



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
	Alicia Mendez-Schomer, Customer Service Manager	PROJECT:	DIV. NO. ALL
SUBMITTED BY:			
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4211 to Continue Water and Sewer Availability Charges for District Customers for Fiscal Year 2013-2014 to be Collected through Property Tax Bills		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4211 to continue water and sewer availability charges for District customers for Fiscal Year 2013-2014 to be collected through property tax bills.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

That the Board consider the adoption of Resolution No. 4211 to continue water and sewer availability charges for District customers for Fiscal Year 2013-2014 to be collected through property tax bills.

ANALYSIS:

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

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

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The availability charges, as budgeted will generate approximately \$1.24 million in revenue.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Form
 Attachment B - Resolution No. 4211



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4211 to Continue Water and Sewer Availability Charges for District Customers for Fiscal Year 2013-2014 to be Collected through Property Tax Bills
-------------------------	--

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 24, 2013 and the following comments were made:

- Staff is requesting that the Board adopt Resolution No. 4211 to continue water and sewer availability fees in Fiscal Year 2013-2014.
- The availability fees are collected through property tax bills and are authorized through the State Water Code.
- In order to place these fees on the property tax bills, the County of San Diego requires that the District's Board adopt a resolution annually authorizing the fees.
- The fees collected are \$10/acre for parcels one acre or less and \$30/acre for parcels larger than one acre. These fees have not changed for many years.
- There are approximately 63,000 parcels that are assessed the fee annually and the District collects approximately \$1.2 million each year through this assessment.

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

RESOLUTION NO. 4211

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT CONTINUING PREVIOUSLY ESTABLISHED WATER AND SEWER AVAILABILITY CHARGES FOR FISCAL YEAR 2013-2014; REQUESTING THE COUNTY TO COLLECT SUCH AVAILABILITY CHARGES ON THE 2013-2014 SECURED TAX ROLL AND TAKING OTHER RELATED ACTIONS

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

WHEREAS, Improvement Districts No. 14 and 18 and Assessment District No. 4 (Hillsdale) have been formed within the Otay Water District (herein "District") and sanitary sewers have been constructed and sewer service is available to land within each of the said districts; and

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

WHEREAS, in consideration of the benefit which sewer availability confers upon property within Improvement Districts No.

14 and 18 and within Assessment District No. 4 (Hillsdale), and in further consideration of the need to pay the cost of sanitary sewers which directly and specifically benefit those properties, the District has previously determined that sewer availability charges be fixed and established for Improvement Districts No. 14 and 18 and Assessment District No. 4 (Hillsdale), all as provided under applicable provisions of law; and

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

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

1. SCHEDULE OF WATER CHARGES

(A) The water availability charges previously fixed and established are hereby continued for Fiscal Year 2013-2014 at the existing rates, as follows:

- (1) In Improvement Districts No. 5 and La Presa No. 1 the charge shall be \$10.00 per acre of land and \$10.00 per parcel of land less than one acre.
- (2) In Improvement Districts No. 2, 3, 7, 9, 10, 19, 20, 22, 25 and 27 the charge shall be \$30.00 per acre of land and \$10.00 per parcel of land less than one acre.
- (3) For land located outside an improvement district and within one mile of a District water line, the charge shall be \$10.00 per acre of land and \$10.00 for each parcel less than one acre.

- (4) For land located outside an improvement district and greater than one mile from District facilities, the charge shall be \$3.00 per acre of land and \$3.00 for each parcel less than one acre.

(B) Modifications The charges provided for in subparagraphs (1) through (4) in (A) above shall be modified upon petition by the property owner where the property does not receive water from the District as follows:

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

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

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

- (1) land located within an area designated as a floodway by the County of San Diego;
- (2) land designated as a vernal pool area by a governmental agency authorized to make such a designation and which designation prohibits use of such area for any purpose;

- (3) land owned by non-profit, tax-exempt conservation organizations specializing in identifying and protecting the natural habitat of rare species; or
- (4) land that is located within the boundaries of the Otay Water District but not within the boundaries of the Metropolitan Water District of Southern California and the San Diego County Water Authority.

2. SCHEDULE OF SEWER CHARGES

(A) Sewer standby assessment or availability charges are hereby fixed and established for Fiscal Year 2013-2014 as follows:

- (1) In Improvement Districts No. 14, 18 and Assessment District No. 4 (Hillsdale), the charges shall be \$30.00 per acre of land and \$10.00 per parcel of land less than one acre. The preceding charges shall not apply, upon petition by the property owner, to the following:
 - (a) any portion of a parcel which is undeveloped and maintained in its natural state within an Open Space Area as a requirement under the San Diego County General Plan, provided the owner of such parcel files proof, satisfactory to the District, of such designed Open Space Area;
 - (b) any portion of a parcel located within an area designated by the County of San Diego as a floodway or floodplain; or
 - (c) any portion of a parcel of land which exceeds a slope of 30% and which is not within a legal

subdivision, lot split or planned lot split or planned residential development.

3. DEFERRALS

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

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

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

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

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

- (a) The owner of such parcel makes a timely application requesting deferral of the charge.
- (b) The parcel, which is the subject of the request, will become subject to enforceable restrictions which prohibits the connection to the District sewer system or use of water on the parcel, except by means of natural precipitation or runoff; provided, however, if considered appropriate by the General Manager, local water may be used for limited domestic stock watering and irrigation uses.
- (c) The owner executed a recordable agreement which includes provisions that:
 - (1) set forth the enforceable restrictions pertinent to the subject parcel;
 - (2) the agreement may be terminated upon written request by the owner and payment of all deferred water and/or sewer availability charges, plus interest thereon, compounded

annually, and accruing at the legal rate from the date such charges would have been otherwise due and payable;

- (3) no water and/or sewer service from the District shall be provided to such parcel for a period of ten (10) years after the total amount due for the charges deferred, plus annually compounded interest, is paid in full to the District, unless a surcharge penalty as described below is paid to the District prior to connection of any water and/or sewer service;
- (4) if the surcharge is not paid, during the ten (10) year period, while water and/or sewer service is not available to the subject land, the owner shall pay all annual water or availability charges as fixed; and
- (5) contains such other provisions considered by the General Manager to be appropriate.

(D) Surcharge Upon termination of the deferral agreement, an owner may elect to receive water and/or sewer service prior to the expiration of the ten (10) year penalty period upon payment of a surcharge. The surcharge shall be equal to the amount of the annual water and/or sewer availability charges fixed for the parcel(s) of land in the year of election to receive water and/or sewer service multiplied by the number of years remaining of the ten (10)

year penalty period. This surcharge shall also apply if a property owner develops a parcel that is subject to a deferral agreement without termination of said agreement.

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

- (1) Maintain a record of all parcels approved for deferral of the water assessments or availability charges.
- (2) Report to the Board of Directors any instances where the terms of the agreement are being violated.
- (3) Take such other actions or procedures considered appropriate.

4. DEFINITION OF PARCEL The term "parcel" as used herein shall mean a parcel of land as shown on the assessment rolls of the County Assessor of San Diego County as of March, 2013.

5. NOTICE AND REQUEST TO THE BOARD OF SUPERVISORS AND AUDITOR As provided in Sections 71634 to 71637, on or before the third Monday in August, 2013, the Secretary of this District shall furnish, in writing to the Board of Supervisors of San Diego County and to the County Auditor, a description of the land within the District upon which availability charges are to be levied and collected for Fiscal Year 2013-2014 together with the amount of the assessments or charges. At the time and in the manner required by law for the levying of taxes for county purposes, the Board of Supervisors of San Diego County shall levy, in addition to taxes it levies, water and/or sewer availability charges in the amounts fixed by this

Resolution for the respective parcels of land described in Section 1 of this Resolution. All County officers charged with the duty of collecting taxes shall collect the charges with the regular property tax payments in the same form and manner as County taxes are collected. Such availability charges are a lien on the property with respect to which they are fixed. Collection of the charges may be enforced by the same means as provided for the enforcement of liens for state and county taxes.

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

7. CERTIFIED COPIES The Secretary of this District shall deliver certified copies of this Resolution to the Board of Supervisors and

to the Auditor of San Diego County with the list of charges described in Section 4 above.

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

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 3rd day of July, 2013.

President

ATTEST:

Secretary

I HEREBY CERTIFY that the foregoing Resolution No. 4211 was duly adopted by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT at a regular meeting thereof held on the 3rd day of July, 2013 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

District Secretary



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Jeanette Ziomek, Senior Accountant Rita Bell, Finance Manager	PROJECT:	DIV. NO. All
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4212 to Establish the Tax Rate for Improvement District No. 27 (ID 27) for Fiscal Year 2013-2014		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4212 to establish the tax rate for Improvement District No. 27 (ID 27) at \$0.005 for Fiscal Year 2013-2014.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

Improvement District No. 27 (ID 27) has outstanding general obligation bonds which mature in Fiscal Year 2023. On an annual basis, staff must evaluate the tax rate charged upon all property within ID 27 to ensure the amount of tax collections will support the annual debt service requirement. Currently, ID 27 is the only improvement district with outstanding general obligation debt service.

BACKGROUND :

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

In Fiscal Year 1998, the bonds were refinanced which reduced the annual debt payment. In Fiscal Year 2010, the bonds were refinanced again and reduced the annual debt payment even further. During that time, ID 27 also experienced rapid growth in its assessed valuation. The combination of the reduced debt service requirement and the increased assessed values resulted in the District's reserve level exceeding the target level.

Beginning in 2009, property valuations began decreasing and the tax collections dropped below the required debt payment. Rather than increase the tax rate, the District chose to cover the tax collection shortfall from the reserves to the extent that the reserve level remained above the target.

Staff proposes to keep the tax rate at \$.005 and to continue to draw down the reserves until it comes closer to the target. The rate and reserve balance will be re-evaluated again next year to determine if the rate requires adjustment to meet the District's reserve target level.

FISCAL IMPACT: Joseph R. Beachem, Chief Financial Officer

The tax proceeds are legally restricted for the sole purpose of the repayment of this debt. These proceeds will be collected until the debt obligation is fully paid, at which time the fund will have a zero balance. The \$0.005 tax rate will generate \$598,296 in revenue. The estimated revenue, given the recommended tax rate combined with the current fund balance, will meet the annual ID 27 debt service payment of \$755,438. This action lowers the fund balance, bringing it closer to the target level of six months of bond payments while maintaining a positive cash balance for the foreseeable future.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action Form
- B) Resolution No. 4212
- C) ID 27 Tables



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4212 to Establish the Tax Rate for Improvement District No. 27 (ID 27) for Fiscal Year 2013-2014
-------------------------	---

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 24, 2013 and the following comments were made:

- Staff presents this item each year to formally set the tax rate for outstanding General Obligation Bonds.
- The General Obligation Bonds were issue in 1992 for the construction of a 30 MG reservoir in Improvement District 27 (ID 27).
- The bonds were refinanced in 1998 and 2009 which has lowered the minimum payment required on the debt service. During this time the assessed values in ID 27 were increasing. With the increased assessed values and lower debt payments, the target reserve level was exceeded.
- To lower the fund to target level, the District has been maintaining the tax rate at \$0.005 per \$100 of assessed property value and utilizing the reserve fund to cover any differentials.
- Staff analyzed the tax rate for FY 2014 to determine if it can be maintained at \$0.005. It is felt that if the assessed property values increase and the District starts to grow again, then the tax rate can be maintained at \$0.005. This will allow the District to maintain the fund at the target reserve level which is half the annual debt payments.
- Even with the declining debt reserve level, staff recommends to maintain the tax rate at \$0.005 per \$100 of assessed property value and utilizing the reserve fund to cover any differentials.
- It was discussed that the goal is to have the tax rate and the last payment on the bond coincide. As the fund may only be used to make payments of the bond, if too much is collected, the excess must be returned to the customers.

- It was indicated that there is approximately \$6 million left on the debt. The committee inquired if the District collects too much, can the excess be used to pay down the remaining debt (redeem some bonds). Staff indicated that they would look into the possibility of doing so. Subsequent to the meeting staff reviewed the bonds and found that due to the short time horizon of the bonds at the time they were refinanced in 2009, the market did not favor a call provision. Without a call provision there is no opportunity to redeem any portion of the Bonds. However, the District can quickly deplete any excess funds by lowering the tax rate, so there is still an effective option available to manage the bond reserves. Having said this, given the recent analysis of the bond reserves the current risk is that the rates will need to be increased, not decreased, making a current reduction of the tax rate inadvisable.

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



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4212 to Establish the Tax Rate for Improvement District No. 27 (ID 27) for Fiscal Year 2013-2014
-------------------------	---

COMMITTEE ACTION:

That the Finance, Administration and Communications Committee recommend that the Board adopt Resolution No. 4212 to establish the tax rate for Improvement District No. 27 (ID 27) at \$0.005 for Fiscal Year 2013-2014.

NOTE:

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

RESOLUTION NO. 4212

A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT FIXING TAX RATES FOR FISCAL YEAR 2013-2014 FOR PAYMENT OF PRINCIPAL AND INTEREST ON GENERAL OBLIGATION BONDS OF IMPROVEMENT DISTRICTS (GF 1600)

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

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

1. Findings. It is necessary that this Board of Directors cause taxes to be levied in Fiscal Year 2013-2014 for Improvement District No. 27 of the Otay Water District to pay the amount of the principal and interest on the bonded debt of such improvement district.

2. Amounts to be Raised by Taxes. The amount required to be raised by taxation during Fiscal Year 2013-2014 for the principal and interest on the bonded debt of Improvement District No. 27 is as follows:

Improvement District No. 27 \$598,296

3. Tax Rates. The tax rates per one hundred dollars (\$100) of the full value of all taxable property within said improvement district necessary to pay the aforesaid amounts of principal and interest on the bonded debt of said improvement district for Fiscal Year 2013-2014 is hereby determined and fixed as follows:

Improvement District No. 27 \$0.005

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

PASSED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 3rd day of July, 2013.

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

Secretary

Attachment C

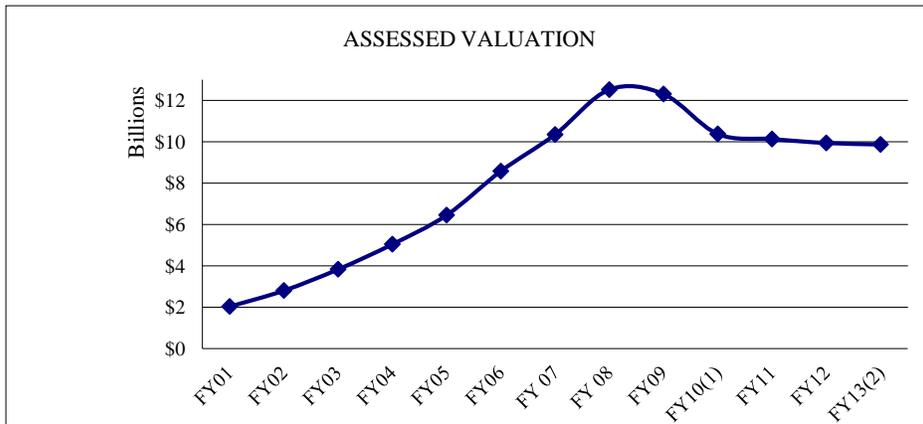
IMPROVEMENT DISTRICT 27

History

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

Historical Data						
	TAXES COLLECTED	DEBT SERVICE	NET	TAX RATE	ASSESSED VALUATION	INC%
FY01	\$1,628,500	\$841,500	\$787,000	\$0.06000	\$2,037,206,308	32%
FY02	\$570,300	\$842,000	(\$271,700)	\$0.02000	\$2,809,479,840	38%
FY03	\$725,085	\$848,600	(\$123,515)	\$0.01500	\$3,837,693,353	37%
FY04	\$829,036	\$848,700	(\$19,664)	\$0.01400	\$5,047,625,296	32%
FY05	\$997,082	\$840,800	\$156,282	\$0.01200	\$6,454,909,846	28%
FY06	\$1,081,991	\$840,385	\$241,606	\$0.01000	\$8,579,576,581	33%
FY 07	\$868,624	\$837,936	\$30,688	\$0.00700	\$10,348,663,242	21%
FY 08	\$917,168	\$835,017	\$82,151	\$0.00600	\$12,518,643,676	21%
FY09	\$764,971	\$830,823	(\$65,852)	\$0.00500	\$12,308,043,285	-2%
FY10⁽¹⁾	\$605,405	\$934,674	(\$329,269)	\$0.00500	\$10,378,404,507	-16%
FY11	\$600,685	\$781,144	(\$180,459)	\$0.00500	\$10,131,397,697	-2.4%
FY12	\$597,799	\$752,976	(\$155,177)	\$0.00500	\$9,941,622,812	-1.9%
FY13⁽²⁾	\$649,257	\$773,863	(\$124,606)	\$0.00500	\$9,869,377,173	-0.7%

Change in Fund Balance						
	TAXES COLLECTED	DEBT SERVICE	NET	TAX RATE	ASSESSED VALUATION	INC%
			\$895,316			
FY14	\$595,829	\$755,438	(\$159,609)	\$0.00500	\$9,918,724,059	-0.2%
	Interest		\$3,820			
			\$739,527			
	Est Fund Balance 6/30/14					



⁽¹⁾ Due to the debt refinancing in FY2009, there was a refunding cost of \$150,625 that added to the debt service amount this year.

⁽²⁾ Due to timing of the report, taxes collected is an estimate.



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
		PROJECT:	Various DIV.NO. All
SUBMITTED BY:	Rom Sarno Chief, Administrative Services		
APPROVED BY:	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	ADOPT RESOLUTION NO. 4215 TO ELECT FOUR (4) CANDIDATES FOR SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S BOARD OF DIRECTORS		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4215 for the election of four (4) candidates for the Special District Risk Management Authority's (SDRMA) Board of Directors.

COMMITTEE ACTION:

Please see "Attachment A".

PURPOSE:

To present for the Board's consideration, the ballot to elect four (4) candidates for the Special District Risk Management Authority's (SDRMA) Board of Directors.

ANALYSIS:

SDRMA is holding an election to fill four (4) seats on its Board of Directors. Staff has reviewed each candidate's qualifications, background, experience and expertise, and in an effort to provide a good balance of representation (based on agencies represented) on

SDRMA's Board, staff is recommending that the following four (4) candidates be considered for election to their Board:

Muril Clift (Incumbent)
Director, Cambria Community Services District

Jean Bracy (Incumbent)
Director of Administrative Services, Mojave Desert Air Quality Management District

David Aranda (Incumbent)
General Manager, North of the River Municipal Water District

Mike Scheafer
Director/Vice President, Costa Mesa Sanitary District

Attached are statements of qualifications (Attachment B) as submitted by each candidate, along with the official election resolution (Attachment C) and ballot (Attachment D), which SDRMA requires to ensure the integrity of the balloting process. The ballot requests that the District select four (4) candidates when placing its vote.

The ballot must be sealed and received by 5:00 pm on Tuesday, August 27, 2013.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Report
 Attachment B - Candidates' Statement of Qualifications
 Attachment C - Resolution No. 4215
 Attachment D - Election Ballot



ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION NO. 4215 TO ELECT FOUR (4) CANDIDATES FOR SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S BOARD OF DIRECTORS
-------------------------	--

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 24, 2013 and the following comments were made:

- The District has received a ballot from SDRMA to elect four representatives to their Board of Directors.
- SDRMA provides the District property, liability and workers' compensation insurance. The District has been pleased with their services. They have been very responsive and have been meeting the District's needs for property, liability and workers' compensation claims.
- Staff reviewed District's working relationship with SDRMA's staff and board and has been happy with their current board. There are three incumbents up for re-election who are among the four that are being recommended by staff. After a review of the resumes of the remaining candidates, staff recommends Mr. Mike Scheafer of Costa Mesa Sanitary District as the fourth candidate. Mr. Scheafer has 40 years of insurance industry experience and is located within the Southern California region.
- Staff recommends that the District cast its votes for the following candidates:

Mr. Muril Clift (Incumbent)
Director, Cabria Community Services District

Jean Bracy (Incumbent)
Director of Administrative Services, Mojave Desert Air Quality Management District

Mr. David Aranda (Incumbent)
General Manager, North of the River Municipal Water District

Mr. Mike Scheafer
Director/Vice President, Costa Mesa Sanitary District

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

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

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

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

Nominee/Candidate	Muril N. Clift		
District/Agency	Cambria Community Services District		
Work Address	PO Box 65 – 1316 Tamsen St., Cambria 93428		
Work Phone	805- 927-6223	Home Phone	805- 927-7124

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

It has been an honor and privilege to serve on SDRMA's Board of Directors for the past four years. During that time the Board, through prudent financial management has:

- Held rates stable in a serve recession.
- Instituted longevity bonuses for member loyalty
- Established programs to assist handling and preventing workers compensation claims through the Company Nurse Program and Safety Equipment Reimbursement Program
- Expanded training and professional development opportunities through financing the Targeted Solutions Program and Special Districts Leadership Foundation

I want to continue on the Board to support these programs and seek additional service opportunities to members while providing exceptional value in insurance access.

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

My background includes a combination of a strong commitment to the concept of the Special District form of government and a 41 year career in the private personal and commercial insurance industry.

In addition to serving the past four years on the SDRMA Board, I currently serve as:

- Director, Cambria Community Services District
- Director, Special Districts Leadership Foundation
- Commissioner, San Luis Obispo County LAFCO
- Member, Special Districts Legislative Committee

I am totally committed to the Special District as the most direct form of local government.

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

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

Having served on the Boards of several different types of Special Districts – School District, Airport District, Multi Services District and Single Service Agency – gives me an understanding of the different problems faced by districts and the opportunities for SDRMA to provide assistance.

My 41 year career, now retired, in the private personal and commercial insurance industry provides an understanding of the liabilities Districts face and how SDRMA can meet our member's risk management and insurance needs.

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

My vision for SDRMA is incorporated in SDRMA's Mission Statement of "providing renewable, efficiently priced risk management services through a financially sound pool to CSDA member districts".

First, I see SDRMA's primary responsibility is to provide as much stability to risk financing as possible maintaining financial security of the risk pool.

Second, I see SDRMA expanding the risk management services through expanded training and professional development provided to its members.

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

Candidate Signature



Date



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

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

Nominee/Candidate Mike Scheafer

District/Agency Costa Mesa Sanitary District

Work Address 1551-B Baker St., Costa Mesa, CA 92626

Work Phone 714 435-0300

Home Phone 714 549-4961

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

As an insurance professional for over 40 years I have become acutely aware of the need for strong risk management practices and procedures. I work hard to not only manage my own risk, but those of my customers and my Special District. I have a desire to share my skill and expertise with the various Districts in California.

I believe the increasing stress and challenges in risk management for Special Districts need a knowledgeable, committed professional like myself.

My professional life has given me an opportunity to serve various "communities" in a number of ways. Serving on the SDRMA Board is another opportunity to serve, one in which I would be honored to do.

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

I have served as a Board Member for a number of non-profit and civic groups and agencies. In almost every experience I have been chosen as Chair or President for those groups. I believe this is a demonstration of my leadership skills. I have received a number of awards for that service.

I founded 2 non-profit organizations dedicated to serving my community. I currently serve on 2 CSDA committees. I am a former City Councilmember for the City of Costa Mesa, former Parks and Recreation Commissioner, and previously served as a CMSD Director.

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

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

I am a recognized leader and educator in the insurance industry with several awards for my experience in insurance awareness and risk avoidance. I hold a Community College teaching credential in Insurance Education.

State Farm Insurance appointed me as the Legislative Advisor to Assemblywoman Marilyn Brewer. I continue to work as an insurance advisor for State and Federal organizations in legislative affairs and issues.

As a past international officer for Lions Clubs International, I am often consulted on insurance or risk management issues for local Lions Clubs.

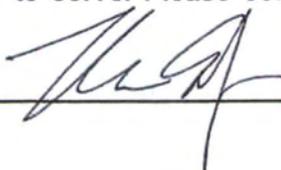
I continue to be the "go to guy" for risk management advice for various local and state groups.

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

Special Districts are faced with many challenges in today's environment, risk management being one of them. There is a definite need for comprehensive plans for reducing risks, which ultimately provided cost benefits to the Districts. My vision for SDRMA is to advise and help implement the types of plans that allow Districts success. At the same time SDRMA needs to provide comprehensive, low cost coverages to protect Districts from the unforeseen circumstances that will happen. SDRMA continues to provide those benefits. I would look forward to being a part of the process of protection for Special Districts.

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

Candidate Signature _____



Date _____

4/15/13

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

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

Nominee/Candidate John Woolley

District/Agency Manila Community Services District

Work Address 147 Melvin Lane Arcata, CA 95521

Work Phone 707.498.1371

Home Phone 707.443.6889

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

I was fortunate to be part of the beginnings of SDRMA when it was created in the latter part of the 1980's, then under the name Special District Insurance Agency. From there the focus changed, from not just providing basic insurance, but recognized risk management is the essential service and purpose for the existence of the entity, and therefore, so did the name change to SDRMA. From these experiences on the Board of Directors, I personally grew and became an advocate for its abilities and services. Now retired, but still engaged in community volunteer service, I remain attracted to the work of SDRMA and find the possibility to serve on the Board to be an exciting opportunity, and a position I am sure will be personally fulfilling. The SDRMA Management and Board Team have been providing excellent leadership, maintaining the stability and member services necessary for SDRMA to be successful, and it would be an honor to serve with them.

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

I have had over 30 years experience in various public service positions. Besides serving my community service district for 16 years, I was elected to the Humboldt County Board of Supervisors in 1996, serving 3 terms before stepping down to take a position as Field Representative for Assemblymember Wesley Chesbro, retiring in 2012. During my time on the Board of Supervisors, I was active in creating joint powers authorities, providing vital services in waste management, energy conservation, and other fields, where I was able to bring their risk management needs to SDRMA. I am familiar with the communities of our northwest counties, i.e. Humboldt, Del Norte, and Trinity from my experiences with both the Board of Supervisors and the State Assembly. Currently, besides serving on the Manila CSD, I am Board member of our local county wide economic development organization, Redwood Region Economic Development Commission, also a SDRMA member; a member of the Humboldt State University President's Advisory Board, and Board President of the North Coast Cooperative.

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

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

From my previous experiences with SDRMA, I have a good understanding of the organization's policies and procedures that provide a systematic ability to offer excellent coverages and risk management services. From my overall experience in public board service, I am knowledgeable of the understanding required to set policy, review and understand budgets, develop and follow appropriate personnel policies, and other legal Board requirements. I have had a good deal of experience in making presentations. I have good knowledge of the legislative process and can assist in guiding efforts to achieve legislative goals beneficial to SDRMA and its members.

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

Clearly SDRMA has been successful over the years in providing risk management services, attracting and retaining members, providing stable rates, while practicing in a collaborative ability among the Board and Management Team members. It is important to all of SDRMA that these same successes be part of its future endeavors.

At the same time, SDRMA must be mindful of the changes in the risk management world and create responsive business plans that will continue and enhance upon the existing level of services. To do so, SDRMA Board members must remain in good communication with its members; reflecting their concerns and interests, and representing SDRMA wherever possible in their communities. When the Board is considering changes or new level of services, it must remain diligent to protecting its members assets.

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

Candidate Signature



Date

4/23/13

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

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

Nominee/Candidate Timothy W. Unruh
District/Agency Kern County Cemetery District No. 1
Work Address 18662 Santa Fe Way/ P O Box 354, Shafter, CA 93263
Work Phone (661) 746-3921 Home Phone (661) 332-3252

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

This is an opportunity to give back to the members of SDRMA; I am especially interested in keeping a small district influence on the board. It is important to maintain a balanced perspective for the decisions that impact all the members of SDRMA.

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

I have been the District Manager for the Kern County Cemetery District for 26 years. I have had various and extensive Board experience as follows:

Locally:

Kern County Special District Association - worked for LAFCo representation for special districts; Kern County Association of Public Cemeteries; 10 years on local school board and various community boards.

State:

California Special Districts Association-currently on Legislation Committee and 3 years as a Director, one year as Legislation Committee Chair. While on CSDA I met with SDRMA in various joint meetings in an effort to help both organizations in their work together. California Association of Public Cemeteries-on board 10 years, past president and currently as legislation committee chair.

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

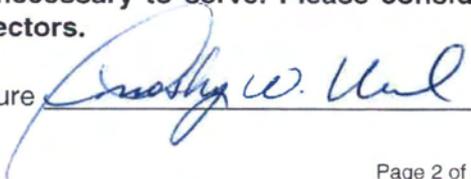
**What special skills, talents, or experience (including volunteer experience) do you have?
(Response Required)**

Those that know me, know that I am a people person and will work to make my involvement the best that I can. I have an interest in legislation and currently am on on CSDA Legislation Committee and have been a past chairman of the CSDA Legislation Committee. I have been working on various committees for 30 years and understand that it is important to listen to the needs of the committee and the members.

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

SDRMA has shown a great concern for the special districts in California in their commitment to meeting their insurance needs. This is done by being involved and listening to members. I wish to expand that basic concept by continuing to create education opportunities and create a tool box that districts can use to reduce claims and keep employees safe.

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

Candidate Signature  Date 4-22-2013

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

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

Nominee/Candidate Jean Bracy, SDA
District/Agency Mojave Desert Air Quality Management District
Work Address 14306 Park Ave., Victorville, CA 92392
Work Phone 760-245-1661

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

I have served on the SDRMA Board of Directors for nearly four years. During this term, the Board has adopted many important programs and policies aimed to provide members cost effective coverage and to support every member's effort to develop safe working environments. During my tenure, the Board voted each year to hold rates flat for the property/liability program; established a multiple-policy discount (5%) for each member who belongs to both the property/liability and the workers compensation programs; created the longevity distribution which shares investment earnings with members who continue with SDRMA programs; established the loss prevention allowance funds which reimburses members for safety-related costs up to \$1,000; launched and enhanced the SDRMA interactive website; strengthened support to California Special Districts Association (CSDA) and the Special District Leadership Foundation (SDLF); provided FREE online training through Target Solutions; and contracted with Company Nurse to provide FREE screening services for work-related injury cases.

I have worked closely with SDRMA for 13 years. I am attracted to its member-focused, pro-active, and positive mission. I would like to see – and be a part of – SDRMA continue this member-centric approach.

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

I am currently serving my second term on the Board of Directors for the Special District Leadership Foundation (SDLF), representing the SDRMA. As a member of this Board I have been part of the renewal and expansion of the SDLF programs, including the premier program, District of Distinction, also the Special District Administrator Certificate, the Recognition of Special District Governance, and the newly created District Transparency Certificate of Excellence.

My career experience with special districts has helped me to understand the issues specific to smaller organizations. I have learned what it really means for an organization to do more with less. I have also learned that political realities for special districts are distinct from other forms of governments. As the Director of Administrative Services for the Mojave Desert Air Quality Management District, I am the staff representative to the Governing Board Committees for Budget and Personnel. I am a member of and have chaired the California Air Pollution Control Officers Association (CAPCOA) statewide committees for Fiscal and Human Resource officers. I organized and have chaired the Alternate Fuel Task Force for the Mojave Desert air basin; I have represented the District in the Antelope Valley Clean Cities Coalition.

My working opportunities have crossed several public service types. I served as the Victorville city representative to the Technical Advisory Committee for the Victor Valley Transit Authority and as the City representative and officer on the Executive Committee of the Regional Economic Development Authority. I volunteered four years on the Board of Directors of the Victor Valley Federal Credit Union. For six years, I worked as an adjunct professor at Victor Valley Community College teaching Public Works Administration.

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

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

As professional and as a volunteer, I have a wide range of experiences with organizational structures, long term and vision planning, development of staff and volunteers, and resource and program management. My experience of leading organizational activities and implementing change for growth includes bringing together intergenerational and multicultural groups to achieve common goals.

I am an effective manager with expertise in efficient and productive management implementing process improvements in finance, human resources, risk management, and a wide variety of related administrative and organizational functions. I have led highly skilled teams to support the achievement of overall agency goals and objectives.

I earned a Master's Degree in Public Administration from California State University, San Bernardino

I earned the Special District Administrator Certification from the Special Districts Leadership Foundation

I earned the Recognition of Special District Governance from the Special Districts Leadership Foundation

I earned the Masters Certification in Labor Relations from the California Public Employers Labor Relations Association (CALPELRA)

What is your overall vision for SDRMA?

I want to continue contributing my experience and expertise to SDRMA's overall function to further strengthen and enhance the lines of services provided by SDRMA. I want to be part of the mission to enhance the member's experience through claims management and education that leads to loss prevention.

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

Candidate Signature John Brady Date February 12, 2013

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

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

Nominee/Candidate Dennis Mayo

District/Agency McKinleyville Community Services District

Work Address 1656 Sutter Road, McKinleyville, CA
95519

Work Phone (707) 839-3251 Home Phone (707) 832-9334

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

SDRMA on a nuts and bolts level is the single most important Board for Special Districts. Serving ones District is a special trust given by the local electorate. Being elected by ones peer's to serve in the betterment of all Special Districts honors those constituents and allows me to be the voice of my District. I am dedicated to public service and feel my work ethics and experience will be a valuable asset to SDRMA, my District and all our Special Districts.

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

Currently I am the Board President of McKinleyville Community Services District; Director of Open Beach and Trails; ACWA Region 1 Board Member; JPIA/ACWA Employee Benefit Committee member; Director of membership Moose Lodge No. 208; Legislative analyst for California Commercial Beach Fisherman Association; North Coast Representative for the Blue Ribbon Coalition. Formerly a Humboldt County Planning Commissioner; Vice President McKinleyville Rodeo Association; Lake Earl Grange member; Member of the California State Grange Consumer Committee; Humboldt Bay Harbor District Strategic Plan; Humboldt Bay Municipal Water District Strategic Plan. Member of the Arcata Fire Protection District Fund Coordinator and other Boards and Commissions over the past (40) forty years.

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

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

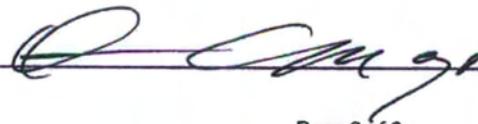
I have a Life and Casualty Insurance experience and worked in the field in my earlier years. I have extensive experience with group dynamic's and the interplay of Workman's Compensation. I have worked on Legislative issues and developed specific language for successful State and Federal Legislation and have negotiated many successful employee contracts. From groups as small as a Rodeo Committee to a twenty million dollar Water District, dotting the "I's" and crossing the "T's" on insurance issues means the difference between success and failure. I have a unique talent working with diverse groups and getting to the heart of an issue.

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

California is in financial crisis. There are local, regional and national pressures that make stewarding the public trust seem almost a nightmare. SDRMA is planted deeply and perhaps unfairly in the middle of that crucible. It is often said that we must think outside the box for creating solutions. The truth is we must think both outside and inside the box to provide the best service for Special Districts in our Districts and our State. It is my hope to bring a powerful and creative energy to this Board and leave no stone unturned to make SDRMA the best it can be.

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

Candidate Signature



Date

5.2.13

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

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

Experience and "thinking outside the box".

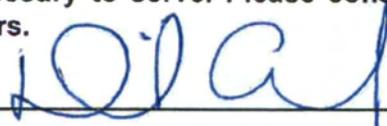
What is your overall vision for SDRMA? (Response Required)

To see the Following:

1. Claims reduced to an unbelievable low number due to education, safety practices, and an overall safety culture promoted by SDRMA and practiced by all Districts.
2. Premium payments reduced by 50% by 2020 due to sound investment and low claims.

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

Candidate Signature



Date

4-22-13

RESOLUTION NO. 4215

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

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

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

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

WHEREAS, SDRMA's Board of Directors approved Policy No. 2012-05 Establishing Guidelines for Director Elections specifies director qualifications, terms of office and election requirements; and

WHEREAS, Policy No. 2012-05 specifies that member agencies desiring to participate in the balloting and election of candidates to serve on SDRMA's Board of Directors must be made by resolution adopted by the member agency's governing body.

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

(continued)



**OFFICIAL 2013 ELECTION BALLOT
SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS**

VOTE FOR ONLY FOUR (4) CANDIDATES

Mark each selection directly onto the ballot, voting for no more than four (4) candidates. Each candidate may receive only one (1) vote per ballot. A ballot received with more than four (4) candidates selected will be considered invalid and not counted. All ballots must be sealed and received by mail or hand delivery in the enclosed self-addressed, stamped envelope at SDRMA on or before 5:00 p.m., Tuesday, August 27, 2013. Faxes or electronic transmissions are NOT acceptable.

- MURIL CLIFT** (INCUMBENT)
Director, Cambria Community Services District
- MIKE SCHEAFER**
Director/Vice President, Costa Mesa Sanitary District
- JOHN WOOLLEY**
Director/Finance Officer, Manila Community Services District
- TIM UNRUH**
District Manager, Kern County Cemetery District No. 1
- JEAN BRACY** (INCUMBENT)
Director of Administrative Services, Mojave Desert Air Quality Management District
- DENNIS MAYO**
Director/President, McKinleyville Community Services District
- DAVID ARANDA** (INCUMBENT)
General Manager, North of the River Municipal Water District

ADOPTED this ____ day of _____, 2013 by the Otay Water District by the following roll call votes listed by name:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST:

APPROVED:



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Adolfo Segura Information Technology Manager	PROJECT:	Various DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Geoff Stevens, Chief Information Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	INFORMATION TECHNOLOGY RELATED OPERATIONS & MAINTENANCE AND CAPITAL CONTRACTS FOR FY 2014		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to negotiate and enter into the following agreements:

1. One (1) year O&M service agreements with:
 - a. AT&T in the amount of \$99,000.00 for local and long-distance telephone and internet service.
 - b. Verizon Wireless in the amount of \$72,000.00 for cellular phone and wireless modem service.
 - c. Tyler Technologies in the amount of \$127,000.00 for ERP/Financial software maintenance costs and annual technical support.
2. One (1) year, with two (2) one-year option renewal O&M service agreements with:
 - a. Intermedia in the amount of \$107,928.00 (\$35,976.00 annually) for enterprise hosted exchange email services.

- b. Advanced Call Processing, Inc. in the amount of \$106,122.00 (\$35,374.00 annually) for telephone software maintenance and technical support service.
- c. GPS Insight in the amount of \$110,304.00 (\$36,768.00 annually) for vehicle GPS fleet tracking system and service.

COMMITTEE ACTION:

See "Attachment A".

PURPOSE:

To authorize the purchase of equipment and services necessary to support Information Technology's daily operations and services, and enhance the District systems to meet emerging business needs as identified in the District Strategic Plan.

ANALYSIS:

The IT department presents to the Board specific technology related expenses that require Board approval because they exceed the General Manager's authorized approval limit of \$50,000.00 for a specific contract. These contracts and purchases are required to either operate the District's technology environment or to make planned technology related infrastructure improvements. Each item requiring the District to issue a purchase order or contract for greater than \$50,000.00 is described in detail in the following section. All of the items in this staff report are specifically itemized in the FY 2014 budget as well. By presenting these items collectively, we want to provide to the Board a more detailed view of expenses related to the Districts' information systems.

All purchasing guidelines have been met for the specific items in this report. Where possible, items have been competitively bid. Certain items, such as software licenses and vendor support, are sole source contracts, because only one vendor can support the product. Certain items are also purchased utilizing pricing provided in state authorized competitive contracts, primarily CALNET and WSCA (state and regional wide agreements which guarantees competitive pricing). Where possible, agreements will utilize the District's standard contract form, which provides the ability to terminate the agreement with or without cause upon sixty-day notice. Contracts for software license and support are generally not open to negotiation and the manufacturer standard one (1) year agreement will be utilized. The

District has attempted, wherever possible, to synchronize our contract renewal dates with the District's fiscal year and budget approval process.

The following are detailed descriptions of the specific requests:

Explanation of Costs

Software and Support Agreements:

AT&T \$99,000.00 - This item covers the purchase of telephone and internet services to support all District operations. This item utilizes CALNET pricing which has been competitively bid by the State of California. Funds for these services are allocated in the IT O&M budget.

Verizon Wireless \$72,000.00 - This item covers cellular phone and wireless modem service for District operations. Verizon was the lowest bidder. The District inventory is: 78 iPhones for staff use and 91 wireless 3G/4G devices and service for mobile air cards, hot-spots and field connectivity for remote monitoring and alarm systems. Funds for this item are allocated in the IT O&M budget.

Service Provider	Plan Details	One Year Total
Verizon	Unlimited Data & Pay-as-you-go voice plan - Unlimited 3G & 4G Wireless (basic plan)	\$6,000 per month
Sprint	Same as above	\$6,500 per month
AT&T	Same as above	\$6,900 per month

Eden Tyler Technologies \$127,000 - This item covers yearly required software maintenance for the District's enterprise resource planning (ERP) software suite, which includes Utility Billing, Financial, Human Resources and Permitting Systems. The ERP software suite is exclusively owned by Tyler Technologies. The yearly maintenance fee includes all core licensing, software support to include required annual service packs and technical support for all software modules. This item is a sole source contract as only the product vendor is authorized to provide maintenance support. Funds for this item are allocated in the IT O&M budget.

Intermedia \$107,928.00 - This item covers the purchase of one(1) year with two (2) one-year option renewals for hosted enterprise exchange email service. The service will provide 24/7 email service to the District, as well as the associated operation and maintenance work

associated with managing an in-house email system. Additional benefits include hardware, data storage, archiving and utility (power/cooling) dollar savings. This item was competitively bid and selected the low cost vendor. Funds for this item are allocated in the IT O&M budget.

Service Provider	Service Details	Overall Three Year Total
Intermedia	25 GB Mailboxes & Unlimited storage in archive, Outlook support, Web-based access, Mobility, Shared Calendar & Contacts, Web apps for Outlook/SharePoint, Anti-Spam & anti-malware, In-place Archive, In-Place Hold, Lync for unified communications & voice messaging, 24/7 support	\$107,928.00 (\$35,976 annually)
ABTECH WMS	Same as above	\$111,600.00
CenterBeam	Same as above	\$179,856.00

Advanced Call Processing (ACP) \$106,122.00 - This item covers the purchase of one(1) year with two (2) one-year option renewals for telecommunication software maintenance, functional programming and general technical support for the District phone system. This service ensures that the District's telecommunication or voice system operates at a high-level of system up-time, performance and security. The services includes scheduled maintenance, remote monitoring, software and security upgrades, troubleshooting, after-hours and weekend support and on-site engineering services if needed. Although ATI was the lowest bidder, ACP was selected due to their wide client base, expertise with the District i3 phone system and staffing levels. Multiple request to NEC were made, but no pricing or service profile was provided. Funds for this item are allocated in the IT O&M budget.

Service Provider	Service Details	Overall Three Year Total
ACP	I3 Telecommunication software system, maintenance & voice support & functional programming. Monday-Friday, after-hours & weekend on-call/emergency support	\$106,122 (\$35,374 annually)
ATI	Same as above	\$98,695
NEC	Non-Responsive	\$ -

GPS Insight Fleet Tracking System \$110,304.00 - This item covers the purchase of one(1) year with two (2) one-year option renewals for carrier based GPS, cellular service and solution support for the District's vehicle fleet. The existing iDEN solution being provided by Sprint/Airtrak, will be shut down on July 1, 2013. In preparation for this change, the District solicited six (6) service proposals. A cross-functional selection team reviewed the proposals and via a structured rating system narrowed the list to two top candidates, Sprint and GPS Insight. Solution proof of concept (POC) based on District requirements followed. Ensuing the POC, GPS Insight became the front-runner as they were overall able to meet the District's functional, reporting, ease of use and technical integration requirements. In addition, GPS Insight was able to solely fulfill the solution requirements. Other vendors, including Sprint, required partnerships with at least two (2) other vendors. Lastly, GPS Insight was the lowest cost solution and is providing a significant functional upgrade from the previous solution. Funds for vehicle GPS hardware will come from CIP 2469 and monthly wireless service are allocated in the IT O&M budget.

Vendor	Hardware Cost	Wireless Service	Overall Three Year Total
GPS Insight	\$25,704	\$28,200	\$110,304
Sprint/GeoTab	\$7,500	\$32,500	\$113,100
EJ Ward	\$47,000	\$26,500	\$126,500
SageQuest	\$0 (equip. lease built into cost)	\$47,374	\$133,120
Air Trak	\$0 (equip. lease built into cost)	\$47,000	\$141,000
Network Fleet	\$47,500	\$31,200	\$141,100

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

These items are specifically included in either the adopted FY 2014 Capital Budget or the O&M Budget.

O&M Totals:

All items, excluding the GPS hardware, are budgeted in the FY 2014 O&M Budget and total \$596,650.00. These funds are budgeted and available.

Capital Totals:

The capital costs for the GPS modems (\$25,704.00) will be charged to CIP 2469 (Information Technology Network and Hardware). This account has a FY 2014 budget of \$350,000.00. After this expenditure, the account will have a remaining balance of \$324,296.00. The project manager has verified that CIP 2469 has sufficient funding to complete the project.

STRATEGIC GOAL:

These items are in support of the District's Strategic Plan, specifically improve the operating cost and efficiency of data center and network services, which will allow us to make tactical and long term improvements to District technology services

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action Report



ATTACHMENT A

SUBJECT/PROJECT:	INFORMATION TECHNOLOGY RELATED OPERATIONS & MAINTENANCE AND CAPITAL CONTRACTS FOR FY 2014
-------------------------	---

COMMITTEE ACTION:

The Finance, Administration and Communications Committee discussed this item at a meeting held on June 24, 2013 and the following comments were made:

- Each year staff presents items requiring board approval for annual expenditures that are necessary for daily Information Technology (IT) operations. They are fairly routine items and have been identified in the FY 2014 budget. Staff is recommending that the board approve agreements with:
 - AT&T in the amount of \$99,000 for local, long distance telephone and internet services supporting all District operations. This contract is under the CALNET agreement through the State of California that guarantees the pricing.
 - Verizon Wireless, Inc. in the amount of \$72,000 for cell phone service and for the support of wireless air cards for mobile devices and field services equipment. The service provides for a total of 169 combined devices at a cost of \$28.50 per device.
 - Eden Tyler Technologies for \$127,000 for annual software maintenance support for financial, human resources and billing systems (EDEN Systems). The District has had this software in place for 8 years and it continues to function well for financial, customer service and human resource operations. Additionally, they are the only vendor that provides software maintenance and support.
 - Intermedia for \$35,976 of one (1) year with two (2) one-year option renewals for hosted exchange email software. The service will provide 24/7 email service to the District, as well as the associated operations and maintenance items associated with managing an in-house email system. Additional benefits include hardware, data

storage, archiving and power and cooling or utility dollar savings.

- Advanced Call Processing (ACP) for \$35,374 of one (1) year with two (2) one-year option renewals for phone software maintenance, functional programming and general technical support.
- GPS Insight Fleet Tracking System for \$110,304 for one (1) year with two (2) one-year option renewals for carrier based GPS, cellular and fleet tracking system solution. The District currently utilizes Sprint Air Traffic Solution. The system is at end-of-life and will be shut down by Sprint at the end of June 2013. Staff is proposing to replace the system with a web based system utilizing Verizon's carrier services. It will allow for the tracking of 100 vehicles.

The District received six (6) bids in response to its RFP for GPS services. A panel of team members reviewed the proposals and, through a structured rating system, narrowed the list to two top candidates, Sprint and GPS Insight. It was indicated that the proposed vendor is the lowest cost provider. The main reason for the selection of GPS Insight is their user interface was superior and the data from their system can be utilized to manage driving behavior. GPS Insight's system can also be integrated easily with the District's GIS system.

- The committee noted that the hardware cost for GPS Insight was \$25,704 and indicated that if the District did not renew their contract next year, that it would be quite costly for the hardware replacement. It was discussed that it is very unlikely that the District would not renew the service contract. The last service provider's software was utilized through the end-of-life of their system. GPS Insight has also invested in new antennas which provide expanded band width and staff is confident that the District would continue with their services.
- The committee further commented that without the up-front hardware costs, Sprint is actually the lowest cost provider. It was discussed that the Sprint system is more difficult to use, does not integrate well with the District's GIS System, and GPS Insight's system is more intuitive with regard to use. Staff had tried to work with Sprint to enhance their system so it would better interface

with the District's system. However, they were unable to provide the interface enhancements. It was noted that if GPS Insight's cost was higher, staff would still have selected them as their service is superior to Sprint in meeting the District's needs. Additionally, to meet the District service needs, Sprint would need to partner with two (2) additional vendors. GPS Insight could fulfill all the District's needs solely.

- In response to another inquiry from the committee, staff indicated that the cost for GPS Services is below budget and there is approximately 6 to 10% left in the budget for possible repair, replacement, the purchase of accessories, etc.

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

AGENDA ITEM 7a



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Lisa Coburn-Boyd Environmental Compliance Specialist	PROJECT:	P2504- DIV. NO. 5 001101
	Bob Kennedy Engineering Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Rod Posada, Chief, Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adoption of a Mitigated Negative Declaration for the Regulatory Site Access Road Improvements Project		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) approves the adoption of a Mitigated Negative Declaration for the Regulatory Site Access Road Improvements Project (see Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board approval for the adoption of a Mitigated Negative Declaration (MND) for the Regulatory Site Access Road Improvements Project.

ANALYSIS:

The Project is an access road that would be used as an alternate route for District staff to access the District's Regulatory Site

located in Rancho San Diego. Currently, District staff vehicles utilize the existing right turn-in/-out only on State Route 94 (SR-94) which can be hazardous, particularly for larger vehicles and during times of heavy traffic volumes on SR-94. The access road will also provide the Heartland Fire Training Authority with two access routes to the Heartland Fire Regional Training Facility which is located within the District's Regulatory Site. Lastly, it will provide the San Diego County Sheriff's Department with a secondary entrance/exit to the Rancho San Diego Sheriff Station that is currently under construction.

The proposed access road would connect the District's Regulatory Site to the terminus of a road serving the under-construction Sheriff's Station and to a paved road that connects to SR-94 through a signalized intersection (Jamacha Road and SR-94). The access road would be 24 feet wide, paved with asphalt concrete, and would include 2-foot-wide shoulders on each side. The proposed alignment would generally occur along the existing unpaved access road that extends to the under-construction Sheriff Station site and to an existing paved road that connects to SR-94. A temporary construction easement would be required along each side of the new roadway to allow for grading and construction of the new road. The construction easement will vary in width, but will be only as wide as is needed to allow for proper construction of the road. The construction of the road would also include new storm drain facilities.

ICF International was issued a Task Order to prepare the Initial Study and MND for the Project under their As-needed Environmental Services contract with the District. Based on the findings of these documents, and with proper mitigation measures taken, as outlined in the draft MND, the Project will not have a significant effect on the environment. District staff met with members of the Valle de Oro Community Planning Group several times during the preparation of the MND to discuss their concerns regarding the Project. These concerns were addressed in the draft MND and the District did not receive any additional comments from this group during the 30-day comment period. The Initial Study and Draft MND were submitted for the 30-day review period on May 1, 2013. Four comment letters were received from the County of San Diego, the San Diego County Archaeological Society, the California Dept. of Fish and Wildlife (CDFW), and the Native American Heritage Commission. One of the mitigation measures, Mitigation Measure BIO-4 was revised in response to a comment in the letter from the CDFW. This mitigation measure describes the measures that will be taken so that the breeding of California Gnatcatchers and other migratory birds are not affected during construction. The four letters and the responses to their comments are presented in the Final MND (see Attachment B). The mitigation, monitoring, and

reporting plan (MMRP) that will be in place for the Project is included with the Final MND.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

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

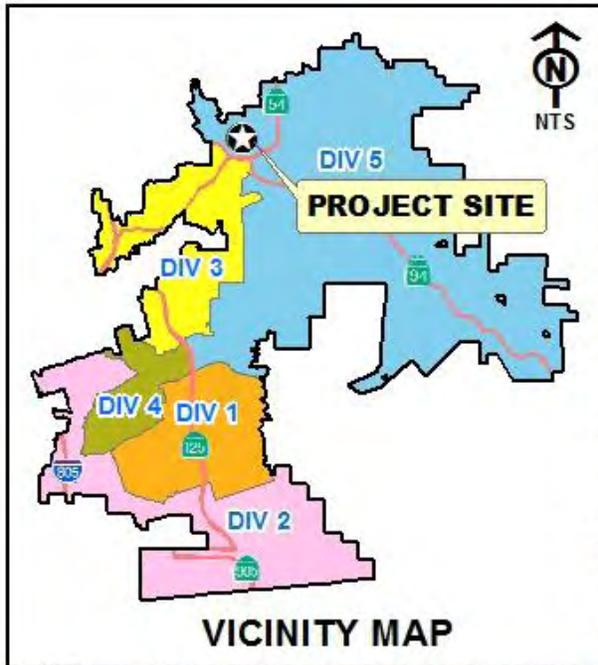
LEGAL IMPACT:

None.

LC-B/BK:jf

P:\WORKING\CIP P2504-Regulatory Site Access Road and Pipeline Relocation\Staff Reports\BD 07-03-13, Staff Report, Reg Site Access Road MND

- Attachments: Exhibit A - Project Location Map
 Attachment A - Committee Action
 Attachment B - Budget Detail
 Attachment C - Final MND and MMRP



P:\WORKING\2504_Regulatory Access Road and Pipeline Relocation Staff Report\EXT.dwg



OTAY WATER DISTRICT
REGULATORY ACCESS ROAD AND PIPELINE RELOCATION
LOCATION MAP



EXHIBIT A



ATTACHMENT A

SUBJECT/PROJECT: P2504-001101	Adoption of a Mitigated Negative Declaration for the Regulatory Site Access Road Improvements Project
---	---

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee (Committee) reviewed this item at a meeting held on June 19, 2013 and the following comments were made:

- Staff is requesting that the Board approve the adoption of a Mitigated Negative Declaration for the Regulatory Site Access Road Improvements Project (Project).
- Staff indicated that the Project is the construction of an access road that would be used as an alternate route for District staff to access the District's Regulatory Site (See Exhibit A).
- It was noted that any impacts to vegetation on the sides of the road during construction will be revegetated on site and also be mitigated for at the District's HMA.
- Staff noted that ICF, the District's as-needed environmental consultant, prepared the initial study and MND. Based on the findings of the initial study and the MND and with the proper mitigation measures taken, the project will not have a significant effect on the environment.
- Staff stated that the MND was put out for a 30-day notice period and indicated that four comments letters were received. It was noted that the comment letter from the California Department of Fish and Wildlife required a slight change in the MND to address potential impacts on migratory birds. This change is noted in the final MND.
- As an employee of the San Miguel Fire Protection District (SMFPD), Director Croucher recused himself from this meeting item as the SMFPD is involved with this project as well. Staff indicated that the SMFPD is required to make improvements to the subject site in accordance with the Major Use Permit for the Regional Training Facility located on the Regulatory Site. However, they may be able

to receive a variance from these requirements if the access road is built.

Upon completion of the discussion, the Committee supported presentation to the full Board as a consent item.



ATTACHMENT B – Budget Detail

SUBJECT/PROJECT: P2504-001101	Adoption of a Mitigated Negative Declaration for the Regulatory Site Access Road Improvements Project
---	---

Otay Water District					Date Updated: 6/10/2013
p2504-Regulatory Site Access Rd & PL Relocatr					
<i>Budget</i>	<i>Committed</i>	<i>Expenditures</i>	<i>Outstanding Commitment & Forecast</i>	<i>Projected Final Cost</i>	<i>Vendor/Comments</i>
900,000					
Planning					
Consultant Contracts	66,360	66,360	-	66,360	JONES & STOKES ASSOCIATES INC
	4,500	-	4,500	4,500	KEAGY REAL ESTATE
	-	4,500	(4,500)	-	MICHAEL D KEAGY REAL ESTATE
	6,130	6,130	-	6,130	MTGL INC
Professional Legal Fees	394	394	-	394	STUTZ ARTIANO SHINOFF
Regulatory Agency Fees	100	100	-	100	PETTY CASH CUSTODIAN
Service Contracts	313	313	-	313	SAN DIEGO DAILY TRANSCRIPT
	-	750	(750)	-	SOUTHERN PACIFIC TITLE CO
	750	-	750	750	SOUTHERN PACIFIC TITLE SVCS
	158	158	-	158	EAST COUNTY CALIFORNIAN, THE
	75	75	-	75	EAST COUNTY GAZETTE
	1,250	1,250	-	1,250	FIRST AMERICAN TITLE CO
Standard Salaries	92,719	92,719	-	92,719	
Total Planning	172,749	172,749	-	172,749	
Design					
Consultant Contracts	7,643	7,643	-	7,643	ALTA LAND SURVEYING INC
Service Contracts	1,500	1,500	-	1,500	INLAND AERIAL SURVEYS INC
	6	6	-	6	FIRST AMERICAN DATA TREE LLC
Standard Salaries	119,092	119,092	-	119,092	
Total Design	128,241	128,241	-	128,241	
Construction					
Total Construction	-	-	-	-	
Grand Total	300,989	300,989	-	300,989	

AGENDA ITEM 7a
(Attachment C)

FINAL MND AND MMRP

Has been posted as Attachment 1 on the
Otay Water District Website



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Lisa Coburn-Boyd Environmental Specialist Bob Kennedy Engineering Manager	CIP./G.F. NO:	D0899- DIV. NO. 2 090154
APPROVED BY:	<input checked="" type="checkbox"/> Rod Posada, Chief, Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Approval of Water Supply Assessment and Verification Report (May 2013) for the City of San Diego Otay Mesa Community Plan Update		

GENERAL MANAGER' S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) approve the Water Supply Assessment and Verification Report (WSA&V Report) dated May 2013 for the City of San Diego Otay Mesa Community Plan Update, as required by Senate Bills 610 and 221 (see Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board approval of the May 2013 WSA&V Report for the City of San Diego Otay Mesa Community Plan Update, as required by Senate Bill 610 and Senate Bill 221 (SB 610 and SB 221).

ANALYSIS:

The City of San Diego submitted a request for a WSA&V report to the District pursuant to SB 610 and SB 221. SB 610 and SB 221 require that, upon the request of the City or County, a water purveyor, such as the District, prepare a water supply assessment and verification report to be included in the California Environmental Quality Act (CEQA) environmental

documentation. This request was received by the District on May 30, 2013.

SB 610 requires a city or county to evaluate whether water supplies will be sufficient to meet the projected water demand for certain "projects" that are otherwise subject to the requirement of the CEQA. SB 610 provides its own definition of "project" in Water Code Section 10912.

SB 221 requires affirmative written verification from the water purveyor of the public water system that sufficient water supplies are planned to be available for certain residential subdivisions of property. The requirements of SB 610 and SB 221 are addressed by the May 2013 WSA&V Report for this Project. The WSA&V Report was prepared by the District in consultation with Atkins North America, Inc. (Atkins), the San Diego County Water Authority (Water Authority), and the City of San Diego (City).

Prior to transmittal to the City, the WSA&V Report must be approved by the Board. An additional explanation of the intent of SB 610 and SB 221 is provided in Exhibit C, the City of San Diego Otay Mesa Community Plan Update WSA&V Report is provided as Exhibit D.

For the City of San Diego Otay Mesa Community Plan Update, the City is the responsible land use agency that requested the SB 610 and SB 221 water supply assessment and verification report from the District. The request for the WSA&V Report, in compliance with SB 610 and SB 221 requirements, was made by the City because the Project meets or exceeds one or both of the following SB 610 and SB 221 criteria:

- A proposed residential development of more than 500 dwelling units.
- A proposed commercial office building employing more than 1,000 persons or having more than 250,000 square feet of floor space.
- A mixed-use project that includes one or more of the land uses specified in SB 610.
- A project that would demand an amount of water equivalent to, or greater than, the amount of water required by a 500 dwelling unit project.

The Otay Mesa Community Plan encompasses approximately 9,300 acres in the southeastern portion of the City of San Diego. Approximately 4,900 acres are served by the City of San Diego and the remaining 4,400 acres served by the District.

The Otay Mesa Community Plan Update will re-designate land uses to increase the number of allowed residential units and reduce the acreage for industrial uses. New land use designations are proposed to allow the establishment of industrial centers, mixed commercial and residential uses, and where appropriate, residential uses near industrial uses. Modified industrial and commercial land use designations also are included that are similar to the industrial intensity found in the adopted community plan. The International Business and Trade will be the dominant industrial land use in the updated community plan. Other features include:

- Creating a village center in an area south of SR-905 and west of Britannia Boulevard with up to 5,246 multi-family units.
- Designating a corridor of Business Park-themed industrial uses along SR-905.
- Seeking to enhance the image of the community along SR-905 with flex space and corporate offices users flanking the freeway.
- Encouraging outdoor storage and heavy industry users to shift to the border area.

The expected potable water demand for the Otay Mesa Community Plan Update is 4.7 million gallons per day or about 5,273 acre-feet per year which is slightly less than what was projected in the District's 2010 Water Resources Master Plan Update (WRMP Update). The projected recycled water demand for the Otay Mesa Community Plan Update is 0.68 million gallons per day or 774 acre-feet per year, representing about 13% of the total Otay Mesa Community Plan Update water demand.

The 2010 WRMP Update included the demands estimated for the Otay Mesa Community Plan Update. SANDAG's Series 12 Growth Forecast also included the Otay Mesa Community Plan Update. SANDAG's Series 12 Growth Forecast was used to prepare the population projections that form the basis of the Water Authority's 2010 Urban Water Management Plan (UWMP) and the District's 2010 UWMP.

The request for compliance with SB 221 requirements was made by the City because the Project will exceed the SB 221 criteria of a proposed residential development subdivision of more than 500 dwelling units.

Pursuant to SB 610 and SB 221, the WSA&V Report incorporates by reference the current Urban Water Management Plans and other water resources planning documents of the District, the Water Authority, and the Metropolitan Water District of Southern California (Metropolitan). The District prepared the WSA&V Report in consultation with Atkins, The Water Authority, and the City which demonstrates and documents that sufficient water supplies are planned for and are intended to be made available over a 20-year planning horizon under normal supply conditions and in single and multiple-dry years to meet the projected demand of the City of San Diego Otay Community Plan Update and other planned development projects within the District.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The District has been reimbursed \$8,000 for all costs associated with the preparation of the Otay Mesa Community Plan Update WSA&V Report. The reimbursement was accomplished via an \$8,000 deposit the Project proponents placed with the District on May 13, 2013.

STRATEGIC GOAL:

The preparation and approval of the WSA&V Report for the City of San Diego Otay Mesa Community Plan Update supports the District's Mission statement, "To provide high value water and wastewater services to the customers of the Otay Water District, in a professional, effective, and efficient manner" and the District's Strategic Goal 3.1.1, "Actively manage water supply and demand."

LEGAL IMPACT:

Approval of a WSA&V Report for the Otay Mesa Community Plan Update in form and content satisfactory to the Board of Directors would allow the District to comply with the requirements of Senate Bills 610 and 221.



ATTACHMENT A

SUBJECT/PROJECT: D0899-090154	Approval of Water Supply Assessment and Verification Report (May 2013) for the City of San Diego Otay Mesa Community Plan Update
---	--

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee (Committee) reviewed this item at a meeting held on June 19, 2013 and the following comments were made:

- Staff requested that the Board approve the Water Supply Assessment Report and Verification (WSA&V Report) dated May 2013 for the City of San Diego Otay Mesa Community Plan Update, as required by Senate Bills 610 and 221.
- Staff indicated that on May 30, 2013, the District received a request from the City of San Diego to prepare the WSA and Verification Report for the Otay Mesa Community Plan Update. It was noted that SB 610 requires that the District honor the City's request, and that board approval for the submittal of the WSA&V Report to the City of San Diego is required. An exhibit was provided to the Committee that showed the location of the project site.
- Staff indicated that the Otay Mesa Community Plan Update will re-designate land uses to increase the number of allowed residential units and reduce the acreage for industrial uses. Details of the Update are provided on page 3 of the staff report.
- The Otay Mesa Community Plan's expected demand is approximately 4.7 million gallons per day which is slightly less than what was projected in the District's 2010 Water Resources Master Plan Update.
- A PowerPoint presentation was provided to the Committee that included the following:

- o Background of Senate Bills 610 and 221, which became effective on January 1, 2002, and its intent and how it relates to the WSA&V Report
- o Land use plan and description for the Otay Mesa Community Plan Update
- o Potable demand estimates for the Otay Mesa Community Plan Update
- o Otay Water District's, San Diego County Water Authority's, and Metropolitan Water District's Urban Water Management Plan
- It was noted that the Otay Mesa Community Plan Update WSA&V Report includes (4) four other Otay Water District Planned Local Water Supply Projects:
 - o Rancho Del Rey Groundwater Well (500 AFY)
 - o Rosarito Ocean Desalination Project (20,000-50,000 AFY)
 - o Otay Mesa Lot 7 Groundwater Well (300 AFY)
 - o Otay Mesa Recycled Water Supply Link Project (800 AFY)
- A slide was presented that showed the Water Authority Supplies, which included IID Water Transfer, ACC and CC Lining, and the Carlsbad Desalination project.
- Staff indicated that the status of the current water supply situation is documented in the WSA&V Report with the intent that the water agencies plan to develop sufficient water supplies to meet demands. Staff believes that the Board has met the intent of SB 610 and 221 statutes in that Land use agencies and water suppliers have demonstrated strong linkage. The Otay Mesa Community Plan Update WSA&V Report clearly documents the current water supply situation. Staff believes that based on existing documentation, the WSA&V Report demonstrates and documents that sufficient water supplies are planned for and are intended to be acquired and also identifies the actions necessary to develop the supplies for a 20-year planning horizon.
- The Committee recommended that staff emphasize the reduction in water supply demand for the Otay Mesa Community Plan Update since the District's 2010 Water Resources Master Plan Update indicates a higher demand for the Community Plan.

- The Committee also recommended that staff provide actual water demands from previous years so that a comparison can be made to the FY 2015 projections indicated in the PowerPoint presentation.
- The Committee inquired if there was a possibility that the City of San Diego would be able to acquire the District's jurisdictional boundary after the District has built its portion of the infrastructure for the Otay Mesa Community Plan. Staff indicated that it is possible, but this action would have to go through LAFCO for approval and would involve de-annexing from the District and annexing to the City. The Committee suggested that staff look into opportunities to help the District protect its boundaries and assets from this action.

Following the discussion, the Committee supported staffs' recommendation and presentation to the full board as an action item.

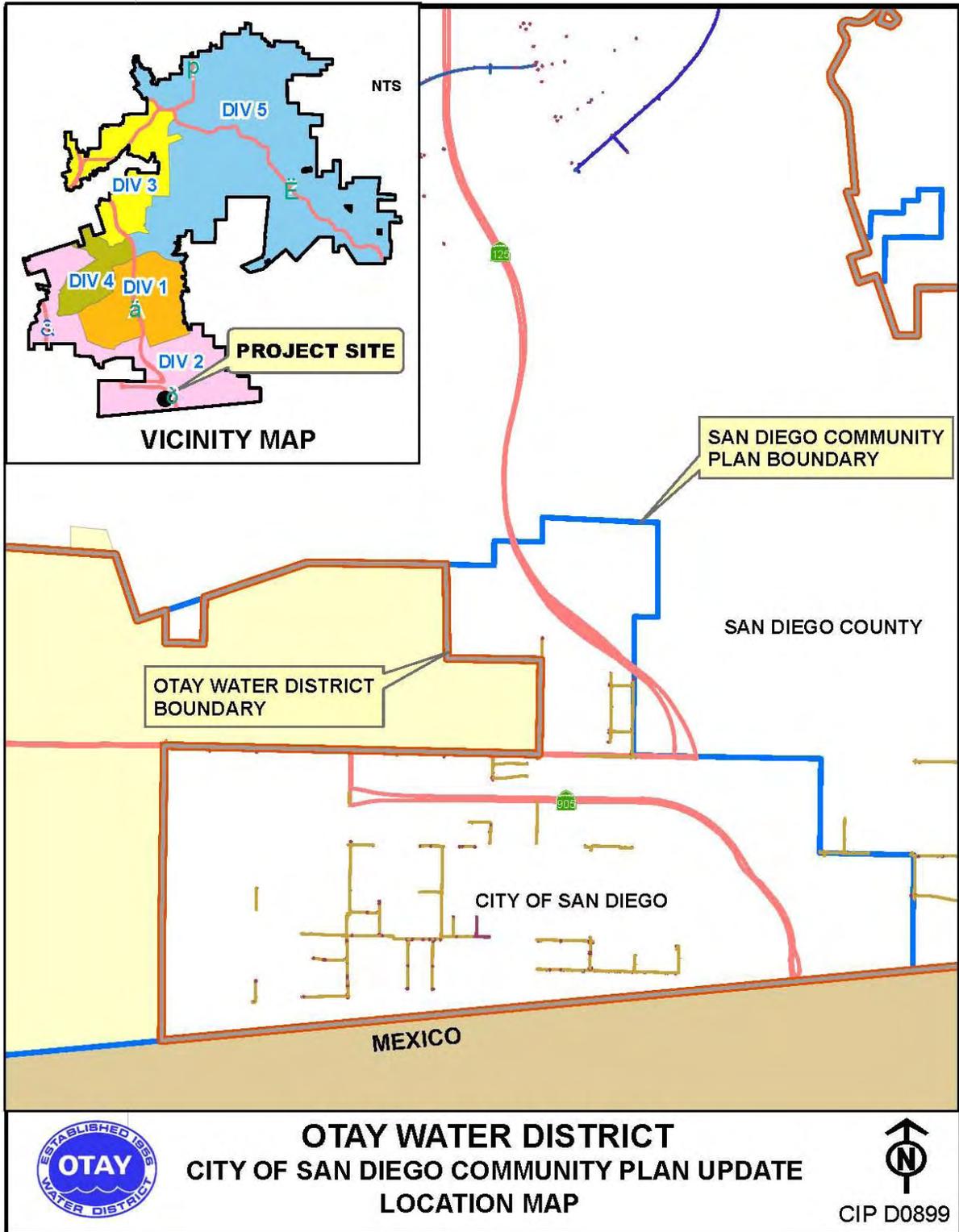


EXHIBIT A

EXHIBIT B

Background Information

The Otay Water District (District) prepared the May 2013 Water Supply Assessment and Verification (WSA&V) Report for the City of San Diego Otay Mesa Community Plan (OMCP) Update at the request of the City of San Diego. The City's WSA&V request letter dated May 30, 2013 was received by the District on May 30, 2013 so the 90-day deadline for the District to provide the Board an approved WSA&V Report to the City ends August 18, 2013. The City of San Diego proposes to update the 1981 OMCP and the Otay Mesa Development District Ordinance zoning regulations. The Otay Mesa community encompasses approximately 9,300 acres in the southeastern portion of the City of San Diego. Approximately 4,900 acres are served by the City, with the remaining 4,400 acres served by the District.

The OMCP is located within the jurisdictions of the District, the San Diego County Water Authority (Water Authority), and the Metropolitan Water District of Southern California (MWD). See Exhibit A for Project location. To obtain permanent imported water supply service, land areas are required to be within the jurisdictions of the District, Water Authority, and MWD.

The May 2013 WSA&V Report for the OMCP Update has been prepared by the District in consultation with Atkins, the Water Authority, and the City pursuant to Public Resources Code Section 21151.9 and California Water Code Sections 10631, 10656, 10910, 10911, 10912, and 10915 referred to as Senate Bill (SB) 610 and Government Code Sections 65867.5, 66455.3, and 66473.7 referred to as SB 221. SB 610 and SB 221 amended state law, effective January 1, 2002, intending to improve the link between information on water supply availability and certain land use decisions made by cities and counties. SB 610 requires that the water purveyor of the public water system prepare a water supply assessment to be included in the California Environmental Quality Act (CEQA) environmental documentation and approval process of certain proposed projects. SB 221 requires affirmative written verification from the water purveyor of the public water system that sufficient water supplies are to be available for certain residential subdivision of property. The requirements of SB 610 and SB 221 are addressed in the May 2013 WSA&V Report for the City of San Diego Otay Mesa Community Plan Update.

The OMCP will re-designate land uses to increase the number of allowed residential units and reduce the acreage for industrial uses. New land use designations are proposed to allow the establishment of industrial centers, mixed commercial and residential uses, and, where appropriate, residential uses near industrial uses. Modified industrial and commercial land use designations also are included that are similar to the industrial intensity found in the adopted community plan. The International Business and Trade will be the dominant industrial land use in the OMCP.

The expected potable water demand for the OMCP Update is 4.7 million gallons per day (MGD) or about 5,273 acre feet per year (AFY) and is slightly less than what was projected in the District's 2010 Water Resources Master Plan (WRMP Update) which estimated 4.92 MGD for the OMCP Update. The projected recycled water demand for the OMCP Update is 0.68 MGD or 774 AFY, representing about 13% of the total Otay Mesa Community Plan Update water demand.

The District currently depends on the Water Authority and the MWD for all of its potable water supplies and regional water resource planning. The District's 2010 Urban Water Management Plan (UWMP) relies heavily on the UWMP's and Integrated Water Resources Plans (IRPs) of the Water Authority and MWD for documentation of supplies available to meet projected demands. These plans are developed to manage the uncertainties and variability of multiple supply sources and demands over the long-term through preferred water resources strategy adoption and resource development target approvals for implementation.

MWD in October 2010 approved the update of their Integrated Water Resources Plan (IRP). The 2010 IRP Update describes an adaptive management approach to mitigate against future water supply uncertainty. The new uncertainties that are significantly affecting California's water resources include:

- The Federal Court ruling on previous operational limits on Sacramento-San Joaquin Delta to protect the Delta species. Water agencies are still trying to determine what effect the ruling will have on State Water Project (SWP) deliveries. Actual supply curtailments for MWD are contingent upon fish distribution, behavioral patterns, weather, Delta flow conditions, and how water supply reductions are divided between state and federal projects.
- Periodic extended drought conditions.

These uncertainties have rightly caused concern among Southern California water supply agencies regarding the validity of the current water supply documentation.

MWD is currently involved in several proceedings concerning Delta operations to evaluate and address environmental concerns. In addition, at the State level, the Delta Vision and Bay-Delta Conservation Plan processes are defining long-term solutions for the Delta.

The SWP represents approximately 9% of MWD's 2025 Dry Resources Mix with the supply buffer included. A 22% cutback in SWP supply represents an overall 2% (22% of 9% is 2%) cutback in MWD supplies in 2025. Neither the Water Authority nor MWD has stated that there is insufficient water for future planning in Southern California. Each agency is in the process of reassessing and reallocating their water resources.

Under preferential rights, MWD can allocate water without regard to historic water purchases or dependence on MWD. Therefore, the Water Authority and its member

agencies are taking measures to reduce dependence on MWD through development of additional supplies and a water supply portfolio that would not be jeopardized by a preferential rights allocation.

As calculated by MWD (December 11, 2012), the Water Authority's current preferential right is 17.22% of MWD's supply, while the Water Authority accounted for approximately 25% of MWD's total revenue. So MWD could theoretically cut back the Water Authority's supply and theoretically, the Water Authority should have alternative water supply sources to make up for the difference. In the Water Authority's 2010 UWMP, they had already planned to reduce reliance on MWD supplies. This reduction is planned to be achieved through diversification of their water supply portfolio.

The Water Authority's Drought Management Plan (May 2006) provides the Water Authority and its member agencies with a series of potential actions to engage when faced with a shortage of imported water supplies due to prolonged drought conditions. Such actions help avoid or minimize impacts of shortages and ensure an equitable allocation of supplies throughout the San Diego County region.

The Otay Water District Board of Directors could acknowledge the ever-present challenge of balancing water supply with demand and the inherent need to possess a flexible and adaptable water supply implementation strategy that can be relied upon during normal and dry weather conditions. The responsible regional water supply agencies have and will continue to adapt their resource plans and strategies to meet climatological, environmental, and legal challenges so that they may continue to provide water supplies to their service areas. The regional water suppliers (i.e., the Water Authority and MWD), along with the District, fully intend to maintain sufficient reliable supplies through the 20-year planning horizon under normal, single, and multiple dry year conditions to meet projected demand of the OMCP Update, along with existing and other planned development projects within the District's service area.

If the regional water suppliers determine additional water supplies will be required, or in this case, that water supply portfolios need to be reassessed and redistributed with the intent to serve the existing and future water needs throughout Southern California, the agencies must indicate the status or stage of development of actions identified in the plans they provide. MWD's 2010 IRP update will then cause the Water Authority to update its IRP, which will then provide the District with the necessary water supply documentation. Identification of a potential future action in such plans does not by itself indicate that a decision to approve or to proceed with the action has been made. The District's Board approval of the OMCP Update WSA&V Report does not in any way guarantee water supply to the parcels that make up the OMCP.

Alternatively, if the WSA&V Report is written to state that water supply is or will be unavailable; the District must include in the assessment a plan to acquire additional water supplies. At this time, the District should not state there is insufficient water supply.

So the best the District can do right now is to state the current water supply situation clearly, indicating intent to provide supply through reassessment and reallocation by the regional, as well as, the local water suppliers. In doing so, it is believed that the Board has met the intent of the SB 610 statute, that the land use agencies and the water agencies are coordinating their efforts in planning water supplies for new development.

With District Board approval of the OMCP Update WSA&V Report, the OMCP Update proponents can proceed with the draft environmental documentation required for the CEQA review process. The water supply issues will be addressed in these environmental documents, consistent with the WSA&V Report.

The District, as well as others, can comment on the draft EIR with recommendations that water conservation measures and actions be employed on the OMCP Update.

Some recent actions regarding water supply assessments and verification reports by Otay Water District are as follows:

- The Otay Water District Board approved in July 2007 the Eastern Urban Center Water Supply and Assessment Report.
- The Board approved the Judd Company Otay Crossings Commerce Park Water Supply Assessment Report on December 5, 2007.
- The Board approved the Otay Ranch L.P. Otay Ranch Preserve and Resort Project Water Supply Assessment and Verification Report on February 4, 2009.
- The Board approved Water Supply Assessment and Verification Reports for the City of Chula Vista Village 8 West Sectional Plan Area and Village 9 Sectional Plan Area on January 5, 2011.
- The Board approved the Water Supply Assessment Report for the San Diego-Tijuana Cross Border Facility on February 2, 2011.
- The Board approved the water supply assessment for the County of San Diego Rabago Technology Park on April 6, 2011.
- The Board approved the Water Supply Assessment Report for the Pio Pico Energy Center Project on October 5, 2011.
- The Board approved the Water Supply Assessment Report for the Hawano Project on March 7, 2012.
- The Board approved the Water Supply Assessment Reports for the Sunroad Otay Plaza and Otay Tech Center Projects on March 6, 2013.

Water supplies necessary to serve the demands of the proposed OMCP Update, along with existing and other projected future users, as well as the actions necessary to develop these supplies, have been identified in the water supply planning documents of the District, the Water Authority, and MWD.

The WSA&V Report includes, among other information, an identification of existing water supply entitlements, water rights, water service contracts, or agreements relevant to the identified water supply needs for the proposed OMCP Update. The WSA&V Report demonstrates and documents that sufficient water supplies are planned and are intended to be available over a 20-year planning horizon, under normal conditions and in single and multiple dry years, to meet the projected demand of the proposed OMCP Update and the existing and other planned development projects within the District.

Accordingly, after approval of a WSA&V Report for the OMCP Update by the District's Board of Directors, the WSA&V Report may be used to comply with the requirements of the legislation enacted by Senate Bills 610 and 221 as follows:

Senate Bill (SB) 610 Water Supply Assessment: The District's Board of Directors approved WSA&V Report may be incorporated into the California Environmental Quality Act (CEQA) compliance process for the OMCP Update as a Water Supply Assessment Report with the requirements of the legislation enacted by SB 610. The City of San Diego, as lead agency under the CEQA for the OMCP Update environmental documentation, may cite the approved WSA&V Report as evidence that a sufficient water supply is planned and intended to be available to serve the OMCP Update.

Senate Bill (SB) 221 Water Supply Verification: The District's Board of Directors approved WSA&V Report may be incorporated into the City's OMCP Update as a Water Supply Assessment Report, consistent with the requirements of the legislation enacted by SB 221. The City, within their process of approving the OMCP Update, may cite the approved WSA&V Report as verification of intended sufficient water supply to serve the Project.



OTAY WATER DISTRICT
WATER SUPPLY ASSESSMENT AND
VERIFICATION REPORT

City of San Diego
Otay Mesa Community Plan Update

D0899-090154

Prepared by:

Robert Kennedy, P.E.
Engineering Manager
Otay Water District
in consultation with
Atkins
and
San Diego County Water Authority

May 2013

Otay Water District
Water Supply Assessment and Verification Report
May 2013
City of San Diego Otay Mesa Community Plan Update

Table of Contents

Executive Summary	1
Section 1 - Purpose	5
Section 2 - Findings	6
Section 3 - Project Description	8
Section 4 – Otay Water District	10
4.1 Urban Water Management Plan	12
Section 5 – Historical and Projected Water Demands	13
5.1 Demand Management (Water Conservation)	17
Section 6 - Existing and Projected Supplies	20
6.1 Metropolitan Water District of Southern California 2005 Regional Urban Water Management Plan	21
6.2 San Diego County Water Authority Regional Water Supplies	22
6.3 Otay Water District	39
6.3.1 Availability of Sufficient Supplies and Plans for Acquiring Additional Supplies	40
6.3.1.1 Imported and Regional Supplies	41
6.3.1.2 Recycled Water Supplies	43
Section 7 – Conclusion: Availability of Sufficient Supplies	51
Source Documents	56
Appendix A: Otay Mesa Community Plan Update Regional Location Map	
Appendix B: Otay Mesa Community Plan Update Proposed Development Plan	

Otay Water District Water Supply Assessment and Verification Report May 2013

Otay Mesa Community Plan Update

Executive Summary

The Otay Water District (Otay WD) prepared this Water Supply Assessment and Verification Report (WSA&V Report) at the request of the City of San Diego (City) for the Otay Mesa Community Plan (OMCP) Update project (Project).

Otay Mesa Community Plan Update Project Overview and Water Use

The City of San Diego proposes to update the 1981 OMCP and the Otay Mesa Development District Ordinance zoning regulations. The Otay Mesa community encompasses approximately 9,300 acres in the southeastern portion of the City of San Diego. Approximately 5,200 acres are served by the City, with the remaining 4,100 acres served by Otay WD. The community is bordered by the San Ysidro and Otay Mesa-Nestor communities on the west, the City of Chula Vista and the Otay Valley Regional Park on the north, the County of San Diego on the east and the US/Mexico border and the City of Tijuana on the south.

The Project will re-designate land uses to increase the number of allowed residential units and reduce the acreage for industrial uses. New land use designations are proposed to allow the establishment of industrial centers, mixed commercial and residential uses, and, where appropriate, residential uses near industrial uses. Modified industrial and commercial land use designations are also included that are similar to the industrial intensity found in the adopted community plan. The International Business and Trade would be the dominant industrial land use in this scenario. Other features of the Project include:

- Increasing housing unit yield in the southwestern residential areas
- Creating a village center in an area south of SR-905 and west of Britannia Boulevard
- Designating a corridor of Business Park-themed industrial uses along SR-905
- Seeking to enhance the image of the community along SR-905 with flex space and corporate office users flanking the freeway
- Encouraging outdoor storage and heavy industry uses to shift to the border area

The expected potable water demands to be served by the Otay WD for the Otay Mesa Community Plan Update is 4.70 million gallons per day (mgd) or about 5,273 acre feet per

year (AFY) which is slightly less than what was projected in the District's 2010 Water Resources Master Plan Update (WRMP Update). The projected recycled water demand for the proposed project is approximately 0.68 mgd, or about 774 AFY, which represents approximately 13% of total project water demand.

Planned Imported Water Supplies

The San Diego County Water Authority (Water Authority) and the Metropolitan Water District (MWD) have an established process that ensures supplies are being planned to meet future growth. Any annexations and revisions to established land use plans are captured in the San Diego Association of Governments (SANDAG) updated forecasts for land use planning, demographics, and economic projections. SANDAG serves as the regional, intergovernmental planning agency that develops and provides forecast information. The Water Authority and MWD update their demand forecasts and supply needs based on the most recent SANDAG forecast approximately every five years to coincide with preparation of their Urban Water Management Plans (UWMP). Prior to the next forecast update, local jurisdictions may require water supply assessment and/or verification reports for proposed land developments that are not within the Otay WD, Water Authority, nor MWD jurisdictions (i.e. pending or proposed annexations) or that have revised land use plans than what is in the existing growth forecasts. Land areas with pending or proposed annexations or revised land use plans typically result in creating higher demand and supply requirements than anticipated. The Otay WD, Water Authority, and MWD next demand forecast, supply requirements and associated planning documents would then capture any increase or decrease in demands and required supplies as a result of annexations or revised land use planning decisions.

The California Urban Water Management Planning Act (Act), which is included in the California Water Code, requires all urban water suppliers within the state to prepare an UWMP and update it every five years. The purpose and importance of the UWMP has evolved since it was first required 25 years ago. State agencies and the public frequently use the document to determine if agencies are correctly planning to reliably meet future water demands. As such, UWMPs serve as an important element in documenting supply availability for the purpose of compliance with state laws, Senate Bills 610 and 221, linking water supply sufficiency to large land-use development approval. Agencies must also have a UWMP prepared, pursuant to the Act, in order to be eligible for state funding and drought assistance.

MWD's Integrated Resource Plan (IRP) identifies a mix of resources (imported and local) that, when implemented, will provide 100 percent reliability for full-service demands through the attainment of regional targets set for conservation, local supplies, State Water Project supplies, Colorado River supplies, groundwater banking, and water transfers. The MWD's 2010 update to the IRP (2010 IRP Update) includes a planning buffer supply intended to mitigate the risks associated with implementation of local and imported supply programs. The planning buffer identifies an additional increment of water that could potentially be developed if other supplies are not implemented as planned. As part of the implementation of the planning buffer, MWD periodically evaluates supply development to ensure that the

region is not under or over developing supplies. Managed properly, the planning buffer will help ensure that the southern California region, including San Diego County, will have adequate water supplies to meet future demands.

Water supply agencies throughout California continue to face climatological, environmental, legal, and other challenges that impact water source supply conditions, such as the court rulings regarding the Sacramento-San Joaquin Delta issues and the recent drought impacting the western states. It is expected that challenges such as these will always be present. Regardless of the challenges, the regional water supply agencies, the Water Authority and MWD, along with Otay WD fully intend to have sufficient, reliable supplies to serve demands.

Section ES-5 of MWD's 2010 Regional Urban Water Management Plan (2010 RUWMP) states that MWD has supply capacities that would be sufficient to meet expected demands from 2015 through 2035. MWD has plans for supply implementation and continued development of a diversified resource mix including programs in the Colorado River Aqueduct, State Water Project, Central Valley Transfers, local resource projects, and in-region storage that enables the region to meet its water supply needs. MWD's 2010 RUWMP identifies potential reserve supplies in the supply capability analysis (Tables 2-9, 2-10, and 2-11), which could be available to meet unanticipated demands such as those related to the Otay Mesa Community Plan Update.

The County Water Authority Act, Section 5 subdivision 11, states that the Water Authority, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs."

As part of the preparation of a written water supply assessment report, an agency's shortage contingency analysis should be considered in determining sufficiency of supply. Section 11 of the Water Authority's 2010 UWMP contains a detailed shortage contingency analysis that addresses a regional catastrophic shortage situation and drought management. The analysis demonstrates that the Water Authority and its member agencies, through the Emergency Response Plan, Emergency Storage Project, and Drought Management Plan (DMP) are taking actions to prepare for and appropriately handle an interruption of water supplies. The DMP, adopted in May 2006, provides the Water Authority and its member agencies with a series of potential actions to take when faced with a shortage of imported water supplies from MWD due to prolonged drought or other supply shortfall conditions. The actions will help the region avoid or minimize the impacts of shortages and ensure an equitable allocation of supplies.

Otay Water District Water Supply Development Program

In evaluating the availability of sufficient water supply, the Otay Mesa Community Plan Update proponents are required to participate in the development of alternative water supply project(s). This can be achieved through payment of the New Water Supply Fee adopted by

the Otay WD Board in May 2010. These water supply projects are in addition to those identified as sustainable supplies in the current Water Authority and MWD UWMP, IRP, Master Plans, and other planning documents. The new water supply projects are in response to regional water supply issues. These projects are not currently developed and are in various stages of the planning process. A few examples of these alternative water supply projects are the Middle Sweetwater River Basin Groundwater Well project, the North District Recycled Water Supply Concept, the Rosarito Ocean Desalination Facility project, and the Rancho del Rey Groundwater Well project. The Water Authority and MWD next forecast and supply planning documents will capture any increase in water supplies resulting from new water resources developed by the Otay WD.

Findings

The WSA&V Report identifies and describes the processes by which water demand projections for the proposed Otay Mesa Community Plan Update will be fully included in the water demand and supply forecasts of the Urban Water Management Plans and other water resources planning documents of the Water Authority and MWD. Water supplies necessary to serve the proposed project demands, as well as existing and other projected future users, and the actions necessary and development status of these supplies, have been identified in the Otay Mesa Community Plan Update WSA&V Report and will be included in the future water supply planning documents of the Water Authority and MWD.

This WSA&V Report includes, among other information, an identification of existing water supply entitlements, water rights, water service contracts, water supply projects, or agreements relevant to the identified water supply needs for the proposed Otay Mesa Community Plan Update. The WSA&V Report demonstrates and documents that sufficient water supplies are planned for and are intended to be available over a 20-year planning horizon, under normal conditions and in single and multiple dry years to meet the projected demand of the proposed Otay Mesa Community Plan Update and the existing and other planned development projects to be served by the Otay WD.

Accordingly, after approval of a WSA&V Report for the Otay Mesa Community Plan Update by the Otay WD Board of Directors (Board), the WSA&V Report may be used to comply with the requirements of the legislation enacted by Senate Bills 610 and 221 as follows:

1. Senate Bill 610 Water Supply Assessment: The Otay WD Board approved WSA&V Report may be incorporated into the California Environmental Quality Act (CEQA) Environmental Impact Report (EIR) compliance process for the Otay Mesa Community Plan Update as a water supply assessment report consistent with the requirements of the legislation enacted by SB 610. The City, as lead agency under CEQA for the Otay Mesa Community Plan Update EIR amendment, may cite the approved WSA&V Report as evidence that a sufficient water supply is planned for and is intended to be made available to serve the Otay Mesa Community Plan Update.

2. Senate Bill 221 Water Supply Verification: The Otay WD Board approved WSA&V Report may be incorporated into the City's Tentative Map approval process for the Otay Mesa Community Plan Update as a water supply verification report, consistent with the requirements of the legislation enacted by SB 221. The City, within their process of approving the Otay Mesa Community Plan Update's Tentative Map, may cite the approved WSA&V Report as verification of intended sufficient water supply to serve the Otay Mesa Community Plan Update.

Section 1 - Purpose

The Otay Mesa community encompasses approximately 9,300 acres in the southeastern portion of the City of San Diego. Approximately 5,200 acres are served by the City, with the remaining 4,100 acres served by Otay WD. The community is bordered by the San Ysidro and Otay Mesa-Nestor communities on the west, the City of Chula Vista and the Otay Valley Regional Park on the north, the County of San Diego on the east and the US/Mexico border and the City of Tijuana on the south. The City requested that Otay WD prepare a WSA&V Report for the Otay Mesa Community Plan Update. The current Otay Mesa Community Plan Update description is provided in Section 3 of this WSA&V Report.

This WSA&V Report for the Otay Mesa Community Plan Update has been prepared by the Otay WD in consultation with Atkins, the San Diego County Water Authority, and the City pursuant to Public Resources Code Section 21151.9 and California Water Code Sections 10631, 10656, 10910, 10911, 10912, and 10915 referred to as Senate Bill (SB) 610 and Business and Professions Code Section 11010 and Government Code Sections 65867.5, 66455.3, and 66473.7 referred to as SB 221. The intent of SB 610 and SB 221 amended state law, effective January 1, 2002, is to improve the link between information on water supply availability and certain land use decisions made by cities and counties. SB 610 requires that the water purveyor of the public water system prepare a water supply assessment to be included in the CEQA environmental documentation and approval process of certain proposed projects. SB 221 requires affirmative written verification from the water purveyor of the public water system that sufficient water supplies will be available for certain residential subdivisions of property prior to approval of a tentative map. The requirements of SB 610 and SB 221 are being addressed by this WSA&V Report. The City requested that the water supply assessment and verification be prepared concurrently, since the requirements of SB610 and SB 221 are substantially similar.

This WSA&V Report evaluates water supplies that are planned to be available during normal, single dry year, and multiple dry water years during a 20-year planning horizon to meet existing demands, expected demands of the Otay Mesa Community Plan Update, and reasonably foreseeable planned future water demands served by Otay WD. The Otay WD Board of Directors (Board) approved WSA&V Report is planned to be used by the City in its evaluation of the Otay Mesa Community Plan Update under the CEQA and Tentative Map approval processes.

Section 2 - Findings

The Otay WD prepared this WSA&V Report at the request of the City for the Otay Mesa Community Plan Update project.

The Otay Mesa Community Plan Update is located within the jurisdictions of the Otay WD, the City, the Water Authority, and the MWD. To obtain permanent imported water supply service, land areas are required to be within the jurisdictions of the Otay WD, Water Authority, and MWD to utilize imported water supply.

The expected potable water demand for the Otay Mesa Community Plan Update is 4.7 mgd or about 5,273 AFY which is slightly less than what was projected in the District's 2010 WRMP Update. The projected recycled water demand for the Otay Mesa Community Plan Update is 0.68 mgd or 774 AFY, representing about 13% of the total Otay Mesa Community Plan Update water demand.

The Otay Mesa Community Plan Update development proponents are required to use recycled water for irrigation and other appropriate uses. The primary benefit of using recycled water is that it will offset the potable water demands by an estimated 774 AFY. The WRMP Update and the Otay WD 2010 Urban Water Management Plan (2010 UWMP) anticipated that the land area to be utilized for the Otay Mesa Community Plan Update would use both potable and recycled water.

The Water Authority and MWD have an established process that ensures supplies are being planned to meet future growth. Any annexations and revisions to established land use plans are captured in the SANDAG updated forecasts for land use planning, demographics, and economic projections. SANDAG serves as the regional, intergovernmental planning agency that develops and provides forecast information. The Water Authority and MWD update their demand forecasts and supply needs based on the most recent SANDAG forecast approximately every five years to coincide with preparation of their urban water management plans. Prior to the next forecast update, local jurisdictions may require water supply assessment and/or verification reports for proposed land developments that are not within the Otay WD, Water Authority, nor MWD jurisdictions (i.e. pending or proposed annexations) or that have revised land use plans than those used in the existing growth forecasts. Proposed land areas with pending or proposed annexations or revised land use plans typically result in creating higher demand and supply requirements than anticipated. The Otay WD, the Water Authority, and MWD next demand forecast and supply requirements and associated planning documents would then capture any increase or decrease in demands and required supplies as a result of annexations or revised land use planning decisions. The Otay Mesa Community Plan Update was included in SANDAG's Series 12 forecast that was accepted in 2010.

This process is utilized by the Water Authority and MWD to document the water supplies necessary to serve the demands of the proposed Otay Mesa Community Plan Update, along with existing and other projected future users, as well as the actions necessary to develop these supplies. This process ensures that the necessary demand and supply information is identified and incorporated within the water supply planning documents of the Water Authority and MWD.

The Otay WD 2010 UWMP included a water conservation component to comply with Senate Bill 7 of the Seventh Extraordinary Session (SBX 7-7), which became effective February 3, 2010. This new law is the water conservation component to the Delta legislation package, and seeks to achieve a 20 percent statewide reduction in urban per capita water use in California by December 31, 2020. Specifically, SBX 7-7 from this Extraordinary Session requires each urban retail water supplier to develop urban water use targets to help meet the 20 percent reduction goal by 2020 (20x2020), and an interim water reduction target by 2015.

Otay WD has adopted Method 1 to set its 2015 interim and 2020 water use targets. Method 1 requires setting the 2020 water use target to 80 percent of baseline per capita water use target as provided in the State's Draft 20x2020 Water Conservation Plan. The Otay WD 2015 target is 171 gallons per capita per day (gpcd) and the 2020 gpcd target at 80 percent of baseline is 152 gpcd.

The Otay WD's recent per capita water use has been declining to the point where current water use already meets the 2020 target for Method 1. This recent decline in per capita water use is largely due to drought water use restrictions, increased water costs, and economic conditions. However, Otay WD's effective water use awareness campaign and the enhanced conservation mentality of its customers will likely result in some degree of long-term carryover of these reduced consumption rates.

In evaluating the availability of sufficient water supply, the Otay Mesa Community Plan Update proponents are required to participate in the development of alternative water supply project(s). This can be achieved through payment of the New Water Supply Fee adopted by the Otay Water District Board in May 2010. These water supply projects are in addition to those identified as sustainable supplies in the current Water Authority and MWD UWMP, IRP, Master Plans, and other planning documents. The new water supply projects are in response to the regional water supply issues related to the Sacramento-San Joaquin Delta and the current ongoing western states drought conditions. These additional water supply projects are not currently developed and are in various stages of the planning process. A few examples of these alternative water supply projects include the Middle Sweetwater River Basin Groundwater Well project, the North District Recycled Water Supply Concept, the Rosarito Ocean Desalination Facility project, and the Rancho del Rey Groundwater Well project. The Water Authority and MWD next forecast and supply planning documents would capture any increase in water supplies resulting from any new water resources developed by the Otay WD.

Water supplies necessary to serve the demands of the proposed Otay Mesa Community Plan Update, along with existing and other reasonably foreseeable projected future users, as well as the actions necessary and the development status of these supplies, will be identified and included within the water supply planning documents of the Water Authority and MWD. This WSA&V Report demonstrates and verifies that, with development of the resources currently identified and those that may be additionally acquired; there are sufficient water supplies being planned for and/or being developed over the next 20-year planning horizon. These water supplies meet the projected demand of the proposed Otay Mesa Community Plan Update and the existing and other reasonably foreseeable planned development projects within the Otay WD.

This WSA&V Report includes, among other information, an identification of existing water supply entitlements, water rights, water service contracts, proposed water supply projects, or agreements relevant to the identified water supply needs for the proposed Otay Mesa Community Plan Update. This WSA&V Report incorporates by reference the current Urban Water Management Plans and other water resources planning documents of the Otay WD, the Water Authority, and MWD. The Otay WD prepared this WSA&V to verify and document that sufficient water supplies are being planned for and are intended to be acquired to meet projected water demands of the Otay Mesa Community Plan Update and the existing and other reasonably foreseeable planned development projects within the Otay WD for a 20-year planning horizon, in normal supply years, and in single dry and multiple dry years.

Based on a normal water supply year, the five-year increments for a 20-year projection indicate projected potable and recycled water supply is being planned for and is intended to be acquired to meet the estimated water demand targets of the Otay WD. These water demand targets are 44,883 AF in 2015 and increase to 56,614 AF in 2035 per the Otay WD 2010 UWMP. Based on dry year forecasts, the estimated water supply is also being planned for and is intended to be acquired to meet the projected water demand, during single dry and multiple dry year scenarios. On average, the dry-year demands are about 6.4 percent higher than the normal year demands. The Otay WD recycled water supply is assumed to be drought-proof and not subject to reduction during dry periods.

These findings demonstrate and verify that sufficient water supplies are being planned for and are intended to be acquired to serve the proposed Otay Mesa Community Plan Update and the existing and other reasonably foreseeable planned projects within the Otay WD in both normal and single and multiple dry year forecasts for a 20-year planning horizon.

Section 3 - Project Description

The Otay Mesa Community Plan Update project is located within the City of San Diego, California. Refer to Appendix A for a regional location map of the proposed project.

The Otay Mesa community encompasses approximately 9,300 acres in the southeastern portion of the City of San Diego. Approximately 5,200 acres are served by the City, with the remaining 4,100 acres served by Otay WD. The community is bordered by the San Ysidro and Otay Mesa-Nestor communities on the west, the City of Chula Vista and the Otay Valley Regional Park on the north, the County of San Diego on the east and the US/Mexico border and the City of Tijuana on the south.

The Project will re-designate land uses to increase the number of allowable residential units and reduce the acreage for industrial uses. New land use designations are proposed to allow the establishment of industrial centers, mixed commercial and residential uses, and, where appropriate, residential uses near industrial uses. Modified industrial and commercial land use designations also are included that are similar to the industrial intensity found in the adopted community plan. The International Business and Trade would be the dominant industrial land use in this scenario. Other features of the Project include:

- Increasing housing unit yield in the southwestern residential areas
- Creating a village center in an area south of SR-905 and west of Britannia Boulevard
- Designating a corridor of Business Park-themed industrial uses along SR-905
- Seeking to enhance the image of the community along SR-905 with flex space and corporate office users flanking the freeway
- Encouraging outdoor storage and heavy industry uses to shift to the border area

Table 1 illustrates the combination of land uses in the Otay Mesa Community Plan Update.

Table 1
Otay Mesa Community Plan Update Proposed Land Uses

	Total	City	Otay WD
Acreage	9,320	5,190	4,130
Residential	757	757	
Residential w/ Village Center	726	535	191
Commercial	317	175	142
Industrial	1,115	239	876
IBT	1,310	24	1,286
Institutional	1,166	946	220
Parks & Open Space	2,910	2,062	848
Right of Way	1,019	452	567
Housing Units	18,774		
SF	4,273	4,273	0
MF	14,501	9,255	5,246

Source: Otay Mesa Community Plan Update, Technical Infrastructure Study, May 2013

Refer to Appendix B for the proposed development plan of the Otay Mesa Community Plan Update.

The City has identified discretionary actions and/or permit approval requirements for the Otay Mesa Community Plan Update. The projected potable and recycled water demands and resulting water supply requirements associated with the Otay Mesa Community Plan Update have considered the discretionary actions and/or permit approvals and are incorporated into and used in this WSA&V Report. The water demands for the proposed Otay Mesa Community Plan Update are provided in Section 5 – Historical and Projected Water Demands.

Section 4 – Otay Water District

The Otay WD is a municipal water district formed in 1956 pursuant to the Municipal Water District Act of 1911 (Water Code §§ 71000 et seq.). The Otay WD joined the Water Authority as a member agency in 1956 to acquire the right to purchase and distribute imported water throughout its service area. The Water Authority is an agency responsible for the wholesale supply of water to its 24 public agency members in San Diego County.

The Otay WD currently relies on the Water Authority for 100 percent of its treated potable water supply. The Water Authority is the agency responsible for the supply of imported water into San Diego County through its membership in MWD. The Water Authority currently obtains the vast majority of its imported supply from MWD, but is in the process of diversifying its available supplies.

The Otay WD provides water service to residential, commercial, industrial, and agricultural customers, and for environmental and fire protection uses. In addition to providing water throughout its service area, Otay WD also provides sewage collection and treatment services to a portion of its service area known as the Jamacha Basin. The Otay WD also owns and operates the Ralph W. Chapman Water Reclamation Facility (RWCWRF) to produce recycled water. The RWCWRF has an effective treatment capacity of 1.2 mgd or about 1,300 AFY. On May 18, 2007 an additional source of recycled water supply of at least 6 mgd (approximately 6,720 AFY) became available to Otay WD from the City of San Diego's South Bay Water Reclamation Plant (SBWRP).

The Otay WD jurisdictional area is generally located within the south central portion of San Diego County and includes approximately 125 square miles. The Otay WD serves portions of the unincorporated communities of southern El Cajon, La Mesa, Rancho San Diego, Jamul, Spring Valley, Bonita, and Otay Mesa, the eastern portion of the City of Chula Vista and a portion of the City of San Diego on Otay Mesa. The Otay WD jurisdiction boundaries are roughly bounded on the north by the Padre Dam Municipal Water District, on the northwest by the Helix Water District, and on the west by the South Bay Irrigation District (Sweetwater

Authority) and the City of San Diego. The southern boundary of Otay WD is the international border with Mexico.

The planning area addressed in the Otay WD WRMP Update and the Otay WD 2010 UWMP includes the land within the jurisdictional boundary of the Otay WD and those areas outside of the present Otay WD boundaries considered to be in the Area of Influence of the Otay WD. Figure 2-1 within the Otay WD WRMP Update shows the jurisdictional boundary of the Otay WD and the Area of Influence. The planning area is approximately 143 square miles, of which approximately 125 square miles are within the Otay WD current boundaries and approximately 18 square miles are in the Area of Influence. The area east of Otay WD is rural and currently not within any water purveyor jurisdiction and potentially could be served by the Otay WD in the future if the need for imported water becomes necessary, as is the case for the Area of Influence.

The City of Chula Vista, the City of San Diego, and the County of San Diego are the three land use planning agencies within the Otay WD jurisdiction. Data on forecasts for land use planning, demographics, economic projections, population, and the future rate of growth within Otay WD were obtained from the SANDAG. SANDAG serves as the regional, intergovernmental planning agency that develops and provides forecast information through the year 2050. Population growth within the Otay WD service area is expected to increase from the 2010 figure of approximately 198,616 to an estimated 284,997 by 2035. Land use information used to develop water demand projections are based upon Specific or Sectional Planning Areas, the Otay Ranch General Development Plan/Sub-regional Plan, East Otay Mesa Specific Plan Area, San Diego County Community Plans, and City of San Diego Otay Mesa Community Plan, City of Chula Vista, and County of San Diego General Plans.

The Otay WD long-term historic growth rate has been approximately 4 percent. The growth rate has significantly slowed due to the current economic conditions and it is expected to slow as the inventory of developable land is diminished.

Climatic conditions within the Otay WD service area are characteristically Mediterranean near the coast, with mild temperatures year round. Inland areas are both hotter in summer and cooler in winter, with summer temperatures often exceeding 90 degrees and winter temperatures occasionally dipping to below freezing. Most of the region's rainfall occurs during the months of December through March. Average annual rainfall is approximately 12.17 inches per year.

Historic climate data were obtained from the Western Regional Climate Center for Station 042706 (El Cajon). This station was selected because its annual temperature variation is representative of most of the Otay WD service area. While there is a station in the City of Chula Vista, the temperature variation at the City of Chula Vista station is more typical of a coastal environment than the conditions in most of the Otay WD service area.

4.1 Urban Water Management Plan

In accordance with the California Urban Water Management Planning Act and recent legislation, the Otay Water District Board adopted an UWMP in June 2011 and subsequently submitted the plan to the California Department of Water Resources (DWR). The Otay WD 2010 UWMP is currently being reviewed by DWR. As required by law, the Otay WD 2010 UWMP includes projected water supplies required to meet future demands through 2035. In accordance with Water Code Section 10910 (c)(2) and Government Code Section 66473.7 (c)(3), information from the Otay WD 2010 UWMP along with supplemental information from the Otay WD WRMP Update have been utilized to prepare this WSA&V Report and are incorporated herein by reference.

The state Legislature passed Senate Bill 7 as part of the Seventh Extraordinary Session (SBX 7-7) on November 10, 2009, which became effective February 3, 2010. This new law was the water conservation component to the Delta legislation package and seeks to achieve a 20 percent statewide reduction in urban per capita water use in California by December 31, 2020. Specifically, SBX 7-7 from this Extraordinary Session requires each urban retail water supplier to develop urban water use targets to help meet the 20 percent reduction goal by 2020 (20x2020), and an interim water reduction target by 2015.

The SBX 7-7 target setting process includes the following: (1) baseline daily per capita water use; (2) urban water use target; (3) interim water use target; (4) compliance daily per capita water use, including technical bases and supporting data for those determinations. In order for an agency to meet its 2020 water use target, each agency can increase its use of recycled water to offset potable water use and also increase its water conservation measures. The required water use targets for 2020 and an interim target for 2015 are determined using one of four target methods – each method has numerous methodologies. The 2020 urban water use target may be updated in a supplier's 2015 UWMP.

In 2015, urban retail water suppliers will be required to report interim compliance followed by actual compliance in 2020. Interim compliance is halfway between the baseline water use and 2020 target. Baseline, target, and compliance-year water use estimates are required to be reported in gallons per capita per day (gpcd).

Failure to meet adopted targets will result in the ineligibility of a water supplier to receive grants or loans administered by the State unless one (1) of two (2) exceptions is met. Exception one (1) states a water supplier may be eligible if they have submitted a schedule, financing plan, and budget to DWR for approval to achieve the per capita water use reductions. Exception two (2) states a water supplier may be eligible if an entire water service area qualifies as a disadvantaged community.

Otay WD has adopted Method 1 to set its 2015 interim and 2020 water use targets. Method 1 requires setting the 2020 water use target to 80 percent of baseline per capita water use target

as provided in the State's Draft 20x2020 Water Conservation Plan. The Otay WD 2015 target is 171 gpcd and the 2020 gpcd target at 80 percent of baseline is 152 gpcd.

The Otay WD's recent per capita water use has been declining to the point where current water use already meets the 2020 target for Method 1. This recent decline in per capita water use is largely due to drought water use restrictions, increased water costs, and poor economic conditions. However, Otay WD's effective water use awareness campaign and the enhanced conservation mentality of its customers will likely result in some long-term carryover of these reduced consumption rates.

Section 5 – Historical and Projected Water Demands

The projected demands for Otay WD are based on Specific or Sectional Planning Areas, the Otay Ranch General Development Plan/Sub-regional Plan, the East Otay Mesa Specific Plan Area, San Diego County Community Plans, and City of San Diego Otay Mesa Community Plan, City of Chula Vista and County of San Diego General Plans. This land use information is also used by SANDAG as the basis for its most recent forecast data. This land use information is utilized in the preparation of the Otay WD WRMP Update and Otay WD 2010 UWMP to develop the forecasted demands and supply requirements.

In 1994, the Water Authority selected the Institute for Water Resources-Municipal and Industrial Needs (MAIN) computer model to forecast municipal and industrial water use for the San Diego region. The MAIN model uses demographic and economic data to project sector-level water demands (i.e. residential and non-residential demands). This econometric model has over a quarter of a century of practical application and is used by many cities and water agencies throughout the United States. The Water Authority's version of the MAIN model was modified to reflect the San Diego region's unique parameters and is known as CWA-MAIN.

The foundation of the water demand forecast is the underlying demographic and economic projections. In 1992, the Water Authority and SANDAG entered into a Memorandum of Agreement (MOA), in which the Water Authority agreed to use the SANDAG current regional growth forecast for water supply planning purposes. In addition, the MOA recognizes that water supply reliability must be a component of San Diego County's regional growth management strategy required by Proposition C, as passed by the San Diego County voters in 1988. The MOA ensures a strong linkage between local general plan land use forecasts and water demand projections and resulting supply needs for the San Diego region.

Consistent with the previous CWA-MAIN modeling efforts, on February 26, 2010, the SANDAG Board of Directors accepted the Series 12: 2050 Regional Growth Forecast. The 2050 Regional Growth Forecast will be used by SANDAG as the foundation for the next Regional Comprehensive Plan update. SANDAG forecasts also are used by local

governments for planning, including the San Diego County Water Authority 2010 Urban Water Management Plan update. The City of San Diego Otay Mesa Community Plan Update was included in SANDAG's Series 12 regional growth forecast.

The municipal and industrial forecast also included an updated accounting of projected conservation savings based on projected regional implementation of the California Urban Water Conservation Council (CUWCC) Best Management Practices and SANDAG demographic information for the period 2010 through 2035. These savings estimates were then factored into the baseline municipal and industrial demand forecast.

A separate agricultural model, also used in prior modeling efforts, was used to forecast agricultural water demands within the Water Authority service area. This model estimates agricultural demand to be met by the Water Authority's member agencies based on agricultural acreage projections provided by SANDAG, crop distribution data derived from the Department of Water Resources and the California Avocado Commission, and average crop-type watering requirements based on California Irrigation Management Information System data.

The Water Authority and MWD update their water demand and supply projections within their jurisdictions utilizing the SANDAG most recent growth forecast to project future water demands. This provides for the important strong link between demand and supply projections to the land use plans of the cities and the county. This provides for consistency between the retail and wholesale agencies water demand projections, thereby ensuring that adequate supplies are and will be planned for the Otay WD existing and future water users. Existing land use plans, any revisions to land use plans, and annexations are captured in the SANDAG updated forecasts. The Water Authority and MWD will update their demand forecasts based on the SANDAG most recent forecast approximately every five years to coincide with preparation of their urban water management plans. Prior to the next forecast update, local jurisdictions may require water supply assessment and/or verification reports consistent with Senate Bills 610 and 221 for proposed land use developments that either have pending or proposed annexations into the Otay WD, Water Authority, and MWD or that have revised land use plans than originally anticipated. The Water Authority and MWD next forecast and supply planning documents would then capture any increase or decrease in demands caused by annexations or revised land use plans.

In evaluating the availability of sufficient water supply, the Otay Mesa Community Plan Update proponents are required to participate in the development of alternative water supply project(s). This can be achieved through payment of the New Water Supply Fee adopted by the Otay Water District Board in May 2010. These water supply projects are in addition to those identified as sustainable supplies in the current Water Authority and MWD UWMP, IRP, Master Plans, and other planning documents. These new water supply projects are in response to the regional water supply issues related to climatological, environmental, legal, and other challenges that impact water source supply conditions, such as the court rulings regarding the Sacramento-San Joaquin Delta and the current ongoing western states drought

conditions. These new additional water supply projects are not currently developed and are in various stages of the planning process. A few examples of these alternative water supply projects include the Middle Sweetwater River Basin Groundwater Well project, the North District Recycled Water Supply Concept, the Rosarito Ocean Desalination Facility project, and the Rancho del Rey Groundwater Well project. The Water Authority and MWD next forecast and supply planning documents would capture any increase in water supplies resulting from any new water resources developed by the Otay WD.

In addition, MWD's 2010 Regional Urban Water Management Plan identified potential reserve supplies in the supply capability analysis (Tables 2-9, 2-10, and 2-11), which could be available to meet any unanticipated demands. The Water Authority and MWD's next forecast and supply planning documents would capture any increase in necessary supply resources resulting from any new water supply resources.

The Otay WD water demand projection methodology utilizes a component land use approach. This is done by applying representative values of water use to the acreage of each land use type and then aggregating these individual land use demand projections into an overall total demand for the Otay WD. This is called the water duty method, and the water duty is the amount of water used in acre-feet per acre per year. This approach is used for all the land use types except residential development where a demand per dwelling unit was applied. In addition, commercial and industrial water use categories are further subdivided by type including separate categories for golf courses, schools, jails, prisons, hospitals, etc. where specific water demands are established.

To determine water duties for the various types of land use, the entire water meter database of the Otay WD is utilized and sorted by the appropriate land use types. The metered consumption records are then examined for each of the land uses, and water duties are determined for the various types of residential, commercial, industrial, and institutional land uses. For example the water duty factors for commercial and industrial land uses are estimated using 1,785 and 893 gallons per day per acre, respectively. Residential water demand is established based on the same data but computed on a per-dwelling unit basis. The focus is to ensure that for each of the residential land use categories (very low, low, medium, and high densities), the demand criteria used is adequately represented based upon actual data. This method is used because residential land uses constitute a substantial percentage of the total developable planning area of the Otay WD.

The WRMP Update calculates potable water demand by taking the gross acreage of a site and applying a potable water reduction factor (PWRF), which is intended to represent the percentage of acreage to be served by potable water and that not served by recycled water for irrigation. For industrial land use, as an example, the PWRF is 0.95 (i.e., 95% of the site is assumed to be served by potable water, 5% of the site is assumed to be irrigated with recycled water). The potable net acreage is then multiplied by the unit demand factor corresponding to its respective land use. This approach is used in the WRMP Update for all the land use types except residential development where a demand per dwelling unit is applied. In addition, commercial and industrial water use categories are further subdivided by type including

separate categories for golf courses, schools, jails, prisons, hospitals, etc. where specific water demands are allocated.

By applying the established water duties to the proposed land uses, the projected water demand for the entire Otay WD planning area at ultimate development is determined. Projected water demands for the intervening years were determined using growth rate projections consistent with data obtained from SANDAG and the experience of the Otay WD.

The historical and projected potable water demands for Otay WD are shown in Table 2.

Table 2
Historical and Projected Potable Water Fiscal Year Demands (AF)

Water Use Sectors	2005	2010	2015	2020	2025	2030	2035
Single Family	21,233	17,165	23,633	28,312	33,600	37,211	40,635
Multi-Family	3,095	3,605	3,444	4,126	4,897	5,423	5,922
Commercial &	1,657	2,243	1,844	2,209	2,622	2,904	3,171
Institutional &	2,262	1,867	2,518	3,017	3,580	3,965	4,330
Landscape	6,458	3,732	10,134	12,141	14,408	15,957	17,425
Other	2,426	584	2,700	3,235	3,839	4,252	4,643
Unaccounted for	547	23	608	729	865	958	1,046
Totals	37,668	29,270	44,883	53,768	63,811	70,669	77,171

Source: Otay Water District 2010 UWMP.

The historical and projected recycled water demands for Otay WD are shown in Table 3.

Table 3
Historical and Projected Recycled Water Fiscal Year Demands (AF)

Water Use Sector	2005	2010	2015	2020	2025	2030	2035
Landscape	4,090	4,000	4,400	5,000	5,800	6,800	8,000
Totals	4,090	4,000	4,400	5,000	5,800	6,800	8,000

Source: Otay Water District 2010 UWMP, Table 10.

Using the land use demand projection criteria as established in the Otay WD WRMP Update, the current projected potable water demand for the proposed Otay Mesa Community Plan Update is shown in Table 4, which totals approximately 4.70 mgd or about 5,273 AFY.

**Table 4
 Otay Mesa Community Plan Updated Potable
 Water Annual Average Demands**

Location (Land Use)	Quantity	Unit Rate	Potable Water Factor	Net Potable Unit Rate	Average Demand (gpd)
Multi-Family Residential	5,246 units	300 gpd/unit	85%	255 gpd/unit	1,337,730
Commercial/Office	142 acres	1,785 gpd/acre	90%	1,607 gpd/acre	228,123
Industrial	876 acres	893 gpd/acre	95%	848 gpd/acre	743,155
IBT	1,286 acres	1,800 gpd/acre	90%	1,620 gpd/acre	2,083,320
Institutional	220 acres	1,785 gpd/acre	80%	1,428 gpd/acre	314,160
Total					4,706,488

The current projected recycled water demand for the proposed Otay Mesa Community Plan Update is provided in Table 5, which totals approximately 0.68 mgd or about 774 AFY, representing about 13% of total Otay Mesa Community Plan Update demand.

**Table 5
 Otay Mesa Community Plan Updated Recycled Water Average Demands**

Location (Land Use)	Quantity	Recycled Water Factor	Net Recycled Acreage	Unit Rate	Average Demand (gpd)
Multi-Family Residential	191 acres	15%	29	2,155 gpd/acre	61,741
Commercial/Office	142 acres	10%	14	2,155 gpd/acre	30,601
Industrial	876 acres	5%	44	2,155 gpd/acre	94,389
IBT	1,286 acres	10%	129	2,155 gpd/acre	277,133
Institutional	220 acres	20%	44	2,155 gpd/acre	94,820
Parks	61 acres	100%	61	2,155 gpd/acre	131,455
Total			321		690,139

5.1 Demand Management (Water Conservation)

Demand management, or water conservation is a critical part of the Otay WD 2010 UWMP and its long term strategy for meeting water supply needs of the Otay WD customers. Water conservation, is frequently the lowest cost resource available to any water agency. The goals of the Otay WD water conservation programs are to:

- Reduce the demand for more expensive, imported water.
- Demonstrate continued commitment to the Best Management Practices (BMP).
- Ensure a reliable water supply.

The Otay WD is signatory to the Memorandum of Understanding (MOU) Regarding Urban Water Conservation in California, which created the California Urban Water Conservation Council (CUWCC) in 1991 in an effort to reduce California's long-term water demands. Water conservation programs are developed and implemented on the premise that water conservation increases the water supply by reducing the demand on available supply, which is vital to the optimal utilization of a region's water supply resources. The Otay WD participates in many water conservation programs designed and typically operated on a shared cost participation program basis among the Water Authority, MWD, and their member agencies. The demands shown in Tables 2 and 3 take into account implementation of water conservation measures within Otay WD.

As one of the first signatories to the MOU Regarding Urban Water Conservation in California, the Otay WD has made BMP implementation for water conservation the cornerstone of its conservation programs and a key element in its water resource management strategy. As a member of the Water Authority, Otay WD also benefits from regional programs performed on behalf of its member agencies. The BMP programs implemented by Otay WD and regional BMP programs implemented by the Water Authority that benefit all their member agencies are addressed in the Otay WD 2010 UWMP. In partnership with the Water Authority, the County of San Diego, City of San Diego, City of Chula Vista, and developers, the Otay WD water conservation efforts are expected to grow and expand. The resulting savings directly relate to additional available water in the San Diego County region for beneficial use within the Water Authority service area, including the Otay WD.

Additional conservation or water use efficiency measures or programs practiced by the Otay WD include the following:

- Supervisory Control and Data Acquisition System

The Otay WD implemented and has operated for many years a Supervisory Control and Data Acquisition (SCADA) system to control, monitor, and collect data regarding the operation of the water system. The major facilities that have SCADA capabilities are the water flow control supply sources, transmission network, pumping stations, and water storage reservoirs. The SCADA system allows for many and varied useful functions. Some of these functions provide for operating personnel to monitor the water supply source flow rates, reservoir levels, turn on or off pumping units, etc. The SCADA system aids in the prevention of water reservoir overflow events and increases energy efficiency.

- Water Conservation Ordinance

California Water Code Sections 375 et seq. permit public entities which supply water at retail to adopt and enforce a water conservation program to reduce the quantity of water used by the people therein for the purpose of conserving water supplies of such public entity. The Otay WD Board of Directors established a comprehensive water conservation program pursuant to California Water Code Sections 375 et seq., based upon the need to conserve water supplies and to avoid or minimize the effects of any future shortage. A water shortage could exist based upon the occurrence of one or more of the following conditions:

1. A general water supply shortage due to increased demand or limited supplies.
2. Distribution or storage facilities of the Water Authority or other agencies become inadequate.
3. A major failure of the supply, storage, and distribution facilities of MWD, the Water Authority, and/or Otay WD.

The Otay WD water conservation ordinance finds and determines that the conditions prevailing in the San Diego County area require that the available water resources be put to maximum beneficial use to the extent to which they are capable, and that the waste or unreasonable use, or unreasonable method of use, of water be prevented and that the conservation of such water be encouraged with a view to the maximum reasonable and beneficial use thereof in the interests of the people of the Otay WD and for the public welfare.

Otay WD is currently engaged in a number of conservation and water use efficiency activities. Listed below are the current programs that are either on-going or were recently concluded:

- Residential Water Surveys: 1,349 completed since 1994
- Large Landscape Surveys: 194 completed since 1990
- Cash for Water Smart Plants Landscape Retrofit Program: over 217,600 square feet of turf grass replaced with water wise plants since 2003
- Rotating Nozzles Rebated: 3,170
- Residential Weather-Based Irrigation Controller (WBIC) Incentive Program: 231 distributed or rebated since 2004
- Residential High Efficiency Clothes Washers: 7,187 rebates since 1994
- Residential ULFT/HET Rebate Program: 22,376 rebates provided between 1991-2010
- Outreach Efforts to Otay WD Customers - the Otay WD promotes its conservation programs through staffing outreach events, bill inserts, articles in the Otay WD's quarterly customer Pipeline newsletter, direct mailings to Otay WD customers, the Otay WD's webpage and through the Water Authority's marketing efforts.
- School Education Programs- the Otay WD funds school tours of the Water Conservation Garden, co-funds Splash Labs, provides classroom water themed kits,

maintains a library of school age appropriate water themed books, DVDs, and videos, and runs both a school poster contest and a water themed photo contest.

- Water efficiency in new construction through Cal Green and the Model Water Efficient Landscape Ordinance
- Focus on Commercial/Institutional/Industrial through Promoting MWD's Save a Buck (Commercial) Program in conjunction with the Otay WD's own Commercial Process Improvement Program

As a signatory to the MOU Regarding Urban Water Conservation in California, the Otay WD is required to submit biannual reports that detail the implementation of current water conservation practices. The Otay WD voluntarily agreed to implement the fourteen water conservation Best Management Practices beginning in 1992. The Otay WD submits its report to the CUWCC every two years. The Otay WD BMP Reports for 2005 to 2010, as well as the BMP Coverage Report for 1999-2010, are included in the Otay WD 2010 UWMP.

The Otay Mesa Community Plan Update will implement the CUWCC Best Management Practices for water conservation such as installation of ultra low flow toilets, development of a water conservation plan, and potential beneficial use of recycled water, all of which are typical requirements of development projects within the City of San Diego.

Section 6 - Existing and Projected Supplies

The Otay WD currently does not have an independent raw or potable water supply source. The Otay WD is a member public agency of the Water Authority. The Water Authority is a member public agency of MWD. The statutory relationships between the Water Authority and its member agencies, and MWD and its member agencies, respectively, establish the scope of the Otay WD entitlement to water from these two agencies.

The Water Authority through two delivery pipelines, referred to as Pipeline No. 4 and the La Mesa Sweetwater Extension Pipeline, currently supply the Otay WD with 100 percent of its potable water. The Water Authority in turn, currently purchases the majority of its water from MWD. Due to the Otay WD reliance on these two agencies, this WSA&V Report includes referenced documents that contain information on the existing and projected supplies, supply programs, and related projects of the Water Authority and MWD. The Otay WD, Water Authority, and MWD are actively pursuing programs and projects to diversify their water supply resources.

The description of local recycled water supplies available to the Otay WD is also discussed below.

6.1 MWD Water District of Southern California 2005 Regional Urban Water Management Plan

In November 2010, MWD adopted its 2010 RUWMP. The 2010 RUWMP provides MWD's member agencies, retail water utilities, cities, and counties within its service area with, among other things, a detailed evaluation of the supplies necessary to meet future demands, and an evaluation of reasonable and practical efficient water uses, recycling, and conservation activities. During the preparation of the 2010 RUWMP, MWD also utilized the current SANDAG regional growth forecast in calculating regional water demands for the Water Authority service area.

6.1.1 Availability of Sufficient Supplies and Plans for Acquiring Additional Supplies

MWD is a wholesale supplier of water to its member public agencies and obtains its supplies from two primary sources: the Colorado River, via the Colorado River Aqueduct (CRA), which it owns and operates, and Northern California, via the State Water Project (SWP). The 2010 RUWMP documents the availability of these existing supplies and additional supplies necessary to meet future demands.

6.1.1.1 MWD Supplies

MWD's Integrated Resources Plan (IRP) identifies a mix of resources (imported and local) that, when implemented, will provide 100 percent reliability for full-service demands through the attainment of regional targets set for conservation, local supplies, State Water Project supplies, Colorado River supplies, groundwater banking, and water transfers. The 2010 update to the IRP (2010 IRP Update) includes a planning buffer supply intended to mitigate against the risks associated with implementation of local and imported supply programs. The planning buffer identifies an additional increment of water that could potentially be developed if other supplies are not implemented as planned. As part of implementation of the planning buffer, MWD periodically evaluates supply development to ensure that the region is not under or over-developing supplies. Managed properly, the planning buffer will help ensure that the southern California region, including San Diego County, will have adequate supplies to meet future demands.

In November 2010, MWD adopted its 2010 RUWMP in accordance with state law. The resource targets included in the preceding 2010 IRP Update serve as the foundation for the planning assumptions used in the 2010 RUWMP. MWD's 2010 RUWMP contains a water supply reliability assessment that includes a detailed evaluation of the supplies necessary to meet demands over a 25-year period in average, single dry year, and multiple dry year periods. As part of this process, MWD also uses the current SANDAG regional growth forecast in calculating regional water demands for the Water Authority's service area.

As stated in MWD's 2010 RUWMP, that plan may be used as a source document for meeting the requirements of SB 610 and SB 221 until the next scheduled update is completed in 2015. The 2005 RUWMP includes a "Justifications for Supply Projections" in Appendix A.3, that provides detailed documentation of the planning, legal, financial, and regulatory basis for including each source of supply in the plan. A copy of MWD's 2010 RUWMP can be found on the World Wide Web at the following site address:

http://www.mwdh2o.com/mwdh2o/pages/yourwater/RUWMP/RUWMP_2010.pdf

Water supply agencies throughout California continue to face climatological, environmental, legal, and other challenges that impact water source supply conditions, such as the court rulings regarding the Sacramento-San Joaquin Delta and the current western states drought conditions. Challenges such as these essentially always will be present. The regional water supply agencies, the Water Authority and MWD, along with Otay WD nevertheless fully intend to have sufficient, reliable supplies to serve demands.

6.1.2 MWD Capital Investment Plan

As part of MWD's annual budget approval process, a Capital Investment Plan is prepared. The cost, purpose, justification, status, progress, etc. of MWD's infrastructure projects to deliver existing and future supplies are documented in the Capital Investment Plan. The financing of these projects is addressed as part of the annual budget approval process.

MWD's Capital Investment Plan includes a series of projects identified from MWD studies of projected water needs, which, when considered along with operational demands on aging facilities and new water quality regulations, identify the capital projects needed to maintain infrastructure reliability and water quality standards, improve efficiency, and provide future cost savings. All projects within the Capital Investment Plan are evaluated against an objective set of criteria to ensure they are aligned with the MWD's goals of supply reliability and quality.

6.2 San Diego County Water Authority Regional Water Supplies

The Water Authority has adopted plans and is taking specific actions to develop adequate water supplies to help meet existing and future water demands within the San Diego region. This section contains details on the supplies being developed by the Water Authority. A summary of recent actions pertaining to development of these supplies includes:

- In accordance with the Urban Water Management Planning Act, the Water Authority adopted their 2010 UWMP in June 2011. The updated Water Authority 2010 UWMP identifies a diverse mix of local and imported water supplies to meet future demands. A copy of the updated Water Authority 2010 UWMP can be found on the internet at <http://www.sdcwa.org/2010-urban-water-management-plan>

- Deliveries of conserved agricultural water from the Imperial Irrigation District (IID) to San Diego County have increased annually since 2003, with 70,000 ac-ft of deliveries in Fiscal Year (FY) 2010. These quantities will increase annually to 200,000 AFY by 2021, and then remain fixed for the duration of the transfer agreement.
- As part of the October 2003 Quantification Settlement Agreement (QSA), the Water Authority was assigned MWD's rights to 77,700 AFY of conserved water from the All-American Canal (AAC) and Coachella Canal (CC) lining projects. Deliveries of this conserved water from the CC reached the region in 2007 and deliveries from the AAC reached the region in 2010. Expected supplies from the canal lining projects are considered verifiable Water Authority supplies.

Through implementation of the Water Authority and member agency planned supply projects, along with reliable imported water supplies from MWD, the region anticipates having adequate supplies to meet existing and future water demands.

To ensure sufficient supplies to meet projected growth in the San Diego region, the Water Authority uses the SANDAG most recent regional growth forecast in calculating regional water demands. The SANDAG regional growth forecast is based on the plans and policies of the land-use jurisdictions with San Diego County. The existing and future demands of the member agencies are included in the Water Authority's projections.

6.2.1 Availability of Sufficient Supplies and Plans for Acquiring Additional Supplies

The Water Authority currently obtains imported supplies from MWD, conserved water from the AAC and CC lining projects, and an increasing amount of conserved agricultural water from IID. Of the twenty-seven member agencies that purchase water supplies from MWD, the Water Authority is MWD's largest customer.

Section 135 of MWD's Act defines the preferential right to water for each of its member agencies. As calculated by MWD, the Water Authority's preferential right as of December 11, 2012 is 17.22 percent of MWD's supply, while the Water Authority accounted for approximately 25 percent of MWD's total revenue. Under preferential rights, MWD could allocate water without regard to historic water purchases or dependence on MWD. The Water Authority and its member agencies are taking measures to reduce dependence on MWD through development of additional supplies and a water supply portfolio that would not be jeopardized by a preferential rights allocation. MWD has stated, consistent with Section 4202 of its Administrative Code that it is prepared to provide the Water Authority's service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. When and as additional water resources are required to meet increasing needs, MWD stated it will be prepared to deliver such supplies. In Section ES-5 of their 2010 RUWMP, MWD states that MWD has supply capacities that would be sufficient to meet expected demands

from 2015 through 2035. MWD has plans for supply implementation and continued development of a diversified resource mix including programs in the Colorado River Aqueduct, State Water Project, Central Valley Transfers, local resource projects, and in-region storage that enables the region to meet its water supply needs.

The Water Authority has made large investments in MWD’s facilities and will continue to include imported supplies from MWD in the future resource mix. As discussed in the Water Authority’s 2010 UWMP, the Water Authority and its member agencies are planning to diversify the San Diego regions supply portfolio and reduce purchases from MWD.

As part of the Water Authority’s diversification efforts, the Water Authority is now taking delivery of conserved agricultural water from IID and water saved from the AAC and CC lining projects. The CC lining project is complete and the Water Authority has essentially completed construction of the AAC lining project. Table 6 summarizes the Water Authority’s supply sources with detailed information included in the sections to follow. Deliveries from MWD are also included in Table 6, which is further discussed in Section 6.1 above. The Water Authority’s member agencies provided the verifiable local supply targets for groundwater, groundwater recovery, recycled water, and surface water, which are discussed in more detail in Section 5 of the Water Authority’s 2010 UWMP.

Table 6
Projected Verifiable Water Supplies – Water Authority Service Area
Normal Year (AF)

Water Supply Sources	2015	2020	2025	2030	2035
Water Authority Supplies					
MWD Supplies	358,189	230,601	259,694	293,239	323,838
Water Authority/IID Transfer	100,000	190,000	200,000	200,000	200,000
AAC and CC Lining Projects	80,200	80,200	80,200	80,200	80,200
Proposed Regional Seawater Desalination (1)	0	56,000	56,000	56,000	56,000
Member Agency Supplies					
Surface Water	48,206	47,940	47,878	47,542	47,289
Water Recycling	38,660	43,728	46,603	48,278	49,998
Groundwater	11,710	11,100	12,100	12,840	12,840
Groundwater Recovery	10,320	15,520	15,520	15,520	15,520
Total Projected Supplies	647,285	675,089	717,995	753,619	785,685

Source: Water Authority 2010 Urban Water Management Plan – Table 9-1.

Note 1: On November 29, 2012, the Water Authority approved a water purchase agreement with Poseidon for 48,000 AFY with the right to purchase up to 56,000 AFY

Section 5 of the Water Authority’s 2010 UWMP also includes a discussion on the local supply target for seawater desalination. Seawater desalination supplies represent a significant future local resource in the Water Authority’s service area.

The Carlsbad Desalination Project (Project) is a fully-permitted seawater desalination plant and conveyance pipeline designed to provide a highly reliable local supply of up to 56,000 AFY for the region. In 2020, the Project would account for approximately 8% of the total projected regional supply and 30% of all locally generated water in San Diego County. If the project becomes operational in 2016, it will more than double the amount of local supplies developed in the region since 1991. The desalination plant itself will be fully financed, built, and operated by Poseidon. The Water Authority will purchase water from the plant under a water purchase agreement. The new pipeline connecting the desalination plant with the Water Authority's Second Aqueduct will be owned and operated by the Water Authority, but responsibility for design and construction will reside with Poseidon through a separate Design-Build Agreement. The Water Authority will be responsible for aqueduct improvements, including the relining and rehabilitation of Pipeline 3 to accept desalinated water under higher operating pressures, modifications to the San Marcos Vent that allows the flow of water between Pipelines 3 and 4, and improvements at the Twin Oaks Valley Water Treatment Plant necessary to integrate desalinated water into the Water Authority's system for optimal distribution to member agencies.

On July 22, 2010, the Board approved a Term Sheet between the Water Authority and Poseidon Resources that outlined the key terms and conditions that would be detailed and incorporated in a comprehensive Water Purchase Agreement (WPA). Beginning in October 2011 and under the direction of the Board's Carlsbad Desalination Project Advisory Group, staff began developing and negotiating with Poseidon a WPA consistent with the July 22, 2010 Board approved Term Sheet. The July 2010 Term Sheet also identified specific conditions precedent to Board consideration of the WPA. On November 29, 2012, the Water Authority Board adopted a resolution approving the Water Purchase Agreement (WPA).

The Water Authority's existing and planned supplies from the IID transfer and canal lining projects are considered "drought-proof" supplies and should be available at the yields shown in Table 6 in normal water year supply and demand assessment. Single dry year and multiple dry year scenarios are discussed in more detail in Section 9 of the Water Authority's 2010 UWMP.

As part of preparation of a written water supply assessment and/or verification report, an agency's shortage contingency analysis should be considered in determining sufficiency of supply. Section 11 of the Water Authority's 2010 UWMP contains a detailed shortage contingency analysis that addresses a regional catastrophic shortage situation and drought management. The analysis demonstrates that the Water Authority and its member agencies, through the Emergency Response Plan, Emergency Storage Project, and Drought Management Plan (DMP) are taking actions to prepare for and appropriately handle an interruption of water supplies. The DMP, adopted in May 2006, provides the Water Authority and its member agencies with a series of potential actions to take when faced with a shortage of imported water supplies from MWD due to prolonged drought or other supply shortfall

conditions. The actions will help the region avoid or minimize the impacts of shortages and ensure an equitable allocation of supplies throughout the San Diego region.

6.2.1.1 Water Authority-Imperial Irrigation District Water Conservation and Transfer Agreement

The QSA was signed in October 2003, and resolves long-standing disputes regarding priority and use of Colorado River water and creates a baseline for implementing water transfers. With approval of the QSA, the Water Authority and IID were able to implement their Water Conservation and Transfer Agreement. This agreement not only provides reliability for the San Diego region, but also assists California in reducing its use of Colorado River water to its legal allocation.

On April 29, 1998, the Water Authority signed a historic agreement with IID for the long-term transfer of conserved Colorado River water to San Diego County. The Water Authority-IID Water Conservation and Transfer Agreement (Transfer Agreement) is the largest agriculture-to-urban water transfer in United States history. Colorado River water will be conserved by Imperial Valley farmers who voluntarily participate in the program and then transferred to the Water Authority for use in San Diego County.

Implementation Status

On October 10, 2003, the Water Authority and IID executed an amendment to the original 1998 Transfer Agreement. This amendment modified certain aspects of the 1998 Agreement to be consistent with the terms and conditions of the QSA and related agreements. It also modified other aspects of the agreement to lessen the environmental impacts of the transfer of conserved water. The amendment was expressly contingent on the approval and implementation of the QSA, which was also executed on October 10, 2003.

On November 5, 2003, IID filed a complaint in Imperial County Superior Court seeking validation of 13 contracts associated with the Transfer Agreement and the QSA. Imperial County and various private parties filed additional suits in Superior Court, alleging violations of CEQA, the California Water Code, and other laws related to the approval of the QSA, the water transfer, and related agreements. The lawsuits were coordinated for trial. The IID, Coachella Valley Water District, MWD, the Water Authority, and state are defending these suits and coordinating to seek validation of the contracts. In January 2010, a California Superior Court judge ruled that the QSA and 11 related agreements were invalid, because one of the agreements created an open-ended financial obligation for the state, in violation of California's constitution. The QSA parties appealed this decision and are continuing to seek validation of the contracts. The appeal is currently pending in the Third District Court of Appeal. A stay of the trial court judgment has been issued during the appeal. Implementation of the transfer provisions is proceeding during litigation.

Expected Supply

Deliveries into San Diego County from the transfer began in 2003 with an initial transfer of 10,000 AFY. The Water Authority received increasing amounts of transfer water each year, according to a water delivery schedule contained in the transfer agreement. In 2012, the Water Authority will receive 90,000 AF. The quantities will increase annually to 200,000 AFY by 2021 then remain fixed for the duration of the transfer agreement. The initial term of the Transfer Agreement is 45 years, with a provision that either agency may extend the agreement for an additional 30-year term.

During dry years, when water availability is low, the conserved water will be transferred under the IID Colorado River rights, which are among the most senior in the Lower Colorado River Basin. Without the protection of these rights, the Water Authority could suffer delivery cutbacks. In recognition for the value of such reliability, the 1998 contract required the Water Authority to pay a premium on transfer water under defined regional shortage circumstances. The shortage premium period duration is the period of consecutive days during which any of the following exist: 1) a Water Authority shortage; 2) a shortage condition for the Lower Colorado River as declared by the Secretary; and 3) a Critical Year. Under terms of the October 2003 amendment, the shortage premium will not be included in the cost formula until Agreement Year 16.

Transportation

The Water Authority entered into a water exchange agreement with MWD on October 10, 2003, to transport the Water Authority-IID transfer water from the Colorado River to San Diego County. Under the exchange agreement, MWD will take delivery of the transfer water through its Colorado River Aqueduct. In exchange, MWD will deliver to the Water Authority a like quantity and quality of water. The Water Authority will pay MWD's applicable wheeling rate for each acre-foot of exchange water delivered. According to the water exchange agreement, MWD will make delivery of the transfer water for 35 years, unless the Water Authority elects to extend the agreement another 10 years for a total of 45 years.

Cost/Financing

The costs associated with the transfer are financed through the Water Authority's rates and charges. In the agreement between the Water Authority and IID, the price for the transfer water started at \$258 per acre-foot and increased by a set amount for the first seven years. In December 2009, the Water Authority and IID executed a fifth amendment to the water transfer agreement that sets the price per acre-foot for transfer water for calendar years 2010 through 2015, beginning at \$405 per acre-foot in 2010 and increasing to \$624 per acre-foot in 2015. For calendar years 2016 through 2034, the unit price will be adjusted using an agreed-upon index. The amendment also required the Water Authority to pay IID \$6 million at the end of calendar year 2009 and another \$50 million on or before October 1, 2010, provided that a transfer stoppage is not in effect as a result of a court order in the QSA coordinated cases. Beginning in

2035, either the Water Authority or IID can, if certain criteria are met, elect a market rate price through a formula described in the water transfer agreement.

The October 2003 exchange agreement between MWD and the Water Authority set the initial cost to transport the conserved water at \$253 per acre-foot. Thereafter, the price is set to be equal to the charge or charges set by MWD's Board of Directors pursuant to applicable laws and regulation, and generally applicable to the conveyance of water by MWD on behalf of its member agencies. The transportation charge in 2010 was \$314 per acre-foot.

The Water Authority is providing \$10 million to help offset potential socioeconomic impacts associated with temporary land fallowing. IID will credit the Water Authority for these funds during years 16 through 45. In 2007, the Water Authority prepaid IID an additional \$10 million for future deliveries of water. IID will credit the Water Authority for this up-front payment during years 16 through 30.

As part of implementation of the QSA and water transfer, the Water Authority also entered into an environmental cost sharing agreement. Under this agreement the Water Authority is contributing a total of \$64 million to fund environmental mitigation projects and the Salton Sea Restoration Fund.

Written Contracts or Other Proof

The supply and costs associated with the transfer are based primarily on the following documents:

Agreement for Transfer of Conserved Water by and between IID and the Water Authority (April 29, 1998). This Agreement provides for a market-based transaction in which the Water Authority would pay IID a unit price for agricultural water conserved by IID and transferred to the Water Authority.

Revised Fourth Amendment to Agreement between IID and the Water Authority for Transfer of Conserved Water (October 10, 2003). Consistent with the executed Quantification Settlement Agreement (QSA) and related agreements, the amendments restructure the agreement and modify it to minimize the environmental impacts of the transfer of conserved water to the Water Authority.

Amended and Restated Agreement between MWD and Water Authority for the Exchange of Water (October 10, 2003). This agreement was executed pursuant to the QSA and provides for delivery of the transfer water to the Water Authority.

Environmental Cost Sharing, Funding, and Habitat Conservation Plan Development Agreement among IID, Coachella Valley Water District (CVWD), and Water Authority (October 10, 2003). This Agreement provides for the specified allocation of QSA-related

environmental review, mitigation, and litigation costs for the term of the QSA, and for development of a Habitat Conservation Plan.

Quantification Settlement Agreement Joint Powers Authority Creation and Funding Agreement (October 10, 2003). The purpose of this agreement is to create and fund the QSA Joint Powers Authority and to establish the limits of the funding obligation of CVWD, IID, and Water Authority for environmental mitigation and Salton Sea restoration pursuant to SB 654 (Machado).

Fifth Amendment to Agreement Between Imperial Irrigation District and San Diego County Water Authority for Transfer of Conserved Water (December 21, 2009). This agreement implements a settlement between the Water Authority and IID regarding the base contract price of transferred water.

Federal, State, and Local Permits/Approvals

Federal Endangered Species Act Permit. The U.S. Fish and Wildlife Service (USFWS) issued a Biological Opinion on January 12, 2001, that provides incidental take authorization and certain measures required to offset species impacts on the Colorado River regarding such actions.

State Water Resources Control Board (SWRCB) Petition. SWRCB adopted Water Rights Order 2002-0016 concerning IID and Water Authority's amended joint petition for approval of a long-term transfer of conserved water from IID to the Water Authority and to change the point of diversion, place of use, and purpose of use under Permit 7643.

Environmental Impact Report (EIR) for Conservation and Transfer Agreement. As lead agency, IID certified the Final EIR for the Conservation and Transfer Agreement on June 28, 2002.

U. S. Fish and Wildlife Service Draft Biological Opinion and Incidental Take Statement on the Bureau of Reclamation's Voluntary Fish and Wildlife Conservation Measures and Associated Conservation Agreements with the California Water Agencies (12/18/02). The U. S. Fish and Wildlife Service issued the biological opinion/incidental take statement for water transfer activities involving the Bureau of Reclamation and associated with IID/other California water agencies' actions on listed species in the Imperial Valley and Salton Sea (per the June 28, 2002 EIR).

Addendum to EIR for Conservation and Transfer Agreement. IID as lead agency and Water Authority as responsible agency approved addendum to EIR in October 2003.

Environmental Impact Statement (EIS) for Conservation and Transfer Agreement. Bureau of Reclamation issued a Record of Decision on the EIS in October 2003.

CA Department of Fish and Game California Endangered Species Act Incidental Take Permit #2081-2003-024-006). The California Department of Fish and Game issued this permit

(10/22/04) for potential take effects on state-listed/fully protected species associated with IID/other California water agencies' actions on listed species in the Imperial Valley and Salton Sea (per the June 28, 2002 EIR).

California Endangered Species Act (CESA) Permit. A CESA permit was issued by California Department of Fish and Game (CDFG) on April 4, 2005, providing incidental take authorization for potential species impacts on the Colorado River.

6.2.1.2 All-American Canal and Coachella Canal Lining Projects

As part of the QSA and related contracts, the Water Authority was assigned MWD's rights to 77,700 AFY of conserved water from projects that will line the All-American Canal (AAC) and Coachella Canal (CC). The projects will reduce the loss of water that currently occurs through seepage, and the conserved water will be delivered to the Water Authority. This conserved water will provide the San Diego region with an additional 8.5 million AF over the 110-year life of the agreement.

Implementation Status

The CC lining project began in November 2004 and was completed in 2006. Deliveries of conserved water to the Water Authority began in 2007. The project constructed a 37-mile parallel canal adjacent to the CC. The AAC lining project was begun in 2005 and was completed in 2010. The lining project constructed a concrete-lined canal parallel to 24 miles of the existing AAC from Pilot Knob to Drop 3.

In July 2005, a lawsuit (*CDEM v United States*, Case No. CV-S-05-0870-KJD-PAL) was filed in the U. S. District Court for the District of Nevada on behalf of U.S. and Mexican groups challenging the lining of the AAC. The lawsuit, which names the Secretary of the Interior as a defendant, claims that seepage water from the canal belongs to water users in Mexico. California water agencies note that the seepage water is actually part of California's Colorado River allocation and not part of Mexico's allocation. The plaintiffs also allege a failure by the United States to comply with environmental laws. Federal officials have stated that they intend to vigorously defend the case.

Expected Supply

The AAC lining project makes 67,700 AF of Colorado River water per year available for allocation to the Water Authority and San Luis Rey Indian water rights settlement parties. The CC lining project makes 26,000 AF of Colorado River water each year available for allocation. The 2003 Allocation Agreement provides for 16,000 AFY of conserved canal lining water to be allocated to the San Luis Rey Indian Water Rights Settlement Parties. The remaining amount, 77,700 AFY, is to be available to the Water Authority, with up to an additional 4,850 AFY available to the Water Authority depending on environmental requirements from the CC lining project. For planning purposes, the Water Authority

assumes that 2,500 AF of the 4,850 AF will be available each year for delivery, for a total of 80,200 AFY of that supply. According to the Allocation Agreement, IID has call rights to a portion (5,000 AFY) of the conserved water upon termination of the QSA for the remainder of the 110 years of the Allocation Agreement and upon satisfying certain conditions. The term of the QSA is for up to 75 years.

Transportation

The October 10, 2003, Exchange Agreement between the Water Authority and MWD also provides for the delivery of the conserved water from the canal lining projects. The Water Authority will pay MWD's applicable wheeling rate for each acre-foot of exchange water delivered. In the Agreement, MWD will deliver the canal lining water for the term of the Allocation Agreement (110 years).

Cost/Financing

Under California Water Code Section 12560 et seq., the Water Authority received \$200 million in state funds for construction of the canal lining projects. In addition, \$20 million was made available from Proposition 50 and \$36 million from Proposition 84. The Water Authority was responsible for additional expenses above the funds provided by the state.

The rate to be paid to transport the canal lining water will be equal to the charge or charges set by MWD's Board of Directors pursuant to applicable law and regulation and generally applicable to the conveyance of water by MWD on behalf of its member agencies.

In accordance with the Allocation Agreement, the Water Authority will also be responsible for a portion of the net additional Operation, Maintenance, and Repair (OM&R) costs for the lined canals. Any costs associated with the lining projects as proposed, are to be financed through the Water Authority's rates and charges.

Written Contracts or Other Proof

The expected supply and costs associated with the lining projects are based primarily on the following documents:

U.S. Public Law 100-675 (1988). Authorized the Department of the Interior to reduce seepage from the existing earthen AAC and CC. The law provides that conserved water will be made available to specified California contracting water agencies according to established priorities.

California Department of Water Resources - MWD Funding Agreement (2001). Reimburse MWD for project work necessary to construct the lining of the CC in an amount not to exceed \$74 million. Modified by First Amendment (2004) to replace MWD with the Authority. Modified by Second Amendment (2004) to increase funding amount to \$83.65 million, with addition of funds from Proposition 50.

California Department of Water Resources - IID Funding Agreement (2001). Reimburse IID for project work necessary to construct a lined AAC in an amount not to exceed \$126 million.

MWD - CVWD Assignment and Delegation of Design Obligations Agreement (2002). Assigns design of the CC lining project to CVWD.

MWD - CVWD Financial Arrangements Agreement for Design Obligations (2002). Obligates MWD to advance funds to CVWD to cover costs for CC lining project design and CVWD to invoice MWD to permit the Department of Water Resources to be billed for work completed.

Allocation Agreement among the United States of America, The MWD Water District of Southern California, Coachella Valley Water District, Imperial Irrigation District, San Diego County Water Authority, the La Jolla, Pala, Pauma, Rincon, and San Pasqual Bands of Mission Indians, the San Luis Rey River Indian Water Authority, the City of Escondido, and Vista Irrigation District (October 10, 2003). This agreement includes assignment of MWD's rights and interest in delivery of 77,700 AF of Colorado River water previously intended to be delivered to MWD to the Water Authority. Allocates water from the AAC and CC lining projects for at least 110 years to the Water Authority, the San Luis Rey Indian Water Rights Settlement Parties, and IID, if it exercises its call rights.

Amended and Restated Agreement between MWD and Water Authority for the Exchange of Water (October 10, 2003). This agreement was executed pursuant to the QSA and provides for delivery of the conserved canal lining water to the Water Authority.

Agreement between MWD and Water Authority regarding Assignment of Agreements related to the AAC and CC Lining Projects. This agreement was executed in April 2004 and assigns MWD's rights to the Water Authority for agreements that had been executed to facilitate funding and construction of the AAC and CC lining projects.

Assignment and Delegation of Construction Obligations for the Coachella Canal Lining Project under the Department of Water Resources Funding Agreement No. 4600001474 from the San Diego County Water Authority to the Coachella Valley Water District, dated September 8, 2004.

Agreement Regarding the Financial Arrangements between the San Diego County Water Authority and Coachella Valley Water District for the Construction Obligations for the Coachella Canal Lining Project, dated September 8, 2004.

Agreement No. 04-XX-30-W0429 Among the United States Bureau of Reclamation, the Coachella Valley Water District, and the San Diego County Water Authority for the Construction of the Coachella Canal Lining Project Pursuant to Title II of Public Law 100-675, dated October 19, 2004.

California Water Code Section 12560 et seq. This Water Code Section provides for \$200 million to be appropriated to the Department of Water Resources to help fund the canal lining projects in furtherance of implementing California's Colorado River Water Use Plan.

California Water Code Section 79567. This Water Code Section identifies \$20 million as available for appropriation by the California Legislature from the Water Security, Clean Drinking Water, Coastal, and Beach Protection Fund of 2002 (Proposition 50) to DWR for grants for canal lining and related projects necessary to reduce Colorado River water use. According to the Allocation Agreement, it is the intention of the agencies that those funds will be available for use by the Water Authority, IID, or CVWD for the AAC and CC lining projects.

California Public Resources Code Section 75050(b)(1). This section identifies up to \$36 million as available for water conservation projects that implement the Allocation Agreement as defined in the Quantification Settlement Agreement.

Federal, State, and Local Permits/Approvals

AAC Lining Project Final EIS/EIR (March 1994). A final EIR/EIS analyzing the potential impacts of lining the AAC was completed by the Bureau of Reclamation (Reclamation) in March 1994. A Record of Decision was signed by Reclamation in July 1994, implementing the preferred alternative for lining the AAC. A re-examination and analysis of these environmental compliance documents by Reclamation in November 1999 determined that these documents continued to meet the requirements of the NEPA and the CEQA and would be valid in the future.

CC Lining Project Final EIS/EIR (April 2001). The final EIR/EIS for the CC lining project was completed in 2001. Reclamation signed the Record of Decision in April 2002. An amended Record of Decision has also been signed to take into account revisions to the project description.

Mitigation, Monitoring, and Reporting Program for Coachella Canal Lining Project, SCH #1990020408; prepared by Coachella Valley Water District, May 16, 2001.

Environmental Commitment Plan for the Coachella Canal Lining Project, approved by the US Bureau of Reclamation (Boulder City, NV) on March 4, 2003.

Environmental Commitment Plan and Addendum to the All-American Canal Lining Project EIS/EIR California State Clearinghouse Number SCH 90010472 (June 2004, prepared by IID).

Addendum to Final EIS/EIR and Amendment to Environmental Commitment Plan for the All-American Canal Lining Project (approved June 27, 2006, by IID Board of Directors).

6.2.1.3 Carlsbad Seawater Desalination Project

Development of seawater desalination in San Diego County will assist the region in diversifying its water resources, reduce dependence on imported supplies, and provide a new drought-proof, locally treated water supply. The Carlsbad Desalination Project is a fully-permitted seawater desalination plant and conveyance pipeline currently being developed by Poseidon, a private investor-owned company that develops water and wastewater infrastructure. The project, located at the Encina Power Station in Carlsbad, has been in development since 1998 and was incorporated into the Water Authority's 2003 Water Facilities Master Plan and 2010 UWMP. The Carlsbad Desalination Project has obtained all required permits and environmental clearances and, when completed, will provide a highly reliable local supply of 48,000 to 56,000 AFY for the region.

Implementation Status

The Project has obtained all required permits and environmental clearances, including the following:

- National Pollutant Discharge Elimination System (NPDES) Discharge Permit (Regional Water Quality Control Board)
- Conditional Drinking Water Permit (California Department of Health Services)
- State Lands Commission Lease (State Lands Commission)
- Coastal Development Permit (California Coastal Commission)

IDE Technologies, a worldwide leader in the design, construction, and operation of desalination plants, was selected by Poseidon to be the desalination process contractor for the Project.

On July 22, 2010, the Board approved a Term Sheet between the Water Authority and Poseidon Resources that outlined the key terms and conditions that would be detailed and incorporated in a comprehensive Water Purchase Agreement (WPA). Beginning in October 2011 and under the direction of the Board's Carlsbad Desalination Project Advisory Group, staff began developing and negotiating with Poseidon a WPA consistent with the July 22, 2010 Board approved Term Sheet. The July 2010 Term Sheet also identified specific conditions precedent to Board consideration of the WPA.

On November 29, 2012, the Water Authority Board adopted a resolution approving the Design-Build Agreement between the Water Authority and Poseidon. The Design-Build Agreement establishes the commercial and technical terms for implementation of the desalination product pipeline improvements. These improvements consist of an approximate 10-mile long, 54-inch diameter conveyance pipeline connecting the Desalination Plant to the Water Authority's Second Aqueduct. The pipeline will generally be constructed within improved streets in commercial and industrial areas in the cities of Carlsbad, Vista, and San Marcos. The Water Authority will own the Project Water Pipeline Improvements upon execution of the Design-Build Agreement, and upon completion and acceptance of

construction, the Water Authority will assume operational control of all pipeline improvements.

Expected Supply

When completed, the Project will provide a highly reliable local supply of 48,000 to 56,000 AFY of supply for the region, available in both normal and dry hydrologic conditions. In 2020, the Project would account for approximately 8% of the total projected regional supply and 30% of all locally generated water in San Diego County. When the project becomes operational in 2016, it will more than double the amount of local supplies developed in the region since 1991.

Transportation

On November 29, 2012, the Water Authority Board adopted a resolution approving the Design-Build Agreement between the Water Authority and Poseidon. The Design-Build Agreement establishes the commercial and technical terms for implementation of the desalination product pipeline improvements. These improvements consist of an approximate 10-mile long, 54-inch diameter conveyance pipeline connecting the Desalination Plant to the Water Authority's Second Aqueduct. The pipeline will generally be constructed within improved streets in commercial and industrial areas in the cities of Carlsbad, Vista, and San Marcos. The Water Authority will own the Project Water Pipeline Improvements upon execution of the Design-Build Agreement, and upon completion and acceptance of construction, the Water Authority will assume operational control of all pipeline improvements.

The Water Authority will be responsible for aqueduct improvements, including the relining and rehabilitation of Pipeline 3 to accept desalinated water under higher operating pressures, modifications to the San Marcos Vent that allows the flow of water between Pipelines 3 and 4, and improvements at the Twin Oaks Valley Water Treatment Plant necessary to integrate desalinated water into the Water Authority's system for optimal distribution to member agencies.

Cost/Financing

The plant and the offsite pipeline will be financed through tax exempt government bonds issued for the Water Authority by the California Pollution Control Financing Authority (CPCFA). On November 29, 2012, the Water Authority Board adopted a resolution approving agreements to accomplish tax exempt project financing through the CPCFA.

A preliminary September 2012 unit cost estimate was \$2,300/AF. The Water Authority's water purchase costs will be financed through Water Authority rates and charges. Poseidon is financing the capital cost of the Project with a combination of private equity and tax-exempt Private Activity Bonds.

Written Contracts or Other Proof

The expected supply and costs associated with the Carlsbad Desalination Project are based primarily on the following documents:

Development Agreement between City of Carlsbad and Poseidon (October 2009). A Development Agreement between Carlsbad and Poseidon was executed on October 5, 2009

Agreement of Term Sheet between the Water Authority and Poseidon Resources (July 2010). The Water Authority approved the Term Sheet at its July 2010 Board Meeting. The Term Sheet outlines the terms and conditions of a future Water Purchase Agreement with Poseidon and allocates the resources to prepare the draft Water Purchase Agreement.

Federal, State, and Local Permits/Approvals

Carlsbad Desalination Project Final EIR

The City of Carlsbad, acting as lead agency for Carlsbad Seawater Desalination Plant and appurtenant facilities proposed by Poseidon (the “Project”) prepared an Environmental Impact Report for the Project in compliance with the California Environmental Quality Act (“CEQA”), which the City of Carlsbad certified on June 13, 2006.

<http://www.sdcwa.org/rwfmp-peir>

The City of Carlsbad prepared an Addendum to the Carlsbad EIR (“Addendum”) which was adopted on September 15, 2009, and reflects minor and immaterial design modifications to the Project site plan, appurtenant facilities, and water delivery pipeline network.

The environmental documents and permits are found at the following link:

<http://www.carlsbad-desal.com/EIR.asp>

The Water Authority, as a Responsible Agency under CEQA, adopted a resolution on November 29, 2012 approving a Second Addendum to the Carlsbad Precise Development Plan and Desalination Plant Final EIR and First Addendum that evaluates the environmental impacts of several proposed facility modifications that are necessary to allow for operational flexibility and efficiency in receiving and delivering desalination product water. These modifications include: a realignment of a portion of the approved desalination pipeline, the addition of chemical injection at the approved San Marcos Aqueduct Connection site, the relining of a portion of Pipeline 3, the addition of a pipeline and expanded flow control facility at Twin Oaks Valley Water Treatment Plant and a replacement of the San Marcos Vent on Pipeline 4. Impacts associated with the proposed modifications would not result in a new significant impact or substantial increase in the severity of impacts previously evaluated in the Carlsbad FEIR or the First Addendum. There are no substantial changes to the circumstances under which the project will be undertaken, and no new information of substantial importance that was not known and could not have been known when the FEIR was certified and the First Addendum was approved, and that have since been identified.

Therefore, the Second Addendum satisfies the CEQA requirements for the proposed project modifications.

Regional Water Facilities Master Plan EIR

On November 20, 2003, the Water Authority Board of Directors adopted Resolution No. 2003-34 certifying the Final Program Environmental Impact Report (State Clearinghouse No. 2003021052) for the Water Authority's Regional Water Facilities Master Plan Project (the "Master Plan EIR"), which evaluated, among other things, potential growth inducing impacts associated with new water supplies to the region including, but not limited to, up to 150 million gallons per day (mgd) of new supplies from seawater desalination. This certification included a 50 mgd plant located in the City of Carlsbad.

The environmental documents and permits are found at the following link:

<http://www.sdcwa.org/rwfmpeir>

Sub regional Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP)

On December 8, 2010, the Board adopted Resolution No. 2010-18 certifying a Final environmental Impact Report/Environmental Impact Statement for the San Diego County Water Authority Subregional Natural Community Conservation Plan/Habitat Conservation Plan (State Clearinghouse No. 2003121012) (the "Habitat Conservation Plan EIR/EIS"), which Plan was implemented on December 28, 2011.

The environmental documents and permits are found at the following link:

<http://www.sdcwa.org/nccp-hcp>

Twin Oaks Valley Water Treatment Plant EIR

On September 8, 2005, the Board adopted Resolution No. 2005-31 certifying a Final Environmental Impact Report for the Twin Oaks Valley Water Treatment Plant Project (State Clearinghouse No. 20040071034) (the "Twin Oaks EIR"), which project was constructed as a 100 MGD submerged membrane water treatment facility, including treated water holding tanks and distribution pipelines and other facilities, consistent with the conditions and mitigation measures included in the Twin Oaks EIR.

<http://www.sdcwa.org/twin-oaks-valley-treatment-plant-final-eir>

2010 Urban Water Management Plan

<http://www.sdcwa.org/2010-urban-water-management-plan>

Drinking Water Permit (October 2006). The California Department of Health Services approved the Conditional Drinking Water Permit on October 19, 2006.

Coastal Development Permit

The Project is fully permitted, with the California Coastal Commission issuing the following permits: Coastal Development Permit No. E-06-013, Energy Minimization and Greenhouse Gas Reduction Plan (December 2008), Marine Life Mitigation Plan (December 2008), Erosion Control Plan (November 2009), Landscaping Plan (September 2009), Lighting Plan (August 2009), Construction Plan (September 2009), and Water Pollution Control Plan

(September 2009); the California Department of Public Health issuing Conceptual Approval Letter dated October 19, 2006; the California Regional Water Quality Control Board issuing NPDES Permit No. CA0109223 and Notice of Intent to Discharge for Storm Water Associated with Construction Activities (WDID #9 37C361181); the City of Carlsbad issuing Redevelopment Permit RP 05-12(A), Specific Plan 144 with Amendment 144(J) SP 144(J), Habitat Management Plan Permit Amendment HMP 05-08(A), Precise Development Plan PDP 00-02(B), Mitigation Monitoring and Reporting Program for EIR 03-05(A), Development Agreement DA 05-01(A), Standard Urban Storm Water Mitigation Program (September 2009), and Coastal Development Permit 04-41; the State of California State Lands Commission issuing an Amendment of Lease PRC 8727.1 (August 2008). The environmental documents and permits are found at the following link:
<http://www.sdewa.org/carlsbad-desalination-project-approved-permits-and-plans>

State Lands Commission Lease Application (Amendment of Lease PRC 8727.1 August 2008). Amends lease of land by Cabrillo Power I LLC (Cabrillo) from the State Lands Commission for the lands where the project will be constructed. Cabrillo and Poseidon entered into agreement on July 1, 2003, authorizing Poseidon to use those lands to construct the project.

6.2.2 Water Authority Capital Improvement Program and Financial Information

The Water Authority's Capital Improvement Program (CIP) can trace its beginnings to a report approved by the Board in 1989 entitled, The Water Distribution Plan, and a Capital Improvement Program through the Year 2010. The Water Distribution Plan included ten projects designed to increase the capacity of the aqueduct system, increase the yield from existing water treatment plants, obtain additional supplies from MWD, and increase the reliability and flexibility of the aqueduct system. Since that time the Water Authority has made numerous additions to the list of projects included in its CIP as the region's infrastructure needs and water supply outlook have changed.

The current list of projects included in the CIP is based on the results of planning studies, including the 2005 UWMP and the 2002 Regional Water Facilities Master Plan. These CIP projects, which are most recently described in the Water Authority's Adopted Multi-Year Budget, include projects valued at \$3.50 billion. These CIP projects are designed to meet projected water supply and delivery needs of the member agencies through 2035. The projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure:

- Asset Management – The primary components of the asset management projects include relining and replacing existing pipelines and updating and replacing metering facilities.

- **New Facilities** – These projects will expand the capacity of the aqueduct system, complete the projects required under the Quantification Settlement Agreement (QSA), and evaluate new supply opportunities.
- **Emergency Storage Project** – Projects remaining to be completed under the ongoing ESP include the San Vicente Dam Raise, the Lake Hodges projects, and a new pump station to extend ESP supplies to the northern reaches of the Water Authority service area.
- **Other Projects** – This category includes out-of-region groundwater storage, increased local water treatment plant capacity, and projects that mitigate environmental impacts of the CIP.

The Water Authority Board of Directors is provided a semi-annual and annual report on the status of development of the CIP projects. As described in the Water Authority's biennial budget, a combination of long and short term debt and cash (pay-as-you-go) will provide funding for capital improvements. Additional information is included in the Water Authority's biennial budget, which also contains selected financial information and summarizes the Water Authority's investment policy.

6.3 Otay Water District

The Otay WD 2010 Water Resources Master Plan Update and the 2010 Urban Water Management Plan contain comparisons of projected supply and demands through the year 2035. Projected potable water resources to meet planned demands as documented were planned to be supplied entirely with imported water received from the Water Authority. Recycled water resources to meet projected demands are planned to be supplied from local wastewater treatment plants. The Otay WD currently has no local supply of raw water, potable water, or groundwater resources.

The development and/or acquisition of potential groundwater, recycled water market expansion, and seawater desalination supplies by the Otay WD have evolved and are planned to occur in response to the regional water supply issues. These water supply projects are in addition to those identified as sustainable supplies in the current Water Authority and MWD UWMP, IRP, Master Plans, and other planning documents. These new additional water supply projects are not currently developed and are in various stages of the planning process. These local and regional water supply projects will allow for less reliance upon imported water and are considered a new water supply resource for the Otay WD.

The Otay WD expansion of the market areas for the use of recycled water within the watersheds upstream of the Sweetwater Reservoir, Otay Mesa, and the Lower Otay Reservoir will increase recycled water use and thus require less dependence on imported water for irrigation purposes.

The supply forecasts contained within this WSA&V Report do consider development and/or acquisition of potential groundwater, recycled water market expansion, and seawater desalination supplies by the Otay WD.

6.3.1 Availability of Sufficient Supplies and Plans for Acquiring Additional Supplies

The availability of sufficient potable water supplies and plans for acquiring additional potable water supplies to serve existing and future demands of the Otay WD is founded upon the preceding discussions regarding MWD's and the Water Authority's water supply resources and water supplies to be acquired by the Otay WD. Historic imported water deliveries from the Water Authority to Otay WD and recycled water deliveries from the Otay WD Ralph W. Chapman Water Reclamation Facility (RWCWRF) are shown in Table 7. Since the year 2000 through mid May 2007, recycled water demand has exceeded the recycled water supply capability typically in the summer months. The RWCWRF is limited to a maximum production of about 1,300 AFY. The recycled water supply shortfall had been met by supplementing with potable water into the recycled water storage system as needed by adding potable water supplied by the Water Authority. On May 18, 2007 an additional source of recycled water supply from the City of San Diego's South Bay Water Reclamation Plant (SBWRP) became available. The supply of recycled water from the SBWRP is a result of essentially completing construction and commencement of operations of the transmission, storage, and pump station systems necessary to link the SBWRP recycled water supply source to the existing Otay WD recycled water system.

Table 7
Historic Imported and Local Water Supplies
Otay Water District

Calendar Year	Imported Water (AF)	Recycled Water (AF)	Total (AF)
1980	12,558	0	12,558
1985	14,529	0	14,529
1990	23,200	0	23,200
1995	20,922	614	21,536
2000	29,901	948	30,849
2005	37,678	1,227	38,905
2010	29,270	4,090	33,270
2011	30,158	3,776	34,038
2012	31,268	4,155	35,423

Source: Otay Water District operational records.

6.3.1.1 Imported and Regional Supplies

The availability of sufficient imported and regional potable water supplies to serve existing and planned uses within Otay WD is demonstrated in the above discussion on MWD and the Water Authority's water supply reliability. The County Water Authority Act, Section 5 subdivision 11, states that the Water Authority "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs." The Water Authority provides between 75 to 95 percent of the total supplies used by its 24 member agencies, depending on local weather and supply conditions. In calendar year 2010 the supply to Otay WD was 29,270 AF of supply from the Water Authority. An additional 4,090 AF of recycled water came from the City of San Diego and from the District's Ralph W. Chapman Water Reclamation Facility. The demand for potable water within the Otay WD is expected to increase to about 77,177 AF by 2035 as per the Otay WD 2010 UWMP.

Potable Water System Facilities

The Otay WD continues to pursue diversification of its water supply resources to increase reliability and flexibility. The Otay WD also continues to plan, design, and construct potable water system facilities to obtain these supplies and to distribute potable water to meet customer demands. The Otay WD has successfully negotiated two water supply diversification agreements that enhance reliability and flexibility, which are briefly described as follows.

- The Otay WD entered into an agreement with the City of San Diego, known as the Otay Water Treatment Plant (WTP) Agreement. The Otay WTP Agreement provides for raw water purchase from the Water Authority and treatment by the City of San Diego at their Otay WTP for delivery to Otay WD. The supply system link to implement the Otay WTP Agreement to access the regions raw water supply system and the local water treatment plant became fully operational in August 2005. This supply link consists of the typical storage, transmission, pumping, flow measurement, and appurtenances to receive and transport the treated water to the Otay WD system. The City of San Diego obligation to supply 10 mgd of treated water under the Otay WTP Agreement is contingent upon there being available 10 mgd of surplus treatment capacity in the Otay WTP until such time as Otay WD pays the City of San Diego to expand the Otay WTP to meet the Otay WD future needs. In the event that the City of San Diego's surplus is projected to be less than 10 mgd the City of San Diego will consider and not unreasonably refuse the expansion of the Otay WTP to meet the Otay WD future needs. The Otay WTP existing rated capacity is 40 mgd with an actual effective capacity of approximately 34 mgd. The City of San Diego's typical demand for treated water from the Otay WTP is approximately 20 mgd. It is at the City of San Diego's discretion to utilize either imported raw water delivered by the Water Authority Pipeline No. 3 or local water stored in Lower Otay Reservoir for treatment to supply the Otay WD demand.

- The Otay WD entered into an agreement with the Water Authority, known as the East County Regional Treated Water Improvement Program (ECRTWIP Agreement). The ECRTWIP Agreement provides for transmission of raw water to the Helix WD R. M. Levy WTP for treatment and delivery to Otay WD. The supply system link to implement the ECRTWIP Agreement is complete allowing access to the regions raw water supply system and the local water treatment plant. This supply link consists of the typical transmission, pumping, storage, flow control, and appurtenances to receive and transport the potable water from the R. M. Levy WTP to Otay WD. The Otay WD is required to take a minimum of 10,000 AFY of treated water from the R.M. Levy WTP supplied from the regions raw water system.

Cost and Financing

The capital improvement costs associated with water supply and delivery are financed through the Otay WD water meter capacity fee, New Water Supply Fee, and user rate structures. The Otay WD potable water sales revenue are used to pay for the wholesale cost of the treated water supply and the operating and maintenance expenses of the potable water system facilities.

Written Agreements, Contracts, or Other Proof

The supply and cost associated with deliveries of treated water from the Otay WTP and the R.M. Levy WTP is based on the following documents.

Agreement for the Purchase of Treated Water from the Otay Water Treatment Plant between the City of San Diego and the Otay Water District. The Otay WD entered into an agreement dated January 11, 1999 with the City of San Diego that provides for 10 mgd of surplus treated water to the Otay WD from the existing Otay WTP capacity. The agreement allows for the purchase of treated water on an as available basis from the Otay WTP. The Otay WD pays the Water Authority at the prevailing raw water rate for raw water and pays the City of San Diego at a rate equal to the actual cost of treatment to potable water standards.

Agreement between the San Diego County Water Authority and Otay Water District Regarding Implementation of the East County Regional Treated Water Improvement Program. The ECRTWIP Agreement requires the purchase of at least 10,000 AFY of potable water from the Helix WD R.M. Levy WTP at the prevailing Water Authority treated water rate. The ECRTWIP Agreement is dated April 27, 2006.

Agreement between the San Diego County Water Authority and Otay Water District for Design, Construction, Operation, and Maintenance of the Otay 14 Flow Control Facility Modification. The Otay WD entered into the Otay 14 Flow Control Facility Modification Agreement dated January 24, 2007 with the Water Authority to increase the physical capacity of the Otay 14 Flow Control Facility. The Water Authority and Otay WD to 50% share the capital cost to expand its capacity from 8 mgd to 16 mgd.

Federal, State, and Local Permits/Approvals

The Otay WD acquired all the permits for the construction of the pipeline and pump station associated with the Otay WTP supply source and for the 640-1 and 640-2 water storage reservoirs project associated with the ECRTWIP Agreement through the typical planning, environmental approval, design, and construction processes.

The transmission main project constructed about 26,000 feet of a 36-inch diameter steel pipeline from the Otay 14 Flow Control Facility to the 640-1 and 640-2 Reservoirs project. The Otay 14 Flow Control Facility modification increased the capacity of the existing systems from 8 mgd to 16 mgd. CEQA documentation is complete for both projects. Construction of both of these projects was completed October 2010.

The City of San Diego and the Helix Water District are required to meet all applicable federal, state, and local health and water quality requirements for the potable water produced at the Otay WTP and the R.M. Levy WTP respectively.

6.3.1.2 Recycled Water Supplies

Wastewater collection, treatment, and disposal services provided by the Otay WD is limited to a relatively small area within what is known as the Jamacha Basin, located within the Middle Sweetwater River Basin watershed upstream of the Sweetwater Reservoir and downstream of Loveland Reservoir. Water recycling is defined as the treatment and disinfection of municipal wastewater to provide a water supply suitable for non-potable reuse. The Otay WD owns and operates the Ralph W. Chapman Water Reclamation Facility, which produces recycled water treated to a tertiary level for landscape irrigation purposes. The recycled water market area of the Otay WD is located primarily within the eastern area of the City of San Diego and on the Otay Mesa. The Otay WD distributes recycled water to a substantial market area that includes but is not limited to the U.S. Olympic Training Center, the EastLake Golf Course, and other development projects.

The Otay WD projects that annual average demands for recycled water will increase to 8,000 AFY by 2035. About 1,300 AFY of supply is generated by the RWCWRF, with the remainder planned to be supplied to Otay WD by the City of San Diego's SBWRP.

North District Recycled Water Concept

The Otay WD is a recognized leader in the use of recycled water for irrigation and other commercial uses. The Otay WD continues the quest to investigate all viable opportunities to expand the successful recycled water program into areas that are not currently served. One of these areas is in the portion of the service area designated as the North District, located within the Middle Sweetwater River Basin watershed upstream of the Sweetwater River. The close proximity of the recycled water markets in the North District to the Otay WD's source of

recycled water, the RWCWRF, means that the distribution system to serve this area could be constructed relatively cost effectively. This makes the North District a logical location for the expansion of the Otay WD's recycled water system and market area.

The purpose of the North District Recycled Water System Development Project, Phase I Concept Study, is to identify the feasibility of using recycled water in the North District and to investigate and assess any limitations or constraints to its use. The Phase I study components of the North District Recycled Water Concept encompassed the preparation of six technical memorandums including the project definition, a discussion of the regulatory process, a discussion of the protection of the watershed that would be affected by recycled water use in the North District, identification of stakeholders, public outreach, and an implementation plan.

Several opportunities that could be realized with the implementation of the use of recycled water in the North District were identified. These include a reduction of demand on the potable water system and maximizing recycled water resources which in turn minimizes treated wastewater discharges to the local ocean outfall. Other opportunities are a possible partnership with Sweetwater Authority to monitor any benefits and impacts of increased recycled water use in the watershed and stakeholder outreach to resolve any water quality concerns and to retain consumer confidence. Also identified were two major constraints associated with the North District Recycled Water System Development Project. One constraint is the water quality objectives for the Middle Sweetwater Basin that will affect the effluent limitations for the recycled water produced at the RWCWRF. At this time, the effluent limit that is of concern is total nitrogen. An examination as to how the treatment process might be modified to enhance nitrogen removal and an action plan is being developed. The other major constraint is the cost of the infrastructure needed to convey and store recycled water in the North District. These costs are estimated to be in the range of \$14 to \$15 million dollars.

There are two additional phases proposed for the North District Recycled Water System Development Project. Phase II would include further investigation of the issues identified in Phase I as requiring further study. These include stakeholder outreach, regulatory issues, and facility planning. The third phase of the effort would include the facility planning, permitting, environmental compliance, design, and construction of the improvements necessary for delivery of recycled water to the North District markets.

The estimated amount of imported water saved at full implementation of the North District Recycled Water System Development Project is 1,200 AFY. This saved imported water could then be used to offset new potable water demands.

Recycled Water System Facilities

The Otay WD has and continues to construct recycled water storage, pumping, transmission, and distribution facilities to meet projected recycled water market demands. For nearly 20

years, millions of dollars of capital improvements have been constructed. The supply link consisting of a transmission main, storage reservoir, and a pump station to receive and transport the recycled water from the City of San Diego's SBWRP are complete and recycled water deliveries began on May 18, 2007.

Cost and Financing

The capital improvement costs associated with the recycled water supply and distribution systems are financed through the Otay WD water meter capacity fee and user rate structures. The Otay WD recycled water sales revenue, along with MWD and the Water Authority's recycled water sales incentive programs are used to help offset the costs for the wholesale purchase and production of the recycled water supply, the operating and maintenance expenses, and the capital costs of the recycled water system facilities.

Written Agreements, Contracts, or Other Proof

The supply and cost associated with deliveries of recycled water from the SBWRP is based on the following document.

Agreement between the Otay Water District and the City of San Diego for Purchase of Reclaimed Water from the South Bay Water Reclamation Plant. The agreement provides for the purchase of at least 6,721 AFY of recycled water from the SBWRP at an initial price of \$350 per acre-foot. The Otay WD Board of Directors approved the final agreement on June 4, 2003 and the San Diego City Council approved the final agreement on October 20, 2003.

Federal, State, and Local Permits/Approvals

The Otay WD has in place an agreement with MWD for their recycled water sales incentive program for supplies from the RWCWRF and the SBWRP. Also, the Otay WD has in place an agreement with the Water Authority for their recycled water sales incentive program for supplies from the RWCWRF and the SBWRP. The Water Authority sales incentive agreement was approved by Water Authority on July 26, 2007 and by Otay WD on August 1, 2007. All permits for the construction of the recycled water facilities to receive, store, and pump the SBWRP supply have been acquired through the typical planning, environmental approval, design, and construction processes.

The California Regional Water Quality Control Board San Diego Region (RWQCB) "Master Reclamation Permit for Otay Water District Ralph W. Chapman Reclamation Facility" was adopted on May 9, 2007 (Order No. R9-2007-0038). This order establishes master reclamation requirements for the production, distribution, and use of recycled water in the Otay WD service area. The order includes the use of tertiary treated water produced and received from the City of San Diego's SBWRP. Recycled water received from and produced by the SBWRP is regulated by Regional Board Order No. 2000-203 and addenda. The City of San Diego is required to meet all applicable federal, state, and local health and water

quality requirements for the recycled water produced at the SBWRP and delivered to Otay WD in conformance with Order No. 2000-203.

6.3.1.3 Potential Groundwater Supplies

The Otay WD 2010 UWMP, the WRMP Update, and the Otay WD March 2007 Integrated Water Resources Plan (2007 IRP) both contain a description of the development of potential groundwater supplies. Over the past several years, Otay WD has studied numerous potential groundwater supply options that have shown, through groundwater monitoring well activities, poor quality water and/or insufficient yield from the basins at a cost effective level. The Otay WD has a few capital improvement program projects that continue the quest to develop potential groundwater resources. Local Otay WD groundwater supply development is currently considered as a viable water supply resource to meet projected demands.

The development and/or acquisition of potential groundwater supply projects by the Otay WD have evolved and been resurrected in response to the regional water supply issues related to water source supply conditions. Local ground water supply projects will allow for less reliance upon imported water, achieve a level of independence of the regional wholesale water agencies, and diversify the Otay WD's water supply portfolio consistent the Otay WD 2007 IRP.

In recognition of the need to develop sufficient alternative water supplies, the Otay WD has taken the appropriate next steps towards development of production groundwater well projects.

There are three groundwater well projects that the Otay WD is actively pursuing to develop as new local water supplies. They are known as the Middle Sweetwater River Basin Groundwater Well, the Otay Mesa Lot 7 Groundwater Well, and the Rancho del Rey Groundwater Well.

Middle Sweetwater River Basin Groundwater Well

The Middle Sweetwater River Basin Groundwater Well is an additional water supply project that was thoroughly studied and documented in the 1990s. The Middle Sweetwater River Basin is located within the Sweetwater River watershed and that reach of the river extends from Sweetwater Reservoir to the upstream Loveland Reservoir. The next step in development of the Middle Sweetwater River Basin Groundwater Well is the implementation of a pilot well project. The ultimate objective of the Otay WD is to develop a groundwater well production system within the Middle Sweetwater River Basin capable of producing a sustainable yield of potable water as a local supply.

The purpose of the Middle Sweetwater River Basin Groundwater Well Pilot project is to identify the feasibility of developing a groundwater resource production system and then

determine and assess any limitations or constraints that may arise. The Middle Sweetwater River Basin Groundwater Well Pilot Project will accomplish six primary goals:

- Update project setting
- Update applicable project alternatives analysis
- Prepare groundwater well pilot project implementation plan
- Construct and test pilot monitoring and extraction wells
- Provide recommendations regarding costs and feasibility to develop a groundwater well production system within the Middle Sweetwater River Basin capable of producing a sustainable yield of potable water
- Prepare groundwater well production project implementation plan and scope of work

The groundwater conjunctive use concept is described as the extraction of the quantity of water from the groundwater basin that was placed there by customers of the Otay Water District, Helix Water District, and Padre Dam Municipal Water District by means of their use of imported treated water that contributed to the overall volume of groundwater within the basin. An estimated quantity was developed to be approximately 12.5 percent of the total consumption of the Otay WD customers within that basin, as measured by water meters. In the 1994-1995 period, the quantity of water that was returned to the groundwater basin by Otay WD customers was estimated to be 810 AFY. Currently, that 12.5 percent quantity could be on the order of 1,000 AFY. A future scope of work will need to address this concept while considering further development of the groundwater basin as an additional supply resource. If it is deemed that a Middle Sweetwater River Basin Groundwater Well Production Project is viable then the consultant will develop and provide a groundwater well production project implementation plan, cost estimate, and related scope of work.

Further development of the groundwater basin to enhance the total groundwater production could be accomplished by the Otay WD by means of additional extraction of water from the basin that is placed there by means of either injection and/or spreading basins using imported untreated water as the resource supply. The existing La Mesa Sweetwater Extension Pipeline, owned by the Water Authority, once converted to an untreated water delivery system, could be the conveyance system to transport untreated water for groundwater recharge in support of this conjunctive use concept. These two distinct water resource supply conjunctive use concepts will be addressed so they may coexist and to allow for their development as separate phases.

The scope of work to complete Middle Sweetwater River Basin Groundwater Well Pilot Project consists of many major tasks and is to address the groundwater supply concepts outlined above. It is anticipated that the cost for the entire scope of work, will be on the order of \$2,000,000, which includes a contingency and may take up to one and a half years to complete.

The primary desired outcome of the Middle Sweetwater River Basin Groundwater Well Pilot Project is for the engineering consultant to determine and make recommendations if it is

financially prudent and physically feasible to develop a Phase I groundwater well production system within the Middle Sweetwater River Basin capable of producing a sustainable yield of up to 1,500 AFY of potable water for the Otay WD. If it is deemed that a Middle Sweetwater River Basin Groundwater Well Production Project is viable then the consultant will develop and provide a groundwater well production project implementation plan and related scope of work.

Otay Mesa Lot 7 Groundwater Well

In early 2001 the Otay WD was approached by a landowner representative about possible interest in purchasing an existing well or alternatively, acquiring groundwater supplied from the well located on Otay Mesa. The landowner, National Enterprises, Inc., reportedly stated that the well could produce 3,200 AFY with little or no treatment required prior to introducing the water into the Otay WD potable water system or alternatively, the recycled water system. In March 2001 authorization to proceed with testing of the Otay Mesa Lot 7 Groundwater Well was obtained and the Otay WD proceeded with the investigation of this potential groundwater supply opportunity.

The May 2001 Geoscience Support Services, Inc. completed for the Otay WD the preparation of a report entitled, "Otay Mesa Lot 7 Well Investigation," to assess the Otay Mesa Lot 7 Well. The scope of work included a geohydrologic evaluation of the well, analyses of the water quality samples, management and review of the well video log, and documentation of well pump testing. The primary findings, as documented in the report, formed the basis of the following recommendations:

- For the existing well to be use as a potable water supply resource, a sanitary seal must be installed in accordance with the CDPH guidelines.
- Drawdown in the well must be limited to avoid the possibility of collapsing the casing.
- Recover from drawdown from pumping is slow and extraction would need to be terminated for up to 2 days to allow for groundwater level recovery.
- The well water would need to be treated and/or blended with potable water prior to introduction into the potable water distribution system.

The existing Otay Mesa Lot 7 Well, based upon the above findings, was determined not to be a reliable municipal supply of potable water and that better water quality and quantity perhaps could be discovered deeper or at an alternative location within the San Diego Formation.

The Otay WD may still continue to pursue the Otay Mesa groundwater well opportunity with due consideration of the recommendations of the existing report. Based on the recommendations of the investigation report, a groundwater well production facility at Otay Mesa Lot 7 could realistically extract approximately 300 AFY.

Rancho del Rey Groundwater Well

In 1991, the McMillin Development Company drilled the Rancho del Rey Groundwater Well to augment grading water supplies for their Rancho del Rey development projects. Although the well was considered a “good producer,” little was known regarding its water quality and sustainable yield because the water was used solely for earthwork (i.e. dust control and soil compaction). The well was drilled to 865 feet, with a finished depth of 830 feet and produced approximately 400 AFY of low quality water for four years until its use was discontinued in April 1995 when the well was no longer needed. McMillin notified the Otay WD of its intent to sell off the groundwater well asset.

In 1997, the Otay WD purchased an existing 7-inch well and the surrounding property on Rancho del Rey Parkway from the McMillin Company with the intent to develop it as a source of potable water. Treatment was required to remove salts and boron, among other constituents, using reverse osmosis membranes and ion exchange.

In 2000, having received proposals for the design and construction of a reverse osmosis treatment facility that far exceeded the allocated budget, the Board of Directors instructed staff to suspend the project until such time as it became economically viable.

In January 2010, citing the rising cost of imported water and the Otay WD's interest in securing its own water source for long-term supply reliability, the Board authorized Phase 1 for drilling and development of the Rancho del Rey Well.

On March 3, 2010, the Board adopted the Mitigated Negative Declaration for this project and a Notice of Determination was filed with the County of San Diego on March 5, 2010. In September 2010, a new 12-inch production well was drilled to a depth of 900 feet through the groundwater formation and into fractured bedrock. Testing showed the long-term yield of the new well to be 450 gpm, higher than previous studies had estimated. Separation Processes, Inc. (SPI), a highly qualified membrane treatment firm, was hired to conduct a detailed economic feasibility study to confirm that the annualized unit cost of the new water source was economically competitive with other sources. The economic study estimated the unit cost of water to be \$1,500 to \$2,000 per acre-feet for an alternative that utilizes a seawater membrane for treating both salts and boron. When compared with the current imported treated water rate from the Water Authority, and with the knowledge that this rate will continue to increase as MWD and the Water Authority raise their rates, the Rancho del Rey Well project appears to be economically viable.

The Otay WD is continuing to pursue the Rancho del Rey groundwater well opportunity with due consideration of the recommendations of the existing reports and plans to develop a groundwater well production facility to extract approximately 500 AFY. For water planning purposes, production of groundwater from the Rancho del Rey well is considered “additional planned” for local supplies. During preparation of this 2010 UWMP, the Otay WD has contracted for design services for the wellhead treatment facilities.

6.3.1.4 Otay Water District Desalination Project

The Otay WD is currently investigating the feasibility of purchasing desalinated water from a seawater reverse osmosis plant that is planned to be located in Rosarito, Mexico, known as the Otay Mesa Desalinated Water Conveyance System (Desalination) project. The treatment facility is intended to be designed, constructed, and operated in Mexico by a third party. The Otay WD's draft Desalination Feasibility Study, prepared in 2008, discusses the likely issues to be considered in terms of water treatment and monitoring, potential conveyance options within the United States from the international border to potential delivery points, and environmental, institutional, and permitting considerations for the Otay WD to import the Desalination project product water as a new local water supply resource.

While the treatment facility for the Desalination project will likely not be designed or operated by the Otay WD as the lead agency, it is important that the Otay WD maintain involvement with the planning, design, and construction of the facility to ensure that the implemented processes provide a product water of acceptable quality for distribution and use within the Otay WD's system as well as in other regional agencies' systems that may use the product water, i.e. City of San Diego, the Water Authority, etc. A seawater reverse osmosis treatment plant removes constituents of concern from the seawater, producing a water quality that far exceeds established United States and California drinking water regulations for most parameters, however, a two-pass treatment system may be required to meet acceptable concentrations of boron and chlorides, similar to the levels seen within the existing Otay WD supply sources. The Desalination Feasibility Study addresses product water quality that is considered acceptable for public health and distribution.

The Otay WD, or any other potential participating agencies, will be required to obtain approval from the CDPH in order to use the desalinated seawater as a water source. Several alternative approaches are identified for obtaining this approval. These alternatives vary in their cost and their potential of meeting CDPH approval.

The Rosarito Desalination Facility Conveyance and Disinfection System Project report addresses two supply targets for the desalinated water (i.e. local and regional). The local alternative assumes that only Otay WD would participate and receive desalinated water, while the regional alternative assumes that other regional and/or local agencies would also participate in the Rosarito project.

On November 3, 2010, the Otay WD authorized the General Manager to enter into an agreement with AECOM for the engineering design, environmental documentation, and the permitting for the construction of the conveyance pipeline, pump station, and disinfection facility to be constructed within the Otay WD. The supply target is assumed to be 50 mgd while the ultimate capacity of the plant will be 100 mgd.

The Otay WD is proceeding with negotiations among the parties to establish water supply resource acquisition terms through development of a Principles of Understanding document.

6.3.2 Otay WD Capital Improvement Program

The Otay WD plans, designs, constructs, and operates water system facilities to acquire sufficient supplies and to meet projected ultimate demands placed upon the potable and recycled water systems. In addition, the Otay WD forecasts needs and plans for water supply requirements to meet projected demands at ultimate build out. The necessary water facilities and water supply projects are implemented and constructed when development activities proceed and require service to achieve timely and adequate cost effective water service.

New water facilities that are required to accommodate the forecasted growth within the entire Otay WD service area are defined and described within the Otay WD WRMP Update. These facilities are incorporated into the annual Otay WD Six Year Capital Improvement Program (CIP) for implementation when required to support development activities. As major development plans are formulated and proceed through the land use jurisdictional agency approval processes, Otay WD prepares water system requirements specifically for the proposed development project consistent with the Otay WD WRMP Update. These requirements document, define, and describe all the potable water and recycled water system facilities to be constructed to provide an acceptable and adequate level of service to the proposed land uses, as well as the financial responsibility of the facilities required for service. The Otay WD funds the facilities identified as CIP projects. Established water meter capacity fees and user rates are collected to fund the CIP project facilities. The developer funds all other required water system facilities to provide water service to their project.

Section 7 – Conclusion: Availability of Sufficient Supplies

The Otay Mesa Community Plan Update is currently located within the jurisdictions of the Otay WD, Water Authority, and MWD. To obtain permanent imported water supply service, land areas are required to be within the jurisdictions of the Otay WD, Water Authority, and MWD to utilize imported water supply.

The Water Authority and MWD have an established process that ensures supplies are being planned to meet future growth. Any annexations and revisions to established land use plans are captured in SANDAG updated forecasts for land use planning, demographics, and economic projections. These forecasts include the City of San Diego Otay Mesa Community Plan Update that was included in SANDAG's Series 12 Regional Growth Forecast. SANDAG serves as the regional, intergovernmental planning agency that develops and provides forecast information. The Water Authority and MWD update their demand forecasts and supply needs based on the most recent SANDAG forecast approximately every five years to coincide with preparation of their urban water management plans. Prior to the next forecast update, local jurisdictions with land use authority may require water supply assessment and/or

verification reports for proposed land developments that are not within the Otay WD, Water Authority, or MWD jurisdictions (i.e. pending or proposed annexations) or that have revised land use plans with either lower or higher development intensities than reflected in the existing growth forecasts. Proposed land areas with pending or proposed annexations, or revised land use plans, typically result in the creation of higher demand and supply requirements than previously anticipated. The Otay WD, Water Authority, and MWD next demand forecast and supply requirements and associated planning documents would then capture any increase or decrease in demands and required supplies as a result of annexations or revised land use planning decisions.

MWD's Integrated Resources Plan (IRP) identifies a mix of resources (imported and local) that, when implemented, will provide 100 percent reliability for full-service demands through the attainment of regional targets set for conservation, local supplies, State Water Project supplies, Colorado River supplies, groundwater banking, and water transfers. The 2010 update to the IRP includes a planning buffer supply intended to mitigate against the risks associated with implementation of local and imported supply programs and for the risk that future demands could be higher than projected. The planning buffer identifies an additional increment of water that could potentially be developed when needed and if other supplies are not fully implemented as planned. As part of implementation of the planning buffer, MWD periodically evaluates supply development, supply conditions, and projected demands to ensure that the region is not under or over developing supplies. Managed properly, the planning buffer will help ensure that the southern California region, including San Diego County, will have adequate water supplies to meet long-term future demands.

In Section ES-5 of their 2010 RUWMP, MWD states that MWD has supply capacities that would be sufficient to meet expected demands from 2015 through 2035. MWD has plans for supply implementation and continued development of a diversified resource mix including programs in the Colorado River Aqueduct, State Water Project, Central Valley Transfers, local resource projects, and in-region storage that enables the region to meet its water supply needs. MWD's 2010 RUWMP identifies potential reserve supplies in the supply capability analysis (Tables 2-9, 2-10, and 2-11), which could be available to meet the unanticipated demands.

The County Water Authority Act, Section 5 subdivision 11, states that the Water Authority "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs."

As part of preparation of a written water supply assessment report, an agency's shortage contingency analysis should be considered in determining sufficiency of supply. Section 11 of the Water Authority's 2010 Updated UWMP contains a detailed shortage contingency analysis that addresses a regional catastrophic shortage situation and drought management. The analysis demonstrates that the Water Authority and its member agencies, through the Emergency Response Plan, Emergency Storage Project, Carlsbad Desalination Project, and Drought Management Plan (DMP) are taking actions to prepare for and appropriately handle

an interruption of water supplies. The DMP, adopted in May 2006, provides the Water Authority and its member agencies with a series of potential actions to take when faced with a shortage of imported water supplies from MWD due to prolonged drought or other supply shortfall conditions. The actions will help the region avoid or minimize the impacts of shortages and ensure an equitable allocation of supplies.

The WSA&V Report identifies and describes the processes by which water demand projections for the proposed Otay Mesa Community Plan Update will be fully included in the water demand and supply forecasts of the Urban Water Management Plans and other water resources planning documents of the Water Authority and MWD. Water supplies necessary to serve the demands of the proposed Otay Mesa Community Plan Update, along with existing and other projected future users, as well as the actions necessary and status to develop these supplies, have been identified in the Otay Mesa Community Plan Update WSA&V Report and will be included in the future water supply planning documents of the Water Authority and MWD.

This WSA&V Report includes, among other information, an identification of existing water supply entitlements, water rights, water service contracts, water supply projects, or agreements relevant to the identified water supply needs for the proposed Otay Mesa Community Plan Update. This WSA&V Report assesses, demonstrates, and documents that sufficient water supplies are planned for and are intended to be available over a 20-year planning horizon, under normal conditions and in single and multiple dry years to meet the projected demand of the proposed Otay Mesa Community Plan Update and the existing and other planned development projects to be served by the Otay WD.

Table 8 presents the forecasted balance of water demands and required supplies for the Otay WD service area under average or normal year conditions. The total actual demand for FY 2010 was 33,270 AF. The demand for FY 2010 is 5,635 AF lower than the demand in FY 2005 of 38,905 AF. The drop in demand is a result of the unit price of water, the conservation efforts of users as a result of the prolonged drought, and the economy.

Table 9 presents the forecasted balance of water demands and supplies for the Otay WD service area under single dry year conditions. Table 9 presents the forecasted balance of water demands and supplies for the Otay WD service area under multiple dry year conditions for the three year period ending in 2018. The multiple dry year conditions for periods ending in 2023, 2028, and 2033 are provided in the Otay Water District 2010 UWMP. The projected potable demand and supply requirements shown in Tables 8 and 9 are from the Otay Water District 2010 UWMP. Hot, dry weather may generate urban water demands that are about 6.4 percent greater than normal. This percentage was utilized to generate the dry year demands shown in Table 9. The recycled water supplies are assumed to experience no reduction in a dry year.

Table 8
Projected Balance of Water Demands and Supplies Normal Year Conditions (AF)

Description	FY 2015	FY 2020	FY 2025	FY 2030	FY 2035
Demands					
Otay WD Demands	44,883	53,768	63,811	70,669	77,171
Additional Conservation Target	0	(7,447)	(13,996)	(17,895)	(20,557)
Total Demand	44,883	46,321	49,815	52,774	56,614
Supplies					
Water Authority Supply	40,483	41,321	44,015	45,974	48,614
Recycled Water Supply	4,400	5,000	5,800	6,800	8,000
Total Supply	44,883	46,321	49,815	52,774	56,614
Supply Surplus/(Deficit)	0	0	0	0	0

Table 9 presents the forecasted balance of water demands and supplies for the Otay WD service area under single dry year and multiple dry year conditions as from the Otay Water District 2010 UWMP.

Table 9
Projected Balance of Water Demands and Supplies
Single Dry and Multiple Dry Year Conditions (AF)

	Normal Year	Single Dry Year	Multiple Dry Years		
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Demands					
Otay WD Demands	37,176	41,566	43,614	46,385	50,291
Total Demand	37,176	41,566	43,614	46,385	50,291
Supplies					
Water Authority Supply	33,268	37,535	39,460	42,108	45,891
Recycled Water Supply	3,908	4,031	4,154	4,277	4,400
Total Supply	37,176	41,566	43,614	46,385	50,291
Supply Surplus/(Deficit)	0	0	0	0	0
District Demand totals with SBX7-7 conservation target achievement plus single dry year increase as shown. The Water Authority could implement its DMP. In this instances, the Water Authority may have to allocate supply shortages based on it equitable allocation methodology in its DMP.					

Dry year demands assumed to generate a 6.4% increase in demand over normal conditions for each year in addition to new demand growth.

Table 9 also presents the forecasted balance of water demands and supplies for the Otay WD service area under multiple dry year conditions for the three year period ending in 2015.

In evaluating the availability of sufficient water supply, the Otay Mesa Community Plan Update development proponents will be required to participate in the development of alternative water supply project(s). This can be achieved through payment of the New Water Supply Fee adopted by the Otay WD Board in May 2010. These water supply projects are in addition to those identified as sustainable supplies in the current Water Authority and MWD UWMP, IRP, Master Plans, and other planning documents. These new water supply projects are in response to the regional water supply issues related to climatological, environmental, legal, and other challenges that impact water source supply conditions, such as the court rulings regarding the Sacramento-San Joaquin Delta and the current ongoing western states drought conditions. These new additional water supply projects are not currently developed and are in various stages of the planning process. The Otay WD water supply development program includes but is not limited to projects such as the Middle Sweetwater River Basin Groundwater Well project, the North District Recycled Water Supply Concept, the Otay WD Desalination project, and the Rancho del Rey Groundwater Well project. The Water Authority and MWD's next forecasts and supply planning documents would capture any increase in water supplies resulting from any new water resources developed by the Otay WD.

The Otay WD acknowledges the ever-present challenge of balancing water supply with demand and the inherent need to possess a flexible and adaptable water supply implementation strategy that can be relied upon during normal and dry weather conditions. The responsible regional water supply agencies have and will continue to adapt their resource plans and strategies to meet climate, environmental, and legal challenges so that they may continue to provide water supplies to their service areas. The regional water suppliers, along with Otay WD, fully intend to maintain sufficient reliable supplies through the 20-year planning horizon under normal, single, and multiple dry year conditions to meet projected demand of the Otay Mesa Community Plan Update, along with existing and other planned development projects within the Otay WD service area.

This WSA&V Report assesses, demonstrates, and documents that sufficient water supplies are planned for and are intended to be acquired, as well as the actions necessary and status to develop these supplies, to meet projected water demands of the Otay Mesa Community Plan Update as well as existing and other reasonably foreseeable planned development projects within the Otay WD for a 20-year planning horizon, in normal and in single and multiple dry years.

Source Documents

Atkins, "Otay Mesa Community Plan Update - Technical Infrastructure Study, May 2013

City of San Diego, Otay Mesa Community Plan Update SB 610 and SB 221 Compliance request letter received May 30, 2013.

City of Chula Vista, "Otay Ranch General Development Plan/Sub-regional Plan, The Otay Ranch Joint Planning Project," October 1993 amended June 1996.

County of San Diego, "East Otay Mesa Specific Plan Area," adopted July 27, 1994.

Otay Water District, "2010 Water Resources Master Plan Update," revised May 2013.

Atkins and Otay Water District, "Otay Water District 2010 Urban Water Management Plan," June 2011.

Camp Dresser & McKee, Inc., "Otay Water District Integrated Water Resources Plan," March 2007

San Diego County Water Authority, "Urban Water Management Plan 2005 Update," November 2005 amended May 2007.

MWD Water District of Southern California, "Regional Urban Water Management Plan," November 2005.

Camp Dresser & McKee, Inc., "Rosarito Desalination Facility Conveyance and Disinfection System Project," June 21, 2010.

PBS&J, "Draft Otay Water District North District Recycled Water System Development Project, Phase I Concept Study," December 2008.

NBS Lowry, "Middle Sweetwater River System Study Water Resources Audit," June 1991.

Michael R. Welch, "Middle Sweetwater River System Study Alternatives Evaluation," May 1993.

Michael R. Welch, "Middle Sweetwater River Basin Conjunctive Use Alternatives," September 1994.

Geoscience Support Services, Inc., "Otay Mesa Lot 7 Well Investigation," May 2001.

Boyle Engineering Corporation, "Groundwater Treatment Feasibility Study Ranch del Ray Well Site," September 1996.

Agreement for the Purchase of Treated Water from the Otay Water Treatment Plant between the City of San Diego and the Otay Water District.

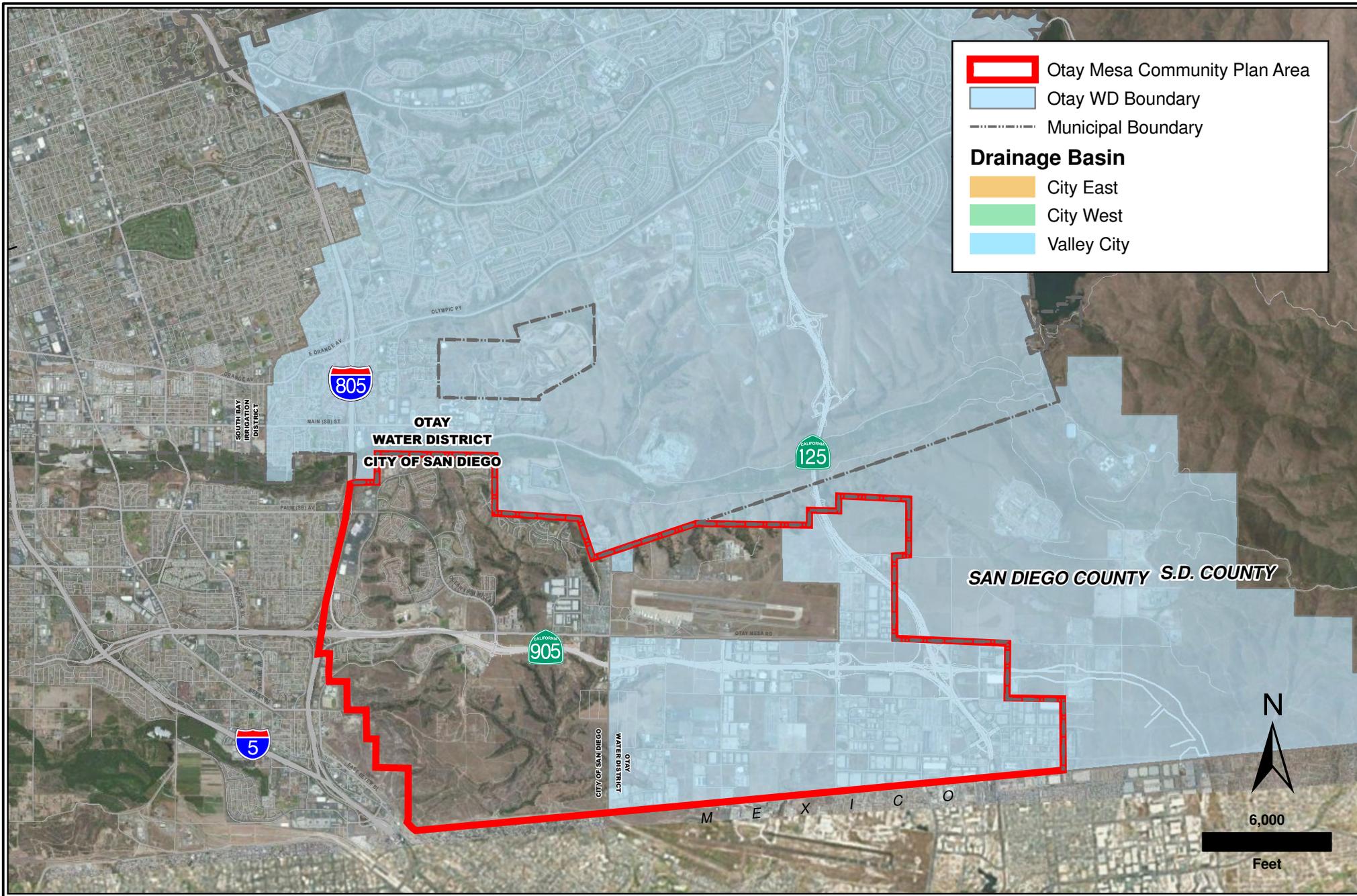
Agreement between the San Diego County Water Authority and Otay Water District regarding Implementation of the East County Regional Treated Water Improvement Program.

Agreement between the San Diego County Water Authority and Otay Water District for Design, Construction, Operation, and Maintenance of the Otay 14 Flow Control Facility Modification.

Agreement between the Otay Water District and the City of San Diego for Purchase of Reclaimed Water from the South Bay Water Reclamation Plant.

Appendix A

Otay Mesa Community Plan Update Regional Location Map



Project Location

Appendix A

Appendix B

Otay Mesa Community Plan Update Proposed Development Plan

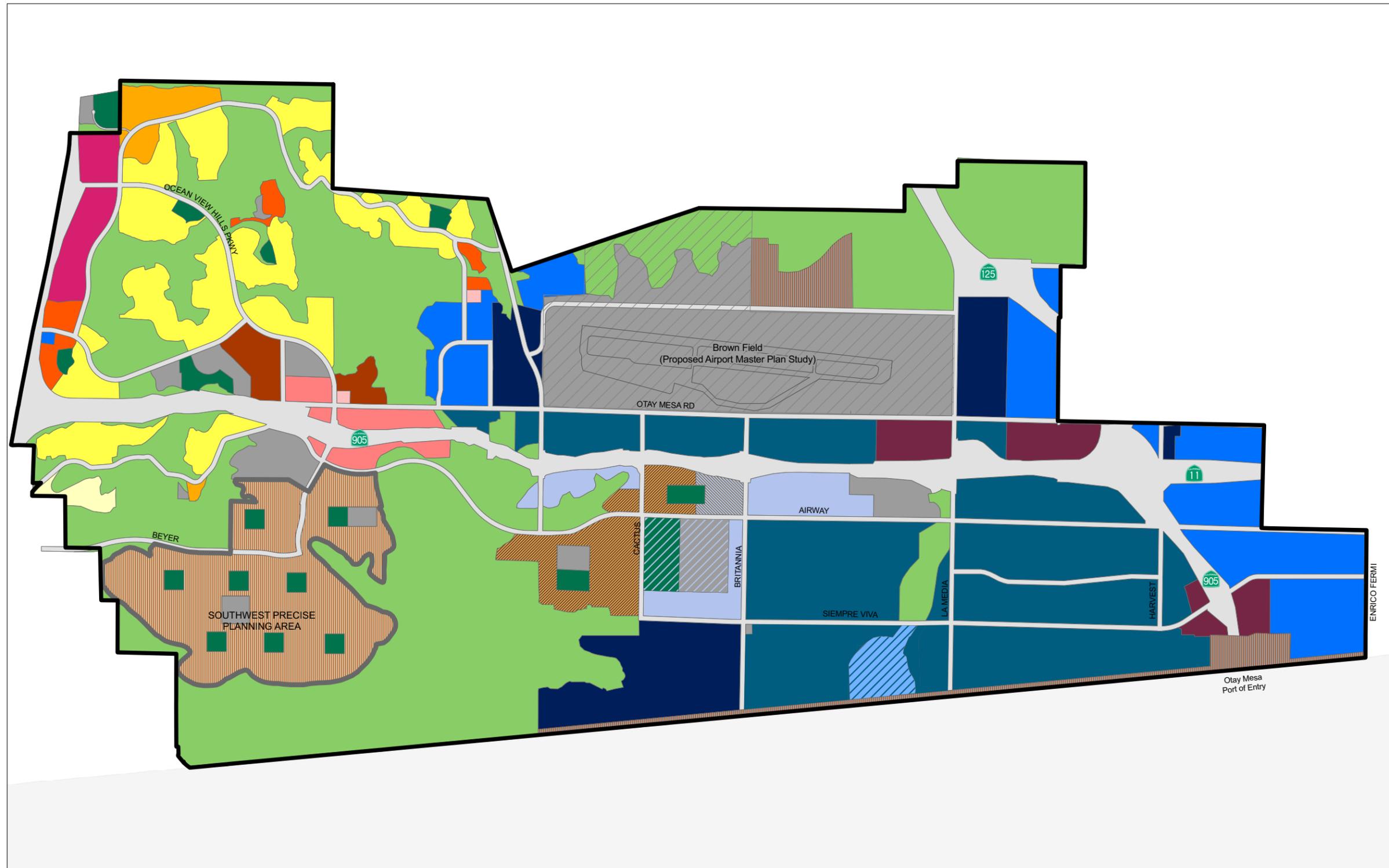


FIGURE 1: Otay Mesa Community Plan Update Modified Scenario 3B

DRAFT

General Land Use Categories

Parks, Open Space, and Institutional

- Open Space
- Parks
- Institutional

Village Centers

- Neighborhood Village 15 - 29 du/ac
- Community Village 30 - 45 du/ac

Residential

- Residential - Very Low 0-4 du/ac
- Residential - Low 5-9 du/ac
- Residential - Low Medium 10-14 du/ac
- Residential - Medium 15-29 du/ac
- Residential - Medium High 30-44 du/ac

Commercial - Residential Prohibited

- Neighborhood Commercial
- Community Commercial
- Regional Commercial
- Heavy Commercial
- Visitor Commercial
- Office Commercial - Residential Permitted 0 - 44 du/ac

Industrial - Residential Prohibited

- Business Park - Office Permitted
- Light Industrial
- International Business and Trade
- Heavy Industrial
- Business Park - Residential Permitted 15 - 60 du/ac

Overlays

- Potential School Area
- Potential Park Area
- Potential Drainage Facility
- U.S. Government Facility
- Brown Field Boundary
- Community Plan Boundary



**THE CITY OF SAN DIEGO
CITY PLANNING & COMMUNITY INVESTMENT**

*This land use plan scenario is one of three that has been prepared by the City for further analysis and public input.

Portions of this product may contain geographic information copyrighted by SanGIS. All Rights Reserved.

Portions of this map contain information from the San Diego Association of Governments (SANDAG) Regional Information System. This product cannot be reproduced without the written permission of SANDAG.

Map created by SourcePoint

Area Scale (in Acres)

10

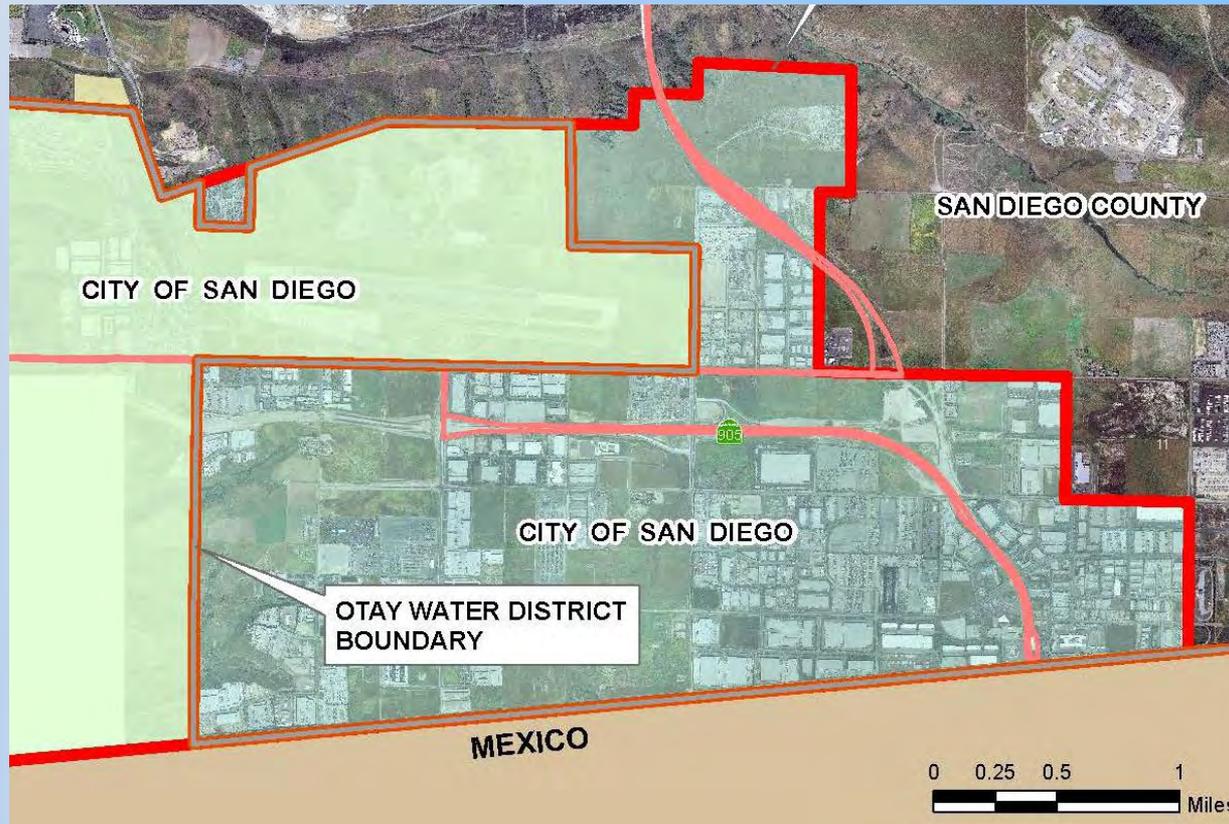
40

0 500 1,000 1,500 2,000 Feet



Otay Water District Board of Directors Meeting July 3, 2013

Water Supply Assessment & Verification Report for City of San Diego Otay Mesa Community Plan Update SB 610 & SB 221 Compliance



BACKGROUND

Senate Bills 610 and 221 became effective on January 1, 2002, with the primary intent to improve the link between water supply availability and land use decisions.

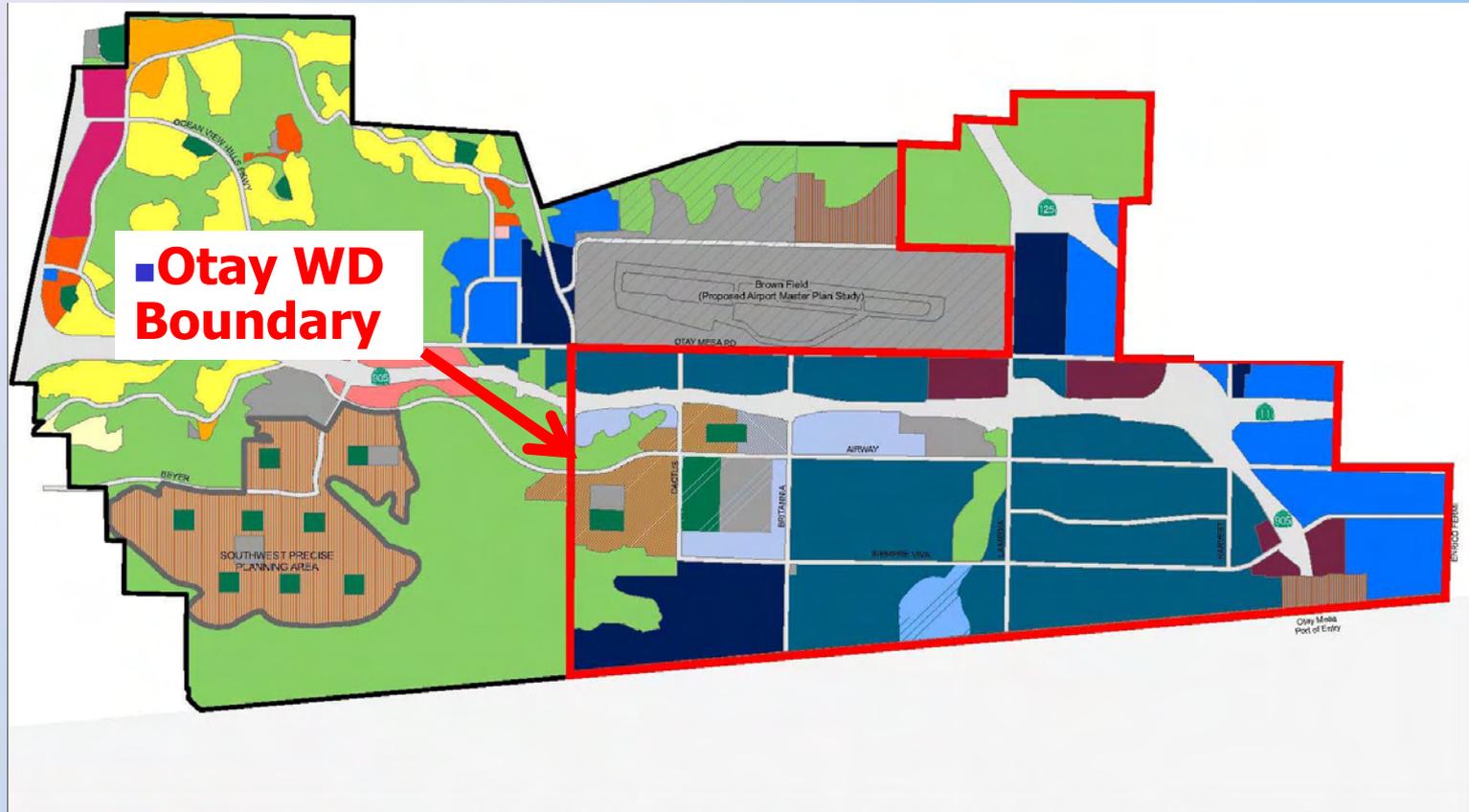
SB 610 Water Supply Assessment (WSA):

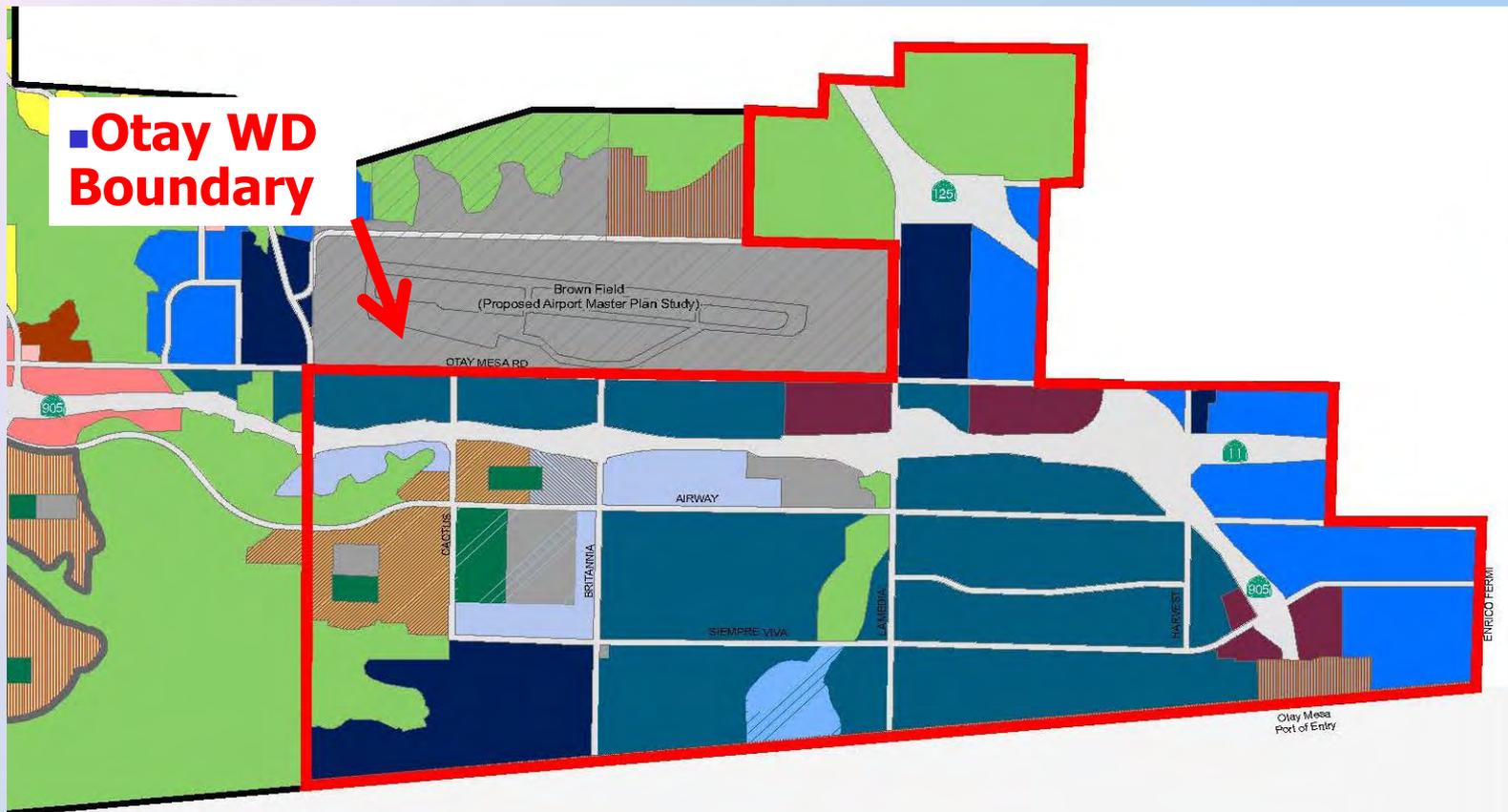
- **Requires water purveyor to prepare a Water Supply Assessment report for inclusion in agency CEQA documentation.**

SB 221 Water Supply Verification (WSA&V):

- **Requires water purveyor to prepare a Water Supply Assessment & Verification report for inclusion in agency CEQA documentation.**
- **Board approval required for submittal of the WSA&V report to City of San Diego.**

CITY OF SAN DIEGO OTAY MESA COMMUNITY UPDATE





City of San Diego Otay Mesa Community Plan Update

FIGURE 1: Otay Mesa Community Plan Update Modified Scenario 3B

General Land Use Categories

Parks, Open Space, and Institutional

- Open Space
- Parks
- Institutional

Village Centers

- Neighborhood Village
15 - 29 du/ac
- Community Village
30 - 45 du/ac

Residential

- Residential - Very Low
0-4 du/ac
- Residential - Low
5-9 du/ac
- Residential - Low Medium
10-14 du/ac
- Residential - Medium
15-29 du/ac
- Residential - Medium High
30-44 du/ac

Commercial - Residential Prohibited

- Neighborhood Commercial
- Community Commercial
- Regional Commercial
- Heavy Commercial
- Visitor Commercial
- Office Commercial - Residential Permitted
0 - 44 du/ac

Industrial - Residential Prohibited

- Business Park - Office Permitted
- Light Industrial
- International Business and Trade
- Heavy Industrial
- Business Park - Residential Permitted
15 - 60 du/ac

Overlays

- Potential School Area
- Potential Park Area
- Potential Drainage Facility
- U.S. Government Facility
- Brown Field Boundary
- Community Plan Boundary

Water Supply Assessment & Verification Report

City of San Diego Otay Mesa Community Plan Update

Location (Land Use)	Quantity	Average Demand (gpd)
Multi-Family Residential	5,246 units	1,337,730
Commercial/Office	142 acres	228,123
Industrial	876 acres	743,155
IBT	1,286 acres	2,083,320
Institutional	220 acres	314,160
Total:		4,706,488



PROJECTED BALANCE OF WATER DEMANDS AND SUPPLIES Normal Year Conditions (AF)

Description	FY 2015	FY 2020	FY 2025	FY 2030	FY 2035
Demands					
Otay WD Demands	44,883	53,768	63,811	70,669	77,171
Additional Conservation Target	0	(7,447)	(13,996)	(17,895)	(20,557)
Total Demand	44,883	46,321	49,815	52,774	56,614
Supplies					
Water Authority Supply	40,483	41,321	44,015	45,974	48,614
Recycled Water Supply	4,400	5,000	5,800	6,800	8,000
Total Supply	44,883	46,321	49,815	52,774	56,614
Supply Surplus/(Deficit)	0	0	0	0	0

Source: Table 8 of the City of San Diego Otay Mesa Community Plan Update WSA&V report.

WATER SUPPLY ASSESSMENT & VERIFICATION REPORT

- **The regional and local water supply agencies acknowledge the challenges and fully intend to develop sufficient, reliable supplies to meet demands.**
- **Water suppliers recognize additional water supplies are necessary and portfolios need to be reassessed and redistributed with intent to serve existing and future needs.**

WATER SUPPLY ASSESSMENT & VERIFICATION REPORT

- **The Report documents the planned water supply projects and the actions necessary to develop the supplies.**
- **Water supply for the Projects and for existing and future developments within the District for a 20-year planning horizon, under normal and in single and multiple dry years, are planned for and are intended to be made available.**

OTAY WATER DISTRICT

Planned Local Water Supply Projects	Supply (AF)
Rancho Del Rey Groundwater Well	500
Rosarito Ocean Desalination Project	20,000- 50,000
Otay Mesa Lot 7 Groundwater Well	300
Otay Mesa Recycled Water Supply Link Project	800

WATER AUTHORITY SUPPLIES

WATER AUTHORITY SUPPLIES (AFY)	2015	2020	2025	2030 / 2035
IID Water Transfer	100,000	190,000	200,000	200,000
ACC and CC Lining	80,200	80,200	80,200	80,200
Carlsbad Desalination	0	56,000	56,000	56,000
Sub-Total:	180,200	326,200	336,200	336,200

Source: Table 9-1 Water Authority 2010 UWMP

CONCLUSION

- **Water demand and supply forecasts are included in the planning documents of MWD, Water Authority, and the Otay Water District.**
- **Actions necessary to develop the identified water supplies are documented.**
- **The City of San Diego Otay Mesa Community Plan Update SB 610 & SB 221 WSA&V Report demonstrates and documents that sufficient water supplies are planned for and are intended to be available over the next 20 years.**

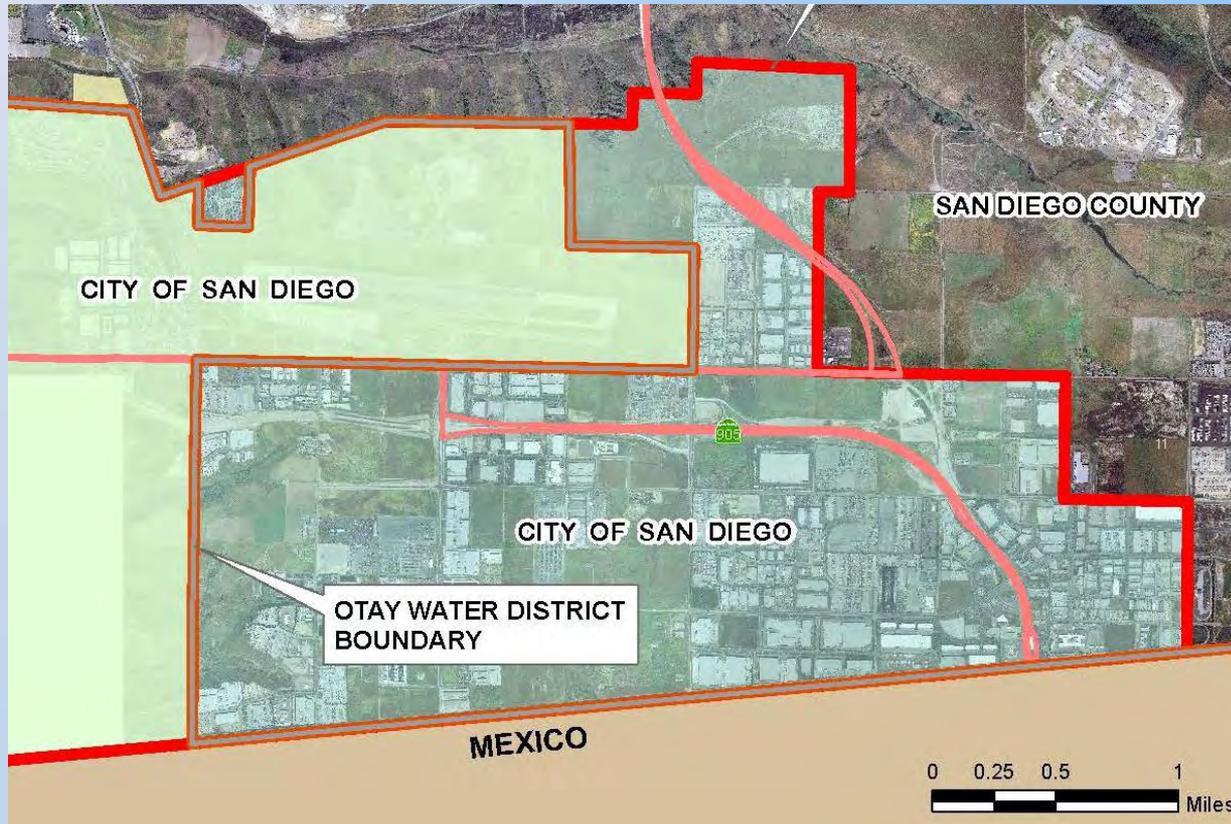
CONCLUSION (continued)

- **It is believed that the Board has met the intent of SB 610 & SB 221 statute in that:**
 - 1) Land use agencies and water suppliers have demonstrated strong linkage.**
 - 2) The City of San Diego Otay Mesa Community Plan Update Water Supply Assessment & Verification Report clearly documents the current water supply situation.**

STAFF RECOMMENDATION

That the Board of Directors approve Senate Bills 610 & 221 Water Supply Assessment & Verification Report dated May 2013 for the City of San Diego Otay Mesa Community Plan Update.

QUESTIONS?





STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Lisa Coburn-Boyd Environmental Compliance Specialist Bob Kennedy Engineering Manager	PROJECT:	S1210- DIV. NO. All 026000
APPROVED BY:	<input checked="" type="checkbox"/> Rod Posada, Chief, Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Certification of the 2013 Supplemental Program Environmental Impact Report for the 2013 Wastewater Management Plan and Approval of the 2013 Wastewater Management Plan as a Final Plan and Document		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District's (District) Board of Directors (Board) certify that the Final Supplemental Program Environmental Impact Report (SPEIR) of the 2009 Water Resources Master Plan Program Environmental Impact Report (WRMP PEIR) for the District's 2013 Wastewater Management Plan (WWMP) has been completed in compliance with the California Environmental Quality Act, the current State Guidelines, and the District's local guidelines and that it reflects the independent judgment of the District. In addition, that the Board finds that the potentially significant effects of the District's 2013 WWMP will be avoided through the adoption of feasible mitigation measures shown in the SPEIR and the Mitigation, Monitoring, and Reporting Program for the SPEIR. Lastly, that the Board approve the 2013 Wastewater Management Plan as the final document.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE :

To obtain Board certification of the Final SPEIR (see Attachment C) for the Otay Water District's WWMP and approval of the 2013 WWMP (see Attachment G) as the final document.

ANALYSIS :

In August 2011, the Board awarded a professional engineering planning services agreement to Arcadis for the preparation of the 2013 Wastewater Management Plan and Supplemental Program Environmental Impact Report. The 2013 WWMP is a study of the District's wastewater collection and treatment system. The purpose of this study was to prepare a comprehensive plan that considers the required improvements to the wastewater collection system and to identify a preferred strategy for future wastewater management and recycled water generation and purchase. The WWMP will ensure a systematic and planned approach to a wastewater system commensurate with growth within the District's planning area and adjacent areas of influence, consistent with the San Diego Association of Governments' (SANDAG) forecasts through 2030.

Arcadis identified six (6) primary goals and objectives for the WWMP Update. These included:

- Update the wastewater flow projections.
- Assess capacity of the wastewater collection system to meet existing and future demand.
- Develop a list of sewer CIP projects needed to meet demand.
- Prepare recycled water supply and demand analysis.
- Look at future wastewater and recycled water management options.
- Prepare a SPEIR.

Part of the process to finalize the WRMP requires addressing the project's environmental impacts through the preparation of a Supplemental Program Environmental Impact Report (SPEIR). A supplement to the WRMP PEIR was used as the environmental document because the environmental impacts of the projects in the WWMP are not substantially different from those identified in the WRMP PEIR. Therefore, the analyses and mitigation efforts in the WRMP PEIR are incorporated in the WWMP SPEIR. Although the SPEIR does not eliminate the need for project-specific technical studies and environmental documents, it can reduce the amount of work required for each project in the future because it identifies expected impacts and their mitigation requirements.

The draft PEIR was submitted for a 45-day public review period on April 10, 2013 and three comment letters were received from the following agencies:

- California Dept. of Fish & Wildlife
- California Dept. of Transportation
- San Diego County Archaeological Society

Arcadis responded to these letters and has incorporated their comments into the final SPEIR. The letters and responses to comments can be found in Chapter 2 of the Final SPEIR.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

This Project supports the District's Mission statement, "To provide high value water and wastewater services to the customers of the Otay Water District in a professional, effective, and efficient manner" and the District's Strategic Goal 3.1.1, "Actively manage water supply and demand."

LEGAL IMPACT:

No legal impact is anticipated. However, in compliance with the California Environmental Quality Act process, the SPEIR will have the normal 30-day legal challenge period once recorded with the County of San Diego. The SPEIR will be recorded immediately following Board approval.

LC-B/BK:jf

P:\WORKING\CIP S1210 (SSMP & WWMP)\Subproject 026000 - WWMP\Staff Reports\BD 07-03-13, Staff Report, WWMP SPEIR, (LCB-BK).docx

- Attachments:
- Attachment A - Committee Action
 - Attachment B - PowerPoint Presentation
 - Attachment C - Final SPEIR
 - Attachment D - CEQA Findings of Facts
 - Attachment E - Draft SPEIR
 - Attachment F - Mitigation Monitoring and Reporting Program
 - Attachment G - Wastewater Management Plan (on disc)



ATTACHMENT A

SUBJECT/PROJECT: S1210-026000	Certification of the 2013 Supplemental Program Environmental Impact Report for the 2013 Wastewater Management Plan Update and Approval of the 2013 Wastewater Management Plan Update as a Final Plan and Document
---	---

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee (Committee) reviewed this item at a meeting held on June 19, 2013 and the following comments were made:

- Staff requested that the Board certify that the Final Supplemental Program Environmental Impact Report (SPEIR) of the 2009 Water Resources Master Plan Program Environmental Impact Report (WRMP PEIR) for the District's 2013 Wastewater Management Plan (WWMP) has been completed in compliance with the California Environmental Quality Act, the current State Guidelines, and the District's local guidelines and that it reflects the independent judgment of the District. In addition, that the Board finds that the potentially significant effects of the District's 2013 WWMP will be avoided through the adoption of feasible mitigation measures shown in the SPEIR and the Mitigation, Monitoring, and Reporting Program for the SPEIR. Lastly, that the Board approve the 2013 Wastewater Management Plan as the final document.
- Staff indicated that Malcolm Pirnie/Arcadis started working with the District in 2011 to prepare the WWMP and its corresponding SPEIR.
- Staff provided a PowerPoint presentation to discuss the WWMP. Please see Attachment B for details, which included the following:
 - WWMP Goal and Scope
 - Wastewater Service Area
 - 2010 SANDAG Land Use Updates
 - Existing System Deficiencies
 - 2030 System Deficiencies
 - Wastewater Flow Projections for Residential and Commercial
 - Recycled Water Analysis, which the District has reservoirs to help mitigate demands

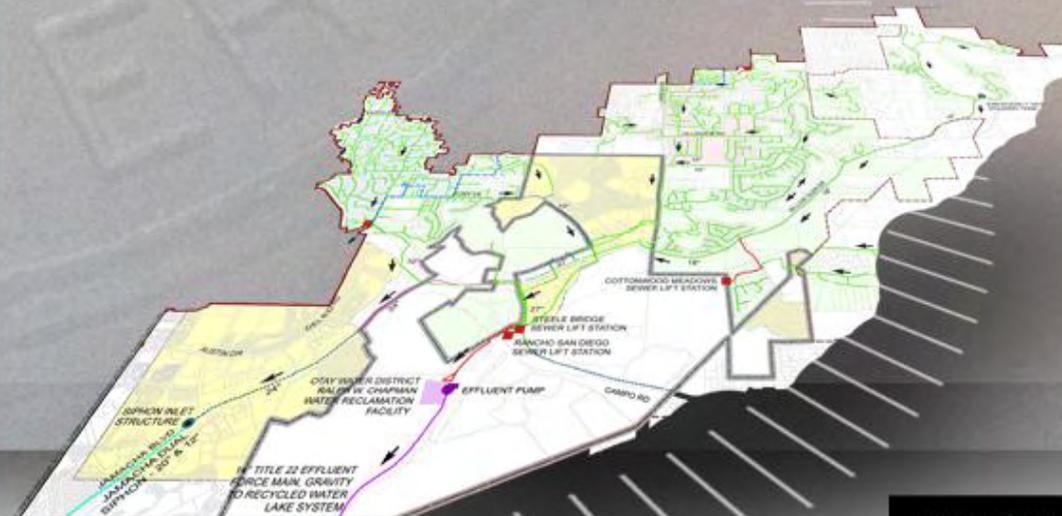
- o Potential Additional Recycled Water Supply Options
 - o Wastewater Management Options
 - o WWMP Supplemental PEIR
 - o SPEIR Process that included a Notice of Preparation published, Public Scoping meeting, Draft SPEIR 45-day public review period, and Public Hearing (OWD Board meeting) to certify final SPEIR
- Staff noted that the District decided to perform a supplemental PEIR to the 2009 WRMP because the planning area for the WWMP was covered in that previous plan and the environmental impacts analyzed have not changed. Staff indicated that most of the PEIR is incorporated by reference in the SPEIR, and only one letter from the California Department of Fish and Wildlife necessitated a minor edit to the SPEIR.

Upon completion of the discussion, the Committee supported presentation to the full Board as an action item.



July 3, 2013

Wastewater Management Plan and Supplemental Program Environmental Impact Report





WWMP Goal & Scope

Land Use Database Model Update

Wastewater Flow Projections

Hydraulic Model Update

Identify System Improvements

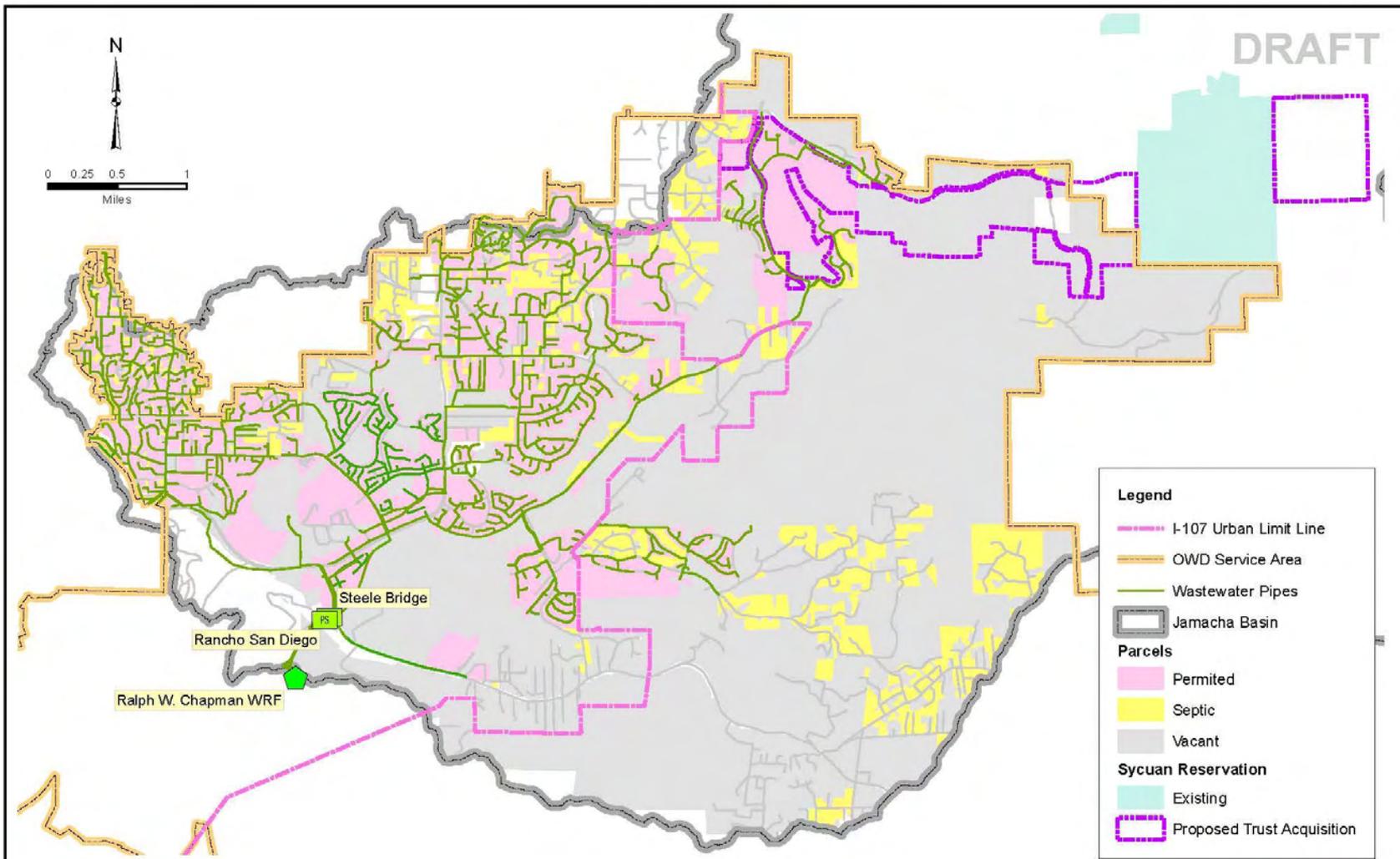
Recycled Water Analysis

Wastewater Management Options

SPEIR Task Update

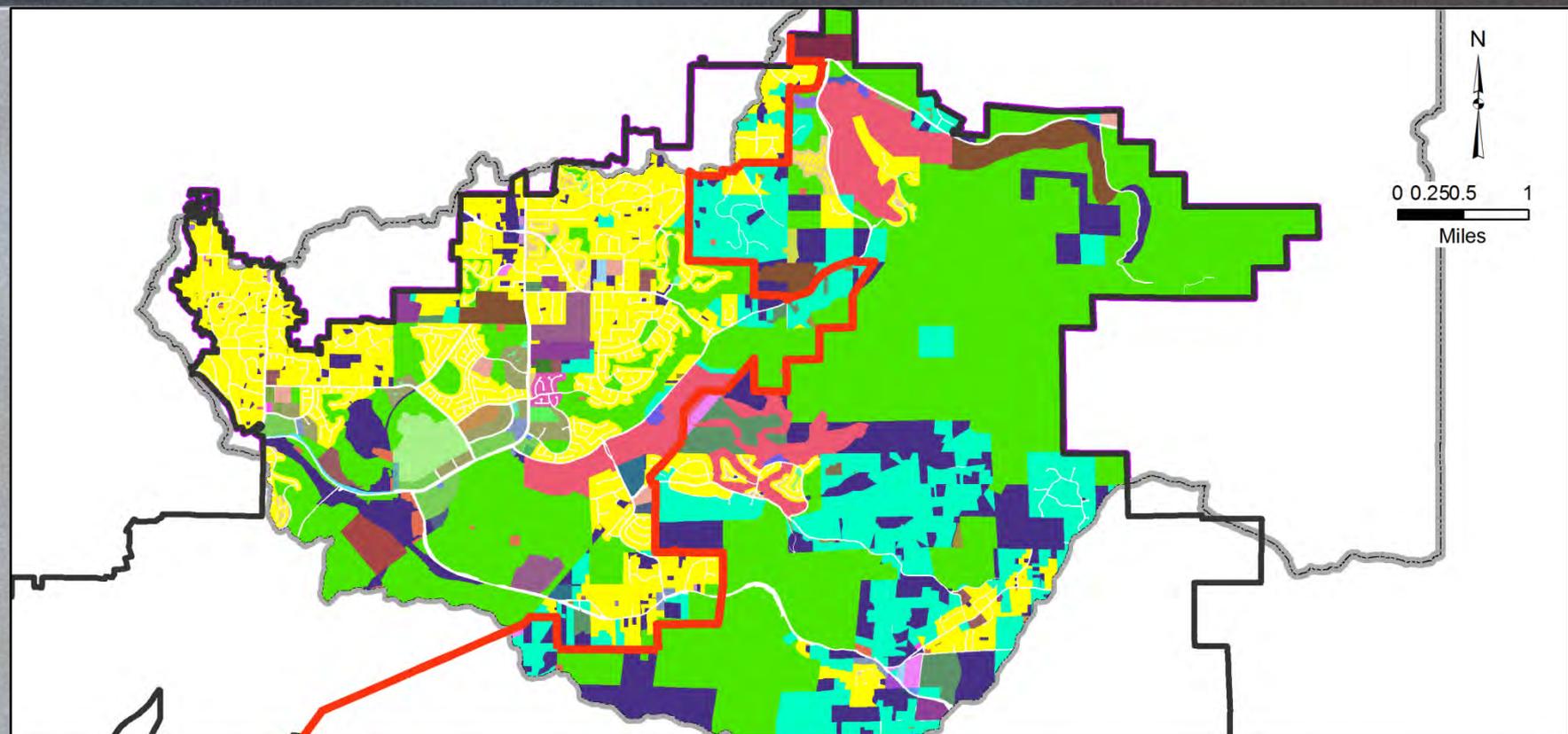


Wastewater Service Area





2010 SANDAG Land Use Updates

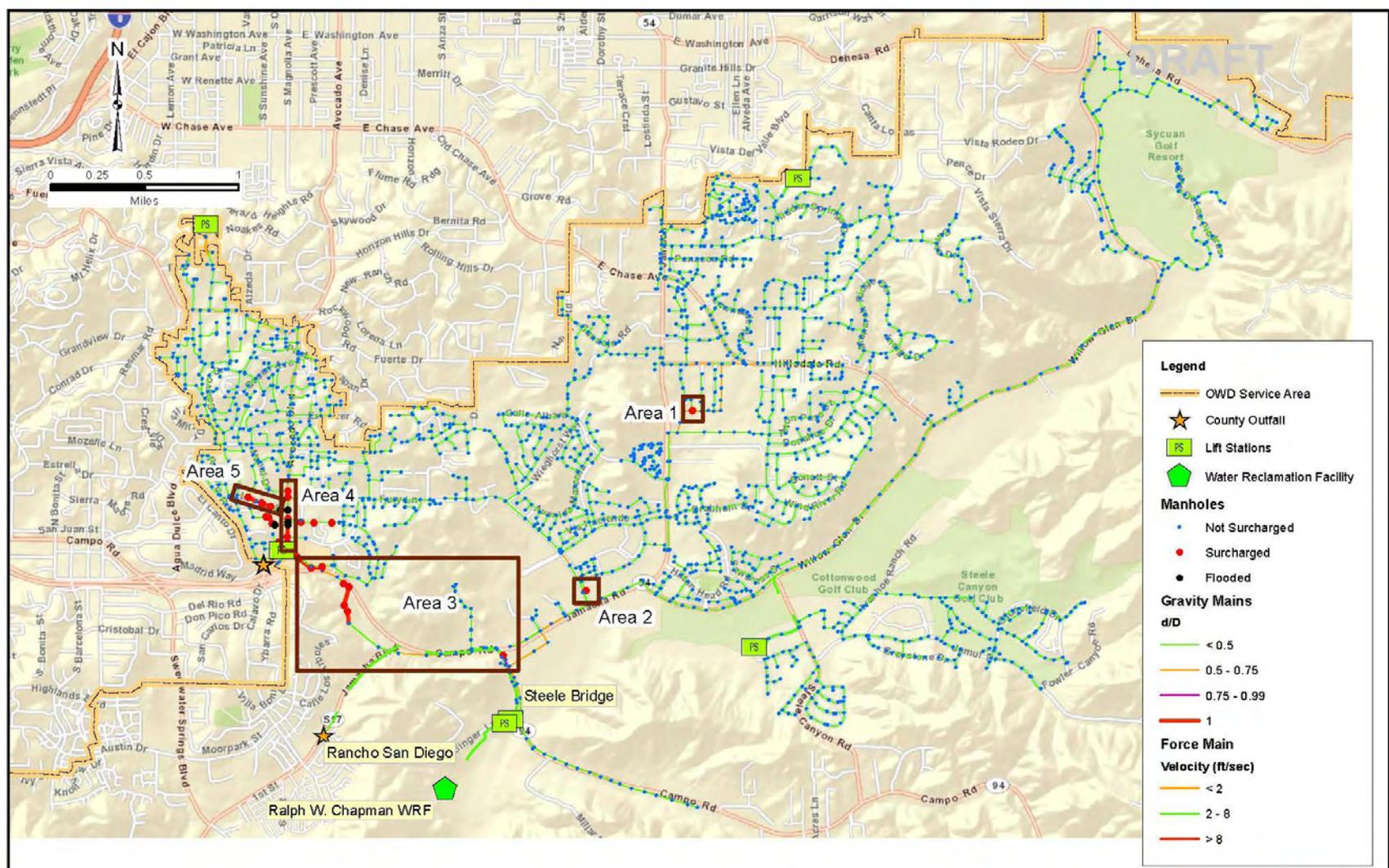


Legend

Urban Limit Line	Arterial Commercial	Fire/Police Station	Junkyard/Dump/Landfill	Office (Low-Rise)	Other Transportation	Service Station
OWD Service Area	Cemetery	Freeway	Landscape Open Space	Open Space Park or Preserve	Park - Active	Single Family Detached
Jamacha Basin	Commercial Under Construction	Golf Course	Library	Orchard or Vineyard	Public Storage	Single Family Multiple-Units
	Communications and Utilities	Golf Course Clubhouse	Light Industry - General	Other Group Quarters Facility	Religious Facility	Single Family Residential Without Units
	Community Shopping Center	Hotel/Motel (Low-Rise)	Mobile Home Park	Other Health Care	Residential Recreation	Spaced Rural Residential
	Elementary School	Intensive Agriculture	Monastery	Other Recreation - High	Residential Under Construction	Vacant and Undeveloped Land
	Extractive Industry	Junior College	Multi-Family Residential	Other Recreation - Low	Road Right of Way	
	Field Crops	Junior High School or Middle School	Neighborhood Shopping Center	Other Retail Trade and Strip	Senior High School	

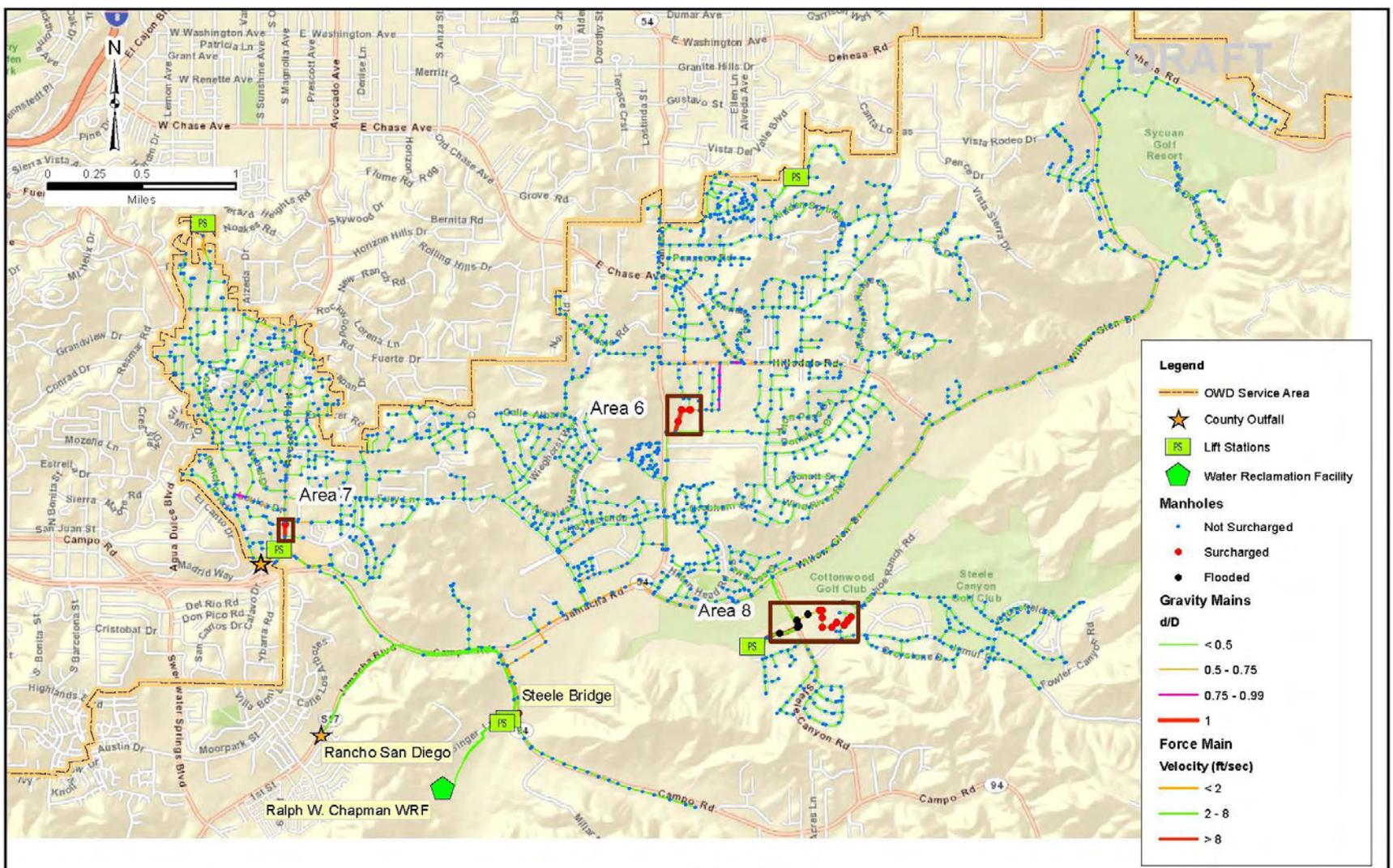


Existing System Deficiencies





2030 System Deficiencies



Legend

- OWD Service Area
- County Outfall
- Lift Stations
- Water Reclamation Facility

Manholes

- Not Surcharged
- Surcharged
- Flooded

Gravity Mains d/D

- < 0.5
- 0.5 - 0.75
- 0.75 - 0.99
- 1

Force Main Velocity (ft/sec)

- < 2
- 2 - 8
- > 8



Wastewater Flow Projections

WWMP Table 2-3. Updated Wastewater Flow Projections for the Jamacha Basin

Year	District					County				Basin Total
	Permitted / Connected	Unconnected		Sycuan	District Total	Permitted / Connected	Unconnected		County Total	
		Vacant	Septic				Vacant	Septic		
2010	1.35	0.18	0.32	0	1.84	0.64	0	0	0.64	2.48
2015	1.41	0.18	0.32	0	1.92	0.78	0	0	0.78	2.70
2020	1.42	0.20	0.32	0.02	1.97	0.78	0.03	0	0.81	2.78
2025	1.44	0.23	0.40	0.02	2.09	0.79	0.02	0	0.81	2.91
2030	1.47	0.25	0.41	0.02	2.15	0.79	0.02	0	0.81	2.96



Recycled Water Analysis

WWMP Table 4-3.

Projected Peak Day Recycled Water Demands vs. Existing Supply

Demand/Supply	Projected Recycled Water Demand					
	2010	2015	2020	2025	2030	2035
Ann. Ave. Demand (AFY) ¹	4,074	4,400	5,000	5,800	6,800	8,000
Ann. Ave. Demand (MGD)	3.64	3.93	4.46	5.18	6.07	7.14
Peak Day Demand (MGD) ²	7.3	7.9	8.9	10.4	12.1	14.3
RCWRF Supply (MGD) ³	1.0	1.0	1.0	1.0	1.0	1.0
SBWRP Maximum Supply (MGD)	5.3	6.0	6.0	6.0	6.0	6.0
Total Existing Supply (MGD)	6.3	7.0	7.0	7.0	7.0	7.0
Surplus/(Deficit) (MGD)	(1.0)	(0.9)	(1.9)	(3.4)	(5.1)	(7.3)



Recycled Water Analysis

Potential Additional Recycled Water Supply Options

- **Expansion of the RWCWRF from 1.3 MGD to 2.6 MGD**
- **Additional purchases from the SBWRP**
- **Partnership with the City of Chula Vista on a regional WRF**
- **A new joint WRF with the County of San Diego**
- **Partnership with IBWC to produce recycled water**



Wastewater Management Options

- **Alternatives for wastewater management within the District**
 - A. **Maintain wastewater treatment, do not expand RWCWRF**
 - B. **Expand RWCWRF to 2.6 MGD**
 - C. **Expand RWCWRF to 3.9 MGD**
 - D. **Abandon RWCWRF and utilize County/Metro**
 - E. **Abandon RWCWRF and utilize new joint County WRF**

Given the uncertainties of the waiver for the Pt. Loma wastewater treatment plant, the recommendation is to maintain the RWCWRF at the current 1.3 MGD.

- **Add solids handling facilities on the RWCWRF site for 1.3 MGD, expandable to 2.6 MGD**



WWMP Supplemental PEIR

Supplemental PEIR to the 2009 WRMP prepared because the planning area for the WWMP was covered in the WRMP PEIR and environmental impacts analyzed have not changed

- **Wastewater System Projects Analyzed in the SPEIR**
- **Includes CIP projects to improve existing and future collection system**



SPEIR Process

- **Notice of Preparation published**
- **Public Scoping Meeting held**
- **Draft SPEIR 45-day public review period**
 - **Three comment letters received (CDFW, Caltrans, SD County Archaeological Society)**
 - **Comments addressed in Final SPEIR**
- **Public Hearing (OWD Board meeting) to certify final SPEIR**



Questions



**AGENDA ITEM 7c
(Attachments C-G)**

Final SPEIR

CEQA Findings of Facts

Draft SPEIR

Mitigation Monitoring and Reporting Program
Wastewater Management Plan

Have been posted as Attachment 2 on the
Otay Water District Website



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Kevin Koeppen, Finance Manager	PROJECT:	DIV.NO. All
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Annual Review of the District's Investment Policy (Policy No. 27) and Adoption of Resolution No. 4213 Amending the Policy and Re-Delegating Authority for All Investment Related Activities to the Chief Financial Officer		

GENERAL MANAGER'S RECOMMENDATION:

That the Board receives the District's Investment Policy (Policy No. 27) for review, and adopts Resolution No. 4213 amending the policy and re-delegating authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

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

ANALYSIS:

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

1. Protect the principal of the funds.

2. Remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
3. Attain a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio. LAIF is the benchmark rate of return that is currently used to evaluate investments.

Consistent with the first of the primary goals, the code provides a range of investment options that are low risk. These include Federal Treasuries, Federal Agencies, Callable Federal Agencies, the State Pool, the County Pool, high-grade corporate debt, and others.

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

Over the recent years, the size of the District's portfolio has decreased from \$110 million to the current \$82 million. This reduction is primarily due to planned outlays for construction projects and the drawdown of debt proceeds.

FISCAL IMPACT: _____
None.

STRATEGIC GOAL:

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

LEGAL IMPACT: _____
None.

General Manager

Attachments:

- A) Committee Action Form
Four Slides
Alternative A: Strike-through Investment Policy No. 27
Alternative B: Strike-through Investment Policy No. 27
- B) Resolution No. 4213
Exhibit 1: Strike-through Investment Policy No. 27
- C) Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Annual Review of Investment Policy (Policy No. 27) and Adoption of Resolution No. 4213 Amending the Policy and Re-delegating Authority for all Investment Related Activities to the Chief Financial Officer (CFO)
-------------------------	---

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on June 24, 2013 and the following comments were made:

- Staff is requesting that the Board receive the District's Investment Policy (Policy No. 27) for review and adopt Resolution No. 4213 amending the policy and re-delegating authority for all investment related activities to the Chief Financial Officer in accordance with Government Code Section 53607.
- It was indicated that the investment policy guidelines are governed by California Government Code Sections 53600 to 53692. The District's current investment policy has been certified by the Association of Public Treasurers of the United States and Canada.
- Staff reviewed the proposed changes to the policy:
 - Added debt reserves as an exception to the pooling of funds (Section 2.0: Scope) as normally the allowable investments in pooling funds is guided by the debt documents which could conflict with the Investment Policy.
 - Removed Sallie Mae from the list of government agency issuers (Section 8.0: Authorized and Suitable Investments, 8.03) as Sallie Mae is no longer an agency issue.
 - Added the Federal Agricultural Mortgage Corporation (Section 8.0: Authorized and Suitable Investments, 8.03) as it is now an allowable investment.
 - Increased the FDIC insured deposit amount from \$100,000 to \$250,000 (Section 8.0: Authorized and Suitable Investments, 8.04) which is the current insured deposit amount.
 - Added to the commercial paper limitation that the District may not purchase more than 10% of the outstanding commercial paper

of any single issuer (Section 8.0: Authorized and Suitable Investments, 8.04). The District, while it has held commercial paper in the past, as part of its investment strategy, generally does not invest in commercial paper. Staff, however, wished to assure that the limitation was included in the policy.

- Staff indicated that the objectives of the District's investment performance are (in order of priority):
 - **Safety:** Safeguarding the monies to assure no losses.
 - **Liquidity:** Maintaining adequate liquidity to cover the District's working capital requirements.
 - **Return on Investment:** Strategies used include buy-and-hold an investment until maturity or it is called and laddering purchases (that an equal amount is being purchased and coming due at the same time). This assures the District is not overly invested.
 - **Buy & Hold** - Staff purchases investments with the intent of holding them until maturity and does not actively trade debt investments.
 - **Laddering** - Staff invests based on laddering the timing of both maturities and investments.
- The District's YTD Performance: The District is still out-performing LAIF and the County Pool which are the investments used as a benchmark to evaluate the District's investment performance.

	<u>FY-13 (April)</u>	<u>FY-12</u>
- Otay	0.42%	0.62%
- LAIF	0.30%	0.40%
- County Pool	0.41%	0.46%

- Staff presented a slide showing the amounts and the percentage of the District's funds invested in various investment vehicles (please reference the attached copy of the presentation). The total invested by the District is approximately \$82.9 million, where \$50,7735,908 or 61.22% is invested in agency issues, \$30,802,240 or 37.17% in pools (LAIF & County), and \$1,337,139 or 1.61% in banks (passbook/checking/cd).
- In response to an inquiry from the committee, it was indicated that the Government Code contains a stipulation that the District may not hold more than 10% of the commercial paper of any single issuer. Staff is reflecting this change in the District's Investment Policy.

- The committee also further discussed that they felt 15% allowable investment in commercial paper was too high. The committee suggested that the District's Investment Policy should be more restrictive than the Government Code and suggested that the policy should be amended to reduce such investments to 10% of the District's total investable funds.
- The committee suggested that staff review if language should be added to the District's Investment Policy with additional standards on how government issued investments will be handled if they are downgraded. Staff indicated that the State indicates in their policy that if commercial paper drops below an "A" rating, it is not required that the investment be sold, however, the State may no longer invest in that particular investment while the rate is below an "A" rating. It was indicated that this type of language can be added to the District's policy. It was noted that staff does diversify its investments in agency issues.
- Staff indicated that in Government Code 53601(h), it lists investment restrictions with regard to different investment vehicles. The committee indicated that they felt the District should be more restrictive than the Government Code.
- The committee inquired with regard to the Chief Financial Officer establishing an independent review of internal controls by an external auditor, if it should not be forwarded to the board for review as well. Staff indicated that the review is forwarded to the board as part of the audit procedures.
- As the committee has proposed a change to the Policy regarding amending commercial paper investment to 10% there was discussion if the committee wished to propose a more general change, such as, matching the District's Investment Policy to actual practice. Staff will put together a comparative analysis of the Government Code, current policy versus the District's actual practice and present it at the board meeting.

Upon completion of the discussion, the committee supported presentation to the board as an action item to consider the committee's discussion to reduce the District's allowable investment in commercial paper to 10% and discuss the comparative analysis (please see attached documents).

Finance Committee Discussion:

Should the District implement a restriction for government agencies (section 8.03) whose government implied guarantee has been reduced or eliminated?

STAFF RECOMMENDATION:

Add the following statement related to government agencies (section 8.03):

“Government agencies whose implied guarantee has been reduced or eliminated shall require an “A” rating or higher by a nationally recognized statistical rating organization.”⁽¹⁾

(1) The condition requiring an “A” rating or higher is consistent with the limitations governing commercial paper and medium-term notes set forth in California Government Code Section 53601.

Allowable Investments

California Government Code vs. OWD

Investments
allowed under
the current
District Policy

- Treasury Securities
- Local Agency Investment Fund
- Federal Agency Issues
- Certificates of Deposit
- Money Market Mutual Funds
- San Diego County Pool
- Short-Term Commercial Notes
- Medium-Term Commercial Debt

Investments
not allowed
under District
Policy

- Bankers Acceptances
- Repurchase Agreements
- Reverse Repurchase Agreements
- Beneficial Interests
- Mortgage Pass-through Securities
- California Warrants
- State Debt (Other States)
- California Agency Debt

Finance Committee Discussion:

Should the District reduce the short-term commercial debt limit to 10% and review the limitations alignment with Management’s current practice?

BOARD DISCUSSION:

Alternative Option A - Reduces the allowable commercial notes & debt categories to 10%.

Alternative Option B – Removes commercial notes & debt instruments as allowable investments.

Policy	Staff Report	Committee	Current	Otay Actual⁽²⁾	
Section Investment	Policy Limit	Recommendation	Practice⁽¹⁾	Investments	
	State Limit	Attachment C	Alternative A	Alternative B	
8.01: Treasury Securities	100%	100%	100%	100%	0
8.02: Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$50 Million	\$50 Million	\$12.7 Million
8.02: Local Agency Investment Fund (Bonds)	100%	100%	100%	100%	4.99%
8.03: Federal Agency Issues	100%	100%	100%	100%	53.43%
8.04: Certificates of Deposit	30%	15%	15%	15%	0.10%
8.05: Short-Term Commercial Notes	25%	15%	10%	0%	0%
8.06: Medium-Term Commercial Debt	30%	15%	10%	0%	0%
8.07: Money Market Mutual Funds	10%	10%	10%	10%	0%
8.08: San Diego County Pool	100%	100%	100%	100%	24.66%

(1) The District does not currently hold any commercial notes or debt and does not plan to invest in these instruments in Fiscal Year 2014. Based on this current practice, staff is presenting an Alternative B option, which removes commercial notes and debt as available investments.

(2) Otay Actual Investments represents balances and percentages as of April 30, 2013.

REQUESTED BOARD ACTION

- Select one of the Investment Policy No. 27 options listed below:
 1. Staff Report Recommendation (Attachment C)
 2. Alternative Option A
 3. Alternative Option B
- Adopt Resolution No. 4213 to amend Investment Policy No. 27 using the selected option.
- Re-delegate authority for all investment related activities to the Chief Financial Officer (CFO).

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

1.0: POLICY

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

2.0: SCOPE

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

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

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

3.0: PRUDENCE

Investments should be made with judgment and care, under current prevailing circumstances, which persons of prudence, discretion and intelligence, exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

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

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

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through 53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

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

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District with the following, as appropriate:

- Audited Financial Statements.
- Proof of National Association of Security Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the District's Investment Policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of ~~\$100,000~~ \$250,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

8.05) Commercial paper, which is short-term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(hg). Purchases of commercial paper may not exceed ~~15-10~~ 10 percent of the District's portfolio and no more than 10 percent of the outstanding commercial paper of any single issuer.

8.06) Medium-term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California Government Code, Section 53601(jk). Investments in medium-term notes are limited to ~~15-10~~ 10 percent of the District's portfolio.

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

8.07) Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury securities, and that meet the further requirements of California Government Code, Section 53601(k~~l~~). Investments in money market mutual funds are limited to ~~15~~10 percent of the District's portfolio.

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

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

9.0: INVESTMENT POOLS/MUTUAL FUNDS

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

10.0 COLLATERALIZATION

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

11.0: SAFEKEEPING AND CUSTODY

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

12.0: DIVERSIFICATION

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

13.0: MAXIMUM MATURITIES

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

14.0: INTERNAL CONTROL

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

15.0: PERFORMANCE STANDARDS

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

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

16.0: REPORTING

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

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

17.0: INVESTMENT POLICY ADOPTION

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

18.0: GLOSSARY

See Appendix A.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

APPENDIX A: GLOSSARY

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

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

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

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

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g.,

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

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

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

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

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

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

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

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

said to be doing RP, it is lending money that is increasing bank reserves.

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

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

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

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

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

~~**STUDENT LOAN MARKETING ASSOCIATION (SLMA or Sallie Mae):** A federally established, publicly traded corporation which buys student loans from colleges and other lenders, pools them, and sells them to investors.~~

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

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

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

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

1.0: POLICY

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

2.0: SCOPE

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

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

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

3.0: PRUDENCE

Investments should be made with judgment and care, under current prevailing circumstances, which persons of prudence, discretion and intelligence, exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

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

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

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through 53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

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

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District with the following, as appropriate:

- Audited Financial Statements.
- Proof of National Association of Security Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the District's Investment Policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of ~~\$100,000~~\$250,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

~~8.05) Commercial paper, which is short term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(g). Purchases of commercial paper may not exceed 15 percent of the District's portfolio~~

~~8.06) Medium term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California Government Code, Section 53601(j). Investments in medium term notes are limited to 15 percent of the District's portfolio.~~

~~8.0705)~~ Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

securities, and that meet the further requirements of California Government Code, Section 53601(k~~l~~). Investments in money market mutual funds are limited to ~~15~~10 percent of the District's portfolio.

8.0806) The San Diego County Treasurer's Pooled Money Fund, which is a County managed investment pool, may be used by the Otay Water District to invest excess funds. There is no percentage limitation of the portfolio which can be invested in this category.

8.0907) Under the provisions of California Government Code 53601.6, the Otay Water District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to maturity. Also, the borrowing of funds for investment purposes, known as leveraging, is prohibited.

9.0: INVESTMENT POOLS/MUTUAL FUNDS

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

10.0 COLLATERALIZATION

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

11.0: SAFEKEEPING AND CUSTODY

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

12.0: DIVERSIFICATION

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

13.0: MAXIMUM MATURITIES

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

14.0: INTERNAL CONTROL

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

15.0: PERFORMANCE STANDARDS

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

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

16.0: REPORTING

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

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

17.0: INVESTMENT POLICY ADOPTION

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

18.0: GLOSSARY

See Appendix A.

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

APPENDIX A: GLOSSARY

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

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

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

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

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

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

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

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

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

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g.,

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

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

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

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

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

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

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

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

said to be doing RP, it is lending money that is increasing bank reserves.

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

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

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

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

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

~~**STUDENT LOAN MARKETING ASSOCIATION (SLMA or Sallie Mae):** A federally established, publicly traded corporation which buys student loans from colleges and other lenders, pools them, and sells them to investors.~~

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

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

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

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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

RESOLUTION NO.4213

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE OTAY WATER DISTRICT AMENDING
INVESTMENT POLICY NO.27 OF THE
DISTRICT'S CODE OF ORDINANCES

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

WHEREAS, the amended Investment Policy has been revised for, among other reasons, consistency with changes in the law, changes to FDIC insurance limits, and changes to government agency issues; and

WHEREAS, the amended Investment Policy has been reviewed and considered by the Board, and it is in the interest of the District to adopt the amended Investment Policy; and

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

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the amended Investment Policy, incorporated herein as Attachment C, is hereby adopted.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay
Water District at a board meeting held this 3rd day of July 2013,
by the following vote:

Ayes:
Noes:
Abstain:
Absent:

ATTEST:

President

District Secretary

OTAY WATER DISTRICT BOARD OF DIRECTORS POLICY			
Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

1.0: POLICY

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

2.0: SCOPE

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

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

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

3.0: PRUDENCE

Investments should be made with judgment and care, under current prevailing circumstances, which persons of prudence, discretion and intelligence, exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

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

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

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through 53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

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

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the District with the following, as appropriate:

- Audited Financial Statements.
- Proof of National Association of Security Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read the District's Investment Policy.
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of ~~\$100,000~~ \$250,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

8.05) Commercial paper, which is short-term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(hg). Purchases of commercial paper may not exceed 15 percent of the District's portfolio and no more than 10 percent of the outstanding commercial paper of any single issuer.

8.06) Medium-term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California Government Code, Section 53601(jk). Investments in medium-term notes are limited to 15 percent of the District's portfolio.

8.07) Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury securities, and that meet the further requirements of California

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

Government Code, Section 53601(~~k~~1). Investments in money market mutual funds are limited to ~~15~~10 percent of the District's portfolio.

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

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

9.0: INVESTMENT POOLS/MUTUAL FUNDS

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

10.0 COLLATERALIZATION

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

11.0: SAFEKEEPING AND CUSTODY

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

12.0: DIVERSIFICATION

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

13.0: MAXIMUM MATURITIES

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

14.0: INTERNAL CONTROL

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

15.0: PERFORMANCE STANDARDS

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

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

16.0: REPORTING

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

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

17.0: INVESTMENT POLICY ADOPTION

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 <u>7/3/13</u>

18.0: GLOSSARY

See Appendix A.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

APPENDIX A: GLOSSARY

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

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

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

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

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

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

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g.,

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

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

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

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

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

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

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

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

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

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

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

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

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

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

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

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

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

said to be doing RP, it is lending money that is increasing bank reserves.

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

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

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

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

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

~~**STUDENT LOAN MARKETING ASSOCIATION (SLMA or Sallie Mae):** A federally established, publicly traded corporation which buys student loans from colleges and other lenders, pools them, and sells them to investors.~~

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

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

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

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	8/10/11 7/3/13

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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



**INVESTMENT POLICY
No. 27 & PERFORMANCE
REVIEW**

July 3, 2013



POLICY REVIEW

- **Purpose:**

- Annual Policy Review
- Investment Performance Review
- Delegation of Investment Authority



INVESTMENT POLICY GUIDELINES

A. California Government Code:

Sections 53600 through 53692

B. Investment Policy Certification:

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

POLICY REVIEW

▪ Review of Proposed Changes

- Added debt reserves as an exception to the pooling of funds (Section 2.0: Scope).
- Removed Sallie Mae from the list of government agency issuers and related definition (Section 8.0: Authorized and Suitable Investments, 8.03)
- Added Federal Agricultural Mortgage Corporation and related definition (Section 8.0: Authorized and Suitable Investments, 8.03)



POLICY REVIEW (cont.)

- Increased the FDIC insured deposit amount from \$100,000 to \$250,000 (Section 8.0: Authorized and Suitable Investments, 8.04)
- Added to the commercial paper limitation that the District may not purchase more than 10 percent of the outstanding commercial paper of any single issuer. (Section 8.0: Authorized and Suitable Investments, 8.04)
- Reduced the limit of allowable money market mutual funds from 15 percent of the District's portfolio to 10 percent of the District's portfolio (Section 8:0: Authorized and Suitable Investments, 8.06)

INVESTMENT PERFORMANCE

Fund Objectives (in order of priority)

- Safety
- Liquidity
- Return on Investment

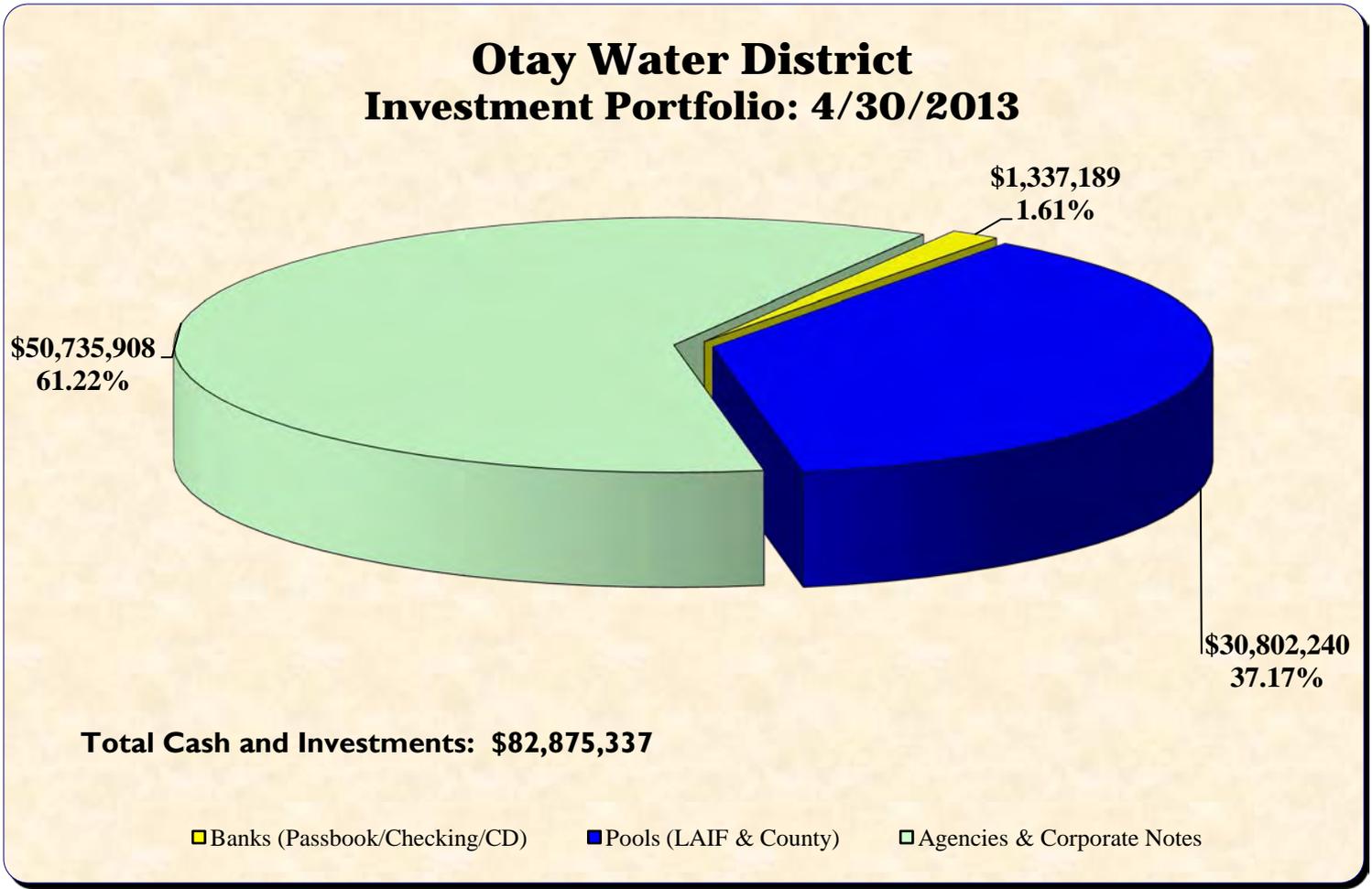
YTD Performance:

	<u>FY-13</u>	<u>FY-12</u>
➤ OTAY	0.42%	0.62%
➤ LAIF	0.30%	0.40%
➤ County Pool	0.41%	0.46%

INVESTMENT PORTFOLIO: 4/30/13

		Authorized	
	\$('000s)	\$ / %	Actual %
LAIF (Operating)	\$6,534	\$50 Mil	7.89%
LAIF (Bonds)	\$4,081	100%	4.92%
Govt. Agency Bonds	\$50,736	100%	61.22%
Bank Deposits & CDs	\$1,337	15%	1.61%
San Diego County Pool	\$20,187	50%	24.36%
TOTAL:	\$82,875		

INVESTMENT PORTFOLIO: 4/30/13





Finance Committee

The following slides are in response to the discussions held during the Finance Committee meeting.

Finance Committee Discussion:

Should the District implement a restriction for government agencies (section 8.03) whose government implied guarantee has been reduced or eliminated?

STAFF RECOMMENDATION:

Add the following statement related to government agencies (section 8.03):

“Government agencies whose implied guarantee has been reduced or eliminated shall require an “A” rating or higher by a nationally recognized statistical rating organization.”⁽¹⁾

(1) The condition requiring an “A” rating or higher is consistent with the limitations governing commercial paper and medium-term notes set forth in California Government Code Section 53601.

Allowable Investments

California Government Code vs. OWD

Investments
allowed under
the current
District Policy

- Treasury Securities
- Local Agency Investment Fund
- Federal Agency Issues
- Certificates of Deposit
- Money Market Mutual Funds
- San Diego County Pool
- Short-Term Commercial Notes
- Medium-Term Commercial Debt

Investments
not allowed
under District
Policy

- Bankers Acceptances
- Repurchase Agreements
- Reverse Repurchase Agreements
- Beneficial Interests
- Mortgage Pass-through Securities
- California Warrants
- State Debt (Other States)
- California Agency Debt

Finance Committee Discussion:

Should the District reduce the short-term commercial debt limit to 10% and review the limitations alignment with Management’s current practice?

BOARD DISCUSSION:

Alternative Option A - Reduces the allowable commercial notes & debt categories to 10%.

Alternative Option B – Removes commercial notes & debt instruments as allowable investments.

Policy	Staff Report	Committee	Current	Otay Actual⁽²⁾	
Section Investment	Policy Limit	Recommendation	Practice⁽¹⁾	Investments	
	State Limit	Attachment C	Alternative A	Alternative B	
8.01: Treasury Securities	100%	100%	100%	100%	0
8.02: Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$50 Million	\$50 Million	\$12.7 Million
8.02: Local Agency Investment Fund (Bonds)	100%	100%	100%	100%	4.99%
8.03: Federal Agency Issues	100%	100%	100%	100%	53.43%
8.04: Certificates of Deposit	30%	15%	15%	15%	0.10%
8.05: Short-Term Commercial Notes	25%	15%	10%	0%	0%
8.06: Medium-Term Commercial Debt	30%	15%	10%	0%	0%
8.07: Money Market Mutual Funds	10%	10%	10%	10%	0%
8.08: San Diego County Pool	100%	100%	100%	100%	24.66%

(1) The District does not currently hold any commercial notes or debt and does not plan to invest in these instruments in Fiscal Year 2014. Based on this current practice, staff is presenting an Alternative B option, which removes commercial notes and debt as available investments.

(2) Otay Actual Investments represents balances and percentages as of April 30, 2013.



Questions?



REQUESTED BOARD ACTION

- Select one of the Investment Policy No. 27 options listed below:
 1. Staff Report Recommendation Exhibit 1
 2. Alternative Option A
 3. Alternative Option B
- Adopt Resolution No. 4213 to amend Investment Policy No. 27 using the selected option.
- Re-delegate authority for all investment related activities to the Chief Financial Officer (CFO).



AGENDA ITEM 9a

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Mark Watton, General Manager	PROJECT:	Various DIV.NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	California Special Districts Association (CSDA) Region 6 Board Election		

GENERAL MANAGER'S RECOMMENDATION:

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

PURPOSE:

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

COMMITTEE ACTION:

N/A

ANALYSIS:

CSDA is holding an election to fill Seat B of Region 6 on its Board of Directors. Mr. William Nelson, Orange County Cemetery District, is the current incumbent of Seat B and is seeking re-election. The individual elected will serve a three (3) year term. There are a total of six [6] regions with each region having three seats on the Board.

Attached is a copy of the mail-in ballot and the candidates' Statement of Qualifications. The ballot must be mailed and received by CSDA by 5:00 p.m. on Friday, August 2, 2013.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

- Attachment A: Committee Action
- Attachment B: Ballot
- Attachment C: Candidates' Statements (2)

ATTACHMENT A

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

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on June 24, 2013 and recommended that the District's vote be cast for Mr. George McManigle, Rainbow Municipal Water District, and that it be presented to the full board as an action item.



CSDA BOARD OF DIRECTORS ELECTION 2013

*All Fields Must Be Completed for ballot to be counted.
(Please vote for only one.)*

REGION SIX



*Seat B - term
ends 2017*

- William Nelson***
Orange County Cemetery District
- George McManigle**
Rainbow Municipal Water District

** incumbent*

Signature: _____ Date: _____

Member District: _____

Must be received by 5pm, August 2, 2013. CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814

Board of Trustees
Leslie Keane
William E. Nelson
Vivien Owen
Maureen Rivers
Cynthia Ward



Attachment C

District Office
25751 Trabuco Road
Lake Forest, CA 92630-4348
Phone: (949) 951-9102
Fax: (949) 951-0236
www.occemeterdistrict.com

Tim Deutsch
General Manager

ORANGE COUNTY CEMETERY DISTRICT

June 11, 2013

Otay Water District
Mark Watton, General Manager
2554 Sweetwater Springs Boulevard
Spring Valley, CA 91978-2004

Dear Mark,

The purpose of this letter is to ask for your Board's support for the re-election of Bill Nelson to Seat B, Region 6 of the California Special Districts Association (CSDA) Board of Directors. We ask your Board to please vote for Bill Nelson in the upcoming election. CSDA mailed out the ballots on June 7, 2013, and they are due back to CSDA by 5:00 PM on August 2, 2013.

Bill has served on the Orange County Cemetery District (OCCD) Board of Trustees since 2003. During this time Bill has been a valuable member of the Board and served as Chair of the Board in 2006 and 2010. Presently he serves as Vice Chair of the Board and Chair of the Finance Committee and member of the Personnel and Communications & Public Relations Committees.

The OCCD Board initially nominated Bill for the CSDA Board in 2011 and has nominated him for re-election this year. Bill is committed to building on CSDA's present foundation of educational programs and legislative advocacy. His enthusiasm, commitment and comprehensive knowledge of special districts bring years of experience to the CSDA Board.

The OCCD Board respectfully requests that you mark your ballot for Bill Nelson and return it to CSDA by 5:00 PM on August 2, 2013.

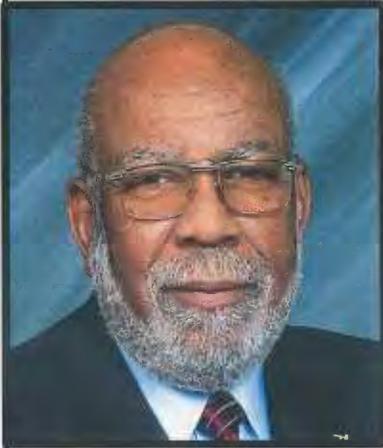
Bill's Candidate Statement is attached.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Deutsch", is written over a large, light blue circular scribble.

Tim Deutsch
General Manager

Re-Elect Bill Nelson CSDA Board of Directors



PROVEN EXPERIENCE LEADING SPECIAL DISTRICTS

I am committed to building on CSDA's present foundation of educational programs and legislative advocacy. My enthusiasm, commitment and comprehensive knowledge of special districts bring years of experience to the CSDA Board. It would be an honor to continue serving special districts in Region 6.

- ✓
- ✓ **EXPERIENCED LEADER**
- ✓ **COMMITTED TO SPECIAL DISTRICTS**
- ✓ **FISCALLY RESPONSIBLE**
- ✓ **DEDICATED**

CSDA EXPERIENCE

- ❖ Served on Board for three years
- ❖ Fiscal Committee 2011-2013
- ❖ Membership Committee 2013

DISTRICT EXPERIENCE

- ❖ Appointed to Board of Trustees Orange County Cemetery District in 2003
- ❖ Chair of the Board 2006 & 2010
- ❖ Chair of Finance Committee 2004 to present
 - Developed an investment strategy that yielded additional \$1 million interest income

OTHER LEADERSHIP EXPERIENCE

- ❖ Board of Directors - California Association of Public Cemeteries since 2008
- ❖ Board of Directors - Pacific West Association of Realtors - 2004 to 2012
 - President 2007, Treasurer 2005, 2009 & 2011
- ❖ Board of Directors - California Association of Realtors – 2004-2012
 - Served on and Chaired several committees
- ❖ Board of Directors - National Association of Realtors – 2007-2009 & 2011-2012

COMMUNITY INVOLVEMENT

- ❖ Orange County Grand Jury 2002-2003
- ❖ Board of Directors - Orange County Grand Jurors Association 2005 to 2011
- ❖ City of Villa Park Investment Advisory Committee- 2008 to present – Chair past two years
- ❖ Villa Park Community Services Foundation – Treasurer – 2010 to present

BUSINESS EXPERIENCE

- ❖ Financial Executive for 25 years with Atlantic Richfield Company (ARCO) & Southern Calif. Gas Co.

EDUCATION

- ❖ MBA Finance University of Southern California
- ❖ BA Economics California State University Dominguez Hills

George McManigle – CSDA Board of Directors, Region 6

Growers in California are facing many challenges. Since I moved to a seven acre grove in Fallbrook in 1993, production techniques, water availability, cost and returns on crops have been serious issues. Water is now a major concern in the coming years with the water cutbacks. I believe CDSA plays a major role in addressing these issues.

I have served on the Fallbrook Chamber of Commerce board and as president. I have been president of Gold Crown Macadamia Association since 1995, I was elected two terms to the Rainbow Municipal Water District board and have served four years as an alternate on the California Avocado Commission.

My community and agriculture involvement has been to support farming in the area by considering possibilities beyond the status quo like a certified community kitchen. Growers are facing serious issues and I think I can contribute in addressing some of those issues.

George McManigle



STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	July 3, 2013
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
APPROVED BY:	<input checked="" type="checkbox"/> Susan Cruz, District Secretary <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Board of Directors 2013 Calendar of Meetings		

GENERAL MANAGER'S RECOMMENDATION:

At the request of the Board, the attached Board of Director's meeting calendar for 2013 is being presented for discussion.

PURPOSE:

This staff report is being presented to provide the Board the opportunity to review the 2013 Board of Director's meeting calendars and amend the schedule as needed.

COMMITTEE ACTION:

N/A

ANALYSIS:

The Board requested that this item be presented at each meeting so they may have an opportunity to review the Board meeting calendar schedule and amend it as needed.

STRATEGIC GOAL:

N/A

FISCAL IMPACT:

None.

LEGAL IMPACT:

None.

Attachments: Calendar of Meetings for 2013

**Board of Directors, Workshops
and Committee Meetings
2013**

Regular Board Meetings:

January 8, 2013
February 6, 2013
March 6, 2013
April 3, 2013
May 1, 2013
June 5, 2013
July 3, 2013
August 7, 2013
September 4, 2013
October 2, 2013
November 6, 2013
December 4, 2013

**Special Board or Committee Meetings (3rd
Wednesday of Each Month or as Noted)**

January 16, 2013
February 20, 2013
March 20, 2013
April 17, 2013
May 15, 2013
June 19, 2013
July 17, 2013
August 21, 2013
September 18, 2013
October 16, 2013
November 20, 2013

SPECIAL BOARD MEETINGS:

BOARD WORKSHOPS:

AGENDA ITEM 10



STAFF REPORT

TYPE		MEETING			
MEETING:	Regular Board	DATE:	July 3, 2013		
SUBMITTED	Mark Watton	W.O./G.F.	N/A	DIV.	N/A
BY:	General Manager	NO:	NO.		
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager				
SUBJECT:	General Manager's Report				

GENERAL MANAGER:

- **Low Pressure Incident:** On Friday, June 21, 2013, the 944-1 pump station inadvertently dewatered the 832 tank between 3:30 a.m. and 6:00 a.m. after we lost SCADA communication in some facilities of the Regulatory System.

At approximately 6:00 a.m. service was restored and though there were no indications of water contamination, a "precautionary boil water alert" was issued under the direction of the California Department of Public Health (CDPH). CDPH did not recommend press releases for boil water advisories for this case because it was a very limited area and affected a limited population.

Consequently, staff hand delivered the precautionary notice to the affected 447 customers that morning. These customers were along Campo Road in the Jamul area of San Diego's East County, with the majority of customers in 91935 (Jamul) and some in 91978 (Spring Valley) as well. As a precaution, residents were advised that they could use tap water for all purposes except for drinking. Tap water must be boiled first or they should use bottled water for drinking until bacteriological tests confirm that the water is safe and the precautionary notice is no longer required.

Eight water samples were collected on Friday morning with a 24-hour test result and it was re-tested once again on Saturday for verification purposes.

On Sunday, June 23, at about 11:30 a.m., the CDPH lifted the advisory based on receiving acceptable water quality results. The CDPH also thanked the Otay Water District staff for all of our efforts.

During this period we received over 30 phone calls inquiring about additional information, however, we missed three calls early in the process. The next day our System Operations Manager called them all and apologized and answered their questions. The customers were very understanding.

Overall, there were four restaurants and a meat packaging business that might have lost revenues. Staff will be assisting business owners with any claims they may have.

It is also important to recognize that under this unfortunate circumstance staff responded effectively and professionally; the overwhelming majority of the customers were appreciative of our person-to-person approach.

- **City of San Diego Recycled Water Cost of Service Study:** In 2009, the City of San Diego (city) produced a Recycled Water Cost of Service Study performed by Raftelis Financial Consultants (Raftelis). After reviewing the Study, we came to the conclusion that it was severely flawed and was not conducted to industry standards. The District submitted over 20 pages of questions and comments that went to the heart of the lack of application of true cost of service and substantial errors, in addition to a lack of understanding of the recycled water system. At that time the city pulled back the study and assured Otay staff and the Metro JPA that future work or studies of this nature, dealing with recycled water, would be released in a manner to allow full disclosure, time for review and comments, and full vetting by the affected parties and public. Since the retraction of the Study, Otay and Metro JPA has repeatedly asked city staff when this matter will be taken up again and when can we expect to see a revised study.

To Otay staff's surprise, on June 20, 2013, a Recycled Water Cost of Service Study by Raftelis was popped out by city staff with the first review by the city IROC committee on June 24th and a plan to take the Study to the City Council committee on July 10th. Otay staff views this as a bad faith action at a minimum. Otay staff has had a limited review of the Study which appears to be essentially the same document released in 2009. Otay staff will have a handout listing our preliminary comments for our July 3rd Board meeting.

ADMINISTRATIVE SERVICES:

Purchasing, Facilities, and Water Conservation:

- Purchase Orders - There were 53 purchase orders processed in June 2013 for a total of \$176,097.60.
- New CWA Water Conservation Website - WaterSmartsd.org is CWA's new website replacing the 20-Gallon Challenge website. The new site is a user-friendly online guide for topics related to water conservation in the San Diego region. CWA sponsored educational and incentive program information is available to residential, commercial and institutional sites striving to conserve water.
- District's Landscape Contest Winner - The Water Conservation Garden's summer newsletter, Bloom, featured John and GERALYN Orcutt, the District's 2013 California Friendly Landscape Contest Winner. Removing all the grass in their yard through the District's turf removal program, the Orcutts reported a 69% decrease in their water usage from 2012 compared to 2013.
- California Friendly Residential Landscape Class - The District will be partnering with Sweetwater Authority to offer a free residential landscape class on Saturday, August 10, 2013, at the Bonita County Library. The class is designed for homeowners interested in lowering their water bills and will cover turf removal, high-efficiency sprinkler components, drought-tolerant plants, and cost-reducing rebates.

Human Resources:

- Employee Recognition Program Scheduled - Please mark your calendars to attend the Employee Recognition Luncheon that will be held at the Operations Center on Wednesday, September 25th from 12:00 pm - 1:30 pm.
- Performance Evaluations - Management is working to complete annual performance evaluations on most District employees. June 30th marks the end of the rating period and meetings will occur with employees in July.
- Benefits Programs - The District's Benefits Consultant is reviewing our ancillary lines of coverage for our renewal in January 2014 to ensure that the District is receiving the best possible rates for the benefits provided.
- Recruitment Video - HR is working with Communications staff to develop a recruitment video to place on our website for prospective applicants. The video will include information about careers at Otay and describe the working environment.

- Recruitments - HR is in the process of recruiting for Safety and Security Specialist, Construction Inspector, and Equipment Mechanic II.
- New Hires - There were no new hires in the month of June.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- Special Assessments - The Special Assessments process develops the District portion of the County Tax Bill associated with water and sewer availability. Each year, staff refines the process to be more accurate and efficient. This year, staff is making further strides to ensure that each parcel that is being billed is also accurately identified in our GIS systems and database. Staff has successfully identified 100% of parcels that receive this assessment, and in the process have corrected minor data inconsistencies and errors. This cross checking between systems on a routine basis helps assure that our data is accurate and reliable. The entire effort of Special Assessments should be complete in July.
- Red Line Processes - Staff routinely identifies areas where the "real world" encountered in the field is not completely accurate as represented in our maps and databases. When this occurs, staff creates an electronic correction and sends this "red line drawing" electronically to GIS staff. Over the last year, staff has made over 250 red line adjustments and the queue for changes is quite small.
- Elimination of Copper Phone Lines - Staff has installed an additional 20 wireless modems in locations where we used to have a hard wired phone line primarily to support SCADA data transmission requirements. The copper wires are becoming increasingly unreliable in remote areas, and electronic integration with planned redundancy makes our overall systems more reliable.
- SharePoint -- Process Improvements - In line with the District's Strategic Plan, staff is working with Finance and Customer Service to identify ways to better use "SharePoint" as an efficiency tool. By simplifying work processes and centralizing documentation and support in one place, IT in conjunction with these departments, continues to refine where information is organized and how we use it on a routine basis. This organized approach is fundamental to continuous improvement efforts.
- 2013 CityWorks Conference - Two staff members attended the Cityworks User Conference in Salt Lake City last month. Otay

will be implementing the new work order system software in the next 12 months, and this training is helpful in preparation for this significant effort.

FINANCE:

- Proposition 218 Notices - Attached to the General Managers Report are copies of the Proposition 218 notices for your review. They will be printed and mailed 45 days prior to the September 4, 2013 Public Hearing.
- 2012 CAFR Award - For the ninth consecutive year, the Government Finance Officers Association (GFOA) awarded the "Certificate of Achievement for Excellence in Financial Reporting" to the Finance Department for the Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2012. This is the highest form of recognition in the area of governmental accounting and financial reporting and clearly demonstrates how the District takes great care in maintaining high financial standards. Staff is proud to have received this award and appreciates the Board's ongoing support of financial excellence.
- Escheatment Process - Pursuant to California Government Code Section 50050-50056, the District updated its process for reporting unclaimed monies in the District's possession and processing the related reimbursement claims, known as "escheatment". Unclaimed monies result from the District being unable to locate customers who have made overpayments or vendors that do not have a valid address. The inability to locate these customers and vendors may result from them moving or closing and not providing the District with a forwarding address. The updated process includes posting a listing of unclaimed funds on the District's website for a period of three years and annually publishing a list of unclaimed funds greater than three years old in a local publication. Unclaimed funds that are not claimed within 60 days of the local publication are to be transferred to the General Fund.
- Additional Collection Procedure - Staff has developed an email and phone message to notify customers prior to their accounts being sent to an outside collections agency. This is the District's final attempt to contact the customer after all other previous attempts have failed. Approximately seven days prior to the account being sent to collections, an email and/or phone message will go out advising the customer of their outstanding balance and the potential of having their account sent to collections if payment is not received immediately. This additional step in the procedure will begin on July 8th and

is expected to reduce the number of accounts being sent to the collections agency every month.

- Request for Proposal (RFP) - Staff is preparing an RFP for a Water and Sewer Capacity and Annexation Fee Study to be issued in July, with a consultant to be selected in August. On the water side, the main goal is to ensure the way the District assigns EDUs to single-family vs. multi-dwelling units is fair and equitable. On the sewer side, the emphasis will be on making the fee methodology consistent with the water side.

- Financial Reporting:

For the eleven months ended May 31, 2013, there are total revenues of \$75,904,821 and total expenses of \$74,700,284. The revenues exceeded expenses by \$1,204,537.

The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of May 31, 2013 total \$81,747,356.44 with an average yield to maturity of 0.350%. The total earnings year-to-date are \$316,190.42.

ENGINEERING AND WATER OPERATIONS:

Engineering:

- **California Water Environment Association - San Diego Section:**
The California Water Environment Association - San Diego Section (CWEA-SD) hosted a meeting with approximately 35 members in attendance on June 20, 2013 in the Otay Water District Training Room. A presentation on the Rosarito Desalination Project and a presentation on the improvements made to the Ralph W. Chapman Water Reclamation Facility (Chapman Facility) to reduce nitrogen were provided along with a tour of the Chapman Facility.
- **Regulatory Site Access Road:** This project will improve the existing access road from the Sheriff substation to the reservoir site. The San Miguel Fire Department is negotiating with the County to accept this access road as a substitute for the Campo Road deceleration lane requirement in their Major Use Permit. Staff continues working with the County to develop the easement documents. After acceptance of the MND by the Board in July, staff will be applying for a grading permit with the County and a Joint Use Agreement with the Water Authority for the road encroachment within their easement. (P2504)
- **North District - South District Interconnection System:** This project consists of installing approximately 5.2 miles of 30-inch diameter pipe from H Street in Chula Vista to Paradise

Valley Road in Spring Valley. With the support of Supervisor Cox, staff has resumed work on the Corral Canyon alignment. Staff presented to three community groups in early June (Bonita Highlands HOA, Sweetwater Community Planning Group, and Sweetwater Valley Civic Association on June 4th, 5th, and 11th, respectively). As a follow-up to the Notice of Preparation Public Scoping Meeting held on August 29, 2011, the Draft Environmental Impact Report was issued for public comment on June 12, 2013. The 45-day public comment period will end July 26, 2013. (P2511)

- **30-Inch, 980 Zone, Hunte Parkway – Proctor Valley/Use Area:** This project consists of the installation of approximately 2,240 linear-feet of 30-inch steel pipe and appurtenances on Hunte Parkway at Proctor Valley Road, at the entrance to the Salt Creek Golf Course, in the City of Chula Vista. The Contractor, Sepulveda Construction (Sepulveda), completed installation of the 30-inch water line and placed the line into service on March 19, 2013. The contract has been accepted and the Notice of Completion has been filed with the County of San Diego. Sepulveda submitted additional change requests for extended overhead and traffic control delays on the project. Staff has evaluated these requests and has provided an initial determination of no merit on these requests based on the information submitted. Project is within budget and construction is completed. (P2514)
- **944-1R Recycled Water Pump Station Upgrades and System Enhancement:** This project consists of the installation of a new pump, reconfiguration of the suction header piping, upgrades to the instrumentation, SCADA system, and equipment at the 944-1R pump station. The project also includes the installation of three (3) Pressure Reducing Stations (PRS) on Olympic Parkway, Eastlake Parkway, and Otay Lakes Road. Notice of Substantial Completion was issued for the project as of August 3, 2012. The Contractor, Sepulveda Construction (Sepulveda), submitted several Change Order requests subsequent to the Notice of Substantial Completion. Staff met with Sepulveda on March 19, 2013 and has finalized the evaluation of these requests to determine the amount of entitlement for the submitted requests. Staff will be bringing a Change Order to the Board for consideration as part of the closing out this project. Project is within budget and construction is anticipated to be completed in July 2014. (R2091)
- **Avocado, Louisa, Calavo, Challenge, Hidden Mesa Sanitary Sewer Replacement:** This project consists of replacing approximately 4,500 linear-feet of sewer pipeline in Avocado Boulevard and neighboring residential streets. The contractor, Garcia Juarez Construction, Inc., has completed the installation of the sewer

pipeline, construction of the diversion vault, and the tie-in to the Calavo Lift Station. Substantial completion was granted on May 20, 2013. Remaining work consists of completion of final punch list items prior to contract acceptance. Project is within budget and staff anticipates the contract will be accepted in July 2013. (S2019, S2020, S2022, S2026)

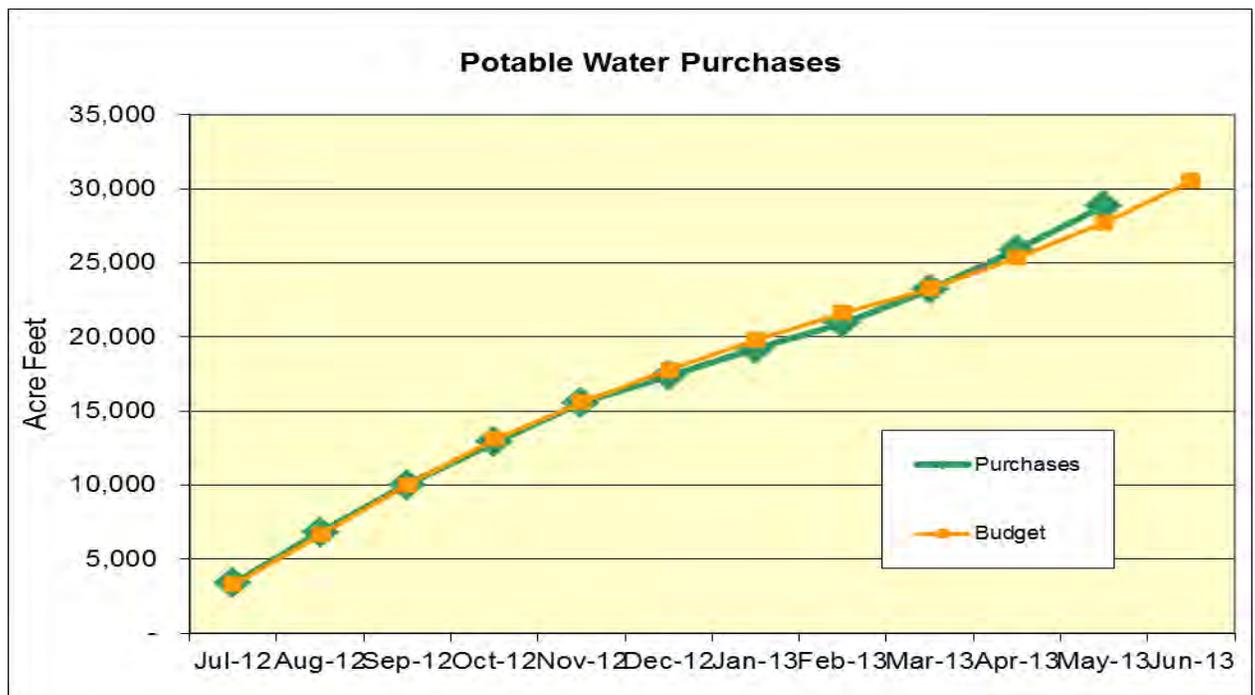
- **624-1 Reservoir Cover Replacement:** This project consists of replacing the floating cover on the 624-1 Reservoir. The existing cover is at the end of its useful life and in need of replacement. Work to install the new liner and new cover is complete. The reservoir was placed back into service on June 11, 2013. Punch list work including contract deliverables is nearing completion. The project is within budget and contract acceptance is anticipated in July 2013. (P2477)
- **12-Inch Potable Water Pipeline, East Orange Avenue, I-805 Crossing:** This project consists of the installation of approximately 1,915 linear-feet of 12-inch steel and PVC pipe along with the associated appurtenances from the intersection of Melrose Avenue and Orange Avenue, east across the I-805 overpass, to the intersection of Olympic Parkway and Oleander Avenue in Chula Vista. This new pipeline is needed to meet fire flow requirements while Caltrans reconstructs the Palomar Bridge overpass, which contains a 10-inch pipeline that will be temporarily out of service. The Contractor, Basile Construction, has completed testing and the tie-ins for the water line. The water line was put into service on July 1, 2013. The remaining work of the project consists of final paving and punch list items. The project is within budget, and anticipated to be complete in August 2013. (P2513)
- **803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 803-3 Reservoir 2.0 MG and the 832-2 MG Reservoir 2.0 MG, along with providing structural upgrades to ensure the tanks comply with both State and Federal OSHA standards as well as American Water Works Association and County Health Department standards. The Contractor, Advanced Industrial Services (AIS), is nearing completion on the 803-3 Reservoir. The remaining work at this location consists of disinfection, filling the reservoir, and testing to put the 803-3 reservoir in service. Work continues at the 832-2 Reservoir. The current work consists of blasting and coating the floor and exterior of the reservoir. The project is within budget and anticipated to be complete in August 2013. (P2518 & P2519)
- **624-2 Reservoir Interior/Exterior Coatings and Upgrades and 458-2 Reservoir Interior Coating and Upgrades:** This project consists of removing and replacing the interior and exterior

coating of the 8.0 MG 624-2 Reservoir and the interior coating of the 1.8 MG 458-2 MG Reservoir, along with providing structural upgrades to ensure the tanks comply with both State and Federal OSHA standards as well as the American Water Works Association and County Health Department standards. As part of the design process, a steel tank evaluation was performed by Coating Specialists and Inspection Services, Inc. (CSI Services), and their recommendations will be incorporated in the contract documents. Project is anticipated to be advertised for bid in mid-July 2013. (P2493 & P2535)

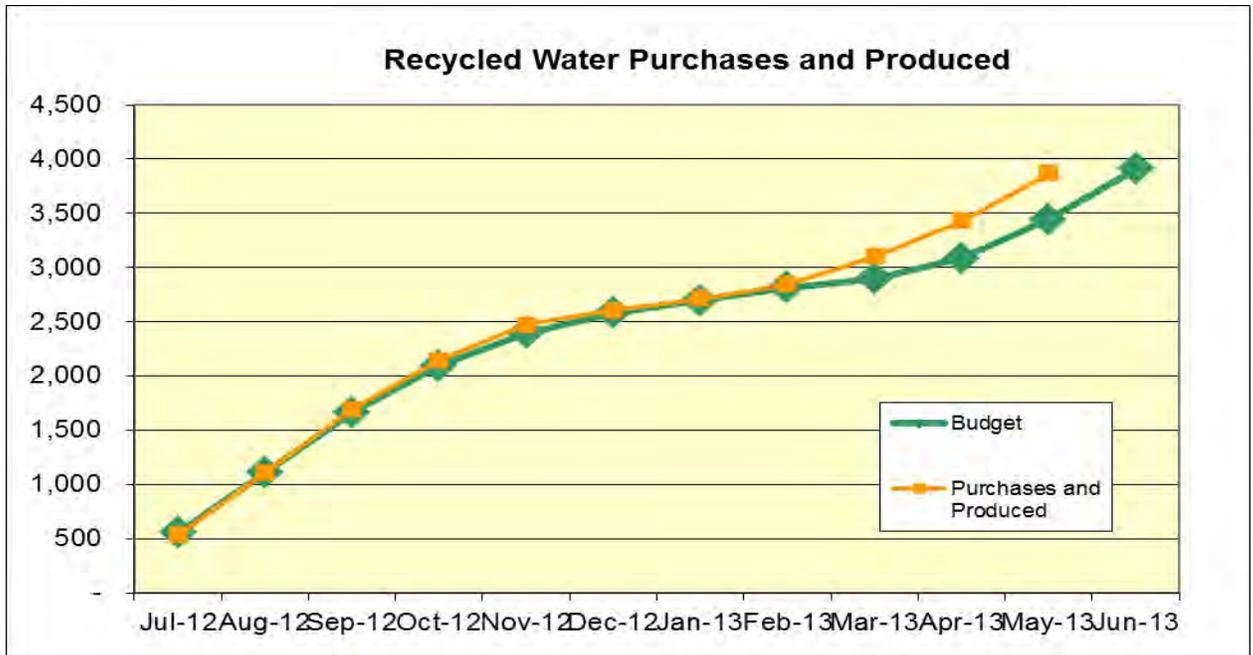
- For the month of May 2013, the District sold 33 meters (57.5 EDUs) generating \$513,183 in revenue. Projection for this period was 27.6 meters (36.6 EDUs) with budgeted revenue of \$331,005. Total revenue for Fiscal Year 2013 through May 2013 is \$3,187,910 against the annual budget of \$3,972,064.

Water Operations:

- Total number of potable water meters is 49,054.
- The May potable water purchases were 2,969.3 acre-feet which is 24.6% above the budget of 2,383.4 acre-feet. The cumulative purchases through May is 28,838.6, acre-feet which is 4.0% above the cumulative budget of 27,727.4 acre-feet.



- The May recycled water purchases and production was 436.7 acre-feet which is 20.9% above the budget of 361.3 acre-feet. The cumulative production and purchases through May is 3,867.4 acre-feet which is 12.2% above the cumulative budget of 3,446.1 acre-feet.



- Recycled water consumption for the month of May is as follows:
 - Total consumption was 361.0 acre-feet or 117,587,844 gallons and the average daily consumption was 3,793,156 gallons per day.
 - Total recycled water consumption as of May for FY 2013 is 4033.6 acre-feet.
 - Total number of recycled water meters is 708.
- Wastewater flows for the month of May were as follows:
 - Total basin flow, gallons per day: 1,730,897.
 - Spring Valley Sanitation District Flow to Metro, gallons per day: 573,272.
 - Total Otay flow, gallons per day: 1,157,005.
 - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 1,082,520.
 - Flow to Metro from Otay Water District, gallons per day: 75,105.
- By the end of May there were 6,084 wastewater EDUs.



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR RESIDENTIAL WATER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to water billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's water suppliers; and, (3) the authorization for a period of five years, overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall water customer average rate increase of 7.5 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, **for a typical single-family residential water customer using 14 units per month (14 Hundred Cubic Feet or 10,472 gallons of water), your water bill will increase by \$4.08 per month.** The water rate increase is proposed to take effect with water billed on or after January 1, 2014, and may apply to water used as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the consumption usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public water system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing the service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

The rate structure has two basic components: (1) fixed monthly fees and (2) variable monthly rates and fees, which are based on water consumption. The fixed fees are calculated to recover the cost of operating and maintaining the public water system and are based on the size of the water meter serving the record owner or customer of record. Fixed fees include the Metropolitan Water District of Southern California and San Diego County Water Authority (MWD & CWA) fee, and the District's System Fee. The variable rates, fees, and charges are consumption based and include but are not limited to supply, treatment and transportation costs. Variable rates and fees generally impose greater charges as the level of consumption increases. The variable components are structured in such a way as to deter waste and encourage conservation. Variable components of the bill include the Water Rate, Energy Charge, and Water Charge by Improvement District. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's water suppliers. If adopted, the average customer's water rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's wholesale

water suppliers. The pass-through costs apply to rates, fees, and charges from the District's water suppliers. The suppliers include but are not limited to the Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing water service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed water rate increase in the average amount of 7.5 percent will pass-through increases implemented by the District's water wholesalers (MWD's 5 percent increase and CWA's increase of 4.3 percent) and will allow the District to recover other recent increases in operational costs. Water wholesalers do not anticipate additional rate increases in 2014, but they do expect to implement increases in January 2015 and in subsequent years.

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fee, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Residential Water Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for water billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to

(Continued on page 2)

(Continued from page 1)

property-related fees such as water services. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates, fees, and charges.

WHY ARE WATER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides water service to your community. "Revenue-neutral" means that water bills reflect only those rates, fees, and charges sufficient to support water service. To continue to provide reliable, safe and high-quality service, the District must implement and pass through to its customers the higher cost of water imposed by suppliers. This year, as in recent years, a large percentage of the increase is a direct result of higher costs from suppliers and represents a direct pass-through from those suppliers. The water suppliers include the MWD, CWA, and the City of San Diego.

WHAT DO WATER RATES FUND?

In the District, each end user pays his or her fair share of the cost of purchasing water, energy or pumping costs, labor and benefits, materials, chemicals used in water treatment, administrative expenses, operations, construction and maintenance of the public water system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District is a non-profit public agency, it does not make a profit from providing water service and it cannot operate at a loss.

WHY ARE WHOLESALE WATER SUPPLIERS RAISING THEIR RATES?

Wholesale suppliers are raising their rates as they work to obtain new and more reliable supplies of water. This includes more reliable emergency supplies, agricultural to urban water transfers, expansion of existing reservoirs, pipeline relining projects, new water treatment plants, and new supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

In 2016, for instance, the San Diego County Water Authority anticipates increasing rates, fees, and charges in anticipation of the Carlsbad Desalination Project (ocean water desalination) becoming operational. The Carlsbad project, while providing San Diego County with a new locally controlled, drought-proof supply of water, could have significant upward pressure on water rates for all San Diego County water customers.

For its part the District works continually to reduce internal costs to absorb rate increases from suppliers. The District recognizes and is sensitive to the impact the higher cost of water has on its customers. As a result the District is committed to becoming as efficient as possible, providing the services its customers expect and rely upon, while continuing to be one of the lower cost water service providers in San Diego County.

RELIABILITY AND SUPPLY DIVERSIFICATION

Water is essential to our region's quality of life. Our economy depends on it. Families and businesses cannot survive without it. Unfortunately for San Diego residents, our county was not blessed with an abundant natural supply of water. San Diego receives an average just 10 inches of rainfall per year, meeting only 5 percent of local demand, and that is not enough to support our region's population of 3.1 million people or its \$188 billion economy. Because of our semi-arid climate, 82 percent of the water used locally is imported from Northern California and the Colorado River. Not only is the cost of importing water becoming increasingly costly, but population growth, drought, environmental regulations, litigation, competition for a scarce resource, and increased power costs are driving the price we pay higher.

San Diego County's wholesale and retail water agencies recognized the region was highly dependent on imported water during a severe drought that occurred in the late 1980s and early 1990s. The entities have continued to work aggressively to develop a more reliable water supply system - one that would increase water independence, provide

for future population and economic needs, and reduce the likelihood of a future water shortage. Since then, major initiatives have been undertaken to develop new supplies and improved reliability.

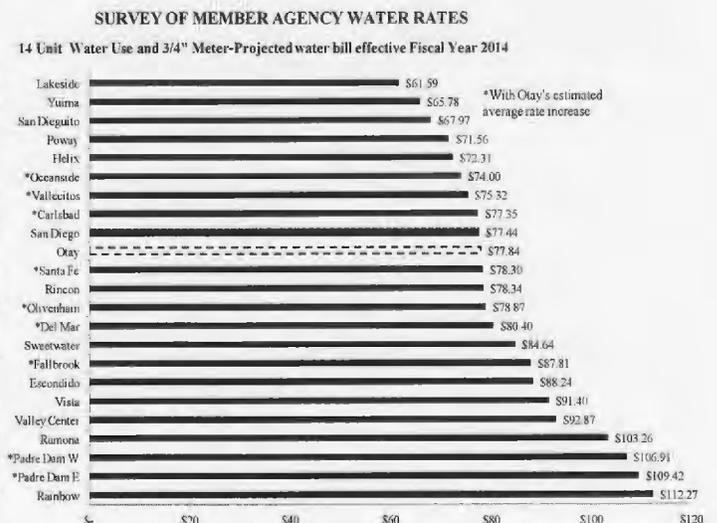
At the regional level, CWA signed a milestone agreement to address decades of water disputes over the allocation of water from the Colorado River. As part of that agreement, San Diego residents paid to have old, leaky earthen canals in Imperial County lined to save water. This "saved water" is now used by customers in San Diego County. This year, the region will receive 80,000 acre-feet of water from the canal lining projects (enough water to supply approximately 160,000 homes). Through a combination of land fallowing and efficiency-based water conservation measures with farmers in Imperial County, the region was able to purchase another 100,000 acre-feet of water in 2012 (enough water to supply 200,000 existing homes). The water we receive from this part of the agreement will ramp up to 200,000 acre-feet per year by 2021.

Since the 1990s, the District embarked on its own efforts to develop new supply and today operates one of the largest recycled water networks in California. As a benefit, when the drought hit our region in 2008, because of your investments in a recycled water system used for landscape irrigation, mandatory water conservation was not imposed on Otay Water District customers. Additionally, the District is actively supporting the development of an ocean water desalination facility in Rosarito Beach, Mexico. When built, the water from this facility could replace up to two-thirds of the water we receive from Northern California and the Colorado River.

A result of these major projects, such as the canal linings, water transfers, and reservoir construction and expansion efforts, is that the wholesale cost of water has gone up dramatically in recent years, and it is an expense being borne by all water users. Rising costs are financially difficult for everyone, but having made these investments in new supply and improved reliability, the region is better able to ensure that families, businesses, and the local economy will always have the water it needs.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their water usage and therefore minimize the effects of the rising cost of imported water on their family's budget, can visit the District's Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org. For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.



Typical Bill Based on 14 HCF (or Water Units) per Month

	MWD & CWA Fixed Fee ⁽¹⁾	Otay System Fee ⁽¹⁾	Water Rate ⁽²⁾	Energy Charge ⁽⁴⁾	Otay Water Charge by Improvement District ⁽⁵⁾	Total ⁽⁶⁾
Current	\$13.28	\$16.74	\$40.90	\$2.05	\$0.79	\$73.76
Proposed	\$14.45	\$16.19	\$44.08	\$2.33	\$0.79	\$77.84
	Increase in monthly water bill⁽⁸⁾					\$4.08

Consumption Blocks in Units ⁽²⁾ and Usage Fee ⁽²⁾ - 2014 Proposed and 2015-2018 Projected ⁽⁹⁾						
Consumption Blocks (in Units)	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Conservation Tier ⁽³⁾	\$1.73	\$1.86	\$2.00	\$2.15	\$2.31	\$2.37
6 - 10	\$2.69	\$2.90	\$3.11	\$3.35	\$3.60	\$3.68
11 - 22	\$3.50	\$3.77	\$4.05	\$4.35	\$4.68	\$4.79
23 or more	\$5.39	\$5.80	\$6.24	\$6.71	\$7.21	\$7.37

Otay System Fee ⁽¹⁾ - 2014 Proposed and 2015-2018 Projected ⁽⁹⁾							MWD & CWA Fixed Fees ⁽¹⁾ - 2014 Proposed and 2015-2018 Projected ⁽⁹⁾						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected	Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$16.74	\$16.19	\$17.40	\$18.71	\$20.11	\$20.58	3/4"	\$13.28	\$14.45	\$15.53	\$16.70	\$17.95	\$18.36
1"	\$21.26	\$22.87	\$24.59	\$26.43	\$28.41	\$29.06	1"	\$22.12	\$26.79	\$28.80	\$30.96	\$33.28	\$34.05
1 1/2"	\$32.57	\$39.58	\$42.55	\$45.74	\$49.17	\$50.30	1 1/2"	\$44.31	\$60.61	\$65.16	\$70.04	\$75.30	\$77.03
2"	\$46.13	\$59.62	\$64.09	\$68.90	\$74.07	\$75.77	2"	\$70.85	\$103.08	\$110.81	\$119.12	\$128.06	\$131.00

Other Charges ⁽⁸⁾ —2014 Proposed and 2015-2018 Projected ⁽⁹⁾						
Other Charges	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Energy Charges ⁴	\$0.042	\$0.048	\$0.051	\$0.055	\$0.059	\$0.061
Improvement District ⁵ No. 3	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Improvement District ⁵ No. 10	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁵	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Fire Service ⁷	\$34.57	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter
		\$21.14	\$22.73	\$24.43	\$26.26	\$26.87
		≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter
		\$28.49	\$30.63	\$32.92	\$35.39	\$36.21

*This information reflects only changes to rates.
For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances.*

Footnotes:

- These are fixed fees and are based on meter size and ensures that customers pay their proportionate share of the higher water system replacement, maintenance, and operating expenses. The MWD & CWA Fixed Fee matches in total the cost charged by wholesale water suppliers. As a result of the Cost of Service Study, Otay's System Fee for customers with 3/4" meters will decrease and the System Fee for customers with 1" or larger meters will increase.
- This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons of water or one HCF (hundred cubic feet). The example used above is based on 14 units of consumption.
- The Conservation Tier discount applies toward the first five units of water when overall consumption is ten units or less.
- The Energy Charge represents the cost of the energy required to pump or lift each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. The increase is due to increased power costs charged by the District's power supplier.
- This charge is a per unit charge and your bill will vary based on water consumption. Improvement District charges do not apply to the first five units of water per month.
- Charges collected through the property tax role (availability fees and general obligation debt) are not included in this total.
- Fire Service requires a separate meter and is a monthly fee based on meter size. The Fire Service Fee is decreasing based on the Cost of Service Study. Future year projections are for information purposes only.
- Your bill will vary based on meter size, water consumption in units, and geographic location.
- Projected rates are for information purposes only. Rates were inflated by 7.5 percent in 2015 through 2017 and by 2.3 percent in 2018.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
WATER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
WATER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR MULTI-RESIDENTIAL WATER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to water billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's water suppliers; and, (3) the authorization for a period of five years overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall water customer average rate increase of 7.5 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the water rate increase is proposed to take effect with water **billed** on or after January 1, 2014, and may apply to water **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the consumption usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public water system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing the service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

The rate structure has two basic components: (1) fixed monthly fees and (2) variable monthly rates and fees, which are based on water consumption. The fixed fees are calculated to recover the cost of operating and maintaining the public water system and are based on the size of the water meter serving the record owner or customer of record. Fixed fees include the Metropolitan Water District of Southern California and San Diego County Water Authority (MWD & CWA) fee, and the District's System Fee. The variable rates, fees, and charges are consumption based and include but are not limited to supply, treatment and transportation costs. Variable rates and fees generally impose greater charges as the level of consumption increases. The variable components are structured in such a way as to deter waste and encourage conservation. Variable components of the bill include the Water Rate, Energy Charge, and Water Charge by Improvement District. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five

years, passing through to customers the increased or decreased costs imposed by the District's water suppliers. If adopted, the average customer's water rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's wholesale water suppliers. The pass-through costs apply to rates, fees, and charges from the District's water suppliers. The suppliers include but are not limited to the Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing water service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed water rate increase in the average amount of 7.5 percent will pass-through increases implemented by the District's water wholesalers (MWD's 5 percent increase and CWA's increase of 4.3 percent) and will allow the District to recover other recent increases in operational costs. Water wholesalers do not anticipate additional rate increases in 2014, but they do expect to implement increases in January 2015 and in subsequent years.

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fee, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Multi-Residential Water Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be

(Continued on page 2)

(Continued from page 1)

authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for water billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as water services. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates, fees, and charges.

WHY ARE WATER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides water service to your community. "Revenue-neutral" means that water bills reflect only those rates, fees, and charges sufficient to support water service. To continue to provide reliable, safe and high-quality service, the District must implement and pass through to its customers the higher cost of water imposed by suppliers. This year, as in recent years, a large percentage of the increase is a direct result of higher costs from suppliers and represents a direct pass-through from those suppliers. The water suppliers include the MWD, CWA, and the City of San Diego.

WHAT DO WATER RATES FUND?

In the District, each end user pays his or her fair share of the cost of purchasing water, energy or pumping costs, labor and benefits, materials, chemicals used in water treatment, administrative expenses, operations, construction and maintenance of the public water system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District is a non-profit public agency, it does not make a profit from providing water service and it cannot operate at a loss.

WHY ARE WHOLESALER WATER SUPPLIERS RAISING THEIR RATES?

Wholesale suppliers are raising their rates as they work to obtain new and more reliable supplies of water. This includes more reliable emergency supplies, agricultural to urban water transfers, expansion of existing reservoirs, pipeline relining projects, new water treatment plants, and new supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

In 2016, for instance, the San Diego County Water Authority anticipates increasing rates, fees, and charges in anticipation of the Carlsbad Desalination Project (ocean water desalination) becoming operational. The Carlsbad project, while providing San Diego County with a new locally controlled, drought-proof supply of water, could have significant upward pressure on water rates for all San Diego County water customers.

For its part the District works continually to reduce internal costs to absorb rate increases from suppliers. The District recognizes and is sensitive to the impact the higher cost of water has on its customers. As a result the District is committed to becoming as efficient as possible, while providing the services its customers expect and rely upon.

RELIABILITY AND SUPPLY DIVERSIFICATION

Water is essential to our region's quality of life. Our economy depends on it. Families and businesses cannot survive without it. Unfortunately for San Diego residents, our county was not blessed

with an abundant natural supply of water. San Diego receives an average just 10 inches of rainfall per year, meeting only 5 percent of local demand, and that is not enough to support our region's population of 3.1 million people or its \$188 billion economy. Because of our semi-arid climate, 82 percent of the water used locally is imported from Northern California and the Colorado River. Not only is the cost of importing water becoming increasingly costly, but population growth, drought, environmental regulations, litigation, competition for a scarce resource, and increased power costs are driving the price we pay higher.

San Diego County's wholesale and retail water agencies recognized the region was highly dependent on imported water during a severe drought that occurred in the late 1980s and early 1990s. The entities have continued to work aggressively to develop a more reliable water supply system - one that would increase water independence, provide for future population and economic needs, and reduce the likelihood of a future water shortage. Since then, major initiatives have been undertaken to develop new supplies and improved reliability.

At the regional level, CWA signed a milestone agreement to address decades of water disputes over the allocation of water from the Colorado River. As part of that agreement, San Diego residents paid to have old, leaky earthen canals in Imperial County lined to save water. This "saved water" is now used by customers in San Diego County. This year, the region will receive 80,000 acre-feet of water from the canal lining projects (enough water to supply approximately 160,000 homes). Through a combination of land fallowing and efficiency-based water conservation measures with farmers in Imperial County, the region was able to purchase another 100,000 acre-feet of water in 2012 (enough water to supply 200,000 existing homes). The water we receive from this part of the agreement will ramp up to 200,000 acre-feet per year by 2021.

Since the 1990s, the District embarked on its own efforts to develop new supply and today operates one of the largest recycled water networks in California. As a benefit, when the drought hit our region in 2008, because of your investments in a recycled water system used for landscape irrigation, mandatory water conservation was not imposed on Otay Water District customers. Additionally, the District is actively supporting the development of an ocean water desalination facility in Rosarito Beach, Mexico. When built, the water from this facility could replace up to two-thirds of the water we receive from Northern California and the Colorado River.

A result of these major projects, such as the canal linings, water transfers, and reservoir construction and expansion efforts, is that the wholesale cost of water has gone up dramatically in recent years, and it is an expense being borne by all water users. Rising costs are financially difficult for everyone, but having made these investments in new supply and improved reliability, the region is better able to ensure that families, businesses, and the local economy will always have the water it needs.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their water usage and therefore minimize the effects of the rising cost of imported water on their family's budget, can visit the District's Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org. For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.

Water Usage Fee ¹ - Consumption Blocks by Unit 2014 Proposed and 2015-2018 Projected ⁽²⁾ Multi-Residential						
Consumption Blocks ¹	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
0 - 4	\$2.66	\$2.86	\$3.08	\$3.31	\$3.56	\$3.64
5 - 9	\$3.45	\$3.71	\$3.99	\$4.29	\$4.61	\$4.72
10 or more	\$5.32	\$5.73	\$6.16	\$6.62	\$7.11	\$7.28

System Fee ³ by Meter Size 2014 Proposed and 2015-2018 Projected ²						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$16.74	\$16.19	\$17.40	\$18.71	\$20.11	\$20.58
1"	\$21.26	\$22.87	\$24.59	\$26.43	\$28.41	\$29.06
1 1/2"	\$32.57	\$39.58	\$42.55	\$45.74	\$49.17	\$50.30
2"	\$46.13	\$59.62	\$64.09	\$68.90	\$74.07	\$75.77
3"	\$82.29	\$113.08	\$121.56	\$130.68	\$140.48	\$143.71
4"	\$122.99	\$173.22	\$186.21	\$200.18	\$215.19	\$220.14
6"	\$236.02	\$340.29	\$365.81	\$393.25	\$422.74	\$432.46
8"	\$371.64	\$540.76	\$581.32	\$624.92	\$671.78	\$687.24
10"	\$529.88	\$774.64	\$832.74	\$895.19	\$962.33	\$984.47

MWD & CWA Fixed Fees ³ Size 2014 Proposed and 2015-2018 Projected ²						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$13.28	\$14.45	\$15.53	\$16.70	\$17.95	\$18.36
1"	\$22.12	\$26.79	\$28.80	\$30.96	\$33.28	\$34.05
1 1/2"	\$44.31	\$60.61	\$65.16	\$70.04	\$75.30	\$77.03
2"	\$70.85	\$103.08	\$110.81	\$119.12	\$128.06	\$131.00
3"	\$141.71	\$219.23	\$235.67	\$253.35	\$272.35	\$278.61
4"	\$221.43	\$351.09	\$377.42	\$405.73	\$436.16	\$446.19
6"	\$442.80	\$718.69	\$772.59	\$830.54	\$892.83	\$913.36
8"	\$708.53	\$1,160.59	\$1,247.63	\$1,341.21	\$1,441.80	\$1,474.96
10"	\$1,015.06	\$1,670.55	\$1,795.84	\$1,930.53	\$2,075.32	\$2,123.05

Other Charges—2014 Proposed and 2015 – 2018 Projected ⁽²⁾						
Other Charges	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Energy Charges ⁴	\$0.042	\$0.048	\$0.051	\$0.055	\$0.059	\$0.061
Improvement District ⁵ No. 3	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Improvement District ⁵ No. 10	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁵	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Government Fee	\$0.29	\$0.31	\$0.33	\$0.36	\$0.38	\$0.39
Fire Service ⁶	\$34.57	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter
		\$21.14	\$22.73	\$24.43	\$26.26	\$26.87
		≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter
		\$28.49	\$30.63	\$32.92	\$35.39	\$36.21

Footnotes

- This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons of water.
- Projected rates (2015-2018) are for information purposes only. Inflation factor for 2015-2017 is 7.5 percent and 2.3 percent for 2018.
- These fees are based on the meter size. The MWD&CWA fee is increasing to match the cost from the District's water suppliers. The System Fee is increasing to pay for higher water system replacement, maintenance, and operating expenses.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is due to increased power costs to the District.
- This charge is a per unit charge and your bill will vary based on water consumption.
- Fire Service requires a separate meter and is a monthly fee based on meter size. The Fire Service Fee is decreasing based on the Cost of Service study.

*This information reflects only changes to rates.
For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.*

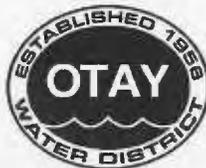


Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
MULTI-RESIDENTIAL WATER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
MULTI-RESIDENTIAL WATER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

INCREASES TO RATES, FEES, AND CHARGES FOR RESIDENTIAL AND MULTI-RESIDENTIAL SEWER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to sewer service billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's sewer service providers; and, (3) the authorization for a period of five years of overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year for all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASE AND ACTIONS

An overall average sewer rate increase of 7.9 percent will be considered by the Board of Directors at the public hearing noticed above. If adopted, **for a typical single-family residential sewer customer⁽¹⁾, your bill will increase by \$6.20 per month.** The rate increase is proposed to take effect with sewer service billed on or after January 1, 2014, and may apply to sewer service used as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the usage structure) and determined that increases in rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public sewer system. The sewer customer rate increase was considered by the District's Board of Directors as part of the annual budget review process. The Board directed staff to propose a phasing-in the increase in the Monthly Base Fee for single-family residential customers over a three-year period.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's sewer service providers. If adopted, the customer's sewer rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's sewer service providers. The pass-through costs apply to rates, fees, and charges from the District's treatment and disposal providers. The providers include but are not limited to the County of San Diego and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the pass-through costs, the District will consider authorizing, for a period of five years, overall average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing sewer service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

These proposed actions, if adopted, would implemented the Cost of Service Study recommended findings over a three-year period, pass through to customers increased or decreased costs from sewer service providers, and allow the District to recover the full cost of delivering sewer service. The proposed rate, fee, and charge structure will provide revenue that recovers all costs reasonably borne in providing sewer service; are equitable to all customer classes; and are proportionate to

the cost of providing the service to each customer class.

WHY ARE YOU RECEIVING THIS NOTICE?

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fees, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increases to Rates, Fees, and Charges for Residential and Multi-Residential Sewer Service.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate, fee, and charges increases are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to sewer service billed on or after January 1, 2014 and may apply to sewer service used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for sewer service billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIIIID (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as sewer service. This letter serves as notice that the District will hold a public hearing to consider changes to its current sewer service rates, fees, and charges.

WHY ARE SEWER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides sewer service to your community. "Revenue-neutral" means that sewer bills reflect only those rates, fees, and charges sufficient to support sewer service. To continue to provide reliable service, the District must implement and pass through to its customers the full and actual cost of providing sewer service, including higher costs imposed by service providers.

The actions proposed will help protect the public's investment in the public sewer system, reduce the possibility of pipeline breaks, blockages or spills, and keep rates affordable. As a non-profit public agency, the District does not make a profit from providing sewer service, and it cannot operate at a loss.

WHAT DO SEWER RATES FUND?

Each end user pays his or her fair share of the cost of sewage treatment and disposal, energy or pumping costs, labor and benefits, materials, chemicals used in sewage treatment, administrative

(Continued on page 2)

(Continued from page 1)

expenses, operations, construction and maintenance of the public sewer system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District always works to keep its expenses to a minimum and, as a result, has rates for sewer service that are among the lowest in San Diego County.

WHAT CAN I DO TO SAVE MONEY ON MY SEWER BILL?

To estimate sewer use, the District averages metered water use. A **Winter Average⁽²⁾** is the basis of your sewer charges for the entire year. The winter months are the best time to average water use because less water is used outdoors and most of the water used flows to the sewer system. By conserving water in winter, you save money on your water bill, and you may also reduce your Winter Average, and that can help save money on your sewer bill all year long. Customers interested in learning ways in which they can reduce their water usage and in turn minimize the effects of the rising sewer disposal and treatment costs on their family's budget, can visit the District's Conservation page at www.otaywater.gov.

OTHER PROPOSED CHANGES

The following changes are proposed to be made to residential and multi-residential sewer account's rate calculations:

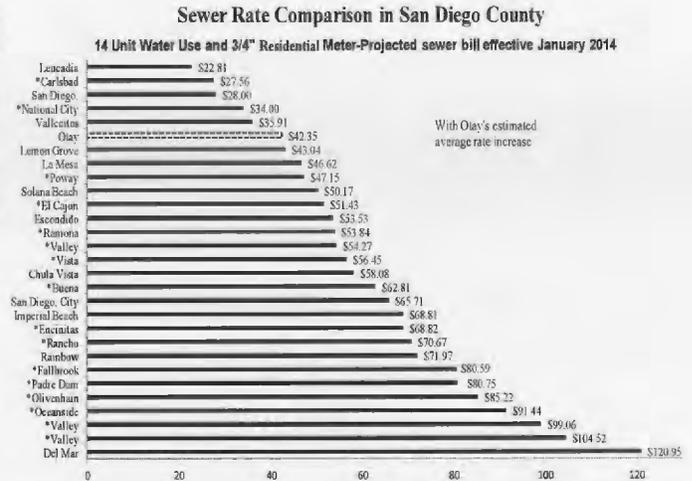
Residential

- Ensure water meter equivalencies used for sewer base fees are consistent with American Water Works Association (AWWA) water meter equivalencies.
- Make the monthly base fee for Single-Family Residential the same for both .75" and 1" meters.

Multi-Residential

- Ensure water meter equivalencies used for sewer base fees are consistent with AWWA water meter equivalencies.
- Calculate the system fee based on meter size rather than the number of per dwelling units.

For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.



PROPOSED RESIDENTIAL USAGE AND BASE FEES

The monthly sewer charge for a typical single-family residential customer with either at .75" or 1" water meter and a Winter Average² of 14 hundred cubic feet (HCF or 10,472 gallons) will be calculated as follows:

USAGE FEE x WINTER AVERAGE² + MONTHLY BASE FEE

For a single family residential sewer customer, your bill will increase by \$6.20 per month. The Monthly Base Fee for single family residential customers with a 1" meter is decreasing based on the Cost of Service Study's findings .

USAGE FEE	
CURRENT	PROPOSED 2014
\$1.92	\$2.35

MONTHLY BASE FEE		
	CURRENT ⁽³⁾	PROPOSED 2014 ⁽⁵⁾
.75"	\$13.30	\$14.38
1"	\$19.40	\$14.38

PROJECTED RESIDENTIAL USAGE AND BASE FEES & RECAPTURE PROVISIONS

The increases to rates, fees, and charges for residential sewer service were considered by the District's Board of Directors as part of the annual budget review process. The Board directed staff to propose a phasing-in the Monthly Base Fee increase over a three year period. The three-year phase-in of the Monthly Base Fee is reflected in the tables to the right along with the proposed Monthly Base Fee increases based on a 7.9 percent inflator. Recapture of the full Cost of Service Study recommended Monthly Base Fee occurs in 2016.

If adopted, the 2014 Monthly Base Fee is in accordance with the proposed phase-in of the Cost of Service findings. The 2015 Monthly Base Fee equals the Cost of Service Study's findings, plus projected rate increases through the rate setting process. The 2016 Monthly Base Fee equals the Cost of Service Study's findings, plus projected rate increases through the rate setting process, and recapturing the 2014 Monthly Base Fee shortfall of \$1.30 per month, in 2016.

2014 PROPOSED AND 2015-2018 PROJECTED FEES						
	CURRENT	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
Usage Fee	\$1.92	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19

MONTHLY BASE FEE AND 2015-2018 PROJECTED FEES ⁽⁴⁾						
System Fee	CURRENT ⁽³⁾	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
.75"	\$13.30	\$14.38 ⁽⁵⁾	\$16.92 ⁽⁶⁾	\$19.56 ⁽⁷⁾	\$19.70 ⁽⁸⁾	\$21.26 ⁽⁹⁾
1"	\$19.40	\$14.38 ⁽⁵⁾	\$16.92 ⁽⁶⁾	\$19.56 ⁽⁷⁾	\$19.70 ⁽⁸⁾	\$21.26 ⁽⁹⁾

RECAPTURE PROVISIONS		PROPOSED 2014
Cost of Service Study Monthly Base Fee		\$15.68
District Approved Monthly Base Fee		\$14.38 ⁽⁵⁾
Amount of Recapture in 2016		\$1.30

PROPOSED MULTI-RESIDENTIAL SEWER RATE AND FEE INCREASES

The proposed sewer bill for multi-residential customers will be based on the meter size rather than the number of dwelling

units, as shown below. The following is a comparison of the current and proposed sewer bill calculation:

CURRENT SEWER BILL CALCULATION

$$((\text{Winter Average}^{(2)} \times .85^{(1)}) \times \text{Usage Fee}) + (\text{System Fee} \times \text{Dwelling Units})$$

PROPOSED SEWER BILL CALCULATION

$$((\text{Winter Average}^{(2)} \times .85^{(1)}) \times \text{Usage Fee}) + \text{System Fee}^{(3)}$$

The following tables show the proposed rate increases in the Usage Fees and Monthly System Fees for multi-residential sewer customers effective January 1, 2014. Tables also show the projected 2015 through 2018 rate increases based on the

projected 7.9 percent inflator. Projections are for informational purposes only. These fees include the impact of projected pass-through increases. Actual Usage and Monthly System Fees in each of the projected years may differ.

RESIDENTIAL AND MULTI-RESIDENTIAL USAGE FEES - 2014 PROPOSED AND 2015-2018 PROJECTED

CURRENT	PROPOSED 2014	PROJECTED 2015	PROJECTED 2016	PROJECTED 2017	PROJECTED 2018
\$1.92	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19

2014 PROPOSED AND 2015-2018 PROJECTED⁽⁴⁾ MONTHLY SYSTEM FEE

METER SIZE	CURRENT	PROPOSED 2014 ⁽³⁾	PROJECTED 2015 ⁽³⁾⁽⁴⁾	PROJECTED 2016 ⁽³⁾⁽⁴⁾	PROJECTED 2017 ⁽³⁾⁽⁴⁾	PROJECTED 2018 ⁽³⁾⁽⁴⁾
.75"	\$13.30	\$25.83	\$27.87	\$30.07	\$32.45	\$35.01
1"	\$13.30	\$38.03	\$41.03	\$44.27	\$47.77	\$51.54
1.5"	\$13.30	\$68.53	\$73.94	\$79.78	\$86.08	\$92.88
2"	\$13.30	\$105.12	\$113.42	\$122.38	\$132.05	\$142.48
3"	\$13.30	\$190.52	\$205.57	\$221.81	\$239.33	\$258.24
4"	\$13.30	\$312.51	\$337.20	\$363.84	\$392.58	\$423.59
6"	\$13.30	\$617.48	\$666.26	\$718.89	\$775.68	\$836.96
8"	\$13.30	\$983.46	\$1,061.15	\$1,144.98	\$1,235.43	\$1,333.03
10"	\$13.30	\$1,410.42	\$1,521.84	\$1,642.07	\$1,771.79	\$1,911.76

This information reflects only rates that are proposed to change. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.

Footnotes:

- (1) A typical single-family residential sewer customer's bill is based on 11.9 HCF of water (14 HCF x .85), where one HCF equals 748 gallons or one unit of water. The 15 percent discount is an acknowledgement that not all water purchased goes to the sewer system. The maximum bill for single-family residential sewer customer, based on 30 HCF, which has already been reduced by the 15 percent discount, is \$74.31.
- (2) The Winter Average is defined as the units of water billed from January through April of the previous year divided by four.
- (3) The System Fee is determined by meter size.
- (4) Projections are for informational purposes only. Increased annually by 7.9 percent.

- (5) On March 18, 2013, the Board of Directors directed staff to propose the phasing-in of the base sewer fee increase over a 3 year period. This is \$1.30 less than the Cost of Service Study calculation.
- (6) The projected rate is calculated as follows: 2014 Cost of Service Study Rate + 7.9% inflator (\$15.68+\$1.24).
- (7) The projected rate is calculated as follows: 2015 Cost of Service Study Rate + 7.9% inflator + 2014 recapture (\$16.92+\$1.34+1.30).
- (8) The projected rate is calculated as follows: 2016 Cost of Service Study Rate + 7.9% inflator (\$18.26+\$1.44).
- (9) The projected rate is calculated as follows: 2017 Cost of Service Study Rate + 7.9% inflator (\$19.70+\$1.56)



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
RESIDENTIAL AND MULTI-RESIDENTIAL SEWER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
RESIDENTIAL AND MULTI-RESIDENTIAL SEWER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

INCREASES TO RATES, FEES, AND CHARGES FOR COMMERCIAL SEWER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to sewer service billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's sewer service providers; and, (3) the authorization for a period of five years, overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall average sewer rate increase of 7.9 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the sewer rate increase is proposed to take effect with sewer service **billed** on or after January 1, 2014, and may apply to sewer service **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public sewer system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing sewer service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's sewer service providers. If adopted, the customer's sewer rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's sewer service providers. The pass-through costs apply to rates, fees, and charges from the District's treatment and disposal providers. The providers include but are not limited to the County of San Diego and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the pass-through costs, the District will consider authorizing, for a period of five years, overall average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance,

administrative expenses, as well as other operational costs of providing sewer service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed sewer rate increase will pass-through increases implemented by the District's sewer service providers and will allow the District to recover other recent increases in operational costs.

WHY ARE YOU RECEIVING THIS NOTICE?

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fees, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Commercial Sewer Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to sewer service billed on or after January 1, 2014 and may apply to sewer service used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for sewer service billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as sewer service. This letter serves as notice that the District will hold a public hearing to consider changes to its current sewer service

(Continued on page 2)

(Continued from page 1)

rates, fees, and charges.

WHAT DO SEWER RATES FUND?

Each end user of the public sewer system pays his or her fair share of the costs associated with sewage disposal, including energy or pumping costs, labor and benefits, materials, chemicals used in sewage treatment, administrative expenses, operations, construction and repair. Such costs include inspection and preventative maintenance of the public sewer system and facilities and replacement of aging sewer infrastructure.

The actions proposed will help protect the public’s investment in the public sewer system, reduce the possibility of pipeline breaks, blockages or spills, and keep rates affordable.

WHY ARE SEWER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides sewer service to your community. “Revenue-neutral” means that sewer bills reflect only those rates, fees, and charges sufficient to support sewer service. To continue to provide reliable service, the District must implement and pass through to its customers the higher cost of sewer disposal services imposed by service providers. As a non-profit public agency, the District does not make a profit from providing sewer service, and it cannot operate at a loss.

OTHER PROPOSED ACTIONS

As a result of the Cost of Service and the Rate Study, the following changes will be made to Commercial Sewer Account rate calculations:

- The elimination of the Assigned Service Unit (ASU) calculation.
- Creation of a system fee by water meter size and using the annual average water consumption for the usage charge
- Adjust commercial sewer strengths to match changes to current industry standards
- Match water meter equivalencies used for sewer base fees that are consistent with those of the American Water Works Association
- Eliminate special formulas for schools and churches and adopt a charge methodology comparable to commercial accounts

The District may also reclassify a commercial sewer customer’s Strength Factor classification, at the discretion of the District, from time to time or when made aware of the need to reclassify a business based on a change in that businesses’ operations.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their sewer bills should look to minimizing their average annual water consumption. For program information and conservation tips, please visit the District’s Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org.

For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.

PROPOSED COMMERCIAL SEWER RATES AND FEES

PROPOSED FORMULA FOR SEWER RATES AND FEES – ALL CUSTOMER CATEGORIES

To be consistent with industry standard, the District proposes to calculate a monthly bill based on the customer’s water use and the size of the customer’s water meter. The current calculation uses Assigned Service Units or ASUs, which is no longer the industry standard. The new method of calculating sewer bills is more equitable among customer classes. The current and proposed formulas for calculating Commercial Sewer Rates and Fees are as follows:

CURRENT COMMERCIAL SEWER BILL CALCULATION

Step 1: $ASU = ((\text{Flow in Gallons Per Day}^{(1)} \times .85^{(2)}) / 250^{(3)}) \times \text{Strength Factor}^{(4)}$

Step 2: $ASU \times \text{Usage Fee}^{(7)} = \text{Sewer Billing}$

PROPOSED COMMERCIAL SEWER BILL CALCULATION

$((\text{Average Annual Consumption}^{(5)} \times .85^{(6)}) \times \text{Usage Fee}^{(7)}) \times \text{Strength Factor}^{(4)} + \text{System Fee}^{(8)}$

The special formulas used for schools will be eliminated. The proposed method for calculating a school’s sewer bill will be the same as all commercial accounts. Schools and churches will also be categorized as Low Strength Commercial customers.

CURRENT FORMULA FOR SEWER RATES AND FEES FOR SCHOOLS

The flow for public schools is based on the average daily attendance for the prior year as reported by schools to meet state requirements. For elementary schools, 50 students equal one ASU; for junior high schools, 40 students equal one ASU; for high schools, 24 students equal one ASU. For colleges, flow is based on the number of certified and classified staff, and students enrolled in each school session.

PROPOSED CURRENT FORMULA FOR SEWER RATES AND FEES FOR SCHOOLS

$((\text{Average Annual Consumption}^{(5)} \times .85^{(6)}) \times \text{Usage Fee}^{(7)}) \times \text{Strength Factor}^{(4)} + \text{System Fee}^{(8)}$

The District is required to determine sewer rates in accordance with the State's Revenue Program Guidelines. The State Water Resources Control Board (SWRCB) has grouped commercial customers into various categories and has identified strength factors for each of these business categories. The standard of measure for strength factors is the typical sewer strength of a single-family residence (SFR). The strength factors established by the SWRCB are listed below and are used by the District in the calculation of commercial sewer rates. These factors are in terms of the strength relative to a SRF, with a SFR having a strength factor of 1.

The District proposes to adjust Strength Factors to match industry standard. The proposed Strength Factors will be effective for bills January 2014. The following are the current and proposed Strength Factors:

DESCRIPTION	STRENGTH FACTOR	
	CURRENT	PROPOSED
Schools	Based on attendance	1.000
Churches	1.000	1.000
Low Strength Commercial	1.000	1.000
Medium Strength Commercial	1.238	2.000
High Strength Commercial	2.203	4.000

The following tables show the proposed rate increases for Usage and System Fees effective for all bills January 1, 2014, and the projected rates for 2015 through 2018 inflated by 7.9 percent thereafter. These fees include the impact of any pass-through increases. Therefore, actual fees in each of the future years below may differ.

USAGE FEE and 2015—2018 PROJECTED						
STRENGTH FACTOR	CURRENT	PROPOSED 2014 ⁽⁷⁾	PROJECTED 2015 ⁽⁷⁾⁽⁹⁾	PROJECTED 2016 ⁽⁷⁾⁽⁹⁾	PROJECTED 2017 ⁽⁷⁾⁽⁹⁾	PROJECTED 2018 ⁽⁷⁾⁽⁹⁾
Low	\$45.30	\$2.35	\$2.54	\$2.74	\$2.96	\$3.19
Medium	\$45.30	\$3.37	\$3.64	\$3.93	\$4.24	\$4.57
High	\$45.30	\$5.37	\$5.80	\$6.26	\$6.75	\$7.28

SYSTEM FEE and 2015—2018 PROJECTED						
METER SIZE	CURRENT	PROPOSED 2014 ⁽⁸⁾	PROJECTED 2015 ⁽⁸⁾⁽⁹⁾	PROJECTED 2016 ⁽⁸⁾⁽⁹⁾	PROJECTED 2017 ⁽⁸⁾⁽⁹⁾	PROJECTED 2018 ⁽⁸⁾⁽⁹⁾
.75"	\$13.30	\$25.83	\$27.87	\$30.07	\$32.45	\$35.01
1"	\$13.30	\$38.03	\$41.03	\$44.28	\$47.77	\$51.55
1.5"	\$13.30	\$68.53	\$73.94	\$79.78	\$86.08	\$92.89
2"	\$13.30	\$105.12	\$113.43	\$122.39	\$132.06	\$142.49
3"	\$13.30	\$190.52	\$205.57	\$221.81	\$239.33	\$258.24
4"	\$13.30	\$312.51	\$337.20	\$363.83	\$392.58	\$423.59
6"	\$13.30	\$617.48	\$666.27	\$718.90	\$775.69	\$836.97
8"	\$13.30	\$983.46	\$1,061.15	\$1,144.98	\$1,235.43	\$1,333.03
10"	\$13.30	\$1,410.42	\$1,521.85	\$1,642.07	\$1,771.80	\$1,911.77

Footnotes:

- Flow in Gallons Per Day (Flow) is calculated using monthly readings from the commercial account's water meter or meters.
- Flow is reduced by 15 percent to reflect that not all water purchased is disposed of into the public sewer system.
- Flow is divided by 250 to convert it to a residential equivalence.
- Strength Factors for business customers are categorized as low, medium or high strength as shown on the Strength Factor table.
- The Average Annual Consumption is defined as the units of water billed from January through December of the previous year.
- The Average Annual Consumption is reduced by 15 percent to reflect that not all water used flows into the public sewer system.
- The Usage Fee is based on the commercial account's Strength Factor as shown on the Usage Fee table as being either Low, Medium, or High.
- The System Fee is based on the size of the water meter.
- Projected rates are for informational purposes only, and are increased annually by 7.9 percent inflator.

This information reflects only rates that are proposed to change. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov

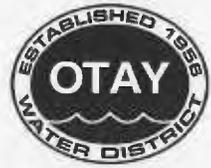


Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
COMMERCIAL SEWER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
COMMERCIAL SEWER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR LANDSCAPE, AGRICULTURAL, AND CONSTRUCTION WATER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to water billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's water suppliers; and, (3) the authorization for a period of five years overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall water customer average rate increase of 7.5 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the water rate increase is proposed to take effect with water **billed** on or after January 1, 2014, and may apply to water **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the consumption usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public water system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing the service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

The rate structure has two basic components: (1) fixed monthly fees and (2) variable monthly rates and fees, which are based on water consumption. The fixed fees are calculated to recover the cost of operating and maintaining the public water system and are based on the size of the water meter serving the record owner or customer of record. Fixed fees include the Metropolitan Water District of Southern California and San Diego County Water Authority (MWD & CWA) fee, and the District's System Fee. The variable rates, fees, and charges are consumption based and include but are not limited to supply, treatment and transportation costs. Variable rates and fees generally impose greater charges as the level of consumption increases. The variable components are structured in such a way as to deter waste and encourage conservation. Variable components of the bill include the Water Rate, Energy Charge, and Water Charge by Improvement District. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased

costs imposed by the District's water suppliers. If adopted, the average customer's water rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's wholesale water suppliers. The pass-through costs apply to rates, fees, and charges from the District's water suppliers. The suppliers include but are not limited to the Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing water service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed water rate increase in the average amount of 7.5 percent will pass-through increases implemented by the District's water wholesalers (MWD's 5 percent increase and CWA's increase of 4.3 percent) and will allow the District to recover other recent increases in operational costs. Water wholesalers do not anticipate additional rate increases in 2014, but they do expect to implement increases in January 2015 and in subsequent years.

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fee, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Landscape, Agricultural, and Construction Water Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon

(Continued on page 2)

(Continued from page 1.)

which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for water billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as water services. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates, fees, and charges.

WHY ARE WATER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides water service to your community. "Revenue-neutral" means that water bills reflect only those rates, fees, and charges sufficient to support water service. To continue to provide reliable, safe and high-quality service, the District must implement and pass through to its customers the higher cost of water imposed by suppliers. This year, as in recent years, a large percentage of the increase is a direct result of higher costs from suppliers and represents a direct pass-through from those suppliers. The water suppliers include the MWD, CWA, and the City of San Diego.

WHAT DO WATER RATES FUND?

In the District, each end user pays his or her fair share of the cost of purchasing water, energy or pumping costs, labor and benefits, materials, chemicals used in water treatment, administrative expenses, operations, construction and maintenance of the public water system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District is a non-profit public agency, it does not make a profit from providing water service and it cannot operate at a loss.

WHY ARE WHOLESALER WATER SUPPLIERS RAISING THEIR RATES?

Wholesale suppliers are raising their rates as they work to obtain new and more reliable supplies of water. This includes more reliable emergency supplies, agricultural to urban water transfers, expansion of existing reservoirs, pipeline relining projects, new water treatment plants, and new supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

In 2016, for instance, the San Diego County Water Authority anticipates increasing rates, fees, and charges in anticipation of the Carlsbad Desalination Project (ocean water desalination) becoming operational. The Carlsbad project, while providing San Diego County with a new locally controlled, drought-proof supply of water, could have significant upward pressure on water rates for all San Diego County water customers.

For its part the District works continually to reduce internal costs to absorb rate increases from suppliers. The District recognizes and is sensitive to the impact the higher cost of water has on its customers. As a result the District is committed to becoming as efficient as possible, while providing the services its customers expect and rely upon.

RELIABILITY AND SUPPLY DIVERSIFICATION

Water is essential to our region's quality of life. Our economy depends on it. Families and businesses cannot survive without it. Unfortunately for San Diego residents, our county was not blessed

with an abundant natural supply of water. San Diego receives an average just 10 inches of rainfall per year, meeting only 5 percent of local demand, and that is not enough to support our region's population of 3.1 million people or its \$188 billion economy. Because of our semi-arid climate, 82 percent of the water used locally is imported from Northern California and the Colorado River. Not only is the cost of importing water becoming increasingly costly, but population growth, drought, environmental regulations, litigation, competition for a scarce resource, and increased power costs are driving the price we pay higher.

San Diego County's wholesale and retail water agencies recognized the region was highly dependent on imported water during a severe drought that occurred in the late 1980s and early 1990s. The entities have continued to work aggressively to develop a more reliable water supply system - one that would increase water independence, provide for future population and economic needs, and reduce the likelihood of a future water shortage. Since then, major initiatives have been undertaken to develop new supplies and improved reliability.

At the regional level, CWA signed a milestone agreement to address decades of water disputes over the allocation of water from the Colorado River. As part of that agreement, San Diego residents paid to have old, leaky earthen canals in Imperial County lined to save water. This "saved water" is now used by customers in San Diego County. This year, the region will receive 80,000 acre-feet of water from the canal lining projects (enough water to supply approximately 160,000 homes). Through a combination of land fallowing and efficiency-based water conservation measures with farmers in Imperial County, the region was able to purchase another 100,000 acre-feet of water in 2012 (enough water to supply 200,000 existing homes). The water we receive from this part of the agreement will ramp up to 200,000 acre-feet per year by 2021.

Since the 1990s, the District embarked on its own efforts to develop new supply and today operates one of the largest recycled water networks in California. As a benefit, when the drought hit our region in 2008, because of your investments in a recycled water system used for landscape irrigation, mandatory water conservation was not imposed on Otay Water District customers. Additionally, the District is actively supporting the development of an ocean water desalination facility in Rosarito Beach, Mexico. When built, the water from this facility could replace up to two-thirds of the water we receive from Northern California and the Colorado River.

A result of these major projects, such as the canal linings, water transfers, and reservoir construction and expansion efforts, is that the wholesale cost of water has gone up dramatically in recent years, and it is an expense being borne by all water users. Rising costs are financially difficult for everyone, but having made these investments in new supply and improved reliability, the region is better able to ensure that families, businesses, and the local economy will always have the water it needs.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their water usage and therefore minimize the effects of the rising cost of imported water on their family's budget, can visit the District's Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org. For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.

Landscape, Agricultural, and Construction for 3/4" - 1" Meters—2014 Proposed and 2015-2018 Projected ⁽²⁾							
Consumption Block ⁽¹⁾	Proposed	Current	2014 Proposed	Projected 2015	Projected 2016	Projected 2017	Projected 2018
0 - 49	0 - 54	\$3.87	\$4.17	\$4.48	\$4.81	\$5.18	\$5.29
50 - 132	55 - 199	\$3.95	\$4.25	\$4.57	\$4.91	\$5.28	\$5.40
133+	200+	\$4.01	\$4.32	\$4.64	\$4.99	\$5.36	\$5.49
Landscape, Agricultural, and Construction for 1-1/2" - 2" Meters - 2014 Proposed and 2015-2018 Projected ⁽²⁾							
0 - 144	0 - 144	\$3.87	\$4.17	\$4.48	\$4.81	\$5.18	\$5.29
145 - 355	145-355	\$3.95	\$4.25	\$4.57	\$4.91	\$5.28	\$5.40
356+	356+	\$4.01	\$4.32	\$4.64	\$4.99	\$5.36	\$5.49
Landscape, Agricultural, and Construction for 3" Meters and larger— 2014 Proposed and 2015-2018 Projected ⁽²⁾							
0 - 1,044	0 - 550	\$3.87	\$4.17	\$4.48	\$4.81	\$5.18	\$5.29
1,045 - 8,067	551 - 1,200	\$3.95	\$4.25	\$4.57	\$4.91	\$5.28	\$5.40
8,068+	1,201+	\$4.01	\$4.32	\$4.64	\$4.99	\$5.36	\$5.49

System Fee ⁽³⁾ by Meter Size -2014 Proposed and 2015-2018 Projected ⁽²⁾						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$16.74	\$16.19	\$17.40	\$18.71	\$20.11	\$20.58
1"	\$21.26	\$22.87	\$24.59	\$26.43	\$28.41	\$29.06
1 1/2"	\$32.57	\$39.58	\$42.55	\$45.74	\$49.17	\$50.30
2"	\$46.13	\$59.62	\$64.09	\$68.90	\$74.07	\$75.77
3"	\$82.29	\$113.08	\$121.56	\$130.68	\$140.48	\$143.71
4"	\$122.99	\$173.22	\$186.21	\$200.18	\$215.19	\$220.14
6"	\$236.02	\$340.29	\$365.81	\$393.25	\$422.74	\$432.46
8"	\$371.64	\$540.76	\$581.32	\$624.92	\$671.78	\$687.24
10"	\$529.88	\$774.64	\$832.74	\$895.19	\$962.33	\$984.47

MWD & CWA Fixed Fees ⁽³⁾ by Meter Size—2014 Proposed and 2015-2018 Projected ⁽²⁾						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$13.28	\$14.45	\$15.53	\$16.70	\$17.95	\$18.36
1"	\$22.12	\$26.79	\$28.80	\$30.96	\$33.28	\$34.05
1 1/2"	\$44.31	\$60.61	\$65.16	\$70.04	\$75.30	\$77.03
2"	\$70.85	\$103.08	\$110.81	\$119.12	\$128.06	\$131.00
3"	\$141.71	\$219.23	\$235.67	\$253.35	\$272.35	\$278.61
4"	\$221.43	\$351.09	\$377.42	\$405.73	\$436.16	\$446.19
6"	\$442.80	\$718.69	\$772.59	\$830.54	\$892.83	\$913.36
8"	\$708.53	\$1,160.59	\$1,247.63	\$1,341.21	\$1,441.80	\$1,474.96
10"	\$1,015.06	\$1,670.55	\$1,795.84	\$1,930.53	\$2,075.32	\$2,123.05

Other Charges	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Energy Charges ⁽⁴⁾	\$0.042	\$0.048	\$0.051	\$0.055	\$0.059	\$0.061
Improvement District ⁽⁵⁾ No. 3	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Improvement District ⁽⁵⁾ No. 10	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁽⁵⁾	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Government Fee	\$0.29	\$0.31	\$0.33	\$0.36	\$0.38	\$0.39
Fire Service ⁽⁶⁾	\$34.57	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter
		≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter
		\$21.14	\$22.73	\$24.43	\$26.26	\$26.87
		\$28.49	\$30.63	\$32.92	\$35.39	\$36.21

Footnotes

1. This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons of water. Customers outside the Otay Water District, an Improvement District, or using temporary meters pay two times this rate.
2. Projected rates (2015-2018) are for information purposes only. The inflator factor used is 7.5 percent for 2014-2017 and 2.3 percent for 2018.
3. These fees are based on the meter size. The MWD&CWA fee is increasing to match the cost from the District's water suppliers. The System Fee is increasing to pay for higher water system replacement, maintenance, and operating expenses.
4. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is due to increased power costs to the District.
5. This charge is a per unit charge and your bill will vary based on water consumption.
6. Fire Service requires a separate meter and is a monthly fee based on meter size. The Fire Service Fee is decreasing based on the Cost of Service study.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
LANDSCAPE, AGRICULTURAL, AND CONSTRUCTION WATER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
LANDSCAPE, AGRICULTURAL, AND CONSTRUCTION WATER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR PUBLIC AND COMMERCIAL WATER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee, and charge increases that apply to water billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's water suppliers; and, (3) the authorization for a period of five years overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The amount of the proposed rate, fee, and charge increases and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall water customer average rate increase of 7.5 percent was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the water rate increase is proposed to take effect with water **billed** on or after January 1, 2014, and may apply to water **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the consumption usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public water system. The proposed rate, fee, and charge structure will provide revenue that recovers costs reasonably borne in providing the service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

The rate structure has two basic components: (1) fixed monthly fees and (2) variable monthly rates and fees, which are based on water consumption. The fixed fees are calculated to recover the cost of operating and maintaining the public water system and are based on the size of the water meter serving the record owner or customer of record. Fixed fees include the Metropolitan Water District of Southern California and San Diego County Water Authority (MWD & CWA) fee, and the District's System Fee. The variable rates, fees, and charges are consumption based and include but are not limited to supply, treatment and transportation costs. Variable rates and fees generally impose greater charges as the level of consumption increases. The variable components are structured in such a way as to deter waste and encourage conservation. Variable components of the bill include the Water Rate, Energy Charge, and Water Charge by Improvement District. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased

costs imposed by the District's water suppliers. If adopted, the average customer's water rates, fees, and charges will be adjusted annually in relation to all increased or decreased costs and charges from the District's wholesale water suppliers. The pass-through costs apply to rates, fees, and charges from the District's water suppliers. The suppliers include but are not limited to the Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, average rate increases not to exceed 10 percent per year for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing water service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed water rate increase in the average amount of 7.5 percent will pass-through increases implemented by the District's water wholesalers (MWD's 5 percent increase and CWA's increase of 4.3 percent) and will allow the District to recover other recent increases in operational costs. Water wholesalers do not anticipate additional rate increases in 2014, but they do expect to implement increases in January 2015 and in subsequent years.

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fee, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Public and Commercial Water Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates,

(Continued from page 1)

fees, and charges will apply to water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for water billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as water services. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates, fees, and charges.

WHY ARE WATER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides water service to your community. "Revenue-neutral" means that water bills reflect only those rates, fees, and charges sufficient to support water service. To continue to provide reliable, safe and high-quality service, the District must implement and pass through to its customers the higher cost of water imposed by suppliers. This year, as in recent years, a large percentage of the increase is a direct result of higher costs from suppliers and represents a direct pass-through from those suppliers. The water suppliers include the MWD, CWA, and the City of San Diego.

WHAT DO WATER RATES FUND?

In the District, each end user pays his or her fair share of the cost of purchasing water, energy or pumping costs, labor and benefits, materials, chemicals used in water treatment, administrative expenses, operations, construction and maintenance of the public water system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District is a non-profit public agency, it does not make a profit from providing water service and it cannot operate at a loss.

WHY ARE WHOLESALER WATER SUPPLIERS RAISING THEIR RATES?

Wholesale suppliers are raising their rates as they work to obtain new and more reliable supplies of water. This includes more reliable emergency supplies, agricultural to urban water transfers, expansion of existing reservoirs, pipeline relining projects, new water treatment plants, and new supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

In 2016, for instance, the San Diego County Water Authority anticipates increasing rates, fees, and charges in anticipation of the Carlsbad Desalination Project (ocean water desalination) becoming operational. The Carlsbad project, while providing San Diego County with a new locally controlled, drought-proof supply of water, could have significant upward pressure on water rates for all San Diego County water customers.

For its part the District works continually to reduce internal costs to absorb rate increases from suppliers. The District recognizes and is sensitive to the impact the higher cost of water has on its customers. As a result the District is committed to becoming as efficient as possible, while providing the services its customers expect and rely upon.

RELIABILITY AND SUPPLY DIVERSIFICATION

Water is essential to our region's quality of life. Our economy depends on it. Families and businesses cannot survive without it. Unfortunately for San Diego residents, our county was not blessed with an abundant natural supply of water. San Diego receives an average of just 10 inches of rainfall per year, meeting only 5 percent

of local demand, and that is not enough to support our region's population of 3.1 million people or its \$188 billion economy. Because of our semi-arid climate, 82 percent of the water used locally is imported from Northern California and the Colorado River. Not only is the cost of importing water becoming increasingly costly, but population growth, drought, environmental regulations, litigation, competition for a scarce resource, and increased power costs are driving the price we pay higher.

San Diego County's wholesale and retail water agencies recognized the region was highly dependent on imported water during a severe drought that occurred in the late 1980s and early 1990s. The entities have continued to work aggressively to develop a more reliable water supply system - one that would increase water independence, provide for future population and economic needs, and reduce the likelihood of a future water shortage. Since then, major initiatives have been undertaken to develop new supplies and improved reliability.

At the regional level, CWA signed a milestone agreement to address decades of water disputes over the allocation of water from the Colorado River. As part of that agreement, San Diego residents paid to have old, leaky earthen canals in Imperial County lined to save water. This "saved water" is now used by customers in San Diego County. This year, the region will receive 80,000 acre-feet of water from the canal lining projects (enough water to supply approximately 160,000 homes). Through a combination of land fallowing and efficiency-based water conservation measures with farmers in Imperial County, the region was able to purchase another 100,000 acre-feet of water in 2012 (enough water to supply 200,000 existing homes). The water we receive from this part of the agreement will ramp up to 200,000 acre-feet per year by 2021.

Since the 1990s, the District embarked on its own efforts to develop new supply and today operates one of the largest recycled water networks in California. As a benefit, when the drought hit our region in 2008, because of your investments in a recycled water system used for landscape irrigation, mandatory water conservation was not imposed on Otay Water District customers. Additionally, the District is actively supporting the development of an ocean water desalination facility in Rosarito Beach, Mexico. When built, the water from this facility could replace up to two-thirds of the water we receive from Northern California and the Colorado River.

A result of these major projects, such as the canal linings, water transfers, and reservoir construction and expansion efforts, is that the wholesale cost of water has gone up dramatically in recent years, and it is an expense being borne by all water users. Rising costs are financially difficult for everyone, but having made these investments in new supply and improved reliability, the region is better able to ensure that families, businesses, and the local economy will always have the water it needs.

WHAT CAN I DO TO SAVE MONEY?

Customers interested in learning ways in which they can reduce their water usage and therefore minimize the effects of the rising cost of imported water on their family's budget, can visit the District's Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located on the campus of Cuyamaca Community College in Rancho San Diego is open to the public and offers various conservation exhibits, programs and classes. For more about the Water Conservation Garden, visit www.thegarden.org. For information about the Otay Water District, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.

Public and Commercial Water Usage Fee (<10" Meter) 2014 Proposed and 2015-2018 Projected ²							
Consumption Block ¹	Proposed	Current Rate	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
0 - 173	0 - 185	\$2.84	\$3.06	\$3.29	\$3.53	\$3.80	\$3.89
174 - 831	186 - 1,400	\$2.92	\$3.14	\$3.38	\$3.63	\$3.91	\$3.99
832+	1,401+	\$2.96	\$3.19	\$3.43	\$3.68	\$3.96	\$4.05

Public and Commercial Water Usage Fee (10"+ Meter) 2014 Proposed and 2015-2018 Projected ²							
Consumption Block ¹	Proposed	Current Rate	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
0 - 7,426	0 - 7,426	\$2.84	\$3.06	\$3.29	\$3.53	\$3.80	\$3.89
7,427-14,616	7,427 -14,616	\$2.92	\$3.14	\$3.38	\$3.63	\$3.91	\$3.99
14,617+	14,617+	\$2.96	\$3.19	\$3.43	\$3.68	\$3.96	\$4.05

System Fee ³ by Meter Size 2014 Proposed and 2015-2018 Projected ²						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$16.74	\$16.19	\$17.40	\$18.71	\$20.11	\$20.58
1"	\$21.26	\$22.87	\$24.59	\$26.43	\$28.41	\$29.06
1 1/2"	\$32.57	\$39.58	\$42.55	\$45.74	\$49.17	\$50.30
2"	\$46.13	\$59.62	\$64.09	\$68.90	\$74.07	\$75.77
3"	\$82.29	\$113.08	\$121.56	\$130.68	\$140.48	\$143.71
4"	\$122.99	\$173.22	\$186.21	\$200.18	\$215.19	\$220.14
6"	\$236.02	\$340.29	\$365.81	\$393.25	\$422.74	\$432.46
8"	\$371.64	\$540.76	\$581.32	\$624.92	\$671.78	\$687.24
10"	\$529.88	\$774.64	\$832.74	\$895.19	\$962.33	\$984.47

MWD & CWA Fixed Fees ³ Size 2014 Proposed and 2015-2018 Projected ²						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$13.28	\$14.45	\$15.53	\$16.70	\$17.95	\$18.36
1"	\$22.12	\$26.79	\$28.80	\$30.96	\$33.28	\$34.05
1 1/2"	\$44.31	\$60.61	\$65.16	\$70.04	\$75.30	\$77.03
2"	\$70.85	\$103.08	\$110.81	\$119.12	\$128.06	\$131.00
3"	\$141.71	\$219.23	\$235.67	\$253.35	\$272.35	\$278.61
4"	\$221.43	\$351.09	\$377.42	\$405.73	\$436.16	\$446.19
6"	\$442.80	\$718.69	\$772.59	\$830.54	\$892.83	\$913.36
8"	\$708.53	\$1,160.59	\$1,247.63	\$1,341.21	\$1,441.80	\$1,474.96
10"	\$1,015.06	\$1,670.55	\$1,795.84	\$1,930.53	\$2,075.32	\$2,123.05

Other Charges	Current	2014 Proposed	2015 Projected ⁽²⁾	2016 Projected ⁽²⁾	2017 Projected ⁽²⁾	2018 Projected ⁽²⁾
Energy Charges ⁴	\$0.042	\$0.048	\$0.051	\$0.055	\$0.059	\$0.061
Improvement District ⁵ No. 3	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Improvement District ⁵ No. 10	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁵	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Government Fee	\$0.29	\$0.31	\$0.33	\$0.36	\$0.38	\$0.39
Fire Service ⁶	\$34.57	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter	≤3" Meter
		\$21.14	\$22.73	\$24.43	\$26.26	\$26.87
		≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter	≥4" Meter
		\$28.49	\$30.63	\$32.92	\$35.39	\$36.21

Footnotes

- This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons of water.
- Projected rates (2015-2018) are for information purposes only. Inflation factor used is 7.5percent for 2015-2017 and 2.3 percent for 2018.
- These fees are based on the meter size. The MWD&CWA fee is increasing to match the cost from the District's water suppliers. The System Fee is increasing to pay for higher water system replacement, maintenance, and operating expenses.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is due to increased power costs to the District.
- This charge is a per unit charge and your bill will vary based on water consumption.
- Fire Service requires a separate meter and is a monthly fee based on meter size. The Fire Service Fee is decreasing based on the Cost of Service study.

*This information reflects only changes to rates.
For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov.*

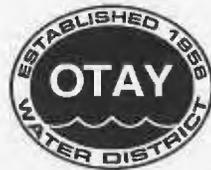


Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
PUBLIC AND COMMERCIAL WATER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
PUBLIC AND COMMERCIAL WATER SERVICE**



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR RECYCLED WATER SERVICE

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rate, fee and charge increases that apply to water billed beginning January 1, 2014; (2) the authorization for a period of five years of all future pass-through increases or decreases to cover changes to rates, fees, or charges from the District's water suppliers; and, (3) the authorization for a period of five years overall average rate increases, in addition to the pass through increases, not to exceed 10 percent per year, of all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on the properties served by the District. The amount of the proposed rate increase and the basis upon which it was determined is described in more detail as follows.

PROPOSED RATE INCREASES

An overall average rate increase of 7.5 percent for water customers was considered by the District's Board of Directors as part of the annual budget review process. If adopted after the public hearing noticed above, the water rate increase is proposed to take effect with water **billed** on or after January 1, 2014, and may apply to water **used** as early as the beginning of December 2013.

The District has performed a Cost of Service Study and Rate Study (i.e. reviewed rates, fees, charges, costs, and the consumption usage structure) and determined that increases in the rates, fees, and charges are necessary in order to recover sufficient revenues to operate and maintain the public water system. The proposed rate, fee and charge structure will provide revenue that recovers costs reasonably borne in providing the service; are equitable to all customer classes; and are proportionate to the cost of providing the service to each customer class.

Recycled water rates are based on the cost of potable water from the District's wholesale suppliers. To continue providing reliable high quality service, the District must implement rate increase and pass-through to its customers higher costs by those water wholesalers. Producing and distributing recycled water is also costly. To help offset the costs of supplying alternative water sources, the District receives financial incentives from its wholesale water suppliers. Everyone benefits from recycled water, including potable water customers because it diversifies our water sources, therefore, potable and recycled water rates are calculated in a combined manner. Recycled rates are then discounted by 15 percent, recognizing the added expense to use recycled water and passing along those incentives to recycled water customers. Today, approximately 13 percent of the District's water supply is made up of recycled water, and there are plans to continue expanding the system.

The rate structure has two basic components: (1) fixed monthly fees and (2) variable monthly rates and fees, which are based on water consumption. The fixed fees are calculated to recover the cost of operating and maintaining the public water system and are based on the size of the water meter serving the record owner or customer of record. Fixed fees include the Metropolitan Water

District of Southern California and San Diego County Water Authority (MWD & CWA) fee, and the District's System Fee. The variable rates, fees, and charges are consumption based and include but are not limited to supply, treatment, and transportation costs. Variable rates and fees generally impose greater charges as the level of consumption increases. The variable components are structured in such a way as to deter waste and encourage conservation. Variable components of the bill include the Water Rate, Energy Charge, and Water Charge by Improvement District. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's water suppliers. If adopted, the average customer's water rates, fees, and charges will be adjusted periodically in relation to all increased or decreased costs and charges from the District's wholesale water suppliers. The pass-through costs apply to rates, fees, and charges from the District's water suppliers. The suppliers include but are not limited to the Metropolitan Water District of Southern California, San Diego County Water Authority, and the City of San Diego. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, maximum overall annual average increases of all rates, fees, and charges of 10 percent to cover all costs of providing service including, but not limited to, costs related to labor, benefits, materials, energy, maintenance, administrative expenses, as well as other operational costs of providing water service, including amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

The proposed water rate increase in the average amount of 7.5 percent, if approved, will pass-through increases implemented by the District's water wholesalers (MWD's 5 percent increase and CWA's increase of 4.3 percent) and will allow the District to recover other recent increases in operational costs. Water wholesalers do not anticipate additional rate increases in 2014, but they do expect to implement increases in January 2015 and in subsequent years.

As the record owner or customer of record of a property identified to be subject to the imposition of proposed rate, fee or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific rate increase for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA

(Continued on page 2)

(Continued from page 1)

91978, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increase to Recycled Water Rates, Fees, and Charges.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described above. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners or customers of record of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. **This letter serves as a 45-day notice of the hearing on the proposed rate increases, and as notice of the increases for water billed on or after January 1, 2014, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related fees such as water services. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates and fees.

WHY ARE WATER RATE CHANGES NECESSARY?

The District is a revenue-neutral public agency that provides water service to your community. "Revenue-neutral" means that water bills reflect only those rates, fees, and charges sufficient to support water service. To continue to provide reliable, safe and high-quality service, the District must implement and pass through to its customers the higher cost of water imposed by suppliers. This year, as in recent years, a large percentage of the increase is a direct result of higher costs from suppliers and represents a direct pass-through from those suppliers. The water suppliers include the MWD, CWA, and the City of San Diego.

WHAT DO WATER RATES FUND?

In the District, each end user pays his or her fair share of the cost of purchasing water, energy or pumping costs, labor and benefits, materials, chemicals used in water treatment, administrative expenses, operations, construction and maintenance of the public water system and facilities. This also includes amounts required to meet bond covenants and to maintain adequate reserves and rate stability. The District is a non-profit public agency, it does not make a profit from providing water service and it cannot operate at a loss.

WHY ARE WHOLESALE WATER SUPPLIERS RAISING THEIR RATES?

Wholesale suppliers are raising their rates as they work to obtain new and more reliable supplies of water. This includes more reliable emergency supplies, agricultural to urban water transfers, expansion of existing reservoirs, pipeline relining projects, new water treatment plants, and new supplies including ocean water desalination. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

In 2016, for instance, the San Diego County Water Authority anticipates increasing rates, fees, and charges in anticipation of the Carlsbad Desalination Project (ocean water desalination) becoming operational. The Carlsbad project, while providing San Diego County with a new locally controlled, drought-proof supply of water, could have significant upward pressure on water rates for all San Diego County water customers.

For its part the District works continually to reduce internal costs to absorb rate increases from suppliers. The District recognizes and is sensitive to the impact the higher cost of recycled water has on its customers. As a result the District is committed to becoming as efficient as possible, while providing the services its customers expect and rely upon.

RELIABILITY AND SUPPLY DIVERSIFICATION

Water is essential to our region's quality of life. Our economy depends on it. Families and businesses cannot survive without it. Unfortunately, for San Diego residents, our county was not blessed with an abundant natural supply of water do not have an abundant natural supply of water. San Diego receives an average of 10 inches of rainfall per year, meeting only 5 percent of local demand which is not enough to support our region's population of 3.1 million people or its \$188 billion economy. Because of our semi-arid climate, 82 percent of the water used locally is imported from Northern California and the Colorado River. Not only is the cost of importing water from these locations becoming increasingly costly, but population growth, drought, environmental regulations, litigation, competition for a scarce resource, and increased power costs are driving the price we pay higher.

San Diego County's wholesale and retail water agencies recognized the region was highly dependent on imported water during a severe drought that occurred in the late 1980s and early 1990s. The entities have continued to work aggressively to develop a more reliable water supply system- one that will increase water independence, provide for future population and economic needs, and reduce the likelihood of a future water shortage. Since then, major initiatives have been undertaken to develop new supplies and improved reliability.

At the regional level, CWA signed a milestone agreement to address decades of water disputes over the allocation of water from the Colorado River. As part of that agreement, San Diego residents paid to have old, leaky earthen canals in Imperial County lined to save water. This "saved water" is now used by customers in San Diego County. This year, the region will receive 80,000 acre-feet of water from the canal lining projects (enough water to supply approximately 160,000 homes). Through a combination of land fallowing and efficiency-based water conservation measures with farmers in Imperial County, the region was also able to purchase another 100,000 acre-feet of water in 2012 (enough water to supply 200,000 existing homes). The water we receive from this part of the agreement will ramp up to 200,000 acre-feet per year by 2021.

Since the 1990s, the District embarked on its own efforts to develop new supply and today operates one of the largest recycled water networks in California. As a benefit, when the drought hit our region in 2008, because of your investments in a recycled water system used for landscape irrigation, mandatory water conservation was not imposed on Otay Water District customers. Additionally, the District is actively supporting the development of an ocean water desalination facility in Rosarito Beach, Mexico. When built, the high-quality water from this facility could replace up to two-thirds of the water we receive from Northern California and the Colorado River.

A result of these major projects, such as the canal linings, water transfers, and reservoir construction and expansion efforts, is that the wholesale cost of water has gone up dramatically in recent years, and it is an expense being borne by all water users. Rising costs are financially difficult for everyone, but having made these investments in new supply and improved reliability, the region is better able to ensure that families, businesses, and the local economy will always have the water it needs.

Recycled Usage Fee (3/4" - 1" Meter) 2014 Proposed and 2015-2018 Projected ⁽⁴⁾							
Consumption Block ¹	2014 Proposed	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
0 - 42	0 - 32	\$3.31	\$3.56	\$3.83	\$4.12	\$4.43	\$4.53
43 - 97	33 - 75	\$3.35	\$3.61	\$3.88	\$4.17	\$4.48	\$4.58
98+	76+	\$3.42	\$3.68	\$3.96	\$4.25	\$4.57	\$4.68
Recycled (1.5" - 2" Meter)							
0 - 168	0 - 130	\$3.31	\$3.56	\$3.83	\$4.12	\$4.43	\$4.53
169 - 402	131 - 325	\$3.35	\$3.61	\$3.88	\$4.17	\$4.48	\$4.58
403+	326+	\$3.42	\$3.68	\$3.96	\$4.25	\$4.57	\$4.68
Recycled (3" - 4" Meter)							
0 - 403	0 - 440	\$3.31	\$3.56	\$3.83	\$4.12	\$4.43	\$4.53
404 - 820	441 - 1,050	\$3.35	\$3.61	\$3.88	\$4.17	\$4.48	\$4.58
821+	1,051+	\$3.42	\$3.68	\$3.96	\$4.25	\$4.57	\$4.68
Recycled (>6" Meter)							
0 - 7,916	0 - 4,000	\$3.31	\$3.56	\$3.83	\$4.12	\$4.43	\$4.53
7,917 - 16,357	4,001 - 10,000	\$3.35	\$3.61	\$3.88	\$4.17	\$4.48	\$4.58
16,358+	10,001+	\$3.42	\$3.68	\$3.96	\$4.25	\$4.57	\$4.68
Recycled Commercial (<10" Meter)							
0 - 173	0 - 173	\$2.38	\$2.56	\$2.75	\$2.96	\$3.18	\$3.26
174 - 831	174 - 831	\$2.45	\$2.64	\$2.84	\$3.05	\$3.28	\$3.35
821+	832+	\$2.47	\$2.66	\$2.86	\$3.07	\$3.30	\$3.38
Recycled Commercial (10" or Larger Meter)							
0 - 7,426	0 - 7,426	\$2.38	\$2.56	\$2.75	\$2.96	\$3.18	\$3.26
7,427 - 14,616	7,427 - 14,616	\$2.45	\$2.64	\$2.84	\$3.05	\$3.28	\$3.35
14,617	14,617	\$2.47	\$2.66	\$2.86	\$3.07	\$3.30	\$3.38

System Fee ² by Meter Size 2014 Proposed and 2015-2018 Projected ⁽⁴⁾						
Meter Size	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
3/4"	\$16.74	\$16.19	\$17.40	\$18.71	\$20.11	\$20.58
1"	\$21.26	\$22.87	\$24.59	\$26.43	\$28.41	\$29.06
1 1/2"	\$32.57	\$39.58	\$42.55	\$45.74	\$49.17	\$50.30
2"	\$46.13	\$59.62	\$64.09	\$68.90	\$74.07	\$75.77
3"	\$82.29	\$113.08	\$121.56	\$130.68	\$140.48	\$143.71
4"	\$122.99	\$173.22	\$186.21	\$200.18	\$215.19	\$220.14
6"	\$236.02	\$340.29	\$365.81	\$393.25	\$422.74	\$432.46
8"	\$371.64	\$540.76	\$581.32	\$624.92	\$671.78	\$687.24
10"	\$529.88	\$774.64	\$832.74	\$895.19	\$962.33	\$984.47

Other Charges—2014 Proposed and 2015-2018 Projected ⁽⁴⁾						
Other Charges	Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Energy Charge ³	\$0.042	\$0.048	\$0.051	\$0.055	\$0.059	\$0.061
Government Fee	\$0.29	\$0.31	\$0.33	\$0.36	\$0.39	\$0.39

Footnotes

1. Recycled water rates are based on meter size and the number of recycled water units used each month. One unit of recycled water equals 748 gallons of water.
2. System Fees are based on the meter size. The System Fee is increasing to pay for higher water system replacement, maintenance, and operating expenses.

3. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is due to increased power costs to the District.
4. Projected rates (2015-2018) are for informational purposes only. Inflation factor used is 7.5 percent for 2015-2017 and 2.3 percent for 2018.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinances at www.otaywater.gov

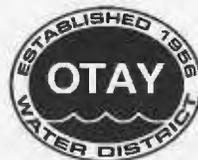


Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
www.otaywater.gov

PRESORT STD
U.S. POSTAGE
PAID
PERMIT 700
SAN DIEGO, CA

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
RECYCLED WATER SERVICE**



Dedicated to Community Service

WWW.OTAYWATER.GOV

NOTICE OF PUBLIC HEARING

**IMPORTANT INFORMATION ABOUT YOUR
RECYCLED WATER SERVICE**

**PUBLIC HEARING ON THE PROPOSED EXCLUSION OF TERRITORY FROM
IMPROVEMENT DISTRICT 19 AND ANNEXATION TO IMPROVEMENT DISTRICT 22 AND
THE RESULTING IMPACT ON FEES**

NOTICE IS HEREBY GIVEN the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013 at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider the exclusion of territory from Improvement District 19 (ID-19) and annexation to Improvement District 22 (ID-22), and the resulting impact of fees.

Fees for the two improvement districts are identical and are show below. Annexing ID-19 to ID-22 would improve the efficiency of accounting and administration currently required by the two districts. The exclusion of territory from ID-19 and annexation to ID-22 will not affect water rates or fees.

Improvement District	Charge per year per acre for parcels one acre or more	Charge per year for a parcel less than one acre
19	\$30.00	\$10.00
22	\$30.00	\$10.00
Land outside an Improvement District	\$10.00	\$10.00
Land outside an Improvement District and greater than one mile from District facilities	\$3.00	\$3.00

As the record owner or customer of record of a property identified to be subject to the exclusion of territory from ID-19 and annexation to ID-22, you may submit a written protest against the proposed action. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific action (exclusion of territory from ID-19 and annexation to ID-22) for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the **Board Secretary, Otay Water District, at 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing.

Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Exclusion of Territory from of Improvement District 19 and annexation to Improvement District 22.

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed exclusion and annexation. If adopted, the property annexed to ID-22 shall be subject to a fee as shown in the table above, identical to the fee previously charged for ID-19. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed exclusion and annexation are not presented by a majority of the record owners or customers of record of the identified properties affected by the proposed action, the Board of Directors will be authorized to adopt the proposed exclusion and annexation.

This notice is being provided to you by the District pursuant to the California Constitution Article XIID (collectively know as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related services. **This letter serves as a 45-day notice that the District will hold a public hearing to consider exclusion of territory from ID-19 and annexation to ID-22.**

**PUBLIC HEARING ON THE PROPOSED EXCLUSION OF TERRITORY FROM
IMPROVEMENT DISTRICT 25 AND ANNEXATION TO IMPROVEMENT DISTRICT 20
AND THE RESULTING IMPACT ON FEES**

NOTICE IS HEREBY GIVEN the Otay Water District (the "District") will hold a **Public Hearing on September 4, 2013, at 3:30 p.m. in the Board of Directors Meeting Room, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider the exclusion of territory from Improvement District 25 (ID-25) and annexation to Improvement District 20 (ID-20), and the resulting impact on fees.

Fees for the two improvement districts are identical as show below. Annexing ID 25 to ID 20 would improve the efficiency of accounting and administration currently required by the two districts. The exclusion of territory from ID-25 and annexation to ID-20 will not affect water rates or fees.

Improvement District	Charge per year per acre for parcels one acre or more	Charge per year for a parcel less than one acre
25	\$30.00	\$10.00
20	\$30.00	\$10.00
Land outside an Improvement District	\$10.00	\$10.00
Land outside an Improvement District and greater than one mile from District facilities	\$3.00	\$3.00

As the record owner or customer of record of a property identified to be subject to the exclusion of territory from ID-25 and annexation to ID-20, you may submit a written protest against the proposed action. Provided, however, if the identified property has more than one record owner and/or customer of record, only one written protest will be counted. Each protest must be in writing; state that the specific action (exclusion of territory from ID-25 and annexation to ID-20) for which the protest is being submitted in opposition; provide the location of the identified property (by assessor's parcel number or street address); and include the original signature of the record owner or customer of record submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the **Board Secretary, Otay Water District, at 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, or in person at the public hearing, so long as they are received prior to the conclusion of the public hearing.

Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Exclusion of Territory from Improvement District 25 and Annexation to Improvement District 20.

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed exclusion and annexation. If adopted, the property annexed to ID-20 shall be subject to a fee as shown in the table above, identical to the fee previously charged for ID-25. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed exclusion and annexation are not presented by a majority of the record owners or customers of record of the identified properties affected by the proposed action, the Board of Directors will be authorized to adopt the proposed exclusion and annexation.

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (collectively know as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner or customer of record of proposed changes to property-related services. **This letter serves as a 45-day notice that the District will hold a public hearing to consider exclusion of territory from ID-25 and annexation to ID-20.**

OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
 FOR ELEVEN MONTHS ENDED MAY 31, 2013

	Annual Budget	YTD Actual	YTD Budget	YTD Variance	Var %
REVENUES:					
Water Sales	\$ 39,110,200	\$ 36,235,644	\$ 35,144,400	\$ 1,091,244	3.1%
Energy Charges	1,809,500	1,771,185	1,651,300	119,885	7.3%
System Charges	10,328,400	9,393,425	9,390,000	3,425	0.0%
MWD & CWA Fixed Charges	9,705,800	8,959,100	8,914,400	44,700	0.5%
Penalties	800,500	741,514	712,300	29,214	4.1%
Total Water Sales	<u>61,754,400</u>	<u>57,100,868</u>	<u>55,812,400</u>	<u>1,288,467</u>	<u>2.3%</u>
Recycled Water Sales	7,702,400	7,206,693	6,763,900	442,793	6.5%
Sewer Charges	2,555,200	2,381,417	2,336,500	44,917	1.9%
Meter Fees	112,200	106,399	102,900	3,499	3.4%
Capacity Fee Revenues	1,180,600	1,088,302	1,082,200	6,102	0.6%
Betterment Fees for Maintenance	689,400	515,759	632,000	(116,241)	(18.4%)
Non-Operating Revenues	1,914,300	1,661,636	1,701,300	(39,664)	(2.3%)
Tax Revenues	3,882,600	3,568,283	3,805,000	(236,717)	(6.2%)
Interest	105,700	55,864	96,900	(41,036)	(42.3%)
Transfer from OPEB	879,500	806,200	806,200	-	0.0%
General Fund Draw Down	946,900	868,000	868,000	-	0.0%
Transfer from General Fund	595,000	545,400	545,400	-	0.0%
Total Revenues	<u>\$ 82,318,200</u>	<u>\$ 75,904,821</u>	<u>\$ 74,552,700</u>	<u>\$ 1,352,120</u>	<u>1.8%</u>
EXPENSES:					
Potable Water Purchases	\$ 30,552,200	\$ 28,636,664	\$ 27,590,200	\$ (1,046,464)	(3.8%)
Recycled Water Purchases	1,504,000	1,253,928	1,321,450	67,523	5.1%
CWA-Infrastructure Access Charge	1,818,000	1,664,883	1,664,700	(183)	(0.0%)
CWA-Customer Service Charge	1,687,800	1,544,721	1,544,200	(521)	(0.0%)
CWA-Emergency Storage Charge	4,086,000	3,724,003	3,723,600	(403)	(0.0%)
MWD-Capacity Res Charge	504,000	465,153	465,300	147	0.0%
MWD-Readiness to Serve Charge	1,610,400	1,475,568	1,476,200	633	0.0%
Subtotal Water Purchases	<u>41,762,400</u>	<u>38,764,919</u>	<u>37,785,650</u>	<u>(979,269)</u>	<u>(2.6%)</u>
Power Charges	2,368,000	2,177,598	2,148,000	(29,598)	(1.4%)
Payroll & Related Costs	18,856,200	16,823,002	17,354,145	531,142	3.1%
Material & Maintenance	3,747,900	3,298,181	3,345,008	46,827	1.4%
Administrative Expenses	4,424,900	3,518,587	3,698,002	179,415	4.9%
Legal Fees	380,000	237,397	348,333	110,936	31.8%
Expansion Reserve	3,936,000	3,608,000	3,608,000	-	0.0%
Betterment Reserve	1,120,000	1,026,700	1,026,700	-	0.0%
Replacement Reserve	743,000	681,100	681,100	-	0.0%
Transfer to Sewer Fund Reserve	595,000	545,400	545,400	-	0.0%
Transfer to General Fund Reserve	2,285,800	2,095,300	2,095,300	-	0.0%
Transfer to Sewer Replacement	2,099,000	1,924,100	1,924,100	-	0.0%
Total Expenses	<u>\$ 82,318,200</u>	<u>\$ 74,700,284</u>	<u>\$ 74,559,737</u>	<u>\$ (140,546)</u>	<u>(0.2%)</u>
EXCESS REVENUES(EXPENSE)	<u>\$ -</u>	<u>\$ 1,204,537</u>	<u>\$ (7,037)</u>	<u>\$ 1,211,574</u>	

OTAY
Portfolio Management
Portfolio Summary
May 31, 2013

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	43,735,000.00	43,704,956.10	43,735,807.33	54.12	879	722	0.368	0.373
Certificates of Deposit - Bank	81,326.80	81,326.80	81,326.80	0.10	731	235	0.280	0.284
Local Agency Investment Fund (LAIF)	16,814,726.66	16,831,854.14	16,814,726.66	20.81	1	1	0.242	0.245
San Diego County Pool	20,187,513.74	20,091,999.74	20,187,513.74	24.98	1	1	0.392	0.397
Investments	80,818,567.20	80,710,136.78	80,819,374.53	100.00%	477	391	0.348	0.352
Cash								
Passbook/Checking (not included in yield calculations)	1,037,219.66	1,037,219.66	1,037,219.66		1	1	0.213	0.216
Total Cash and Investments	81,855,786.86	81,747,356.44	81,856,594.19		477	391	0.348	0.352

Total Earnings	May 31 Month Ending	Fiscal Year To Date
Current Year	25,163.52	316,190.42
Average Daily Balance	84,615,101.85	84,873,771.38
Effective Rate of Return	0.35%	0.41%

I hereby certify that the investments contained in this report are made in accordance with the District Investment Policy Number 27 adopted by the Board of Directors on September 6, 2006. The market value information provided by Interactive Data Corporation. The investments provide sufficient liquidity to meet the cash flow requirements of the District for the next six months of expenditures.



 Joseph Beachem, Chief Financial Officer

6-24-13

Reporting period 05/01/2013-05/31/2013

Run Date: 06/24/2013 - 09:39

Portfolio OTAY
 AP
 PM (PRF_PM1) 7.3.0
 Report Ver. 7.3.3b

**OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
May 31, 2013**

INVESTMENT OVERVIEW & MARKET STATUS:

The federal funds rate has remained constant now for over 4 years. On December 16, 2008, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was lowered from 1.00% to "a target range of between Zero and 0.25%" in response to the nation's ongoing financial crisis, as well as banking industry pressure to ease credit and stimulate the economy. This marked the ninth reduction in a row since September 18, 2007, when the rate was 5.25%. There have been no further changes made to the federal funds rate at the Federal Reserve Board's subsequent regular scheduled meetings, the most recent of which was held on June 19th, 2013. They went on to say: "*The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.*"

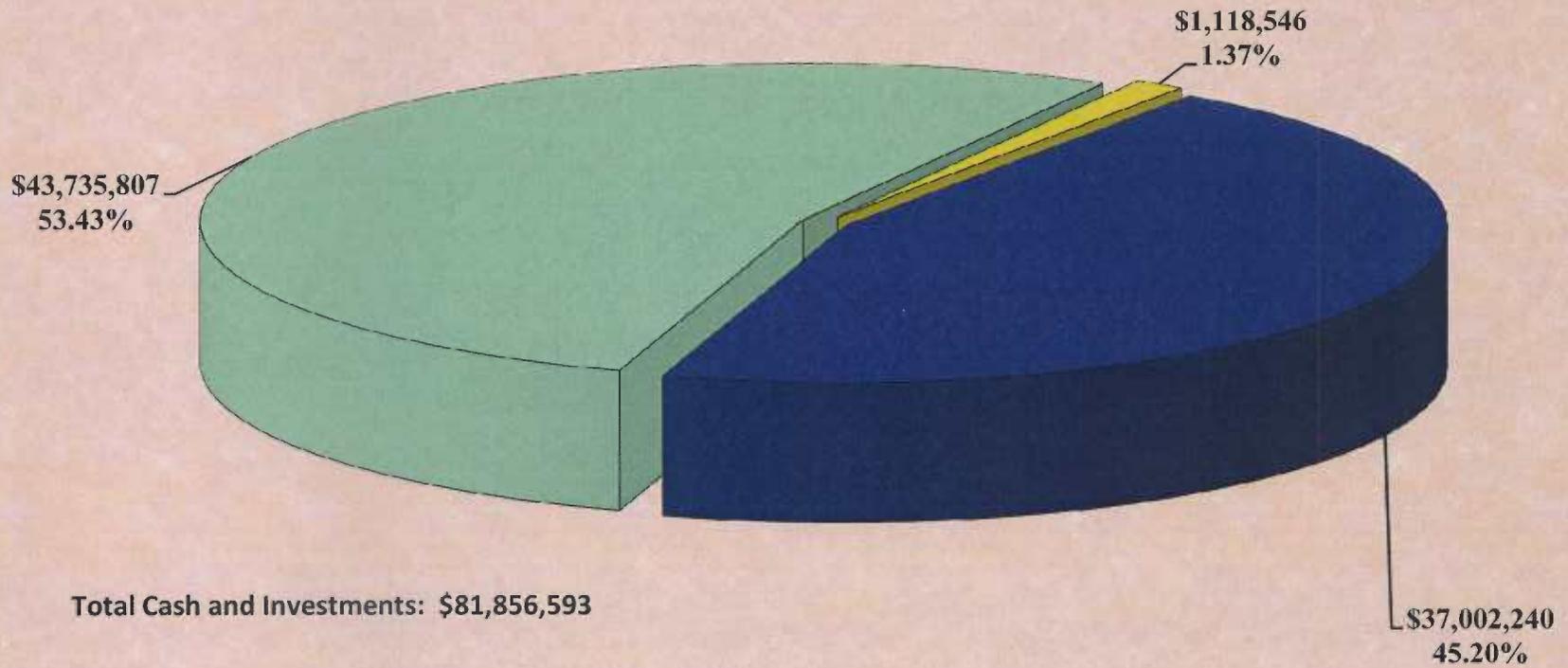
Despite the large drop in available interest rates, the District's overall effective rate of return at May 31st was 0.35%, which was two basis points below the previous month. At the same time the LAIF return on deposits has declined over the last several months, reaching an average effective yield of 0.245% for the month of May 2013. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of interest rate declines, no changes in investment strategy regarding returns on investment are being considered at this time. This desired portfolio mix is important in mitigating any liquidity risk from unforeseen changes in LAIF or County Pool policy.

In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

PORTFOLIO COMPLIANCE: May 31, 2013

	<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01:	Treasury Securities	100%	100%	0
8.02:	Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$12.7 Million
8.02:	Local Agency Investment Fund (Bonds)	100%	100%	4.99%
8.03:	Federal Agency Issues	100%	100%	53.43%
8.04:	Certificates of Deposit	30%	15%	0.10%
8.05:	Short-Term Commercial Notes	25%	15%	0
8.06:	Medium-Term Commercial Debt	30%	15%	0
8.07:	Money Market Mutual Funds	20%	15%	0
8.08:	San Diego County Pool	100%	100%	24.66%
12.0:	Maximum Single Financial Institution	100%	50%	1.27%

Otay Water District Investment Portfolio: 5/31/2013



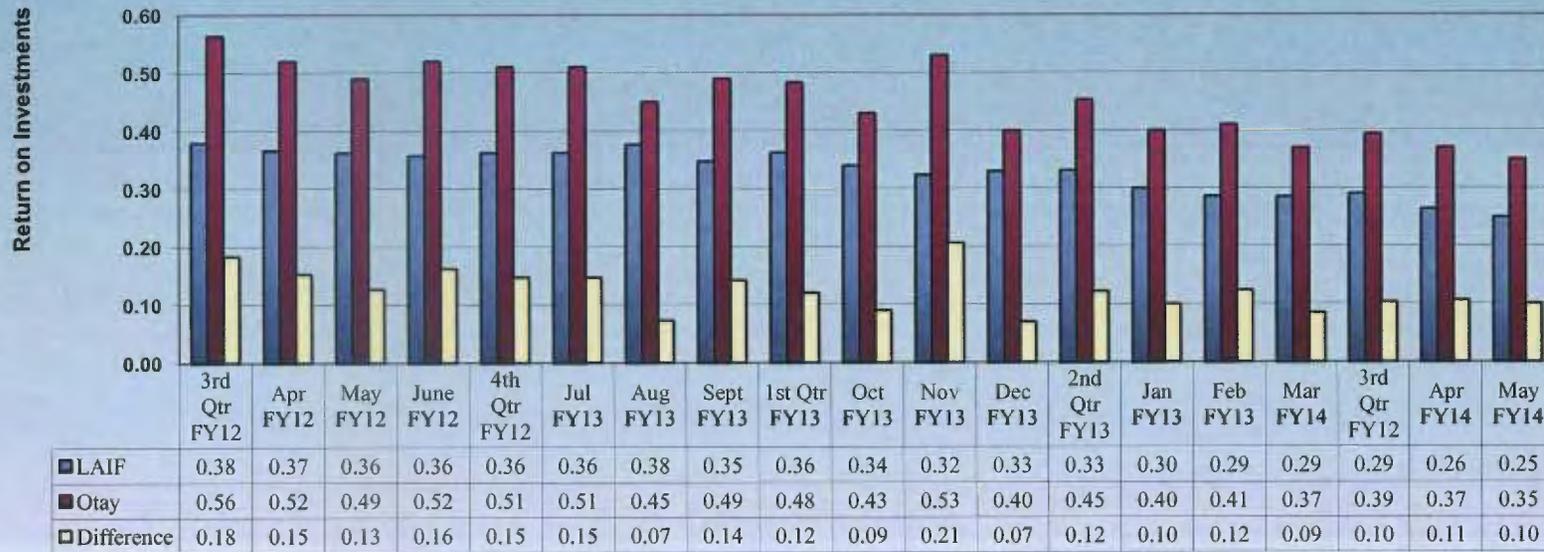
■ Banks (Passbook/Checking/CD)

■ Pools (LAIF & County)

■ Agencies & Corporate Notes

Performance Measure FY-13 Return on Investment

Target: Meet or Exceed 100% of LAIF



Month



OTAY
Portfolio Management
Portfolio Details - Investments
May 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Federal Agency Issues- Callable												
31315PWT2	2267	Federal Agricultural Mortgage		04/25/2013	2,000,000.00	1,995,320.00	2,000,000.00	0.400		0.395	968	01/25/2016
3135G0SQ7	2257	Fannie Mae		12/24/2012	3,000,000.00	2,998,920.00	3,000,000.00	0.400	AA	0.395	753	06/24/2015
3133EAU30	2253	Federal Farm Credit Bank		10/26/2012	3,000,000.00	2,999,580.00	2,999,192.17	0.320	AA	0.336	649	03/12/2015
3133EC2L7	2255	Federal Farm Credit Bank		11/13/2012	3,000,000.00	2,999,250.00	3,000,000.00	0.440	AA	0.434	895	11/13/2015
3133EC6F6	2258	Federal Farm Credit Bank		12/05/2012	3,000,000.00	2,998,800.00	3,000,000.00	0.350	AAA	0.345	730	06/01/2015
3133EC7H1	2260	Federal Farm Credit Bank		12/17/2012	3,000,000.00	2,996,070.00	3,000,000.00	0.340		0.335	807	08/17/2015
3133ECA61	2261	Federal Farm Credit Bank		12/18/2012	3,000,000.00	2,996,250.00	2,999,385.83	0.320		0.325	747	06/18/2015
3133762C8	2254	Federal Home Loan Bank		11/09/2012	3,000,000.00	3,003,840.00	3,002,229.33	0.375	AA	0.220	179	11/27/2013
313381UR4	2262	Federal Home Loan Bank		01/30/2013	3,000,000.00	2,997,750.00	3,000,000.00	0.375	AA	0.370	789	07/30/2015
3133822N2	2263	Federal Home Loan Bank		02/20/2013	3,000,000.00	2,997,720.00	3,000,000.00	0.350		0.345	629	02/20/2015
313382R39	2265	Federal Home Loan Bank		04/22/2013	2,705,000.00	2,702,998.30	2,705,000.00	0.375	AA	0.370	873	10/22/2015
313382R39	2266	Federal Home Loan Bank		04/22/2013	1,030,000.00	1,029,237.80	1,030,000.00	0.375	AA	0.370	873	10/22/2015
313382YY3	2268	Federal Home Loan Bank		05/22/2013	2,000,000.00	1,992,400.00	2,000,000.00	0.350	AA	0.345	996	02/22/2016
3134G3Y61	2256	Federal Home Loan Mortgage		12/10/2012	3,000,000.00	3,000,330.00	3,000,000.00	0.375	AAA	0.370	557	12/10/2014
3134G32R0	2259	Federal Home Loan Mortgage		12/24/2012	3,000,000.00	2,996,460.00	3,000,000.00	0.400	AA	0.395	845	09/24/2015
3135G0LL5	2244	Federal National Mortgage Assoc		06/04/2012	3,000,000.00	3,000,030.00	3,000,000.00	0.550		0.542	551	12/04/2014
Subtotal and Average			45,961,755.25		43,735,000.00	43,704,956.10	43,735,807.33			0.368	722	
Certificates of Deposit - Bank												
2050003183-5	2229	California Bank & Trust		01/22/2012	81,326.80	81,326.80	81,326.80	0.280		0.280	235	01/22/2014
Subtotal and Average			81,326.80		81,326.80	81,326.80	81,326.80			0.280	235	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA		07/01/2004	12,733,756.80	12,746,727.40	12,733,756.80	0.245		0.242	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		04/21/2010	4,080,969.86	4,085,126.74	4,080,969.86	0.245		0.242	1	
Subtotal and Average			15,172,791.18		16,814,726.66	16,831,854.14	16,814,726.66			0.242	1	
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County		07/01/2004	20,187,513.74	20,091,999.74	20,187,513.74	0.397		0.392	1	
Subtotal and Average			20,187,513.74		20,187,513.74	20,091,999.74	20,187,513.74			0.392	1	

OTAY
Portfolio Management
Portfolio Details - Investments
May 31, 2013

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
		Total and Average	84,615,101.85		80,818,567.20	80,710,136.78	80,819,374.53			0.348	391

**OTAY
Portfolio Management
Portfolio Details - Cash
May 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
Union Bank											
UNION MONEY	9002	STATE OF CALIFORNIA		07/01/2004	10,007.58	10,007.58	10,007.58	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA		07/01/2004	2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA		07/01/2004	836,854.69	836,854.69	836,854.69	0.250		0.247	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2004	27,392.60	27,392.60	27,392.60			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA		04/20/2010	689.28	689.28	689.28	0.010		0.010	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA		04/20/2010	2,421.41	2,421.41	2,421.41	0.010		0.010	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		04/20/2010	99,496.36	99,496.36	99,496.36	0.147		0.145	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		01/01/2011	57,407.74	57,407.74	57,407.74			0.000	1
Average Balance			0.00								
Total Cash and Investments			84,615,101.85		81,855,786.86	81,747,356.44	81,856,594.19			0.348	391

OTAY
Portfolio Management
Interest Earnings Summary
May 31, 2013

	May 31 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	26,175.00	205,058.18
Plus Accrued Interest at End of Period	45,774.42	46,026.76
Less Accrued Interest at Beginning of Period	(56,930.11)	(58,130.60)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	15,019.31	192,954.34
Adjusted by Premiums and Discounts	-302.43	-1,497.70
Adjusted by Capital Gains or Losses	0.00	1,633.33
Earnings during Periods	14,716.88	193,089.97
Pass Through Securities:		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	(0.00)	(0.00)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	0.00	0.00
Cash/Checking Accounts:		
Interest Collected	319.31	167,509.71
Plus Accrued Interest at End of Period	435,981.73	435,982.19
Less Accrued Interest at Beginning of Period	(425,854.40)	(480,391.45)
Interest Earned during Period	10,446.64	123,100.45
Total Interest Earned during Period	25,465.95	316,054.79
Total Adjustments from Premiums and Discounts	-302.43	-1,497.70
Total Capital Gains or Losses	0.00	1,633.33
Total Earnings during Period	25,163.52	316,190.42

OTAY
Activity Report
Sorted By Issuer
July 1, 2012 - May 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: STATE OF CALIFORNIA									
Union Bank									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		112,117,649.28	112,117,647.61	
UNION OPERATING	9004	STATE OF CALIFORNIA			0.250		9,995,563.80	10,449,677.53	
PAYROLL	9005	STATE OF CALIFORNIA					100.00	679.00	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			0.010		2,068,132.53	2,068,131.27	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.010		5,433,370.81	5,431,366.63	
UBNA-2010 BOND	9013	STATE OF CALIFORNIA			0.147		29,481.31	0.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					122,251.77	106,944.25	
Subtotal and Balance				1,445,116.45			129,766,549.50	130,174,446.29	1,037,219.66
Local Agency Investment Fund (LAIF)									
LAIF	9001	STATE OF CALIFORNIA			0.245		72,800,501.06	67,600,000.00	
LAIF BABS 2010	9012	STATE OF CALIFORNIA			0.245		13,393.25	0.00	
Subtotal and Balance				11,600,832.35			72,813,894.31	67,600,000.00	16,814,726.66
Issuer Subtotal				21.809%	13,045,948.80		202,580,443.81	197,774,446.29	17,851,946.32
Issuer: California Bank & Trust									
Certificates of Deposit - Bank									
Subtotal and Balance				81,326.80					81,326.80
Issuer Subtotal				0.099%	81,326.80		0.00	0.00	81,326.80
Issuer: Federal Agricultural Mortgage									
Federal Agency Issues- Callable									
31315PWT2	2267	Federal Agricultural Mortgage			0.400	04/25/2013	2,000,000.00	0.00	
Subtotal and Balance				0.00			2,000,000.00	0.00	2,000,000.00
Issuer Subtotal				2.443%	0.00		2,000,000.00	0.00	2,000,000.00

OTAY
Activity Report
July 1, 2012 - May 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Fannie Mae										
Federal Agency Issues- Callable										
3135G0SQ7	2257	Fannie Mae				0.400	12/24/2012	3,000,000.00	0.00	
Subtotal and Balance				0.00				3,000,000.00	0.00	3,000,000.00
Issuer Subtotal			3.665%	0.00				3,000,000.00	0.00	3,000,000.00
Issuer: Federal Farm Credit Bank										
Federal Agency Issues- Callable										
31331KZF0	2219	Federal Farm Credit Bank				0.481	09/05/2012	0.00	3,000,000.00	
3133EAEG9	2241	Federal Farm Credit Bank				0.550	02/27/2013	0.00	1,360,000.00	
3133EAU30	2253	Federal Farm Credit Bank				0.320	10/26/2012	3,000,000.00	0.00	
3133EC2L7	2255	Federal Farm Credit Bank				0.440	11/13/2012	3,000,000.00	0.00	
3133EC6F6	2258	Federal Farm Credit Bank				0.350	12/05/2012	3,000,000.00	0.00	
3133EC7H1	2260	Federal Farm Credit Bank				0.340	12/17/2012	3,000,000.00	0.00	
3133ECA61	2261	Federal Farm Credit Bank				0.320	12/18/2012	3,000,000.00	0.00	
Subtotal and Balance				4,360,000.00				15,000,000.00	4,360,000.00	15,000,000.00
Issuer Subtotal			18.325%	4,360,000.00				15,000,000.00	4,360,000.00	15,000,000.00
Issuer: Federal Home Loan Bank										
Federal Agency Issues- Callable										
313378KU4	2233	Federal Home Loan Bank				0.500	09/12/2012	0.00	3,000,000.00	
3133794G1	2239	Federal Home Loan Bank				0.500	07/15/2012	0.00	3,000,000.00	
313379JC4	2243	Federal Home Loan Bank				0.500	07/05/2012	0.00	3,000,000.00	
313379R84	2245	Federal Home Loan Bank				0.500	07/13/2012	0.00	3,000,000.00	
313379SP5	2246	Federal Home Loan Bank				0.450	07/19/2012	0.00	3,000,000.00	
313379UT4	2247	Federal Home Loan Bank				0.500	07/27/2012	0.00	3,000,000.00	
313380AV9	2248	Federal Home Loan Bank				0.450	08/13/2012	3,000,000.00	0.00	
313380AV9	2248	Federal Home Loan Bank					02/13/2013	0.00	3,000,000.00	
313380AV9A	2249	Federal Home Loan Bank				0.450	08/13/2012	1,030,000.00	0.00	
313380AV9A	2249	Federal Home Loan Bank					02/13/2013	0.00	1,030,000.00	
313380AV9B	2250	Federal Home Loan Bank				0.450	08/13/2012	2,705,000.00	0.00	
313380AV9B	2250	Federal Home Loan Bank					02/13/2013	0.00	2,705,000.00	
313380BG1	2251	Federal Home Loan Bank				0.500	08/13/2012	3,000,000.00	0.00	
313380BG1	2251	Federal Home Loan Bank					09/13/2012	0.00	3,000,000.00	

OTAY
Activity Report
July 1, 2012 - May 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Purchases or Deposits	Par Value		Ending Balance
				Beginning Balance	Current Rate			Redemptions or Withdrawals		
Issuer: Federal Home Loan Bank										
Federal Agency Issues- Callable										
313380SU2	2252	Federal Home Loan Bank			0.410	10/15/2012	3,000,000.00		0.00	
313380SU2	2252	Federal Home Loan Bank				04/23/2013	0.00		3,000,000.00	
3133762C8	2254	Federal Home Loan Bank			0.375	11/09/2012	3,000,000.00		0.00	
313381UR4	2262	Federal Home Loan Bank			0.375	01/30/2013	3,000,000.00		0.00	
3133822N2	2263	Federal Home Loan Bank			0.350	02/20/2013	3,000,000.00		0.00	
313382R39	2265	Federal Home Loan Bank			0.375	04/22/2013	2,705,000.00		0.00	
313382R39	2266	Federal Home Loan Bank			0.375	04/22/2013	1,030,000.00		0.00	
313382YY3	2268	Federal Home Loan Bank			0.350	05/22/2013	2,000,000.00		0.00	
Subtotal and Balance					18,000,000.00		27,470,000.00		30,735,000.00	14,735,000.00
Issuer Subtotal			18.001%		18,000,000.00		27,470,000.00		30,735,000.00	14,735,000.00

Issuer: Federal Home Loan Mortgage										
Federal Agency Issues- Callable										
3137EACK3	2146	Federal Home Loan Mortgage			1.125	07/27/2012	0.00		2,000,000.00	
3137EACK3A	2148	Federal Home Loan Mortgage			1.125	07/27/2012	0.00		1,030,000.00	
3137EACK3B	2149	Federal Home Loan Mortgage			1.125	07/27/2012	0.00		2,707,000.00	
3134G3AC4	2226	Federal Home Loan Mortgage			0.600	12/06/2012	0.00		3,000,000.00	
3134G3AQ3	2227	Federal Home Loan Mortgage			0.710	11/30/2012	0.00		2,000,000.00	
3134G3BN9	2228	Federal Home Loan Mortgage			0.770	12/05/2012	0.00		2,000,000.00	
3134G3SS0	2232	Federal Home Loan Mortgage			0.540	03/22/2013	0.00		3,000,000.00	
3134G3Y61	2256	Federal Home Loan Mortgage			0.375	12/10/2012	3,000,000.00		0.00	
3134G32R0	2259	Federal Home Loan Mortgage			0.400	12/24/2012	3,000,000.00		0.00	
3134G34X5	2264	Federal Home Loan Mortgage			0.300	02/06/2013	3,000,000.00		0.00	
3134G34X5	2264	Federal Home Loan Mortgage				05/06/2013	0.00		3,000,000.00	
Subtotal and Balance					15,737,000.00		9,000,000.00		18,737,000.00	6,000,000.00
Issuer Subtotal			7.330%		15,737,000.00		9,000,000.00		18,737,000.00	6,000,000.00

Issuer: Federal National Mortgage Assoc										
Federal Agency Issues- Callable										
3135G0JG9	2234	Federal National Mortgage Assoc			0.520	09/26/2012	0.00		3,000,000.00	
3135G0KL6	2238	Federal National Mortgage Assoc			0.500	04/30/2013	0.00		3,000,000.00	
3135G0KS1	2240	Federal National Mortgage Assoc			0.560	05/10/2013	0.00		3,000,000.00	

OTAY
Activity Report
July 1, 2012 - May 31, 2013

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Federal National Mortgage Assoc										
Federal Agency Issues- Callable										
3135G0LF8	2242	Federal National Mortgage Assoc				0.500	05/24/2013	0.00	3,000,000.00	
		Subtotal and Balance		15,000,000.00				0.00	12,000,000.00	3,000,000.00
		Issuer Subtotal	3.665%	15,000,000.00				0.00	12,000,000.00	3,000,000.00
Issuer: San Diego County										
San Diego County Pool										
SD COUNTY POOL	9007	San Diego County				0.397		5,078,294.52	7,000,000.00	
		Subtotal and Balance		22,109,219.22				5,078,294.52	7,000,000.00	20,187,513.74
		Issuer Subtotal	24.662%	22,109,219.22				5,078,294.52	7,000,000.00	20,187,513.74
		Total	100.000%	88,333,494.82				264,128,738.33	270,606,446.29	81,855,786.86

OTAY
GASB 31 Compliance Detail
Sorted by Fund - Fund
July 1, 2012 - May 31, 2013

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
LAIF	9001	99	Fair Value		7,542,443.62	0.00	72,800,501.06	67,600,000.00	0.00	3,782.72	12,746,727.40
UNION MONEY	9002	99	Amortized		10,005.91	0.00	112,117,649.28	112,117,647.61	0.00	0.00	10,007.58
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
UNION OPERATING	9004	99	Amortized		1,290,968.42	0.00	9,995,563.80	10,449,677.53	0.00	0.00	836,854.69
PAYROLL	9005	99	Amortized		27,971.60	0.00	100.00	679.00	0.00	0.00	27,392.60
SD COUNTY POOL	9007	99	Fair Value		22,089,000.00	0.00	5,078,294.52	7,000,000.00	0.00	-75,294.78	20,091,999.74
RESERVE-10 COPS	9010	99	Amortized		688.02	0.00	2,068,132.53	2,068,131.27	0.00	0.00	689.28
RESERVE-10 BABS	9011	99	Amortized		417.23	0.00	5,433,370.81	5,431,366.63	0.00	0.00	2,421.41
LAIF BABS 2010	9012	99	Fair Value		4,072,537.60	0.00	13,393.25	0.00	0.00	-804.12	4,085,126.74
UBNA-2010 BOND	9013	99	Amortized		70,015.05	0.00	29,481.31	0.00	0.00	0.00	99,496.36
3137EACK3	2146	99	Fair Value	07/27/2012	2,001,300.00	0.00	0.00	2,000,000.00	0.00	-1,300.00	0.00
3137EACK3A	2148	99	Fair Value	07/27/2012	1,030,669.50	0.00	0.00	1,030,000.00	0.00	-669.50	0.00
3137EACK3B	2149	99	Fair Value	07/27/2012	2,708,759.55	0.00	0.00	2,707,000.00	0.00	-1,759.55	0.00
UBNA-FLEX ACCT	9014	99	Amortized		42,100.22	0.00	122,251.77	106,944.25	0.00	0.00	57,407.74
31331KZF0	2219	99	Fair Value	12/23/2013	3,000,030.00	0.00	0.00	3,000,000.00	0.00	-30.00	0.00
3134G3AC4	2226	99	Fair Value	12/06/2013	3,000,600.00	0.00	0.00	3,000,000.00	0.00	-600.00	0.00
3134G3AQ3	2227	99	Fair Value	05/30/2014	2,001,980.00	0.00	0.00	2,000,000.00	0.00	-1,980.00	0.00
3134G3BN9	2228	99	Fair Value	06/05/2014	2,003,140.00	0.00	0.00	2,000,000.00	0.00	-3,140.00	0.00
2050003183-5	2229	99	Amortized	01/22/2014	81,326.80	0.00	0.00	0.00	0.00	0.00	81,326.80
3134G3SS0	2232	99	Fair Value	09/22/2014	3,003,870.00	0.00	0.00	3,000,000.00	0.00	-3,870.00	0.00
313378KU4	2233	99	Fair Value	09/12/2014	3,001,350.00	0.00	0.00	3,000,000.00	0.00	-1,350.00	0.00
3135G0JG9	2234	99	Fair Value	09/26/2014	3,003,000.00	0.00	0.00	3,000,000.00	0.00	-3,000.00	0.00
3135G0KL6	2238	99	Fair Value	10/30/2014	2,993,970.00	0.00	0.00	3,000,000.00	0.00	6,030.00	0.00
3133794G1	2239	99	Fair Value	05/15/2014	2,998,560.00	0.00	0.00	3,000,000.00	0.00	1,440.00	0.00
3135G0KS1	2240	99	Fair Value	02/10/2015	2,997,450.00	0.00	0.00	3,000,000.00	0.00	2,550.00	0.00
3133EAEG9	2241	99	Fair Value	02/27/2015	1,361,632.00	0.00	0.00	1,360,000.00	0.00	-1,632.00	0.00
3135G0LF8	2242	99	Fair Value	11/24/2014	2,999,640.00	0.00	0.00	3,000,000.00	0.00	360.00	0.00
313379JC4	2243	99	Fair Value	06/05/2014	3,000,060.00	0.00	0.00	3,000,000.00	0.00	-60.00	0.00
3135G0LL5	2244	99	Fair Value	12/04/2014	2,999,340.00	0.00	0.00	0.00	0.00	690.00	3,000,030.00
313379R84	2245	99	Fair Value	06/13/2014	2,996,460.00	0.00	0.00	3,000,000.00	0.00	3,540.00	0.00
313379SP5	2246	99	Fair Value	12/19/2013	2,996,610.00	0.00	0.00	3,000,000.00	0.00	3,390.00	0.00

Portfolio OTAY
AP

OTAY
 GASB 31 Compliance Detail
 Sorted by Fund - Fund

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
313379UT4	2247	99	Fair Value	06/27/2014	2,998,230.00	0.00	0.00	3,000,000.00	0.00	1,770.00	0.00
313380AV9	2248	99	Fair Value	02/13/2015	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313380AV9A	2249	99	Fair Value	02/13/2015	0.00	1,030,000.00	0.00	1,030,000.00	0.00	0.00	0.00
313380AV9B	2250	99	Fair Value	02/13/2015	0.00	2,705,000.00	0.00	2,705,000.00	0.00	0.00	0.00
313380BG1	2251	99	Fair Value	02/13/2015	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313380SU2	2252	99	Fair Value	04/15/2015	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3133EAU30	2253	99	Fair Value	03/12/2015	0.00	2,998,500.00	0.00	0.00	0.00	1,080.00	2,999,580.00
3133762C8	2254	99	Fair Value	11/27/2013	0.00	3,004,788.00	0.00	0.00	0.00	-948.00	3,003,840.00
3133EC2L7	2255	99	Fair Value	11/13/2015	0.00	3,000,000.00	0.00	0.00	0.00	-750.00	2,999,250.00
3134G3Y61	2256	99	Fair Value	12/10/2014	0.00	3,000,000.00	0.00	0.00	0.00	330.00	3,000,330.00
3135G0SQ7	2257	99	Fair Value	06/24/2015	0.00	3,000,000.00	0.00	0.00	0.00	-1,080.00	2,998,920.00
3133EC6F6	2258	99	Fair Value	06/01/2015	0.00	3,000,000.00	0.00	0.00	0.00	-1,200.00	2,998,800.00
3134G32R0	2259	99	Fair Value	09/24/2015	0.00	3,000,000.00	0.00	0.00	0.00	-3,540.00	2,996,460.00
3133EC7H1	2260	99	Fair Value	08/17/2015	0.00	3,000,000.00	0.00	0.00	0.00	-3,930.00	2,996,070.00
3133ECA61	2261	99	Fair Value	06/18/2015	0.00	2,999,250.00	0.00	0.00	0.00	-3,000.00	2,996,250.00
313381UR4	2262	99	Fair Value	07/30/2015	0.00	3,000,000.00	0.00	0.00	0.00	-2,250.00	2,997,750.00
3133822N2	2263	99	Fair Value	02/20/2015	0.00	3,000,000.00	0.00	0.00	0.00	-2,280.00	2,997,720.00
3134G34X5	2264	99	Fair Value	02/06/2015	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313382R39	2265	99	Fair Value	10/22/2015	0.00	2,705,000.00	0.00	0.00	0.00	-2,001.70	2,702,998.30
313382R39	2266	99	Fair Value	10/22/2015	0.00	1,030,000.00	0.00	0.00	0.00	-762.20	1,029,237.80
31315PWT2	2267	99	Fair Value	01/25/2016	0.00	2,000,000.00	0.00	0.00	0.00	-4,680.00	1,995,320.00
313382YY3	2268	99	Fair Value	02/22/2016	0.00	2,000,000.00	0.00	0.00	0.00	-7,600.00	1,992,400.00
Subtotal					88,327,075.52	56,472,538.00	207,658,738.33	270,606,446.29	0.00	-104,549.13	81,747,356.44
Total					88,327,075.52	56,472,538.00	207,658,738.33	270,606,446.29	0.00	-104,549.13	81,747,356.44

OTAY
Duration Report
Sorted by Investment Type - Investment Type
Through 05/31/2013

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/Call Date	Modified Duration
3134G32R0	2259	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	2,996,460.00	.4000000	0.395	0.451	09/24/2015	2.296
3134G3Y61	2256	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	3,000,330.00	.3750000	0.370	0.353	12/10/2014	1.526
3135G0LL5	2244	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	3,000,030.00	.5500000	0.542	0.549	12/04/2014	1.496
3133762C8	2254	99	Federal Home Loan Bank	Fair	3,002,229.33	3,000,000.00	3,003,840.00	.3750000	0.220	0.119	11/27/2013	0.490
313382R39	2266	99	Federal Home Loan Bank	Fair	1,030,000.00	1,030,000.00	1,029,237.80	.3750000	0.370	0.406	10/22/2015	2.377
313381UR4	2262	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,997,750.00	.3750000	0.370	0.410	07/30/2015	2.150
313382R39	2265	99	Federal Home Loan Bank	Fair	2,705,000.00	2,705,000.00	2,702,998.30	.3750000	0.370	0.406	10/22/2015	2.377
313382YY3	2268	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,992,400.00	.3500000	0.345	0.491	02/22/2016	2.707
3133822N2	2263	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,997,720.00	.3500000	0.345	0.394	02/20/2015	1.711
3133EC7H1	2260	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	2,996,070.00	.3400000	0.335	0.400	08/17/2015	2.197
3133EC6F6	2258	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	2,998,800.00	.3500000	0.345	0.494	06/01/2015	1.989
3133ECA61	2261	99	Federal Farm Credit Bank	Fair	2,999,385.83	3,000,000.00	2,996,250.00	.3200000	0.325	0.381	06/18/2015	2.035
3133EC2L7	2255	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	2,999,250.00	.4400000	0.434	0.450	11/13/2015	2.434
3133EAU30	2253	99	Federal Farm Credit Bank	Fair	2,999,192.17	3,000,000.00	2,999,580.00	.3200000	0.336	0.328	03/12/2015	1.772
3135G0SQ7	2257	99	Fannie Mae	Fair	3,000,000.00	3,000,000.00	2,998,920.00	.4000000	0.395	0.418	06/24/2015	2.049
31315PWT2	2267	99	Federal Agricultural Mortgage	Fair	2,000,000.00	2,000,000.00	1,995,320.00	.4000000	0.395	0.489	01/25/2016	2.631
2050003183-5	2229	99	California Bank & Trust	Amort	81,326.80	81,326.80	81,326.80	.2800000	0.280	0.280	01/22/2014	0.640
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	4,080,969.86	4,080,969.86	4,085,126.74	.2450000	0.242	0.245		0.000
LAIF COPS07	9009	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	1.607000	1.585	1.607		0.000
LAIF	9001	99	STATE OF CALIFORNIA	Fair	12,733,756.80	12,733,756.80	12,746,727.40	.2450000	0.242	0.245		0.000
SD COUNTY	9007	99	San Diego County	Fair	20,187,513.74	20,187,513.74	20,091,999.74	.3970000	0.392	0.397		0.000
Report Total					80,819,374.53	80,818,567.20	80,710,136.78			0.370		1.065

OTAY
Interest Earnings
Sorted by Fund - Fund
May 1, 2013 - May 31, 2013
Yield on Beginning Book Value

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Rate	Annualized Yield	Adjusted Interest Earnings			
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings	
Fund: Treasury Fund													
LAIF	9001	99	LA1	12,733,756.80	6,533,756.80	12,733,756.80		0.245	0.416	2,308.01	0.00	2,308.01	
UNION MONEY	9002	99	PA1	10,007.58	10,002.04	10,007.58		0.010	0.883	7.50	0.00	7.50	
UNION OPERATING	9004	99	PA1	836,854.69	1,090,291.37	836,854.69		0.250	0.500	462.73	0.00	462.73	
SD COUNTY POOL	9007	99	LA3	20,187,513.74	20,187,513.74	20,187,513.74		0.397	0.397	6,806.79	0.00	6,806.79	
RESERVE-10 BABS	9011	99	PA1	2,421.41	2,417.83	2,421.41		0.010	0.010	0.02	0.00	0.02	
LAIF BABS 2010	9012	99	LA1	4,080,969.86	4,080,969.86	4,080,969.86		0.245	0.245	849.17	0.00	849.17	
UBNA-2010 BOND	9013	99	PA1	99,496.36	99,496.36	99,496.36		0.147	0.147	12.42	0.00	12.42	
2050003183-5	2229	99	BCD	81,326.80	81,326.80	81,326.80	01/22/2014	0.280	0.284	19.61	0.00	19.61	
3135G0KS1	2240	99	MC1	0.00	3,000,000.00	0.00	02/10/2015	0.560	0.568	420.00	0.00	420.00	
3135G0LF8	2242	99	MC1	0.00	3,000,000.00	0.00	11/24/2014	0.500	0.507	958.33	0.00	958.33	
3135G0LL5	2244	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	12/04/2014	0.550	0.540	1,375.00	0.00	1,375.00	
3133EAU30	2253	99	MC1	3,000,000.00	2,999,139.60	2,999,192.17	03/12/2015	0.320	0.335	800.00	52.57	852.57	
3133762C8	2254	99	MC1	3,000,000.00	3,002,609.33	3,002,229.33	11/27/2013	0.375	0.219	937.50	-380.00	557.50	
3133EC2L7	2255	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	11/13/2015	0.440	0.432	1,100.00	0.00	1,100.00	
3134G3Y61	2256	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	12/10/2014	0.375	0.368	937.50	0.00	937.50	
3135G0SQ7	2257	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	06/24/2015	0.400	0.392	1,000.00	0.00	1,000.00	
3133EC6F6	2258	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	06/01/2015	0.350	0.343	875.00	0.00	875.00	
3134G32R0	2259	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	09/24/2015	0.400	0.392	1,000.00	0.00	1,000.00	
3133EC7H1	2260	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	08/17/2015	0.340	0.334	850.00	0.00	850.00	
3133ECA61	2261	99	MC1	3,000,000.00	2,999,360.83	2,999,385.83	06/18/2015	0.320	0.324	800.00	25.00	825.00	
313381UR4	2262	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	07/30/2015	0.375	0.368	937.50	0.00	937.50	
3133822N2	2263	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	02/20/2015	0.350	0.343	875.00	0.00	875.00	
3134G34X5	2264	99	MC1	0.00	3,000,000.00	0.00	02/06/2015	0.300	0.304	125.00	0.00	125.00	
313382R39	2265	99	MC1	2,705,000.00	2,705,000.00	2,705,000.00	10/22/2015	0.375	0.368	845.32	0.00	845.32	
313382R39	2266	99	MC1	1,030,000.00	1,030,000.00	1,030,000.00	10/22/2015	0.375	0.368	321.88	0.00	321.88	
31315PWT2	2267	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	01/25/2016	0.400	0.392	666.67	0.00	666.67	
313382YY3	2268	99	MC1	2,000,000.00	0.00	2,000,000.00	02/22/2016	0.350	0.319	175.00	0.00	175.00	
Subtotal				81,767,347.24	82,821,864.56	81,768,154.57				0.380	25,465.95	-302.43	25,163.52

OTAY
Interest Earnings
May 1, 2013 - May 31, 2013

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
			Total	81,767,347.24	82,821,884.56	81,768,154.57			0.380	25,465.95	-302.43	25,163.52



STAFF REPORT

TYPE MEETING: Regular Board	MEETING DATE: July 3, 2013
SUBMITTED BY: Kevin Koeppen, Finance Manager, Treasury & Acct	W.O./G.F. NO: DIV. NO.
APPROVED BY: Joseph Beachem, Chief Financial Officer (Chief)	
APPROVED BY: German Alvarez, Assistant General Manager (Asst. GM)	
SUBJECT: Accounts Payable Demand List	

PURPOSE:

Attached is the list of demands for the Board's information.

FISCAL IMPACT:

SUMMARY FOR PERIOD 5/23/2013 - 6/19/2013	NET DEMANDS
CHECKS (2037118 - 2037374)	\$ 2,359,586.74
VOID CHECKS (6)	(\$ 486.62)
TOTAL CHECKS	\$ 2,359,100.12
WIRE TO:	
CALPERS - OTHER POST EMPLOYMENT BENEFITS (MONTHLY)	\$ 143,000.00
CITY OF CHULA VISTA - BI-MONTHLY SEWER CHARGES (MAR-APR 2013)	\$ 2,877,392.23
CITY TREASURER - METROPOLITAN SEWERAGE SYSTEM (QUARTERLY)	\$ 252,423.00
DELTA DENTAL OF CALIFORNIA - DENTAL & COBRA CLAIMS (MAY 2013)	\$ 16,277.55
OTAY WATER DISTRICT - BI-WEEKLY PAYROLL DEDUCTION	\$ 693.00
OTAY WATER DISTRICT - BI-WEEKLY PAYROLL DEDUCTION	\$ 686.00
SAN DIEGO COUNTY WATER AUTH - WATER DELIVERIES & CHARGES (APR 2013)	\$ 3,633,232.20
UNION BANK - BI-WEEKLY PAYROLL TAXES	\$ 138,977.76
UNION BANK - BI-WEEKLY PAYROLL TAXES	\$ 140,161.25
UNION BANK NA - COPS 96 (MONTHLY)	\$ 1,703.15
TOTAL CASH DISBURSEMENTS	\$ 9,563,646.26

RECOMMENDED ACTION:

That the Board receive the attached list of demands.

Jb/Attachment

CHECK REGISTER

Otay Water District

Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037118	05/29/13	00179	ACRO INSTRUMENT CO	14447	05/02/13	KUNKLE VALVE RECERT	55.00	55.00
2037202	06/05/13	13072	ADAM OLIVER	Ref002428499	06/03/13	UB Refund Cst #0000127061	17.60	17.60
2037246	06/12/13	13901	ADVANCED INDUSTRIAL SVCS INC	1A	05/21/13	UPGRADES FOR RES 803-3/832-2 (ENDING 4/26/13)	100,106.25	100,106.25
2037247	06/12/13	11462	AEGIS ENGINEERING MGMT INC	1129	05/13/13	DEVELOPER PLANCHECKS (4/1/13-5/3/13)	18,046.09	
				1201	05/16/13	AS NEEDED DESIGN SVCS FY13 & FY14 (5/1/13-5/3/13)	2,890.00	20,936.09
2037119	05/29/13	11462	AEGIS ENGINEERING MGMT INC	1041	05/08/13	PLAN CHECKING (4/1/13-5/3/13)	7,452.00	7,452.00
2037325	06/19/13	03089	AGT INC	919178LA52013	05/24/13	ANNUAL SUBSCRIPTION LEGAL AID 2014	214.00	214.00
2037120	05/29/13	12083	AHERN RENTALS	120561381	05/06/13	OAC200 COMPACTOR	6,199.20	6,199.20
2037121	05/29/13	07732	AIRGAS SPECIALTY PRODUCTS INC	131287721	04/30/13	AQUA AMMONIA	3,442.07	
				131287720	04/30/13	AQUA AMMONIA	2,181.75	5,623.82
2037122	05/29/13	13753	AIRGAS USA LLC	9909340858	04/30/13	BREATHING AIR	39.25	39.25
2037248	06/12/13	14811	ALARMS UNLIMITED INC	150664	05/24/13	SECURITY UPGRADES	9,989.40	
				150547	05/13/13	SECURITY UPGRADES	8,151.49	
				150665	05/24/13	SECURITY UPGRADES	1,977.95	20,118.84
2037123	05/29/13	06261	ALCANTARA, CYNTHIA	004295	05/28/13	TRAVEL EXPENSES (5/19/13-5/24/13)	1,332.15	1,332.15
2037203	06/05/13	14921	ALEGRIA REAL ESTATE FUND II	Ref002428509	06/03/13	UB Refund Cst #0000194033	284.99	284.99
2037204	06/05/13	14926	ALEGRIA REAL ESTATE FUND II LL	Ref002428514	06/03/13	UB Refund Cst #0000197108	80.64	80.64
2037205	06/05/13	13085	ALEXANDRA VINSON	004303	05/30/13	CUSTOMER REFUND	43.18	43.18
2037249	06/12/13	01463	ALLIED ELECTRONICS INC	9001751469	05/14/13	MISC ELECTRICAL	1,894.26	1,894.26
2037250	06/12/13	02362	ALLIED WASTE SERVICES # 509	0509005208871	05/25/13	TRASH SERVICES (JUNE 2013)	530.33	
				0509005210547	05/25/13	TRASH SERVICES (JUNE 2013)	65.54	595.87
2037251	06/12/13	12911	ALTA LAND SURVEYING INC	26	05/28/13	SURVEY SERVICES (2/20/13-4/28/13)	16,385.00	16,385.00
2037326	06/19/13	14940	AMERICAN EAGLE REAL ESTATE	Ref002428744	06/17/13	UB Refund Cst #0000197518	43.72	43.72
2037252	06/12/13	06166	AMERICAN MESSAGING	L1109570NF	06/01/13	PAGER SERVICES (MAY 2013)	173.01	173.01
2037327	06/19/13	14943	AMY JEFFERIS	Ref002428747	06/17/13	UB Refund Cst #0000197906	123.31	123.31
2037124	05/29/13	00002	ANSWER INC	8355	05/22/13	ANSWERING SERVICES (MONTHLY)	1,100.00	1,100.00
2037206	06/05/13	08967	ANTHEM BLUE CROSS EAP	41139	05/24/13	EMPLOYEE ASSISTANCE PROGRAM (JUNE 2013)	316.66	316.66

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037207	06/05/13	14927	ARCHITECTURAL TRUST AND REALTY	004305	06/03/13	CUSTOMER REFUND	30.02	30.02
2037208	06/05/13	05758	AT&T	082164572805251	05/25/13	PHONE SERVICES (5/25/13-6/24/13)	2,275.35	
				61942256050513	05/20/13	PHONE SERVICES (5/20/13-6/19/13)	61.71	2,337.06
2037125	05/29/13	05758	AT&T	33784130450513	05/07/13	PHONE SERVICES (5/7/13-6/6/13)	31.71	31.71
2037253	06/12/13	05758	AT&T	61969851400513	05/24/13	PHONE SERVICES (MONTHLY)	32.12	32.12
2037126	05/29/13	07785	AT&T	000004324121	05/02/13	PHONE SERVICES (4/2/13-5/1/13)	5,674.70	
				000004326339	05/02/13	PHONE SERVICES (4/2/13-5/1/13)	15.60	5,690.30
2037127	05/29/13	08330	AT&T INTERNET SERVICES	8547826250413	05/08/13	INTERNET BANDWIDTH (4/21/13-5/20/13)	2,028.00	2,028.00
2037328	06/19/13	03407	ATKINS, SUSAN	004357	06/17/13	COMPUTER LOAN	1,160.48	1,160.48
2037254	06/12/13	11285	AZTEC FIRE & SAFETY INC	48948	05/13/13	LOCKER MAINTENANCE	322.63	322.63
2037209	06/05/13	14916	BARBARA HOWARD	Ref002428504	06/03/13	UB Refund Cst #0000185624	44.72	44.72
2037128	05/29/13	14577	BASILE CONSTRUCTION INC	4	05/03/13	ORANGE AVE / 805 12-INCH PIPELINE (ENDING 4/30/13)	302,111.67	302,111.67
2037255	06/12/13	06834	BAUDVILLE INC	2559526	05/21/13	VISITOR BADGES	409.84	409.84
2037210	06/05/13	14908	BERNARD THOMAS	Ref002428495	06/03/13	UB Refund Cst #0000025544	41.17	41.17
2037256	06/12/13	10970	BRENNTAG PACIFIC INC	BPI308720	05/24/13	SODIUM HYPOCHLORITE	3,406.98	
				BPI305960	05/16/13	SODIUM HYPOCHLORITE	2,012.43	
				BPI307432	05/21/13	SODIUM HYPOCHLORITE	1,397.85	
				BPI304411	05/13/13	SODIUM HYPOCHLORITE	1,285.03	
				BPI307090	05/20/13	SODIUM HYPOCHLORITE	1,254.35	
				BPI308721	05/24/13	SODIUM HYPOCHLORITE	1,177.66	
				BPI304635	05/13/13	SODIUM HYPOCHLORITE	1,012.24	
				BPI305682	05/16/13	SODIUM HYPOCHLORITE	796.43	
				BPI307089	05/20/13	SODIUM HYPOCHLORITE	611.29	12,954.26
2037129	05/29/13	10970	BRENNTAG PACIFIC INC	BPI300819	04/30/13	SODIUM HYPOCHLORITE	2,302.73	
				BPI302255	05/03/13	SODIUM HYPOCHLORITE	1,585.20	
				BPI303994	05/09/13	SODIUM HYPOCHLORITE	1,449.33	
				BPI302257	05/06/13	SODIUM HYPOCHLORITE	847.91	
				BPI301854	05/02/13	SODIUM HYPOCHLORITE	717.56	
				BPI302256	05/06/13	SODIUM HYPOCHLORITE	678.11	
				BPI303995	05/09/13	SODIUM HYPOCHLORITE	670.44	8,251.28
2037211	06/05/13	14909	BRIAN GABRYELSKI	Ref002428496	06/03/13	UB Refund Cst #0000071002	41.96	41.96

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037130	05/29/13	08156	BROWNSTEIN HYATT FARBER	531047	04/15/13	ADVOCACY SERVICES (THROUGH 3/31/13)	585.00	585.00
2037131	05/29/13	13824	BUSINESS MANAGEMENT DAILY	REN1R04	05/06/13	SUBSCRIPTION	131.32	131.32
2037257	06/12/13	02920	CALIFORNIA COMMERCIAL	127856	05/17/13	ASPHALT	1,130.98	
				128068	05/22/13	ASPHALT	470.23	1,601.21
2037132	05/29/13	02920	CALIFORNIA COMMERCIAL	127562	05/09/13	ASPHALT	194.83	
				127561	05/09/13	ASPHALT	26.19	221.02
2037258	06/12/13	01004	CALOLYMPIC SAFETY	316189	05/16/13	GT BATTERY/ WINDSOCK	32.05	32.05
2037133	05/29/13	01004	CALOLYMPIC SAFETY	313245	03/11/13	SENSOR	185.79	185.79
2037259	06/12/13	04071	CAPITOL WEBWORKS LLC	25530	04/30/13	ELECTRONIC FILING FEE (QUARTERLY)	45.00	45.00
2037260	06/12/13	14781	CARDIAC SCIENCE CORPORATION	1572288	05/22/13	SAFETY EQUIPMENT	2,211.00	2,211.00
2037134	05/29/13	02758	CARMEL BUSINESS SYSTEMS INC	7663	05/01/13	DOCUMENT SERVICES (APR 2013)	2,518.35	
				7662	05/01/13	RECORDS MGMT SVCS (4/2/13-4/10/13)	193.25	
				7661	05/01/13	DOCUMENT SERVICES (4/19/13)	112.20	2,823.80
2037135	05/29/13	03232	CDW GOVERNMENT INC	BX95864	04/30/13	SUBSCRIPTION LICENSE	9,750.00	9,750.00
2037261	06/12/13	09801	CENTERBEAM INC	17835	03/30/13	NETWORK MAINTENANCE	2,143.75	
				18197	05/30/13	NETWORK MAINTENANCE	262.50	2,406.25
2037212	06/05/13	04349	CHAMBERS, JONATHAN	004308	06/04/13	TUITION REIMBURSEMENT	105.00	105.00
2037329	06/19/13	14933	CHARLES BOEING	Ref002428737	06/17/13	UB Refund Cst #0000187580	144.02	144.02
2037262	06/12/13	13900	COMMUNITY BANK	12	05/13/13	RETENTION / GARCIA JUAREZ (ENDING 4/30/13)	4,009.25	4,009.25
2037263	06/12/13	14929	CONSTRUCTION MANAGER	004347	06/11/13	CERTIFICATION RENEWAL	200.00	200.00
2037264	06/12/13	02643	CORE-ROSION PRODUCTS	C2013226	05/22/13	405GAL TANK & ACCESSORIES	4,721.80	4,721.80
2037330	06/19/13	02643	CORE-ROSION PRODUCTS	C2013212	05/14/13	1000GAL TANK	6,750.00	6,750.00
2037136	05/29/13	12334	CORODATA MEDIA STORAGE INC	DS1257151	04/30/13	TAPE STORAGE	336.26	336.26
2037331	06/19/13	02612	COUNCIL OF WATER UTILITIES	004354	06/17/13	MEETING REGISTRATION	25.00	25.00
2037265	06/12/13	00099	COUNTY OF SAN DIEGO	DPWAROTAYMW	05/02/13	EXCAVATION PERMITS (MAR 2013)	3,011.78	
				DPWAROTAYMW	05/02/13	EXCAVATION PERMITS (JAN 2013)	2,538.44	
				DPWAROTAYMW	05/02/13	EXCAVATION PERMITS (FEB 2013)	1,445.22	
				DPWAROTAYMW	05/02/13	EXCAVATION PERMITS (11/15/13-12/31/12)	1,404.58	

CHECK REGISTER

Otay Water District

Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
				DPWAROTAYMW	05/02/13	EXCAVATION PERMITS (APR 2013)	1,336.69	9,736.71
2037137	05/29/13	00184	COUNTY OF SAN DIEGO	DEH130382D11	05/09/13	SHUT DOWN TEST (4/2/13)	284.00	284.00
2037266	06/12/13	08479	COUNTY OF SAN DIEGO	CA719620513	05/21/13	O & M AND CAPITAL REPLACEMENT (FY 2011-2012)	285,112.00	285,112.00
2037267	06/12/13	02756	COX COMMUNICATIONS SAN DIEGO	27170513	05/29/13	INTERNET SERVICES (5/29/13-6/28/13)	1,500.00	
				28810513	05/29/13	INTERNET SERVICES (5/29/13-6/28/13)	1,500.00	3,000.00
2037268	06/12/13	00693	CSDA, SAN DIEGO CHAPTER	004349	06/03/13	QUARTERLY MEETING (5/16/13)	117.00	117.00
2037213	06/05/13	14919	DANIEL PLAZA	Ref002428507	06/03/13	UB Refund Cst #0000188158	12.85	12.85
2037214	06/05/13	14915	DEBBIE EKHAML	Ref002428503	06/03/13	UB Refund Cst #0000181853	31.05	31.05
2037269	06/12/13	00319	DEPARTMENT OF PUBLIC HEALTH	004345	06/04/13	APPLICATION FEE	105.00	105.00
2037215	06/05/13	00319	DEPARTMENT OF PUBLIC HEALTH	004304	05/31/13	CERTIFICATE EXAMINATION FEE	65.00	65.00
2037332	06/19/13	14675	DEPENDABLE MARINE INC	20153	06/14/13	REPAIR PART	2,801.52	2,801.52
2037333	06/19/13	14935	DIANE PEPLÉ	Ref002428739	06/17/13	UB Refund Cst #0000194721	122.34	122.34
2037334	06/19/13	03417	DIRECTV	20622586505	06/05/13	SATELLITE TV (6/4/13-7/3/13)	18.90	18.90
2037216	06/05/13	03417	DIRECTV	20504845808	05/19/13	SATELLITE TV (5/18/13-6/17/13)	6.00	6.00
2037138	05/29/13	03417	DIRECTV	20401123115	05/05/13	SATELLITE TV (5/4/13-6/3/13)	18.00	18.00
2037139	05/29/13	00993	DIVE/CORR INC	1359	05/10/13	DIVE INSPECTION	5,250.00	5,250.00
2037270	06/12/13	02447	EDCO DISPOSAL CORPORATION	1554580513	05/31/13	RECYCLING SERVICES (MAY 2013)	95.00	95.00
2037335	06/19/13	06525	ELECTRIC MOTOR SPECIALISTS INC	4962	05/22/13	PUMP AND MOTOR REBUILD	18,732.80	18,732.80
2037336	06/19/13	08023	EMPLOYEE BENEFIT SPECIALISTS	0060879IN	05/31/13	EMPLOYEE BENEFITS (MAY 2013)	687.50	687.50
2037271	06/12/13	14602	ENVIRO-CARE CO	EC212037	05/31/13	GRIT WASHER / COMPACTOR	60,076.40	60,076.40
2037272	06/12/13	03227	ENVIROMATRIX ANALYTICAL INC	3050748	05/20/13	RECYCLED WATER ANALYSIS (5/4/13-5/9/13)	555.00	
				3050531	05/13/13	RECYCLED WATER ANALYSIS (4/29/13-5/3/13)	380.00	935.00
2037140	05/29/13	03227	ENVIROMATRIX ANALYTICAL INC	3050363	05/06/13	RECYCLED WATER ANALYSIS (4/19/13-4/28/13)	915.00	915.00
2037337	06/19/13	14931	ERIC BLANKENBECLER	Ref002428735	06/17/13	UB Refund Cst #0000184361	112.52	112.52
2037273	06/12/13	14320	EUROFINS EATON ANALYTICAL INC	L0123759	05/23/13	OUTSIDE LAB SERVICES (5/8/13)	255.00	255.00
2037274	06/12/13	00645	FEDEX	229745307	06/07/13	MAIL SERVICES (5/31/13-6/3/13)	24.64	
				228346299	05/24/13	MAIL SERVICES (5/16/13)	6.24	30.88

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037141	05/29/13	03546	FERGUSON WATERWORKS # 1083	0436077	04/30/13	INVENTORY	2,157.67	7,537.82
				0436076	04/30/13	WAREHOUSE SUPPLIES	2,034.25	
				04351371	05/06/13	INVENTORY	1,946.74	
				0435402	05/06/13	REDI CLAMP	1,399.16	
2037275	06/12/13	03546	FERGUSON WATERWORKS # 1083	0438426	05/24/13	INVENTORY	4,868.42	5,774.54
				0438422	05/24/13	INVENTORY	906.12	
2037142	05/29/13	12187	FIRST AMERICAN DATA TREE LLC	9003400413	04/30/13	ONLINE DOCUMENTS (4/1/13-4/30/13)	99.00	99.00
2037276	06/12/13	04066	FIRST CHOICE SERVICES - SD	000105	05/14/13	COFFEE SUPPLIES	337.90	445.79
				000645	05/15/13	WATER FILTERS	107.89	
2037143	05/29/13	04066	FIRST CHOICE SERVICES - SD	229916	04/30/13	COFFEE SUPPLIES	365.53	365.53
2037144	05/29/13	11962	FLEETWASH INC	x121615	05/03/13	VEHICLE/FLEET WASHING SERVICE	186.15	286.89
				x124708	05/10/13	VEHICLE/FLEET WASHING SERVICE	100.74	
2037338	06/19/13	11962	FLEETWASH INC	X127000	05/17/13	VEHICLE/FLEET WASHING SERVICE	137.97	186.15
				X129753	05/24/13	VEHICLE/FLEET WASHING SERVICE	48.18	
2037217	06/05/13	14814	FLUID COMPONENTS INTL LLC	1080114	05/10/13	ELECTRONICS PCB	3,112.08	3,112.08
2037339	06/19/13	01612	FRANCHISE TAX BOARD	Ben2428831	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	90.00	90.00
2037218	06/05/13	01612	FRANCHISE TAX BOARD	Ben2428593	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	90.00	90.00
2037219	06/05/13	02344	FRANCHISE TAX BOARD	Ben2428599	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	81.00	81.00
2037340	06/19/13	02344	FRANCHISE TAX BOARD	Ben2428837	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	81.00	81.00
2037277	06/12/13	05981	FROME, TERRY	004348	06/05/13	SAFETY BOOTS	88.27	88.27
2037278	06/12/13	13716	GARCIA JUAREZ CONSTRUCTION INC	12	05/13/13	CALAVO GARDENS (ENDING 4/30/13)	76,175.75	76,175.75
2037145	05/29/13	10817	GEXPRO	580214392	05/02/13	VERSAMAX PLC	595.30	595.30
2037279	06/12/13	10817	GEXPRO	580336907	05/20/13	SOFTWARE SUPPORT	1,462.95	1,462.95
2037280	06/12/13	00101	GRAINGER INC	9141597006	05/14/13	WIRE PVC CONDUIT	1,206.67	1,293.93
				9141597014	05/14/13	WIRE PVC CONDUIT	87.26	
2037146	05/29/13	00101	GRAINGER INC	9134339028	05/06/13	WAREHOUSE SUPPLIES	280.46	434.67
				9133708819	05/03/13	OFFICE SUPPLIES	143.59	
				9136205128	05/07/13	WAREHOUSE SUPPLIES	10.62	
2037147	05/29/13	12907	GREENRIDGE LANDSCAPE INC	10775	04/30/13	LANDSCAPING SERVICES (APR 2013)	8,650.00	8,650.00

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037341	06/19/13	14938	GREGG PHILLIPSON	Ref002428742	06/17/13	UB Refund Cst #0000196361	39.06	39.06
2037342	06/19/13	14934	GREGORY ARMENDARIZ	Ref002428738	06/17/13	UB Refund Cst #0000188408	38.57	38.57
2037148	05/29/13	03773	GTC SYSTEMS INC	35405	05/01/13	NETWORK SERVICES (MAY 2013)	3,173.00	3,173.00
2037220	06/05/13	14911	GUADALUPE ROMERO	Ref002428498	06/03/13	UB Refund Cst #0000086537	61.81	61.81
2037221	06/05/13	14917	GUSTAVO VEGA	Ref002428505	06/03/13	UB Refund Cst #0000187059	78.80	78.80
2037149	05/29/13	00174	HACH COMPANY	8275078	04/30/13	HACH ANALYZERS	2,562.81	2,562.81
2037281	06/12/13	00174	HACH COMPANY	8312202	05/23/13	PH SYSTEM	1,610.28	
				8296847	05/14/13	PH SYSTEM	1,040.87	2,651.15
2037343	06/19/13	00174	HACH COMPANY	8303978	05/17/13	MISC PARTS INF PH ANALYZER	498.96	
				8301868	05/16/13	MISC PARTS INF PH ANALYZER	495.07	994.03
2037282	06/12/13	00201	HARRINGTON INDL PLASTICS LLC	004D5339	05/20/13	SLUICINGS WATER PIPE	857.18	857.18
2037222	06/05/13	04472	HECTOR I MARES-COSSIO	98	05/28/13	BI-NATIONAL CONSULTANT SERVICES (APR 2013)	3,600.00	3,600.00
2037150	05/29/13	09710	HOMESTEAD TREE SERVICE INC	1584	05/10/13	TREE REMOVAL	975.00	975.00
2037283	06/12/13	12335	HP ENTERPRISE SERVICES LLC	U3069185	05/13/13	IVR PAYMENT SERVICES (APR 2013)	1,863.90	1,863.90
2037151	05/29/13	06511	HUDSON SAFE-T-LITE RENTALS	00015955	05/02/13	ARROW BOARD	4,536.00	4,536.00
2037223	06/05/13	09348	INDUSTRIAL MAINTENANCE SERVICE	13930	03/18/13	REPAIR PART	486.25	486.25
2037152	05/29/13	08969	INFOSEND INC	68351	04/30/13	POSTAGE (APR 2013)	12,926.21	
				68469	05/02/13	BILL PRINTING SERVICES (APR 2013)	5,166.80	
				68350	04/30/13	BILL PRINTING SERVICES (APR 2013)	4,911.34	23,004.35
2037284	06/12/13	03380	INSIGHT PUBLIC SECTOR INC	1100314439	05/13/13	HARDWARE SUPPORT	33,031.52	33,031.52
2037153	05/29/13	02372	INTERIOR PLANT SERVICE INC	4384	04/30/13	PLANT SERVICES (ENDING 4/30/13)	205.00	205.00
2037154	05/29/13	13899	INTERMEDIA.NET INC	2013050107	05/01/13	EXCHANGE OUTSOURCING (4/2/13-5/1/13)	3,480.44	3,480.44
2037155	05/29/13	03077	JANI-KING OF CALIFORNIA INC	SDO04130166	04/01/13	JANITORIAL SERVICES (APR 2013)	1,119.82	1,119.82
2037156	05/29/13	10563	JCI JONES CHEMICALS INC	580381	05/01/13	CHLORINE	4,837.80	4,837.80
2037285	06/12/13	03172	JONES & STOKES ASSOCIATES INC	0094140	05/16/13	ENVIRONMENTAL CONSULTING (4/1/13-4/26/13)	3,897.81	
				0094139	05/16/13	ENVIRONMENTAL CONSULTING (4/1/13-4/26/13)	2,400.00	
				0094138	05/16/13	ENVIRONMENTAL CONSULTING (4/1/13-4/26/13)	2,255.00	
				0094137	05/16/13	ENVIRONMENTAL CONSULTING (4/1/13-4/26/13)	1,420.00	9,972.81

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037224	06/05/13	14918	KARLYN BARRETT	Ref002428506	06/03/13	UB Refund Cst #0000187902	208.28	208.28
2037286	06/12/13	05840	KIRK PAVING INC	5351	05/14/13	PAVING SERVICES	7,000.40	7,000.40
2037157	05/29/13	04996	KNOX ATTORNEY SERVICE INC	136261	04/30/13	DELIVERY SERVICES (3/29/13-4/12/13)	193.50	193.50
2037287	06/12/13	12276	KONECRANES INC	SDG00779343	05/16/13	HOIST CERTIFICATION	800.00	800.00
2037158	05/29/13	14036	KRATOS / HBE	SM41684	04/19/13	ALARM MONITORING (APR 2013)	55.00	
				SM41685	04/19/13	ALARM MONITORING (APR 2013)	55.00	
				SM42039	05/10/13	ALARM MONITORING (MAY 2013)	55.00	
				SM42038	05/10/13	ALARM MONITORING (MAY 2013)	55.00	
				SM41686	04/19/13	ALARM MONITORING (APR 2013)	40.00	
				SM42037	05/10/13	ALARM MONITORING (MAY 2013)	40.00	300.00
2037288	06/12/13	01859	LA PRENSA SAN DIEGO	24125	05/18/13	JOB POSTING	42.00	42.00
2037289	06/12/13	06497	LAKESIDE LAND COMPANY	270887	05/22/13	LANDFILL	33.20	33.20
2037344	06/19/13	05632	LARSON, BRAD	004355	06/13/13	TUITION REIMBURSEMENT	220.00	220.00
2037345	06/19/13	14936	LAS PALMAS 56 DEV LLC	Ref002428740	06/17/13	UB Refund Cst #0000194935	26.78	26.78
2037346	06/19/13	14932	LAS PALMAS 56 DEVELOPMENT LLC	Ref002428736	06/17/13	UB Refund Cst #0000184702	844.33	844.33
2037159	05/29/13	09511	LAYFIELD ENVIRONMENTAL SYSTEMS	2	05/08/13	FLOATING COVER REPLACEMENT (ENDING 4/30/13)	187,165.20	187,165.20
2037347	06/19/13	14942	LEI NI	Ref002428746	06/17/13	UB Refund Cst #0000197751	102.48	102.48
2037348	06/19/13	07784	LICON, HECTOR	004358	06/14/13	SAFETY BOOTS	150.00	150.00
2037290	06/12/13	01464	MAG SYSTEMS INC	194395518	05/15/13	AGM MODULES	1,231.17	1,231.17
2037225	06/05/13	14923	MARIELEX VILORIA	Ref002428511	06/03/13	UB Refund Cst #0000194792	156.77	156.77
2037291	06/12/13	02902	MARSTON+MARSTON INC	201361	06/01/13	COMMUNITY OUTREACH (MAY 2013)	5,000.00	5,000.00
2037349	06/19/13	14944	MARY WINROW	004353	06/13/13	CUSTOMER REFUND	1,020.48	1,020.48
2037160	05/29/13	01183	MCMASTER-CARR SUPPLY CO	50952228	04/30/13	PIPE CLAMPS	485.33	485.33
2037292	06/12/13	01183	MCMASTER-CARR SUPPLY CO	51916663	05/15/13	SLUICINGS PIPING	148.26	148.26
2037226	06/05/13	14920	MCMILLIN ROLLING HILLS RANCH	Ref002428508	06/03/13	UB Refund Cst #0000193974	32.02	32.02
2037227	06/05/13	14922	MELISSA BATHAN	Ref002428510	06/03/13	UB Refund Cst #0000194790	29.90	29.90
2037293	06/12/13	01824	MERKEL & ASSOCIATES INC	13052101	05/21/13	ENVIRONMENTAL SERVICES (4/1/13-4/30/13)	34,995.78	34,995.78
2037228	06/05/13	14912	MICHELLE LOIBL	Ref002428500	06/03/13	UB Refund Cst #0000154086	65.64	65.64

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

Check #	Date	Vendor	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
2037294	06/12/13	09227	MOORE INDUSTRIES-INTRNTL INC	588341	05/23/13	PID CONTROLLERS	2,135.20	2,135.20
2037161	05/29/13	12908	NARASIMHAN CONSULTING SERVICES	039010	03/23/13	HYDRAULIC MODELING SERVICES (12/30/12-2/22/13)	981.25	981.25
2037229	06/05/13	03523	NATIONAL DEFERRED COMPENSATION	Ben2428591	06/06/13	BI-WEEKLY DEFERRED COMP PLAN	8,557.61	8,557.61
2037350	06/19/13	03523	NATIONAL DEFERRED COMPENSATION	Ben2428829	06/20/13	BI-WEEKLY DEFERRED COMP PLAN	8,557.61	8,557.61
2037295	06/12/13	01559	NATIONAL PUBLIC EMPLOYER LABOR	OWD6713ARB	06/07/13	ARBITRATOR SEARCH	280.00	280.00
2037162	05/29/13	14856	NEXUS IS INC	JC629773	04/30/13	NETWORK HARDWARE	3,846.90	3,846.90
2037230	06/05/13	03467	NIAGARA CONSERVATION CORP	INV00058407	04/25/13	OUTREACH MATERIALS	1,489.64	1,489.64
2037231	06/05/13	14914	NORBERTO DOMENICK	Ref002428502	06/03/13	UB Refund Cst #0000162000	15.76	15.76
2037351	06/19/13	08656	NORTH STATE ENVIRONMENTAL	203827	05/15/13	ASBESTOS DISPOSAL	302.60	302.60
2037352	06/19/13	14118	NORTHSTAR COURIER INC	2435	06/12/13	COURIER SERVICE	69.28	69.28
2037163	05/29/13	00510	OFFICE DEPOT INC	656338177001	05/06/13	OFFICE SUPPLIES	131.20	
				656378932001	05/06/13	OFFICE SUPPLIES	58.58	
				656378997001	05/06/13	OFFICE SUPPLIES	27.13	216.91
2037296	06/12/13	00510	OFFICE DEPOT INC	657807739001	05/16/13	OFFICE SUPPLIES	127.34	
				657803353001	05/16/13	OFFICE SUPPLIES	119.85	
				655211634002	05/20/13	OFFICE SUPPLIES	8.10	255.29
2037232	06/05/13	00510	OFFICE DEPOT INC	654287831001	04/25/13	MICROWAVE	188.56	188.56
2037353	06/19/13	00510	OFFICE DEPOT INC	658699274001	05/22/13	OFFICE SUPPLIES	75.15	
				658699519001	05/22/13	OFFICE SUPPLIES	22.90	98.05
2037297	06/12/13	03149	ON SITE LASER LLC	47666	05/21/13	PRINTER SERVICES	258.00	258.00
2037298	06/12/13	07496	ORTEGA-CARRILLO, ALMA PATRICIA	004310	06/07/13	TUITION REIMBURSEMENT	384.58	
				004346	06/04/13	SAFETY BOOTS	119.79	504.37
2037164	05/29/13	01002	PACIFIC PIPELINE SUPPLY	159431	05/01/13	METER UPGRADE	233.28	233.28
2037299	06/12/13	01002	PACIFIC PIPELINE SUPPLY	160111	05/13/13	INVENTORY	3,455.65	3,455.65
2037233	06/05/13	14924	PATTI MCKELVEY	Ref002428512	06/03/13	UB Refund Cst #0000196159	102.08	102.08
2037234	06/05/13	14925	PAUL PISTEY	Ref002428513	06/03/13	UB Refund Cst #0000196647	96.91	96.91
2037165	05/29/13	05497	PAYPAL INC	23686764	04/30/13	PHONE PAYMENT SERVICES (APR 2013)	54.10	54.10

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037300	06/12/13	03790	PENHALL COMPANY	33511	05/21/13	SAW CUTTING SERVICES	267.50	267.50
2037301	06/12/13	00053	PITNEY BOWES INC	674117	05/24/13	E-Z SEAL	54.15	54.15
2037354	06/19/13	03351	POSADA, ROD	004359	06/18/13	TUITION REIMBURSEMENT	200.00	200.00
2037166	05/29/13	07346	PRIME ELECTRICAL SERVICES INC	11276	03/29/13	CONDUIT / WIRING SERVICES	35,782.00	35,782.00
2037167	05/29/13	13059	PRIORITY BUILDING SERVICES	34626	04/01/13	JANITORIAL SERVICES (APR 2013)	3,504.00	3,504.00
2037355	06/19/13	02476	PROGRESSIVE BUS PUBLICATIONS	05888478	06/06/13	SUBSCRIPTION RENEWAL	475.20	475.20
2037168	05/29/13	06641	PRUDENTIAL OVERALL SUPPLY	30339345	05/09/13	UNIFORMS, TOWELS & MATS	426.60	
				30337859	05/02/13	UNIFORMS, TOWELS & MATS	373.27	
				30337858	05/02/13	UNIFORMS, TOWELS & MATS	213.12	
				30339344	05/09/13	UNIFORMS, TOWELS & MATS	213.12	
				30337860	05/02/13	UNIFORMS, TOWELS & MATS	182.50	
				30339346	05/09/13	UNIFORMS, TOWELS & MATS	182.50	
				30337219	04/30/13	UNIFORMS, TOWELS & MATS	114.12	
				30338730	05/07/13	UNIFORMS, TOWELS & MATS	114.12	
				30337861	05/02/13	UNIFORMS, TOWELS & MATS	50.36	
				30339347	05/09/13	UNIFORMS, TOWELS & MATS	50.36	
				30337218	04/30/13	UNIFORMS, TOWELS & MATS	46.08	
				30338729	05/07/13	UNIFORMS, TOWELS & MATS	46.08	2,012.23
2037302	06/12/13	06641	PRUDENTIAL OVERALL SUPPLY	30340849	05/16/13	UNIFORMS, TOWELS & MATS	404.11	
				30342274	05/23/13	UNIFORMS, TOWELS & MATS	377.70	
				30340848	05/16/13	UNIFORMS, TOWELS & MATS	213.12	
				30342273	05/23/13	UNIFORMS, TOWELS & MATS	213.12	
				30340850	05/16/13	UNIFORMS, TOWELS & MATS	182.50	
				30342275	05/23/13	UNIFORMS, TOWELS & MATS	182.50	
				30340851	05/16/13	UNIFORMS, TOWELS & MATS	137.83	
				30340223	05/14/13	UNIFORMS, TOWELS & MATS	114.12	
				30341608	05/21/13	UNIFORMS, TOWELS & MATS	114.12	
				30342276	05/23/13	UNIFORMS, TOWELS & MATS	84.86	
				30341607	05/21/13	UNIFORMS, TOWELS & MATS	50.08	
				30340222	05/14/13	UNIFORMS, TOWELS & MATS	46.08	2,120.14
2037303	06/12/13	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2428583	06/06/13	BI-WEEKLY PERS CONTRIBUTION	150,911.28	150,911.28
2037169	05/29/13	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2428357	05/23/13	BI-WEEKLY PERS CONTRIBUTION	151,140.82	151,140.82
2037304	06/12/13	01342	R J SAFETY SUPPLY CO INC	31332500	05/22/13	SAFETY SUPPLIES	828.86	828.86

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037170	05/29/13	01342	R J SAFETY SUPPLY CO INC	31287300	04/30/13	AIR MASK CERTIFICATION	201.00	201.00
2037356	06/19/13	04552	REA & PARKER RESEARCH	004351	06/14/13	CONSULTANT SERVICES	3,625.00	3,625.00
2037171	05/29/13	04552	REA & PARKER RESEARCH	004276	05/09/13	CONSULTANT SERVICES	7,250.00	
				004293	05/21/13	CONSULTANT SERVICES	3,625.00	10,875.00
2037357	06/19/13	14941	REEM DROGAN	Ref002428745	06/17/13	UB Refund Cst #0000197702	41.91	41.91
2037172	05/29/13	09993	REPROHAUS CORP	0000171763	05/01/13	FRAMING SERVICES	114.08	114.08
2037305	06/12/13	00521	RICK POST WELDING &	9487	05/23/13	WELDING AND WET TAPPING	420.00	420.00
2037358	06/19/13	14930	ROBERT DEPHILIPPIS	Ref002428734	06/17/13	UB Refund Cst #0000088356	119.58	119.58
2037359	06/19/13	06412	ROMERO, TANYA	004356	06/13/13	TUITION REIMBURSEMENT	136.45	136.45
2037235	06/05/13	14910	RONALDO SILVA	Ref002428497	06/03/13	UB Refund Cst #0000076223	41.96	41.96
2037173	05/29/13	10203	ROSEMOUNT INC	70407654	05/03/13	MAGMETER ELECTRONICS	2,141.59	2,141.59
2037174	05/29/13	02620	ROTORK CONTROLS INC	CI06463	05/02/13	AIR SCOUR ROTORK	1,163.70	1,163.70
2037360	06/19/13	14939	SACRAMENTO TRUST	Ref002428743	06/17/13	UB Refund Cst #0000196648	153.72	153.72
2037175	05/29/13	05130	SAFARI MICRO INC	230260	05/10/13	HP COMPAQ ELITE 8300	9,458.53	9,458.53
2037306	06/12/13	05130	SAFARI MICRO INC	230683	05/15/13	HP 9470m LAPTOP	2,500.99	
				230950	05/21/13	HP LED MONITOR E231	2,165.72	
				230713	05/16/13	HP 9470m LAPTOP	1,363.64	
				230625	05/15/13	HP 9470m LAPTOP	230.10	6,260.45
2037307	06/12/13	11596	SAN DIEGO CONSTRUCTION WELDING	8909	05/24/13	WELDING SERVICES	1,200.00	1,200.00
2037176	05/29/13	11596	SAN DIEGO CONSTRUCTION WELDING	8876	04/30/13	WELDING SERVICES	340.00	340.00
2037177	05/29/13	02586	SAN DIEGO COUNTY ASSESSOR	2012215	05/06/13	ASSESSOR DATA (MONTHLY)	125.00	125.00
2037178	05/29/13	00003	SAN DIEGO COUNTY WATER AUTH	0000000738	05/01/13	RESIDENTIAL SURVEY PROGRAM	756.50	756.50
2037308	06/12/13	00003	SAN DIEGO COUNTY WATER AUTH	0000000748	05/14/13	SOCAL WATERSMART (MAR 2013)	2,940.00	2,940.00
2037309	06/12/13	00247	SAN DIEGO DAILY TRANSCRIPT	370209	05/13/13	BID ADVERTISEMENT	93.10	93.10
2037179	05/29/13	00247	SAN DIEGO DAILY TRANSCRIPT	368115	05/01/13	NOTICE OF INTENT	158.20	
				369024	05/06/13	BID ADVERTISEMENT	117.90	276.10
2037310	06/12/13	00121	SAN DIEGO GAS & ELECTRIC	004309	06/05/13	UTILITY EXPENSES (MONTHLY)	78,634.99	

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
				004301	05/24/13	UTILITY EXPENSES (MONTHLY)	45,103.99	
				004302	05/29/13	UTILITY EXPENSES (MONTHLY)	42,607.00	
				004300	05/23/13	UTILITY EXPENSES (MONTHLY)	822.19	167,168.17
2037236	06/05/13	00121	SAN DIEGO GAS & ELECTRIC	004299	05/20/13	UTILITY EXPENSES (MONTHLY)	27,606.77	
				004298	05/06/13	UTILITY EXPENSES (MONTHLY)	33.83	27,640.60
2037180	05/29/13	07676	SAN MIGUEL FIRE PROTECTION	004264	05/08/13	TEMPORARY LABOR (APR 2013)	6,735.22	6,735.22
2037181	05/29/13	06262	SARIPALLI, SHAMALA	004296	05/21/13	TRAVEL EXPENSES (5/18/13)	193.69	193.69
2037311	06/12/13	14708	SC FUELS	4929737	05/21/13	UNLEADED FUEL	24,847.46	
				4929715	05/21/13	DIESEL FUEL	13,375.03	38,222.49
2037182	05/29/13	14708	SC FUELS	4921829	04/30/13	RED DYED DIESEL FUEL	10,797.98	10,797.98
2037183	05/29/13	12333	SCHINDLER ELEVATOR CORPORATION	8103427323	04/01/13	ELEVATOR MAINTENANCE (APR 2013)	416.00	416.00
2037184	05/29/13	12904	SEPULVEDA CONSTRUCTION INC	14A	05/03/13	30 INCH POTABLE PIPELINE (ENDING 4/30/13)	71,168.49	71,168.49
2037237	06/05/13	14913	SHEILA MORRISSEY	Ref002428501	06/03/13	UB Refund Cst #0000156264	20.64	20.64
2037185	05/29/13	11516	SIEMENS INDUSTRY INC	901230059	05/07/13	PM KIT CL-2 PLASTIC REGULATORS	591.71	591.71
2037312	06/12/13	11516	SIEMENS INDUSTRY INC	901239337	05/15/13	MICRO 2000 / SFC CONTROLLER	9,376.56	9,376.56
2037361	06/19/13	13327	SILVA-SILVA INTERNATIONAL	1306	06/10/13	PROJECT CONSULTANT (MAY 2013)	4,000.00	4,000.00
2037186	05/29/13	13327	SILVA-SILVA INTERNATIONAL	1305	05/10/13	PROJECT CONSULTANT (APR 2013)	4,000.00	4,000.00
2037313	06/12/13	12281	SIR SPEEDY PRINTING	4612	05/14/13	BUSINESS CARDS	61.72	61.72
2037187	05/29/13	11618	SOUTH COAST COPY SYSTEMS	AR127298	04/30/13	COPIER MAINTENANCE (MAY 2013)	1,682.59	1,682.59
2037188	05/29/13	03103	SOUTHCOAST HEATING &	C50884	04/18/13	AC MAINTENANCE (APR 2013)	1,068.00	
				C50895	04/18/13	AC MAINTENANCE (APR 2013)	205.00	1,273.00
2037189	05/29/13	14483	SOUTHWEST PRODUCTS CORPORATIO	104417600	04/02/13	202E-20 BOOM LIFT	18,471.73	18,471.73
2037314	06/12/13	03760	SPANKY'S PORTABLE SERVICES INC	949050	05/15/13	PORTABLE TOILET RENTAL (5/15/13-6/11/13)	79.98	79.98
2037190	05/29/13	03760	SPANKY'S PORTABLE SERVICES INC	948117	05/03/13	PORTABLE TOILET RENTAL (5/3/13-5/30/13)	79.98	
				948385	05/06/13	PORTABLE TOILET RENTAL (5/4/13-5/31/13)	79.98	
				948115	05/03/13	PORTABLE TOILET RENTAL (5/3/13-5/30/13)	79.98	
				948116	05/03/13	PORTABLE TOILET RENTAL (5/3/13-5/30/13)	79.98	319.92
2037362	06/19/13	03760	SPANKY'S PORTABLE SERVICES INC	950989	05/24/13	PORTABLE TOILET RENTAL (5/23/13-6/19/13)	98.17	98.17

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037315	06/12/13	02354	STANDARD ELECTRONICS	568961	05/24/13	SECURITY MONITORING (MAY 2013)	1,352.50	1,352.50
2037191	05/29/13	02354	STANDARD ELECTRONICS	18331	04/10/13	SECURITY MAINTENANCE (APR 2013)	1,352.50	1,352.50
2037238	06/05/13	06281	STATE DISBURSEMENT UNIT	Ben2428597	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	919.03	919.03
2037363	06/19/13	06281	STATE DISBURSEMENT UNIT	Ben2428835	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	919.03	919.03
2037364	06/19/13	06299	STATE DISBURSEMENT UNIT	Ben2428827	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2037239	06/05/13	06299	STATE DISBURSEMENT UNIT	Ben2428589	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2037240	06/05/13	06303	STATE DISBURSEMENT UNIT	Ben2428595	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	831.23	831.23
2037365	06/19/13	06303	STATE DISBURSEMENT UNIT	Ben2428833	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	831.23	831.23
2037366	06/19/13	08533	STATE DISBURSEMENT UNIT	Ben2428839	06/20/13	BI-WEEKLY PAYROLL DEDUCTION	258.00	258.00
2037241	06/05/13	08533	STATE DISBURSEMENT UNIT	Ben2428601	06/06/13	BI-WEEKLY PAYROLL DEDUCTION	258.00	258.00
2037242	06/05/13	02656	STEVENS, GEOFFREY	004307	05/30/13	TRAVEL EXPENSES (5/22/13-5/24/13)	180.00	180.00
2037367	06/19/13	12809	STUTZ ARTIANO SHINOFF	43442	06/04/13	LEGAL SERVICES (APR 2013)	20,328.11	20,328.11
2037316	06/12/13	02750	SUPERIOR READY MIX LP	567399	05/17/13	CRUSHED ROCK	171.13	
				568961	05/24/13	CRUSHED ROCK	106.75	277.88
2037192	05/29/13	02750	SUPERIOR READY MIX LP	565090	05/03/13	CRUSHED ROCK	338.35	
				564358	05/01/13	CRUSHED ROCK	201.70	540.05
2037193	05/29/13	00408	SWEETWATER AUTHORITY	5113406	05/23/13	O&M COSTS (11/15/12-5/22/13)	28,750.00	28,750.00
2037317	06/12/13	01905	SYMPRO INC	07477	05/13/13	SYMPRO SOFTWARE SUPPORT	7,518.00	7,518.00
2037368	06/19/13	09221	TACKETT, ZACHARY	004360	06/13/13	SAFETY BOOTS	117.70	117.70
2037194	05/29/13	02376	TECHKNOWSION INC	2454	05/01/13	TECHKNOWSION SERVICE (DEC 2013-FEB 2013)	4,960.00	4,960.00
2037318	06/12/13	13564	THE STAR-NEWS PUBLISHING CO	00017923	05/17/13	JOB POSTING	126.50	126.50
2037319	06/12/13	14177	THOMPSON, MITCHELL	18070513	06/11/13	MILEAGE REIMBURSEMENT (MAY 2013)	75.71	75.71
2037369	06/19/13	14937	TINA BALCH	Ref002428741	06/17/13	UB Refund Cst #0000195647	54.99	54.99
2037195	05/29/13	00427	UNDERGROUND SERVICE ALERT OF	420130469	05/01/13	UNDERGROUND ALERTS (APRIL 2013)	381.00	381.00
2037320	06/12/13	14181	UNITED RENTALS (NORTH AMERICA)	111066187001	05/14/13	CONCRETE	139.32	139.32
2037196	05/29/13	14181	UNITED RENTALS (NORTH AMERICA)	110754024002	05/01/13	CONCRETE	178.20	
				110750935001	05/01/13	CONCRETE	178.20	356.40

CHECK REGISTER
Otay Water District
Date Range: 5/23/2013 - 6/19/2013

<u>Check #</u>	<u>Date</u>	<u>Vendor</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Inv. Date</u>	<u>Description</u>	<u>Amount</u>	<u>Check Total</u>
2037370	06/19/13	07662	UNITEDHEALTHCARE SPECIALTY	131700000050	06/19/13	AD&D & SUPP LIFE INS (JULY 2013)	5,597.81	5,597.81
2037371	06/19/13	07674	US BANK	A000044	06/17/13	CAL CARD EXPENSES (MONTHLY)	15,627.09	15,627.09
2037197	05/29/13	07674	US BANK	004294	04/22/13	CAL CARD EXPENSES (MONTHLY)	1,182.75	1,182.75
2037321	06/12/13	08402	US POSTMASTER	004328	05/31/13	POSTAGE FOR 2013 CCR	7,257.83	7,257.83
2037198	05/29/13	11606	USA BLUE BOOK	954531	05/08/13	SKIMMINGS DISCHARGE PIPE	1,713.20	
				949695	05/01/13	MISC MATERIALS	1,059.77	2,772.97
2037322	06/12/13	11606	USA BLUE BOOK	962167	05/16/13	MISC MATERIALS	75.52	75.52
2037199	05/29/13	13048	V & A CONSULTING ENGINEERS	14043	04/30/13	CORROSION SERVICES (3/30/13-4/30/13)	26,205.17	26,205.17
2037200	05/29/13	08028	VALLEY CONSTRUCTION MANAGEMENT	SD100134	04/30/13	CONSTRUCTION MANAGEMENT (4/1/13-4/30/13)	23,050.00	23,050.00
2037372	06/19/13	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2428819	06/20/13	BI-WEEKLY DEFERRED COMP PLAN	12,516.69	12,516.69
2037243	06/05/13	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2428581	06/06/13	BI-WEEKLY DEFERRED COMP PLAN	12,481.16	12,481.16
2037373	06/19/13	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2428825	06/20/13	BI-WEEKLY 401A PLAN	2,403.28	2,403.28
2037244	06/05/13	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2428587	06/06/13	BI-WEEKLY 401A PLAN	2,453.28	2,453.28
2037245	06/05/13	03329	VERIZON WIRELESS	9705286267	05/21/13	WIRELESS SERVICES (4/22/13-5/21/13)	6,003.37	6,003.37
2037323	06/12/13	03781	WATTON, MARK	004350	06/11/13	TRAVEL EXPENSES (MAY 2013)	164.99	164.99
2037374	06/19/13	01343	WE GOT YA PEST CONTROL	82342	05/16/13	BEE REMOVAL	460.00	460.00
2037201	05/29/13	00125	WESTERN PUMP INC	W17993	04/30/13	DUSTO INSPECTIONS (APR 2013)	400.00	400.00
2037324	06/12/13	02849	WHITAKER BROTHERS BUSINESS	INV0219819	05/23/13	STAMP MACHINE RIBBON	36.92	36.92
Amount Pd Total:							2,359,586.74	
Check Grand Total:							2,359,586.74	

257 Checks