with the City of San Diego's pending decision to raise recycled water rates. To meet these challenges the Board can select one of the options listed above or can consider a number of other approaches.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

Staff has identified a number of options that the Board might use to meet the current financial challenge. Each option has different financial impacts. Staff is looking for direction from the Board on how to mitigate the impact of the City of San Diego's rate increase and impact of conservation.

STRATEGIC GOAL:

Maintain the District's financial strength.

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	Due to Conservation's Impact on Revenues and the City of San Diego's Proposed Recycled Water Rate Increase, Staff is Presenting to the Board a Number of Financial Considerations with Regard to the Current Budget Impact and Future Rate Increases. Staff is Seeking Board Consideration and Direction.
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COMMITTEE ACTION:

That Finance, Administration, and Communications Committee is asking that the Board review the options presented with regard to a possible rate increase and advise staff on how they would like to proceed.

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.