

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

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM
TUESDAY
July 26, 2005
11:30 A.M.

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

AGENDA

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

DISCUSSION ITEMS

3. ADOPT THE AMENDMENTS TO SECTION 12, "DISPOSAL OF SURPLUS PROPERTY," OF THE DISTRICT'S PURCHASING MANUAL (DOBRAWA) [10 min]
4. APPROVE A PURCHASE ORDER TO ABCANA INDUSTRIES FOR WATER TREATMENT CHEMICALS IN AN AMOUNT NOT TO EXCEED \$120,000 (DOBRAWA) [5 min]
5. RATIFY THE DEFERRAL AGREEMENT BETWEEN THE OTAY WATER DISTRICT AND THE EASTLAKE LITTLE LEAGUE (BEACHEM) [5 min]
6. STATUS REPORT ON THE DISTRICT'S AUTOMATIC METER READING (AMR) PROGRAM AND REQUEST THAT THE BOARD ESTABLISH A BUDGET AMOUNT FOR AMR REPLACEMENT CIP APPROVED BY THE BOARD ON JUNE 7, 2005 IN THE AMOUNT OF \$2,179,775 AND REQUEST TO AMEND METER RETROFIT CONTRACT WITH UNDERGROUND UTILITIES INC. IN AN AMOUNT NOT TO EXCEED \$67,200 (PORRAS) [10 min]

7. APPROVE THE REIMBURSEMENT AGREEMENT WITH McMILLIN OTAY RANCH IN THE AMOUNT OF \$60,900 FOR THE CONSTRUCTION OF AN 8-INCH PIPELINE FOR THE McMILLIN VILLAGE 7 DEVELOPMENT (CIP PROJECT R043) (CHARLES/POSADA) [10 minutes]
8. ADJOURNMENT

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

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

Certification of Posting

I certify that on July 22, 2005 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on July 22, 2005.



Connie Rathbone, Assistant District Secretary



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 3, 2005
SUBMITTED BY:	Stephen Dobrawa, <i>[Signature]</i> Purchasing Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno, Chief, <i>[Signature]</i> Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez, <i>[Signature]</i> Assistant General Manager Finance and Administration		
SUBJECT:	Adopt amendments to Section 12, "Disposal of Surplus Property" procedures of the District's Purchasing Manual		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt amendments to Section 12, Disposal of Surplus Property, of the District's Purchasing Manual with the attached Draft Section 12 - Disposal of Surplus Property (Attached).

COMMITTEE ACTION: _____

On June 24, 2005, a draft of Section 12 of the District's Purchasing Manual was presented to the Finance and Administration Committee. The Committee provided additional direction and made recommendations which are included in the attached draft of this section. Additionally, District's Legal Counsel has reviewed the attached document and made recommended changes which have also been addressed.

Please see "Attachment A".

PURPOSE:

To request the Board to adopt amendments to Section 12, Disposal of Surplus Property, of the District's Purchasing Manual with the attached Draft Section 12 - Disposal of Surplus Property (Attachment B).

ANALYSIS:

On June 7, 2005 during the scheduled Board meeting, the Board discussed amending the District's current purchasing manual procedures for the disposal of surplus property, other than real

property, to include guidelines for the disposal of surplus property with no or De Minimus value to charitable (501 (C)) organizations. The Board requested that staff review current procedures and present recommended changes to the Board.

A survey of neighboring municipality/government agencies was conducted to determine which provide for disposal of surplus property to charitable organization. Additionally, agencies were asked to provide a copy of their surplus property disposal procedures. The following is a summary of contacts and responses:

Municipality/Agency	Disposal to Charitable Organizations	Procedures Acquired
Padre Dam	Yes	yes
San Diego Community College District	No	No
City of El Cajon	Yes	Yes
Grossmont Union High School District	No	No
San Diego Airport	No	No
City of La Mesa	Yes	Yes
City of National City	Yes	Yes
County of San Diego	Yes	Yes
Sweetwater Authority	Yes	No
Helix Water District	Yes	Yes

Acquired procedures were reviewed and a draft procedure incorporating information obtained was developed. (Attachment C)

Changes to the current procedure include:

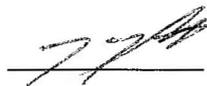
- Authorizing the General Manager to declare property with no or de minimus value as trash or scrap.

- Adding a process for disposal
 - through exchange or trade in
 - by sale to Federal, State and local municipalities and government agencies
 - by sale to Republic of Mexico municipalities and government agencies
 - through donation to municipalities, government agencies, and charitable organizations
 - as scrap

- Establishing a preference hierarchy for disposal to municipalities/agencies, and charitable organizations.

In addition to the above, the proposed changes document current practices, provide greater flexibility in the disposal process, and simplify the process of disposing of surplus property.

FISCAL IMPACT:



None identified.

STRATEGIC GOAL:

Approval of the recommendation to amend the Purchasing Manual as identified within this report supports the District strategy to "Ensure Financial Health Through Formalized Policies, Prudent Investing, and Efficient Operations" by streamlining and providing flexibility in the surplus disposal process.

LEGAL IMPACT:

None



General Manager

Attachments (2)



ATTACHMENT A

SUBJECT/PROJECT:	Adopt amendments to Section 12, "Disposal of Surplus Property" procedures of the District's Purchasing Manual.
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COMMITTEE ACTION:

The Finance/Administration Committee met on July 26, 2005 and supports staff's recommendation to adopt amendments to Section 12-Disposal of Surplus Property of the Purchasing Manual.

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.

Section 12 – Disposal of Surplus Property

PURPOSE:

To provide a standardized method for disposing of materials, supplies and other property, excluding real property, that is surplus to the needs of the District.

GENERAL:

It is staff's responsibility to keep the District's inventories as low as possible and to standardize materials, supplies and equipment used so as to minimize the number of articles carried in stock while ensuring that District operations, functions, and requirements can be effectively met.

To accomplish this, the District's General Manager shall not less than annually develop an inventory of property that is surplus to the District's needs and present it to the Board of Directors at a regularly scheduled board meeting. At a minimum, the information provided shall include the quantity and description of the surplus property and a proposed method for said property's disposal. With the exception of items determined by the General Manager to be trash or scrap, only the Board of Directors may declare which property is surplus and authorized for disposal. The General Manager shall have authority to declare District property as trash or scrap.

PROCEDURE:

Once property has been declared surplus it shall be the responsibility of the Purchasing and Facilities Manager, in a manner provided herein and approved by the General Manager, to dispose of the surplus property. All property shall be disposed of "as is-where is", with no warranty or guarantee as to serviceability or usability. District property tags shall be removed from the surplus property prior to its disposal.

Exchange or Trade-In:

Where deemed by the Purchasing and Facilities Manager to be in the best interest of the District, the surplus property may be exchanged or traded-in on new supplies and equipment.

Auction Sale:

Disposal of surplus property shall normally be accomplished through public auction as the preferred method of disposal whenever practical.

- 1) *Through consignment* of items to a vendor, a private auctioneer, licensed and bonded to do business in San Diego County, to sell on behalf of the District. The Purchasing and Facilities Manager shall enter into an agreement with the vendor that has the potential of generating the most market interest and, therefore, the highest net proceeds for the District. The consignment vendor shall, at its expense, advertise the item for sale and shall accept offers for the District, with the District having final acceptance authority.
- 2) *By advertising* for sale in a newspaper of general circulation or in any other manner approved by the General Manager. Newspaper ads shall be placed at least two (2) weeks prior to the sale date and shall identify the property for sale. Sealed bids will be solicited

unless otherwise directed by the Purchasing and Facilities Manager and the property will be sold to the highest bidder.

- 3) *By participation in a joint municipal/public agency public auction.* Where authorized by the General Manager, the District may dispose of surplus property through participation in a joint municipal/public agency auction.

The successful bidder shall be responsible for all required permits, fees and licenses. The property shall be removed from District premises in a time frame established by the Purchasing and Facilities Manager.

Bid security shall be provided by requiring that a ten percent (10%) guarantee accompany each bid or aggregated bid. Such bid security shall be in the form of a certified check, cashier's check, or money order payable to the order of the District. Payment of the balance of the total bid must be made by the successful bidder within twenty-four (24) hours after the award. In the event the successful bidder fails to pay the balance of his bid, the bid security will be forfeited and the award will be made to the next highest responsible bidder.

Sale to Federal, State, and Local Municipalities and Governmental Agencies:

Where it is in the best interest of the public, surplus property may be sold by the Purchasing and Facilities Manager to municipalities and government agencies in accordance with the following guidelines. The Purchasing and Facilities Manager shall give preference to local governmental agencies located within the District's boundary.

- 1) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$10,000, a negotiated sale may be conducted with the governmental agency and sale of the item concluded at the price determined to be a fair and reasonable market price for the item.
- 2) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$10,000 but does not exceed \$50,000, the General Manager's approval shall be obtained prior to any sale. Information provided to the General Manager shall, at a minimum, identify the government entity, the rationale behind the sale at the value, and the manner in which the fair market value was determined.
- 3) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$50,000, Board approval shall be obtained prior to any sale. Information provided to the Board shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.

Sale to Republic of Mexico Municipalities and Government Agencies:

When the District has declared items surplus to its needs and the Purchasing and Facilities Manager has determined that the item(s) should be sold in accordance with the guidelines contained herein, such item(s) may be sold to Republic of Mexico municipalities and/or government agencies under the following guidelines:

- 1) Prior to consummating any sale to a Republic of Mexico municipality and/or governmental agency, the Purchasing and Facilities Manager shall ensure that right of first refusal for known requirements is offered to local governmental agencies.
- 2) The Republic of Mexico municipality and/or governmental agency shall forward to the Purchasing and Facilities Manager, a written official request which provides the following information:
 - a. Name and address of municipality or governmental agency.
 - b. Name and telephone number of responsible official who can consummate a resulting sale agreement and sign appropriate sale documents.
 - c. Description and quantity of surplus property items desired.
 - d. Statement as to how the items requested will be used by the requesting municipality or governmental agency.
- 3) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$50,000, the General Manager's approval shall be obtained. Information provided to the General Manager shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.
- 4) If the estimated fair market value, as determined by the Purchasing and Facilities Manager, is greater than \$50,000, Board approval shall be obtained. Information provided to the Board shall, at a minimum, identify the government entity, the rationale behind the sale at that value, and the manner in which the fair market value was determined.

Donation of District Surplus Property to Municipalities, Governmental Agencies, and Charitable Organizations:

Where it is in the best interest of the public, surplus District property of no or De Minimus value, where proceeds of the sale of the property will be less than the cost of the sale of the property, may be donated under the following guidelines to municipalities, governmental agencies, and charitable organizations in lieu of discarding such property:

The District's Purchasing and Facilities Manager shall first assess the value of the item and the cost of disposal and make a determination that the item has no value or de minimus value.

The requesting municipality, public agency, or charitable organization shall forward to the Purchasing and Facilities Manager a written donation request, approved by its governing board or chief operating officer, which includes the following minimum information:

- a) Name and address of municipality, agency, or charitable organization.
- b) Name and telephone number of responsible official who will accept the donation, if approved, and sign appropriate donation documents.
- c) Description and quantity of surplus property items desired.
- d) Statement as to how the items requested will be used by the requesting public agency.
- e) Proof of charitable status (501 (C)) organizations as applicable.

Donation of surplus items requested shall be made to requesting entities giving priority to entities as follows:

1. Public agencies within the District's boundary

2. Public agencies outside of the District's boundary
3. Charitable organizations within the District's boundary
4. Charitable organizations outside of the District's boundary

Donation of District owned surplus property of no or De Minimus value may be approved by the Purchasing and Facilities Manager when the estimated total fair market value of the donation, as determined by the Purchasing and Facilities Manager, does not exceed \$25 per item or \$500 per lot.

Donation of District owned surplus property of no or De Minimus value may be approved by the General Manager when the estimated total fair market value, as determined by the Purchasing and Facilities Manager, does not exceed \$10,000.

Donation of District owned surplus property of no or De Minimus value, where the total estimated fair market value of the donation, as determined by the Purchasing and Facilities Manager, exceeds \$10,000 shall be made by the Board.

For the purpose of this policy, charitable organizations shall mean a non-profit organization exempt from taxation under the provisions of the Internal Revenue Code, 26 U.S.C. 501 (C), whose primary purpose is public service or a Republic of Mexico registered public organization promoting economic and social well-being in the border region.

In consideration for the donation and as a condition of transfer, the recipient of the donated surplus shall execute a release and indemnification agreement satisfactory to the District's General Counsel.

Disposal as Scrap:

In the case of surplus property that has been determined by the General Manager or their designee to be trash or scrap with no or de minimus value, and where no governmental or non-profit organization expresses interest in the item, the Purchasing and Facilities Manager may dispose of the property in any manner deemed appropriate. Where property is disposed of as scrap, full records of such disposal shall be kept.

Sale of Property to District Employees:

Property may be offered for sale to all District employees except those specifically excluded under the provisions of this section. In the event the General Manager deems that the sale of surplus property to employees is not in the best interest of the District, the property shall be disposed of in accordance with procedures identified herein.

- 1) The General Manager or his designee shall ascertain the fair market value of such property and shall post a description of the property together with its fair market value at the District's business and field offices and shall therein invite the employees to submit sealed informal bids. No bid shall be accepted which is below the stated fair market value for said property. Award shall be made to the highest bidder.
- 2) The Board of Directors, the General Manager and any employee designated by the General Manager, shall be excluded from bidding and shall not be allowed to purchase such surplus property.

- 3) Any employee purchasing such property must certify to the District that such property purchased is for the sole use of the employee and not for resale. Sale of, or gift of said property within one year from the date of purchase may constitute grounds for immediate employee termination.



AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 3, 2005
SUBMITTED BY:	Stephen Dobrawa, <i>[Signature]</i> Purchasing Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno, <i>[Signature]</i> Chief, Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager Finance and Administrative Services		
SUBJECT:	Award Blanket Purchase Order for sodium hypochlorite to Abcana Industries in an amount not-to-exceed \$120,000.		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize issuing a 10-month blanket purchase order with a 1-year option to renew to Abcana Industries in an amount not-to-exceed \$120,000 for sodium hypochlorite.

COMMITTEE ACTION: _____

Please see "Attachment A".

PURPOSE:

To obtain Board authorization to issue a 10-month blanket purchase order (with 1-year renewal option) to Abcana Industries to cover the purchase of sodium hypochlorite used to treat (disinfect) potable water.

ANALYSIS:

Aqueous sodium hypochlorite is used by the District to treat water to provide a safe water supply. It has been the District's experience that while the unit cost for this material has steadily increased over the last three years, Abcana Industries has consistently been the low bidder. Given this, it is recommended that the Board issue a blanket purchase order to Abcana Industries for a 10-month period beginning in August 2005 and ending on June, 30 2006 with a one year option to renew on July 1, 2006 and ending on June 30, 2007.

Blanket purchase orders identify specific items, their associated prices and establish a not to exceed expenditure limit. Only those materials, supplies, and services identified within the purchase order may be released to the District under the purchase order number issued.

Issuing blanket purchases:

- Aids in minimizing time and cost of obtaining needed materials and supplies
- Aids in minimizing inconvenience to customers
- Stabilizes prices for a defined period of time
- Reduces staff costs associated with processing multiple requisitions and purchase orders
- Allows field supervisors and staff to focus on more critical tasks

As required by District purchasing policy, bids were solicited and received and are as follows:

<u>Vendor</u>	<u>Per Unit Bid</u>
Abcana Industries, 545 w. Bradley Avenue, El Cajon, CA 92020	\$1.05/gallon
LA Chemical, 7920 Stomesa Court, San Diego, CA 92126	\$1.10/gallon
Thatcher Company, 233 South Seventh Ave., City of Industry, CA 91746	\$0.87/gallon
Basic Chemical Solutions, L.L.C., 12522 Los Nietos Road, Santa Fe Springs, CA 90670	\$1.15/gallon

Thatcher Company's bid of \$0.87/gallon requires full truck deliveries, a minimum of 4600 gallons, from their Henderson, NV facility. While Thatcher's bid is significantly less, the operation of the District's water system can not take advantage of bulk delivery. Bulk delivery is typically utilized for large raw water filtration and treatment plants. Since the District purchases treated water, the water treatment process is designed to supplement the already treated water.

The District receives approximately four deliveries per week at various locations, averaging 250 gallons per delivery. The maximum delivery received at any one time is 1,500 gallons. The highest delivery quantities are made through the summer/hot weather months. Annually, the District requires 120,000 gallons of sodium hypochlorite.

FISCAL IMPACT:



Purchases made against the proposed blank purchase order will be charged against the approved FY 2006 Material Expense Budget, account #5316, "Chemicals". The total approved budget amount for this account is \$210,000.00 and is intended to provide funding for sodium hypochlorite, aqua ammonia, and reagent purchases.

STRATEGIC GOAL:

Approval of the recommendation to issue a blanket purchase order to Abcana Industries supports the District's mission "To provide safe, reliable water, recycled water and wastewater services to our community in an innovative cost efficient water-wise and environmentally responsible manner".

LEGAL IMPACT:



General Manager

Attachments (1)



ATTACHMENT A

SUBJECT/PROJECT:	Award Blanket Purchase Order for Sodium Hypochlorite to Abcana Industries in an amount not-to-exceed \$120,000
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COMMITTEE ACTION:

The Finance/Administration Committee met on July 26, 2005 and supports staff's recommendation to authorize issuing a 10-month blanket purchase order with a 1-year option to renew to Abcana Industries in an amount not-to-exceed \$120,000 for sodium hypochlorite.

NOTE:

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



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 3, 2005
SUBMITTED BY:	Joseph R. Beachem <i>JRB</i> Chief Financial Officer	W.O./G.F. NO:	DIV. NO.
APPROVED BY:			
(Chief)			
APPROVED BY:	German Alvarez <i>GA</i> Assistant General Manager		
(Asst. GM):			
SUBJECT:	Eastlake Little League Deferral Agreement		

GENERAL MANAGER'S RECOMMENDATION:

That the Board ratify the deferral agreement between Otay Water District and the Eastlake Little League.

COMMITTEE ACTION: _____

See Attached

PURPOSE:

To ratify the agreement entered into between the Otay Water District and the Eastlake Little League (ELL). The ELL has requested a payment plan for the payment of the connection fees for one 3/4-inch potable meter and one 1-inch reclaimed meter. The total of this agreement is for \$24,063.

ANALYSIS:

This will be the second agreement of this type with the ELL. In April of 2003 the ELL requested a deferral of one 3/4-inch potable meter and two 2-inch reclaimed meters. This agreement was for \$40,002 and was paid over a two-year period. The ELL fulfilled their obligations and made all their payments on time. This prior agreement was signed under the General Manager's authority and was noted in the GM's report to the Board.

The current agreement for \$24,063 is very similar in nature and was entered into under the General Manager's authority on July 29, 2005. The legal counsel recommends that this agreement also be ratified by the Board.

PROMISSORY NOTE
Eastlake Little League /
Otay Water District

\$24,063.00

July 29, 2005

INSTALLMENT NOTE

FOR VALUE RECEIVED, specifically (1) one 1" Permanent Recycled "K" Class meter and (2) one ¾" Permanent Potable water meter to be installed and available for service at the Corner of 16+15 Olympic Parkway; Chula Vista, CA 91914 and (3) 8 hours of staff service at a rate of \$50 per hour to update records and administer this agreement; the undersigned, Eastlake Little League (hereinafter "ELL"), hereby promises to pay to the order of the Otay Water District (hereinafter "Otay"), as specified below, the principal sum of Twenty Four Thousand Sixty Three Dollars (\$24,063.00), together with interest at the monthly rate in accordance with Otay policy (5% over the Federal Discount Rate - currently 3.25%), adjusted quarterly:

(1) An initial installment of \$2,406.00 (10%) shall be due on the date of execution of this Note.

(2) Thereafter, twenty-four (24) consecutive *variable monthly installments* of \$982.70 (*payment amount subject to change quarterly based on the Federal Discount Rate*) shall be due on the 1st day of each month beginning the 1st day of the second month immediately following the execution of this Note. Notice of an adjustment will be given by Otay at least two (2) days prior to the scheduled quarterly adjustment, provided that failure to give such notice shall not constitute a waiver of any such adjustment.

The principal and interest shall be payable at 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978-2096, until the entire indebtedness is fully paid.

This Note may be prepaid in whole or in part, without premium, penalty or discount, at any time, at the option of the ELL, together with accrued interest on the amount prepaid. If for any reason, at any time, interest on this note is found to be excessive, Otay and ELL agree that the interest rate from such date forward will be the maximum interest rate allowed by law, until this note is paid in full and discharged.

LATE CHARGE

If any installment under this Note is not received by Otay within five (5) business days after the installment is due, the ELL agrees to a payment delinquency charge of 5% of the total amount delinquent. When a payment delinquency charge is made, such shall be added to the delinquent account as of the date the account becomes delinquent and such charges shall become an inseparable part of the amount due as of that time. In the event of delinquency, a notice shall be mailed to the ELL notifying the ELL that service will be turned off unless payment is made. The notice shall indicate the amount due, including delinquency charges, and that the total amount must be paid within fifteen (15) calendar days from the date of mailing or presentation of the notice to the ELL to avoid disruption of service.

ACCELERATION

Either failure to pay the delinquent amount and the delinquency charge within fifteen (15) calendar days of the date of notice, as provided above, or, if no notice is given, failure to pay any amount due and payable within fifteen business days from the day due, constitutes an "event of Default" hereunder.

In addition at Otay's discretion, any of the following may constitute an Event of Default:

- (1) The ELL or any endorser, surety, or guarantor of this Note:
 - (i) Makes an assignment for the benefit of creditors.
 - (ii) Offers settlement to any creditors.
 - (iii) Fails to pay any obligation when due.
- (2) Otay discovers that any misrepresentation was made to Otay on behalf of the ELL to obtain credit or an extension of credit.
- (3) Any legal action is commenced against the ELL or any endorser, surety, or guarantor, including:
 - (i) Entry of judgment
 - (ii) Issuance of a writ of attachment, order of garnishment, order or subpoena in supplementary proceedings, execution or similar process.
- (4) A receiver is appointed for the ELL or any endorser, surety or guarantor.

Upon the occurrence of any Event of Default, Otay may, at its sole discretion, accelerate the maturity of all or some installments and without presentment or notice, declare the entire unpaid balance, or any portion thereof, immediately due and payable and/or pursue any other legally available remedy. All of Otay's rights and remedies under this note are cumulative, including the right of its sole discretion to remove the meter upon the occurrence of an Event of Default.

Otay, at its option, may accelerate the maturity of all installments to become due immediately if, in the sole opinion of Otay, the financial responsibility of the ELL becomes unsatisfactory.

ATTORNEYS' FEES

The ELL agrees that if any referral to an attorney for collection or any action at law or in equity is brought to enforce this Note for nonpayment Otay will be entitled to recover attorneys' fees.

WAIVERS

No waiver by Otay of any rights or remedies under this Note shall be considered a waiver of any other subsequent right or remedy.

The ELL waives presentment for payment, notice of nonpayment, and notice of dishonor of this Note.

The ELL waives trial by jury in any litigation arising out of or relating to this Note in which Otay or a holder of this Note is an adverse party, and further waives the right to interpose any defense, set-off, or counterclaim of any nature or description, which rights are expressly waived except as provided by law.

NOTICE

Any notice to ELL provided for in this Note will be given by mailing first class mail or by facsimile transmitted at the address and to the person identified below. The notice shall be considered received and properly given on the 3rd day after mailing or upon successful facsimile transmittal evidenced by fax receipt.

GENERAL

Any headings used in this note are for convenience only, and, if any provision of this note is invalid, the parties agree that all other provisions shall remain in effect.

This Note will be governed by the laws of the State of California, including the Uniform Commercial Code in force in the State of California.

Executed as of the date set forth above.

OTAY WATER DISTRICT

Mark Watton, General Manager

EASTLAKE LITTLE LEAGUE

By _____

Title _____

Notice Address: Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 92178-2004
Phone (619) 670-2212
Fax (619) 670-3658
Attn: Mr. Joseph Beachem

**Promissory Note - 2 Year
Eastlake Little League**

QTE 05-282 & QTE-05-283

Eastlake Little League

<u>Meter/Service</u>	<u>Qty/Hrs</u>	<u>Unit Price</u>	<u>Total</u>
1" Permanent Recycled "K" Class water meter w/ annexation fee	1	15,047.00	15,047.00
3/4" Permanent Potable water meter w/ annexation fee	1	8,616.00	8,616.00
Records/Admin. Fee	8	50.00	400.00
			<u>24,063.00</u>

ORIGINAL BALANCE	\$ 24,063.00
NO. OF PAYMENTS	25 Includes downpayment
INTEREST RATE	8.25%
INITIAL DOWNPAYMENT (10%)	\$2,406.00
DOWNPAYMENT	7/29/2005
MONTHLY PAYMENT	\$982.70
EST. TOTAL ANNUAL PMT.	\$11,792.40
FINAL PAYMENT	8/1/2007
FINAL PAYMENT AMT.	\$981.38

(Schedule subject to quarterly adjustment based on changes in Federal Funds Rate.)

	<u>PAYMENT DATE</u>	<u>PAYMENT</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>BALANCE</u>
					<u>\$24,063.00</u>
	7/29/2005	\$2,406.00	\$2,406.00		\$21,657.00
1	9/1/2005	\$982.70	\$816.27	\$166.43	\$20,840.73
2	10/1/2005	\$982.70	\$841.38	\$141.32	\$19,999.35
3	11/1/2005	\$982.70	\$842.57	\$140.13	\$19,156.78
4	12/1/2005	\$982.70	\$852.80	\$129.90	\$18,303.98
5	1/1/2006	\$982.70	\$854.45	\$128.25	\$17,449.53
6	2/1/2006	\$982.70	\$860.43	\$122.27	\$16,589.10
7	3/1/2006	\$982.70	\$877.71	\$104.99	\$15,711.39
8	4/1/2006	\$982.70	\$872.61	\$110.09	\$14,838.78
9	5/1/2006	\$982.70	\$882.08	\$100.62	\$13,956.70
10	6/1/2006	\$982.70	\$884.91	\$97.79	\$13,071.79
11	7/1/2006	\$982.70	\$894.06	\$88.64	\$12,177.73
12	8/1/2006	\$982.70	\$897.37	\$85.33	\$11,280.35
13	9/1/2006	\$982.70	\$903.66	\$79.04	\$10,376.69
14	10/1/2006	\$982.70	\$912.34	\$70.36	\$9,464.36
15	11/1/2006	\$982.70	\$916.38	\$66.32	\$8,547.97
16	12/1/2006	\$982.70	\$924.74	\$57.96	\$7,623.23
17	1/1/2007	\$982.70	\$929.29	\$53.41	\$6,693.95
18	2/1/2007	\$982.70	\$935.80	\$46.90	\$5,758.15
19	3/1/2007	\$982.70	\$946.26	\$36.44	\$4,811.89
20	4/1/2007	\$982.70	\$948.98	\$33.72	\$3,862.91
21	5/1/2007	\$982.70	\$956.51	\$26.19	\$2,906.40
22	6/1/2007	\$982.70	\$962.34	\$20.36	\$1,944.07
23	7/1/2007	\$982.70	\$969.52	\$13.18	\$974.55
24	8/1/2007	\$981.38	\$974.55	\$6.83	\$0.00
	TOTAL PAYMENTS	\$25,989.48	\$24,063.00	\$1,926.48	



AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 3, 2005
SUBMITTED BY:	Pedro Porras Chief, Water Operations	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Pedro Porras Chief, Water Operations		
APPROVED BY: (Asst. GM):	Manny Magaña <i>m.m.</i> Assistant General Manager, Engineering and Water Operations		
SUBJECT:	Status Report on the District's Automatic Meter Reading (AMR) Program and Request to Amend Meter Retrofit Contract with Underground Utilities Inc.		

GENERAL MANAGER'S RECOMMENDATION:

1. That the Board establish a budget amount for the AMR Replacement CIP approved by the Board on June 7, 2005 of \$2,179,775 to replace up to 7,549 defective NG/RAMAR meters.
2. That the Board authorize amending the current meter retrofit contract with Underground Utilities, Inc. (UUI) for an amount not to exceed \$67,200.00, to include labor to replace 1,600 NG/RAMAR AMR meters with Master Meter's 3G units.

COMMITTEE ACTION:

Please see attachment A.

PURPOSE:

1. To provide an update on the status of the District's Automated Meter Reading (AMR) Program.
2. To establish the budget amount for AMR Replacement CIP.
3. To obtain authorization to amend UUI's contract to replace 1,600 NG/RAMAR AMR meters; and
4. To present an updated proposed action plan.

ANALYSIS:

Background

At the June 7, 2005 Board Meeting the Board approved the following action plan:

1. Replace defective NG/RAMAR units in existing AMR routes with Master Meter's 3G units. The FY06 Operating Budget included 1,100 3G AMR meters that were intended to continue with the regular AMR conversion program. It was approved to use these 1,100 meters to replace defective NG/RAMAR meters so that existing AMR routes could be kept operational.
2. Continue to prepare documentation for all products purchased and received by the District from NG/RAMAR and related expenses in order to determine the District's losses.
3. Work with District Counsel to consider legal alternatives for recovering District expenses and provide a report to the Board in closed session.
4. Establish an AMR replacement CIP in the FY06 Budget for the replacement of defective NG/RAMAR units. The CIP provides funding for labor and materials for the replacement of defectives NG/RAMAR units as necessary (up to 7,549 units) in order to maintain the viability of our AMR routes.

Current Status

On February 1 2005 the Board approved a contract with UUI for an amount of \$81,209. On June 2, 2005 the General Manager, within his authority, amended UUI's contract for an additional amount of \$11,942.50 for the installation of 581 additional Master Meter's 3G AMR units to replace defective NG/RAMAR units in two pre-existing routes. Therefore, the current contract amount is \$93,151.50.

Since the Board approved the above-referenced action plan, staff has worked on the following:

1. Staff continues to monitor the overall number of new failures of NG/RAMAR units in the ground. Latest reads show that there are over 1,300 NG/RAMAR units in the ground unable to transmit radio signal. This figure is gradually increasing. The failure rate continues to be high, in excess of 10%.
2. Currently evaluating other AMR products and comparing them with Master Meter's 3G units.

3. Currently preparing another contract to replace additional defective NG/RAMAR units in order to maintain existing AMR routes.
4. A number of meetings have been held with the District's Legal Counsel and staff in preparation for presentation of the District's claim to Northrop Grumman for District losses.
5. Staff is continuing to research other AMR systems and evaluating their functionality in order to determine what product best meets the District's long-term needs.
6. Staff has negotiated a fair cost of \$42.00 per unit with UUI to provide labor to retrofit 1,600 defective NG/RAMAR units with Master Meter 3G units.

Updated Proposed Action Plan

Staff's current action plan in order to ensure existing AMR routes are maintained is summarized as follows:

1. The General Manager, under his authority, will execute a second amendment to the current UUI contract for the replacement of 385 NG/RAMAR units with Master Meter's 3G units for an amount not to exceed \$16,480.50. With this amendment the General Manager will exhaust his authority for additional changes. The contract amount will increase to \$109,632.
2. Staff is requesting that the Board approve a third amendment to the UUI's contract for an amount not to exceed \$67,200 for the replacement of 1,600 existing NG/RAMAR units in the ground with Master Meter 3G units and increase the contract amount from \$109,632 to \$176,832.
3. The funding for these amendments, and the purchasing of Master Meter's 3G units, used only to replace malfunctioning NG/RAMAR units, will be withdrawn from the recently approved CIP NR/RAMAR replacement.
4. For the September Board meeting staff will present a recommendation to establish Master Meter's 3G as the unit to be used for the District's AMR program. Staff will also address all Board concerns regarding the level of protection by using these units.
7. In order to continue with the District's retrofit program, Staff will request that the Board amend the FY 06 Budget to re-establish the retrofit of 1,100 non-AMR meters to AMR meters. Also, Staff will formally bid the labor to replace the remaining NG/RAMAR AMR units including the 1,100 re-instated units and

will present a recommendation for an award of contract to the Board during their October, 2005 Board meeting.

FISCAL IMPACT: _____

Increase the cost of the UUI's contract by \$67,200 bringing the total value of the contract to \$176,832.00. Funding for this expenditure is from the AMR Replacement CIP #P2441 approved by the Board at their June 7 meeting. This action establishes the CIP budget of \$2,179,775 from the Replacement Reserve.

STRATEGIC GOAL:

Implementation of the AMR per schedule.

LEGAL IMPACT: _____

No adverse legal impact.



General Manager

ATTACHMENT A

SUBJECT/PROJECT:

Status Report on the District's Automatic Meter Reading
(AMR) Program

COMMITTEE ACTION:

This item was reviewed by the Engineering & Water Operations and Finance & Administration Committees at their meetings held July 21 and 26, 2005 respectively. The committees supported presentation to the full board.

NOTE:

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



AGENDA ITEM 7

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 3, 2005
SUBMITTED BY:	David Charles Public Services Manager	PROJECT/ SUBPROJECT:	D0171- DIV. NO. ?? 010047
APPROVED BY: (Chief)	Rod Posada <i>R. Posada</i> Chief, Development Services		
APPROVED BY: (Asst. GM):	Manny Magaña <i>M. Magaña</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Reimbursement Agreement in the Amount of \$60,900 with McMillin Otay Ranch, LLC, for Capital Improvement Program Project R043 (Rec PL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR-125)		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to execute a Reimbursement Agreement (Attachment 1) with McMillin Otay Ranch, LLC (MOR), in the amount of \$60,900 for the construction of an 8-inch pipeline for the above-listed Capital Improvement Program project (CIP R043, Rec PL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR-125) for the McMillin Village 7 development.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

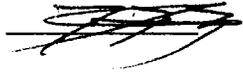
To obtain Board authorization to enter into an agreement with McMillin Otay Ranch, LLC (MOR), for the reimbursement of construction costs for an 8-inch pipeline for a regional recycled water distribution system (CIP R043, Rec PL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR-125).

ANALYSIS:

MOR is developing the McMillin Village 7 development in the Central Area (see Attachment 2, Exhibit A, for project location). The District required MOR to prepare a Subarea Master Plan (SAMP) to identify all regional facilities associated with the McMillin Village 7 development. The development is identified in the Five-Year Capital Improvement Program. The SAMP was approved by the District in January 2005.

Staff is proposing that the Board authorize the General Manager to enter into a Reimbursement Agreement with MOR for the construction of an 8-inch recycled pipeline (CIP R043) in the total amount of \$60,900. This amount covers the cost of all construction on this CIP. This amount is based on an estimate provided by Rick Engineering Company, the developer's engineering firm, for the CIP (see Attachment 3), and was reviewed and certified by District staff.

FISCAL IMPACT:



The current approved total budget in FY 2005 for CIP R043 is \$130,000. There have been no expenditures to date. Finance has determined that funding will be available from the Expansion Fund.

STRATEGIC GOAL:

This project is in line with the District's Strategic Focus Area No. 3, Financial Health; No. 5, Potable Water; and No. 6, Recycled Water, to increase recycled water use to help augment total water supply.

LEGAL IMPACT:

None.



General Manager

Attachments



ATTACHMENT A

SUBJECT:	Reimbursement Agreement in the Amount of \$60,900 with McMillin Otay Ranch, LLC, for Capital Improvement Program Project R043 (Rec PL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR-125)
PROJECT:	D0171-010047

COMMITTEE ACTION:

On July 21, 2005, the Engineering and Operations Committee met and supported staff's recommendation.

NOTE:

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

ATTACHMENT 1

REIMBURSEMENT AGREEMENT
Between
THE OTAY WATER DISTRICT AND MCMILLIN OTAY RANCH, LLC
For
CAPITAL IMPROVEMENT PROGRAM WATER FACILITIES
Associated With
MCMILLIN VILLAGE 7 DEVELOPMENT
(CIP R043)

This reimbursement agreement ("Agreement") is entered into as of this ____ day of _____, 2005, by and between the Otay Water District, a Municipal Water District formed under the Municipal Water District Act of 1911 (hereinafter referred to as "the District") and McMillin Otay Ranch, LLC, a Delaware limited liability company (hereinafter referred to as "the Developer"), in view of the following facts and for the following purposes:

RECITALS

A. WHEREAS, the District's Board of Directors has adopted a Master Plan and approved a Capital Improvement Program (CIP) for all regional water facilities throughout the District. There are a number of regional water facilities within and adjacent to the McMillin Village 7 development within the City of Chula Vista; and

B. WHEREAS, the Developer intends to develop its property, which will include substantial public improvements, including certain regional water facility projects listed within the District's CIP (see Exhibit A); and

C. WHEREAS, the Developer recognizes that the District constructs regional facilities to support this development, typically in advance of the Developer paying all capacity fees; and

D. WHEREAS, the Developer shall conform to all of the conditions set forth in the District's current Policy 26 (see Exhibit C); and

E. WHEREAS, the Developer shall comply with all terms and conditions in the current District's Code of Ordinances and in the District's Standard Specifications; and

F. WHEREAS, the Developer agrees to encourage participation by Emerging Business Enterprises on construction contracts related to this agreement.

NOW THEREFORE, in consideration of the recitals and mutual obligations of the parties herein expressed, the District and the Developer agree as follows:

1. Project.

A. A Subarea Master Plan (SAMP) entitled "Subarea Water Master Plan of Potable and Recycled Water for McMillin Village 7," dated January 2005, requires certain CIP regional water facilities ("facilities") to be constructed to service the development and surrounding areas (see Exhibit A).

B. The Developer shall construct the 8-inch pipeline (R043), which is a CIP regional water facility.

2. Project Cost. The Developer shall design and construct the CIP facilities described herein, providing all funds needed for their design and construction.

3. Reimbursement. The Developer shall be entitled to reimbursement consistent with the District's Policy No. 26, Section A. This policy requires that enhancements and issues related to a specific Developer's benefit be at their costs. The costs for these items, as outlined in a Letter Agreement dated June 30, 2005, are the actual costs as bids or a predetermined percentage as agreed between the District and the Developer. When a project is operationally complete, the Developer may request reimbursement for up to 90% of the facility cost in cash by providing unconditional lien releases and other documentation supporting the work completed. The remaining 10% in cash may be reimbursed after the District accepts the facilities.

4. Plan Approval. In accordance with the District Code of Ordinances and District Policies, Developer shall be required to adhere to the District's process for submittal of improvement plans, including any and all District requirements related to bonding of all facilities to be constructed, construction agreements, deposits for District staff time, and project acceptance. In accordance with the District Code of Ordinances, District Policies, and the practices of the District, the

Developer shall either (1) be required to post bonds for labor and materials, performance, and a one-year warranty for the project; or (2) the Developer shall require that the contractor, as part of the bid specifications and as a condition of awarding the contract, post bonds for labor and materials, performance, and a one-year warranty for the project. In each instance, the bonds shall be for 100% of the value of the project; and each bond shall designate the District as the bond's beneficiary.

5. Record Keeping. The Developer shall keep an accurate record of the actual cost to construct the CIP facilities, for which reimbursement is requested, in accordance with generally accepted accounting procedures. The Developer shall allow an authorized District representative, during the Developer's regular business hours and upon reasonable notice, to examine and duplicate any records relevant to verifying the actual cost to construct the water facilities, including, without limitation, all contract bids and invoices. Any changes occurring during construction shall be properly documented. Back-up documentation shall be kept by the Developer for three (3) years after the completion of the facilities and be provided to the District for its review upon its request.

6. Change Orders. No Change Order will be allowed unless the construction change is initiated by the District.

7. Operation and Maintenance Costs. Developer shall fund the first two (2) years of operation and maintenance costs upon project acceptance of the facilities, which shall be paid in four (4) semi-annual installments. The District's request for payment shall be supported by invoices and other documentation supporting the actual costs incurred.

8. Amendments. No amendment, modification, supplement, termination or waiver of any provision of this Agreement shall be effective unless executed in writing by both parties and then only in the specified instance and for the specific purpose given.

9. Notices. Any demand upon or notice required or permitted to be given by one party to the other party shall be in writing. Except as otherwise provided by law, any demand upon or notice required or permitted to be given by one party to the other party shall be effective (a) on a personal delivery, (b) on the second business day after mailing by certified or registered United States mail, return receipt requested, or (c) on the succeeding business day after mailing by Express Mail or after deposit with a private delivery service of general use (e.g., Federal Express) postage or fee prepaid as appropriate, addressed to the party at the address shown below:

If to the District: Otay Water District
2554 Sweetwater Springs Boulevard
Spring Valley, California 91978-2096
ATTN: General Manager

If to the Developer: McMillin Otay Ranch, LLC
P.O. Box 85104
San Diego, California 92186
Telephone: (619) 794-1253
Facsimile: (619) 336-3033
ATTN: Frank Zaidle

Notice of change of address shall be given by written notice in the manner set forth in this paragraph.

10. Indemnity. Each party agrees to defend, indemnify, protect, and hold harmless the other party and its agents, officers, and employees from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to employees, agents or officers, which arise from or are connected with or are caused or claim to be caused by the negligent acts or omissions or willful misconduct of the party's agent, officers or employees, in performing the work or services herein and all expenses of investigation and defending against same; provided, however, that each party's duty to defend, indemnify and hold harmless shall not include any claims or liability arising from the negligent acts or omissions or willful misconduct of the other party, its agents, officers or employees. The District and the Developer agree that in the event of any joint or concurrent

negligence, they will apportion any established or agreed upon liability proportionate to their respective degree of fault.

11. Arbitration and Attorney's Fees. If there is a dispute concerning this Agreement or arising out of this Agreement, the parties agree to first endeavor to settle the dispute in an amicable fashion by direct discussion and then by non-binding mediation if direct discussion does not resolve the dispute. Should both these efforts fail, the parties agree to submit the matter to binding arbitration. If the parties cannot agree upon a single arbitrator within thirty (30) days of the conclusion of non-binding mediation, the arbitration shall be conducted by three (3) arbitrators. Each party shall select one (1) arbitrator and the two (2) arbitrators shall then select the third arbitrator. A decision shall be rendered by a majority vote of the three arbitrators.

In the event that arbitration is required, the prevailing party shall be entitled to recover all reasonable costs and attorney's fees. In the event a settlement offer is made by any party in the form provided by California Civil Procedure 998 and the opposing parties do not do better than such offer at arbitration, the party making the settlement offer shall be deemed the prevailing party for the purposes of recovery of attorney's fees and costs.

12. Successors in Interest. The Agreement and all rights and obligations contained herein shall be in effect whether or not any or all parties to the Agreement have been succeeded by another entity, and all rights and obligations of the parties signatory to this Agreement shall be vested and binding on their successors in interest.

IN WITNESS WHEREOF, this Agreement is executed by the District and by the Developer as of the date first above written.

OTAY WATER DISTRICT
A California Municipal Water District

By _____
Mark Watton
General Manager

MCMILLIN OTAY RANCH, LLC
A Delaware limited liability company

By: McMillin Management Services, LP
A California limited partnership, its Manager

By: Corky McMillin Construction Services, Inc.
A California corporation, its General Partner

By: _____

Its: _____

By: _____

Its: _____

**MCMILLIN O.R. VILL7
ROCK MOUNTAIN ROAD**

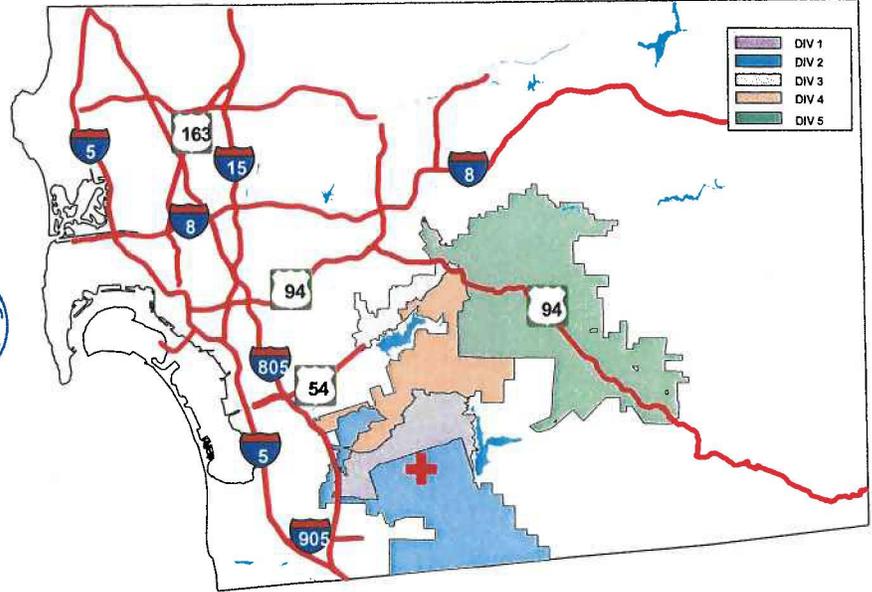
LOCATION MAP

DEVELOPER: MCMILLIN OTAY
RANCH, LLC

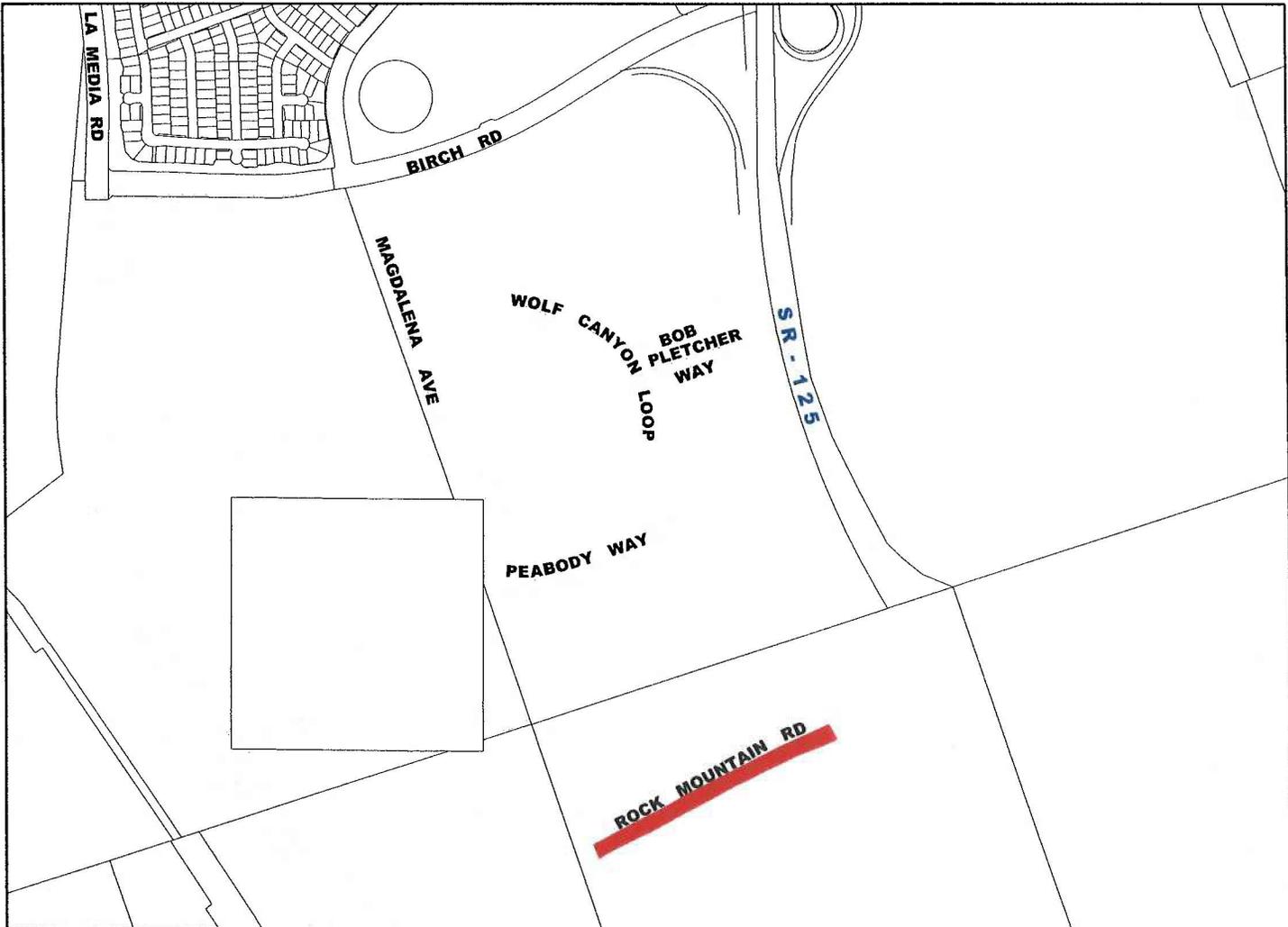
WO: D0171-010047

I.D.: 22/27

DIR.DIV.: 2



VICINITY MAP



 D0171-010047

**REIMBURSEMENT AGREEMENT ENGINEER'S ESTIMATE
8" RECYCLED WATER MAIN - 944 PZ**

OWNER: McMILLIN COMPANIES

DATE 7/8/2005

PROJECT MCMILLIN OTAY RANCH VILLAGE 7, ROCK MOUNTAIN RD.

ID No. 22/27

CIP No. R043

OWD PROJECT # D0717-010047

TO BE CONSTRUCTED PER SUBAREA MASTER PLAN - CIP R-043

ITEM	DESCRIPTION	QUANTITY	UNITS	OWD UNIT COST	TOTAL
1	8"PVC CL 200 -DR-14	1,048	L.F	\$50	\$52,400
2	2" B.O.	2	EA.	\$750	\$1,500
3	2" AIR VAC	1	EA.	\$2,310	\$2,310
4	CONNECT TO EXISTING	1	EA.	\$1,000	\$1,000
5	END CAP (1-8" & 2-12")	1	EA.	\$750	\$750

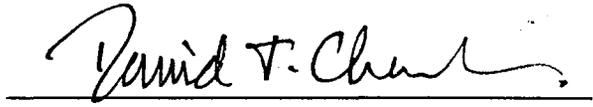
SUB-TOTAL	\$57,960
5% SOFT COST	\$2,898
TOTAL (Rounded)	\$60,900

PREPARED BY:



CARLOS PERDOMO

REVIEWED BY:





McMillin Land Development
A Corky McMillin Company

DOT#1-010047

June 30, 2005

Mr. David T. Charles
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096

Dear Mr. Charles:

As you know, Otay Water District (OWD) has approved the Sub-Area Water Master Plan for McMillin Village 7. Some of these facilities are identified as Capital Improvement Projects (CIP) and are subject to reimbursement if constructed by developers.

Please begin preparation of the reimbursement agreement between OWD and McMillin for CIP R043, an 8" reclaim water line in Rock Mountain Road, serving Zone 944. Attached is an engineer's estimate for this facility within McMillin's construction responsibility.

Should you have any questions or comments, please call me at (619) 794-1254 or Bridget McEwen at (619) 794-1285.

Sincerely,

Rodney Lubojasky, P.E.
Project Engineer

Attachment

CC: Nick Lee, McMillin Land Development
Bridget McEwen, McMillin Land Development



Mailing Address: P.O. Box 8510+ • San Diego, CA 92186-510+
2750 Womble Road • San Diego, CA 92106
TEL (619) 477-4117 • FAX (619) 336-3119

**OTAY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

CIP NUMBER: R043

PROJECT TITLE: RecPL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR 125			
WORK ORDER NO:	n/a	DIRECTOR DIVISION:	2
PROJECT MANAGER:	Gumpel	I.D. LOCATION:	22
ORIGINAL APPROVED DATE:	6/2/2004	PRIORITY:	4
RELATED CIP PROJECTS:	R032, R042	BUDGET AMOUNT:	\$130,000

DESCRIPTION OF PROJECT:
Construction of approximately 3,600 feet of 8-inch pipeline within the 944 Pressure Zone in Rock Mountain Road from La Media Road to State Route 125. This project will be constructed by the developer and is subject to reimbursement at actual cost per Board policy.

JUSTIFICATION OF PROJECT:
This project will provide transmission capacity for development of Otay Ranch and other areas within the 944 Pressure Zone.

COMMENTS:

FUNDING DETAIL:

FUNDING SOURCE:	Expansion	Betterment	Replacement	Total
General Fund	100%			100%
TOTAL:	100%			100%

EXPENDITURE SCHEDULE (X \$1000):

PRIOR YEARS TOTAL	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTAL
	\$1	\$1	\$28	\$100		\$130

**OTAY WATER DISTRICT
CAPITAL IMPROVEMENT PROGRAM**

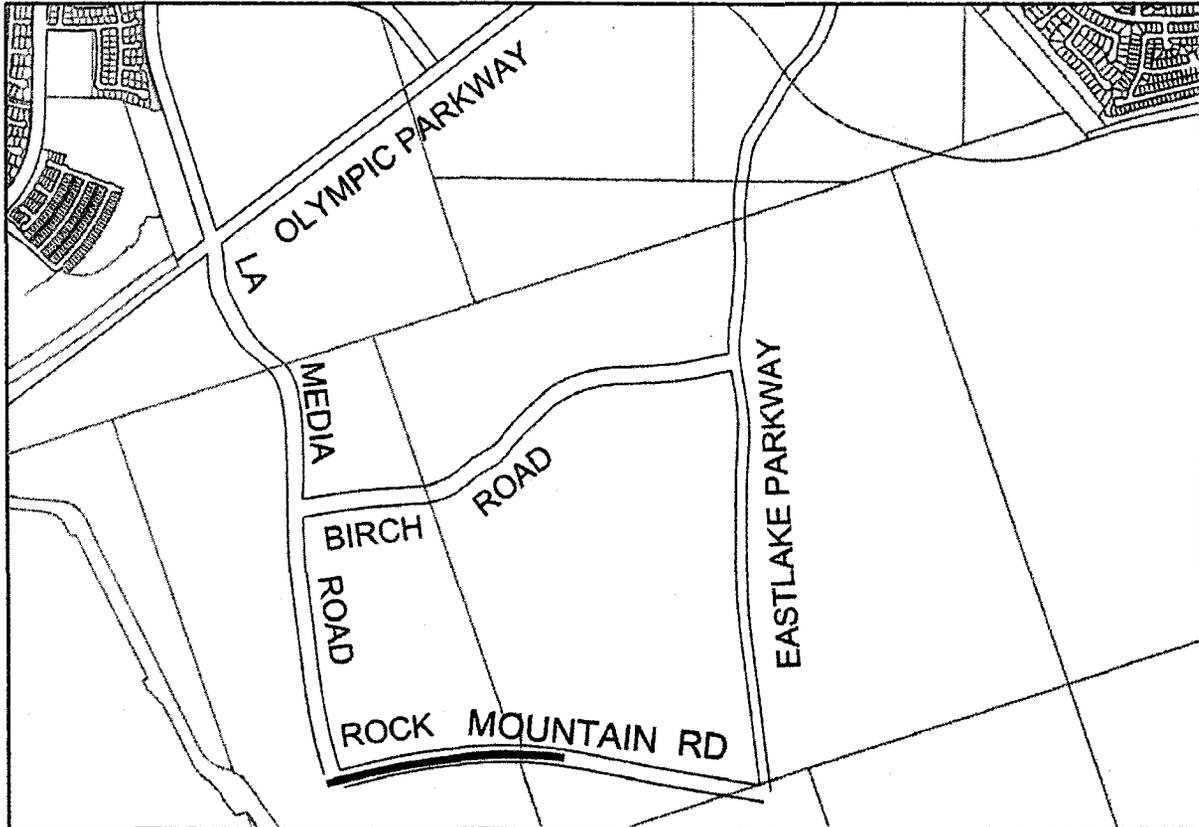
CIP NUMBER: R043

PROJECT SCHEDULE:

PROJECT PHASE:	ESTIMATED START DATE:	ESTIMATED FINISH DATE:
PLANNING:	7/06	8/06
DESIGN:	9/06	10/06
CONSTRUCTION:	11/06	8/07

PROJECT LOCATION: Thomas Bros. Map: 1331

OWD Map Book: 84



Submitted By: James Gumpel

Date: 3/19/2004

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT ADMINISTRATION OF REIMBURSEMENT AGREEMENTS	26	2/10/93	5/14/97

PURPOSE

To establish guidelines for how the District will administer reimbursement agreements for facilities, both Master Plan and Non-Master Plan. It also describes when and how the District will participate in the cost of such facilities.

BACKGROUND

Policy 25 requires that development which creates the need for new facilities must bear all costs to construct and finance the on-site and off-site water, wastewater, and recycled water systems.

On-site facilities are defined as those pipelines, pump stations and reservoirs required within the developers project boundaries. Off-site facilities are those facilities located outside a project's boundary, but are required to serve the project. The term "in-tract facilities" is used to identify non-regional facilities that serve only the project being constructed. These are typically 6 inch through 12 inch pipelines. In-tract facilities are the sole responsibility of the developer/property owner and are contributed to the District upon Board acceptance.

The District's Master Plan includes all regional facilities, both onsite and off-site, necessary to provide service throughout the District. The District's capacity fees have been calculated to pay for the cost of all the regional facilities identified in the Master Plan including the developer/property owner portion of such facilities. The District does not subsidize development but it does take responsibility to insure that those regional facilities necessary to serve development are constructed.

POLICY

A. Master Plan Facilities- Reimbursement by the District: For facilities identified in the Master Plan, both onsite and off-site, the District may reimburse the developer for construction and design costs if the project meets the following guidelines:

1. The project must be in the approved five-year Capital Improvement Program (CIP) at the time of the request, and shall not exceed the CIP budget amount without prior Board approval.
2. The developer/property owner shall obtain three (3) bids from qualified contractors and provide copies of the initial bids to

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT ADMINISTRATION OF REIMBURSEMENT AGREEMENTS	26	2/10/93	5/14/97

the District. The developer/property owner is responsible for selecting the lowest responsive bidder. The developer/property owner will be reimbursed for the CIP portions of the project based on the unit prices submitted with the lowest responsive bid.

3. The cost of addressing environmental issues, such as burying a reservoir, shall not be reimbursable unless they are currently addressed in the District's Master Environmental Impact Report and CIP.
4. All soft costs, such as engineering, inspection, bonds, etc., will be included in the reimbursement cost at five percent of the construction costs.
5. The developer must request reimbursement prior to awarding any contracts for construction.
6. The District will pay 90% of the reimbursement cost when the project is operationally complete and the remaining ten percent after the Board accepts the project.
7. The District may elect to finance the facilities by borrowing if, after analysis by the Finance Department, it is determined that the borrowing fits into the District's financial plan as outlined in Policy 25.
8. If for any reason reimbursement funds are not currently available, the District may elect to defer payments until it is financially appropriate for the District to make payments.
9. Funds for reimbursement shall be carried as a CIP until the reimbursement is made.
10. Each reimbursement agreement requires approval by the Board. A Staff Report will be prepared and reviewed with the Finance Department prior to presentation to the Board for approval.
11. This type of reimbursement agreement contains no end date for collection from the District of the approved reimbursement.

B. Non-Master Plan Facilities- Reimbursement to Developer by Future Users: Occasionally, a developer/property owner requests the

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT ADMINISTRATION OF REIMBURSEMENT AGREEMENTS	26	2/10/93	5/14/97

District to administer a reimbursement agreement to collect money from future customers who connect to the facility built by the developer/property owner. The District would collect the reimbursement amount from each customer connecting to the facility, plus the any other District connection fees. The reimbursement portion of the customers payment would be forwarded by the District to the developer/property owner to be reimbursed.

The District may administer this type of reimbursement agreement if the developer/property owner's project meets the following criteria and guidelines:

1. The developer/property owner demonstrates the facilities to be constructed have adequate capacity to serve future customers.
2. The developer/property owner shall request and execute a reimbursement agreement in conjunction with the presentation of the Agreement to Construct to the Board for approval.
3. The property owner shall deposit with the District the estimated cost for District staff to prepare a nexus study and obtain Board approval for the reimbursement agreement. District staff will provide a written estimate to the property owner within 15 days of the request.
4. The property owner shall provide three (3) bids from qualified contractors for the purpose of establishing the cost of the facilities and the portion of the reimbursement amount which is to be allocated to future connections.
5. A nexus study shall be performed by District staff to identify those who may benefit from the construction of the proposed facility and the amount they shall reimburse the developer/property owner who constructed the facility.
6. Prior to the public notice being sent to those property owners affected by the reimbursement agreement, an informational staff report will be presented to the Board.
7. The District shall notice all those property owners which will be subject to the reimbursement charge. These property owners will then be responsible to pay their fair share of the cost of

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the facilities at such time as they connect to the system. The fair share will be based on their Assigned Service Unit/Equivalent Dwelling Unit (ASU/EDU) contribution to the total projected ASU/EDU to use the system. The reimbursement charge will be in addition to any other fees a property owner would pay to the District to obtain service.

8. Each reimbursement agreement requires approval by the Board. A Staff Report shall be prepared and reviewed with the Finance Department prior to presentation to the Board for approval.
9. This type of reimbursement agreement shall be valid for 10 years from the date of Board approval. After the 10 year period has lapsed the collection of the reimbursement amount by the District shall cease.
10. A set up fee, based on 8 man-hours at a rate of \$50 per hour, shall be collected when the developer/property owner submits the signed reimbursement agreement for Board approval. The property owner shall pay the fee to cover the cost of the District's staff time to update records and maps.
11. An administration fee for each connection by a future user, based on 6 man-hours at a rate of \$50 per hour, shall be deducted from the annual reimbursement payment made to the developer/property owner. The administration fee reimburses the District for staff time to annually collect, record and disburse the amounts collected from future users to the developer/property owner. The amount withheld from the annual payment will be adjusted each year for the increase or decrease in the COLA.
12. The District will not distribute any reimbursement funds to the developer/property owner until the project has been accepted by the Board. The distribution of reimbursement funds will occur as the District collects the funds from new customers who connect to the facility, but not more frequently than once per year.
13. District staff shall collect the reimbursement amount due at the same time the standard District capacity fees for the new service are collected.

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C. Non-Master Plan Facilities- Reimbursement to Developer by the District: Normally the District would not participate in the cost of facilities which are not identified in the Master Plan. These facilities are of benefit only to the adjoining property and should ordinarily be financed solely by the developer/property owner proposing the new facility. Nonetheless, there may be circumstances where the General Manager determines that it is appropriate for the District to participate in the cost of a non-Master Plan facility. Typical reasons would be in order to accommodate future growth or betterment of the system. In these instances, the District may establish special fees to recover the reimbursement costs from benefiting property owners as they connect to the system.

The District may reimburse the developer/property owner for construction costs if the project meets the following criteria and guidelines:

1. The General Manager has determined that it is appropriate for the District's customers to participate in the construction of the project.
2. The developer/property owner shall obtain three (3) bids from qualified contractors and provide copies of the initial bids to the District. The developer/property owner is responsible for selecting the lowest responsive bidder. The developer/property owner will be reimbursed for the CIP portions of the project based on the unit prices submitted with the lowest responsive bid.
3. A nexus study will be performed by the District to identify those property owners who may benefit from the construction of the proposed facility.
4. Prior to the public notice being sent to those property owners affected by the reimbursement agreement, an informational Staff Report shall be presented to the Board.
5. The District shall notice all those property owners which will be subject to the reimbursement charge. These properties will then be responsible to pay their fair share of the cost of the facilities, plus interest, at such time as they connect to the system.

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6. The developer/property owner shall request and execute the reimbursement agreement with the District prior to awarding any contracts for construction.
7. Each reimbursement agreement requires approval by the Board. A Staff Report shall be prepared and reviewed with the Finance Department prior to presentation to the Board for approval.
8. The District will pay 90% of the reimbursement cost when the project is operationally complete and the remaining 10% after the Board accepts the project.
9. The District may elect to finance the facilities by borrowing, if it is determined that borrowing is in the best interest of the District's customers.
10. If for any reason, reimbursement funds are not currently available, the District may elect to defer payments until it is financially appropriate for the District to make payments.
11. Funds for reimbursement shall be carried as a CIP until the reimbursement has been made.
12. This type of reimbursement agreement contains no end date for the collection by the District of its contributed share of the cost, and shall be the responsibility of all current and subsequent property owners.
13. District staff shall collect the reimbursement amount due at the same time the standard District capacity fees for the new service are collected.