OTAY WATER DISTRICT

BOARD OF DIRECTORS MEETING
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
February 6, 2013
3:30 P.M.

AGENDA

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

4. APPROVE THE MINUTES OF THE SPECIAL BOARD MEETING OF NOVEMBER 28, 2012 AND REGULAR MEETING OF JANUARY 8, 2013

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

CONSENT CALENDAR

6. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

   a) APPROVE AN ENGAGEMENT LETTER WITH THE AUDITING FIRM OF DIEHL, EVANS & COMPANY, LLP TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2013

   b) AWARD A CONSTRUCTION CONTRACT TO ADVANCED INDUSTRIAL SERVICES, INC. FOR THE 803-3 AND 832-2 RESERVOIRS INTERIOR/EXTERIOR COATINGS AND UPGRADES PROJECT IN AN AMOUNT NOT-TO-EXCEED $946,900

   c) APPROVE AN AGREEMENT WITH HECTOR MARES COMMENCING APRIL 1, 2013 FOR TWO YEARS (ENDING MARCH 31, 2015) FOR AN

ANNUAL AMOUNT NOT-TO-EXCEED $60,000 (TOTAL OF $120,000) FOR CONSULTING SERVICES ON BI-NATIONAL WATER MATTERS FOR WORK RELATED TO THE OTAY MESA CONVEYANCE AND DIS-INFECTION SYSTEM PROJECT

d) APPROVE TERMINATING WORK ON THE JOINT WATER AGENCIES NATURAL COMMUNITY CONSERVATION PLAN/HABITAT CONSERVATION PLAN

ACTION ITEMS

7. BOARD

a) DISCUSSION OF 2013 BOARD MEETING CALENDAR

INFORMATIONAL ITEMS

8. THE FOLLOWING ITEMS ARE PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEMS:

a) INFORMATIONAL REPORT ON THE DISTRICT'S WATER AND SEWER COST OF SERVICE STUDY (BELL)

b) INFORMATIONAL REPORT ON THE DISTRICT'S REFINANCING OF THE 2004 CERTIFICATES OF PARTICIPATION (KOEPPEN)

c) INFORMATIONAL REPORT ON THE DISTRICT'S COMPUTER SECURITY STATUS (SEGURA)

d) INFORMATIONAL UPDATE ON THE RANCHO DEL REY GROUNDWATER WELL DEVELOPMENT PROJECT (MARCHIORO)

REPORTS

9. GENERAL MANAGER'S REPORT

a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

10. DIRECTORS' REPORTS/REQUESTS

11. PRESIDENT'S REPORT/REQUESTS

12. ADJOURNMENT

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

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

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at (619) 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on February 1, 2013, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 72 hours in advance of the regular meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on February 1, 2013.

/s/ Susan Cruz, District Secretary

MINUTES OF THE
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
OTAY WATER DISTRICT
November 28, 2012

1. The meeting was called to order by President Lopez at 3:35 p.m.

2. ROLL CALL

Directors Present: Croucher, Gonzalez, Lopez, Robak and Thompson

Directors Absent: None

Staff Present: General Manager Mark Watton, General Counsel Daniel Shinoff, Chief of Information Technology Geoff Stevens, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Operations Pedro Porras, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

A motion was made by Director Croucher, seconded by President Lopez and carried with the following vote:

Ayes:	Directors Croucher, Gonzalez, Lopez, Robak and Thompson
Noes:	None
Abstain:	None
Absent:	None

to approve the agenda.

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

No one wished to be heard.

INFORMATIONAL ITEM

6. DISCUSSION OF SAN DIEGO COUNTY WATER AUTHORITY'S PROPOSED AGREEMENT WITH POSEIDON RESOURCE'S REGARDING THEIR CARLSBAD DESALINATION PROJECT

General Manager Watton introduced Sandy Kerl, Deputy General Manager, and Ken Weinberg, Water Resources Director, of San Diego County Water Authority (CWA) who would be presenting a powerpoint concerning the Carlsbad Desalination Project. Ms. Kerl thanked the board for the opportunity to attend the District's board meeting. She stated that they wished to present on the Water Purchase Agreement (WPA) that is being proposed with Poseidon Resources. The WPA will be presented to CWA's board for action tomorrow (November 29). She introduced Mr. Weinberg who would be providing the presentation.

Mr. Weinberg indicated that the first question he would like to answer is why CWA is proposing the agreement. It is the same answer that many member agencies answer when developing their local water supplies. He stated that there are challenges in ensuring supply reliability to the region due to uncertainty in the imported water supplies from the State Water Project in Northern California and the Colorado River. Allocations are being reduced because of the Endangered Species Act restrictions on the State Water Project and drought on the Colorado River. Though demand has been low in the last few years, projected future demand indicates that there will be an increase in demand for water due to growth and climate change.

He noted that in the last ten (10) years, seven (7) years have been dry for the Colorado River. He indicated that the allocation of the river water was done when water was abundant. Today there is more competition for the water available from the Colorado River.

He stated that the water from the State Water Project was reduced from 6 MAF (million acre feet) annually to 4.7 MAF through a decision from the State Water Board due to environmental concerns. Based on the future fish listings, if there is not a fix for the Delta, the water exported will be reduced to about half or 2 to 3 MAF annually which is not a sustainable level for Southern California. Further, if an earthquake were to occur in California, the water exported would drop to 1 to 1.5 MAF and it would take 1½ to 3 years for the levies to be repaired. He stated that the state's water supply resources are very vulnerable.

Mr. Weinberg indicated that the answer for the water authority board is to diversify its water portfolio to manage the risk of supply shortages. He reviewed the planned supply portfolio by 2020 which includes reducing the region's reliance on Metropolitan Water District to just 30% rather than 70%. Other supplies include the Imperial Irrigation water transfer (24% of region's supply), All American & Coachella

Canal Lining (10%), conservation (13%), recycled water (6%), groundwater (4%), local surface water (6%) and desalination (7%).

He reviewed the Carlsbad Desalination project and stated that it is expected to produce 50 MGD through reverse osmosis and will be located at the Encina Power Station. It is has been in development by a private company, Poseidon Resources, for the last 10 years and CWA is proposing to take 56,000 AF annually from the project. The water from the plant will be the most reliable portion of CWA's portfolio and also the most costly.

He stated that CWA's 2003 Master Plan Program EIR identified the Carlsbad Desalination Project as a water resource and it is also included in their 2005 and 2010 Urban Water Management Plan (UWMP) as part of the region's verifiable local water supply. The project is fully permitted to commence construction and the initial operations will utilize the power plant's cooling water (ocean water) as a source to cool the plant equipment. However, in 2017 to 2020, the Encina Power Plant will no longer be able to use ocean water to cool its equipment and at that point the desalination project will need to operate on a standalone basis which will require upgrades to the ocean intake. This will add some additional operating costs.

Mr. Weinberg indicated that he is asked many times whether there is enough demand for desalinated water in the future. With local agencies developing additional local supplies, is there enough demand. He indicated that in reviewing CWA's Urban Water Management Plan, as we move forward to the future, the region will have enough demand. The region is also still significantly reliant on MWD for water supplies.

He stated that the Poseidon Project is basically the plant and the new conveyance pipeline. CWA is responsible for the improvements to its system to take and distribute the desalinated water. The parties to the agreement are Poseidon, Kiewit-Shea Joint Venture (plant engineering procurement and construction contractor) and IDE (process engineering and equipment; and they will also operate the plant).

He noted that CWA prefers a Water Purchase Agreement over building and operating the plant itself as it has no experience with desalination and there are inherent risks which are beyond CWA's experience. The risks transferred to Poseidon are:

- Construction and Operating Cost Overruns
- Timely Project Completion
- Regulatory and Law Compliance
- Regulated or Differing Site Conditions
- Capital Maintenance, Repair and Replacement
- Labor Supply and Relations

The risks retained by CWA:

- Changes in Law that Affect All Water Treatment Plant Operators or Wastewater Dischargers
- Cost of Encina Improvement Due to Expected Power Station Closure, Up to $20 Million Capital and $2.5 Million Annual Operating Costs (a change in law)
- Uninsurable Force Majeure Events
- Unusual Raw Seawater Water Parameters (no additional compensation)
- Retained Risks are "Uncontrollable Circumstances"
- Bond Financing Interest Rates
- General Price Inflation (CPI is forecasted at approximately 2.5% per year over the 30 year term)
- General Electricity Rates
    - He noted that General Manager Watton has asked CWA to do a number of analyses to determine the impact of general electricity rates as electricity is approximately 25% of the cost of desalination, which is significant. CWA indicated that they felt that the percentage of the total cost from electricity does not cause a large impact to the cost of desalination. The proportion of desalination to CWA's total supply portfolio is not large, so its impact to rates will be limited. He stated that if electricity rates were really to increase, it would affect all water supply resources (State Water Project, etc.).

The WPA provides for specific performance guarantees for water quality, minimum annual water deliveries, and water ordering rights which allows CWA to adjust it delivery orders based on seasonal and daily demand changes.

He stated the total cost of the project is $691 million for both plant and product water pipeline and the financing costs is $213 million. The cost will be financed by tax exempt bonds issued by the California Pollution Control Financing Authority (82% or $740 million) and cash equity from Stonepeak Infrastructure (18% or $164 million).

It is estimated the operating and maintenance cost of the plant will be between $48.8 and $53.1 million annually depending on how much CWA purchases from the plant (48,000 AFY to 56,000 AFY). The cost per AF is between $1,876/AF if CWA purchased 56,000 AFY and $2,097/AF if CWA purchased 48,000 AFY. He stated that this is expensive, however, it is competitive and representative of what local supplies cost in this region.

He stated that the infrastructure to accept desalinated water from the Carlsbad Plant, Pipeline 3 and the Twin Oaks Valley WTP improvements, will cost approximately $80 million. These improvements will add to the AF cost of desalinated water approximately $153/AF (if CWA purchased 56,000 AFY) or $179/AF (if CWA purchased 48,000 AFY). Additionally, administrative costs will

increase which will add another $12/AF (if CWA purchased 56,000 AFY) or $14/AF (if CWA purchased 48,000 AFY) for a total AF cost of $2,041 or $2,290 respectively.

The estimated impact of CWA's purchase of desalinated water to the retail water rate is an average increase of approximately $5 to $7/month (or 7% to 10% increase) if a customer used 15 units of water a month.

Mr. Weinberg indicated that they are currently discussing how the cost of the purchase of desalinated water will be allocated. Nothing has yet been decided and there will continue to be discussions on this issue going forward.

CWA's board also provided the member agency's the opportunity to purchase water from the Carlsbad Desalination Plant through CWA. The water would be treated similar to recycled or groundwater which would provide the agency additional allocations during times of shortage under CWA's drought allocation method. These agencies will be required to pay for full cost recovery for the desalinated water to move through CWA's system. Vallecitos WD and the City of Carlsbad have indicated their interest in purchasing 3500 AF and 2500 AF of desalinated water respectively. Their commitment to purchase desalinated water reduces the total project cost that would need to be recovered through CWA's rates and charges by approximately 10%.

Mr. Weinberg stated that the Carlsbad Desalination WPA will be presented to CWA's board for consideration tomorrow, November 29. Much of the required tasks have been completed with the exception of the initiation of a Cost of Service Study (COSS) to incorporate the cost of the desalinated water into CWA's rate and charge structure. CWA's board will be asked to adopt a resolution approving the WPA, pipeline design-build agreement, financing agreements, adjustments to CIP, supporting contracts and contract amendments, CEQA addendum to Carlsbad Desalination Project EIR and member agencies' commitment to purchase a fixed minimum purchase amount. Following CWA's board action, CWA will refer the rate structure alternatives to its cost of service consultant.

Chief of Engineering Rod Posada presented a slide showing the Carlsbad Desalination Plant and the CWA project components (Pipeline 3 and the Twin Oaks Valley WTP improvements). The desalinated water would provide for a new local drought-proof water supply and improved water quality (lower TDS). The proposed agreement is for 48,000 AFY with an option to take up to 56,000 AFY for 30 years. There is an early buy-out provision in the agreement where CWA may exercise the option to buy the desalination plant after the plant has been in operation for 10 years.

Staffs' presentation is divided into five (5) aspects:

- Power Cost
- Water Requirement for Drought Proofing

- CWA's Risks Associated with the WPA
- Financing True Costs
- Projected Rate Impact on Otay's Ratepayers

Electrical charges represent about 25% of the cost of desalinated water. The capital charge is a little over 50% and operating charges represent about 25%. Chief of Engineering Posada stated that any variation in the electricity charge will have a great impact on cost. He presented a slide (see attached copy of presentation) showing three scenarios for the future price for electricity for the desalination project:

- Low Growth Rate Increase of 1.2%
- Middle Growth Rate Increase of 2%
- High Growth Rate Increase of 2.4%

Staff disagrees with the factors that drive the low growth rate as the demand and actual costs in the last several years has been determined by SDG&E's rate which has been going up. The actual increase since 2003 is 8.3%. The California Public Utility Commission (CPUC) estimates that the rate increase for electricity is approximately 4.1% over the next eight (8) years. The desalination plant is expected to start operations in 2016. If the electricity rate increases by 2%, this translates into a $50 cost increase per AF that will be transferred to ratepayers.

In early November, the Fallbrook Public Utility District (FPUD) prepared a presentation that was sent to CWA and all the member agencies entitled, "The Cost of Improving Regional Reliability through Desalination." FPUD outlined three scenarios:

- No shortage
- 20% MWD shortage
- 20% MWD shortage plus penalty fees

Comparing the cost of imported water versus desalinated water, if the worst case scenario were to occur, the cost of the purchase of 56,000 AF of desalinated water would cost $114.4 million, whereas, imported water would cost $53.5 million, which is less than half the cost of desalinated water. CWA claims that desalination is required to assure reliability. However, the increase in reliability for the shortfall between the two supply options is only 4,480 AF. The cost of this water for reliability is very expensive at $13,582/AF.

He stated that CWA's projection of water demand is based on their 2010 Urban Water Management Plan and the 20% demand reduction requirement of SBX 7-7. The calculation, however, does not include reduced water consumption realized through conservation from 2009 to 2011 which is approximately 100,000 AF. The demand for this past year is similar to 2011 consumption savings and if demand is

projected out based on current per capita use, the demand projection is much lower.

CWA also has preferential rights of 220,000 AFY from MWD. With the decrease in demand of approximately 100,000 AF due to conservation (decrease in per capita use), the supply needed from MWD will be below the preferential rights level and, thus, desalination is not necessary.

Staff reviewed the WPA and provided CWA a list of 140 comments/issues with regard to the WPA. It is felt that CWA is taking on too much risk. The WPA indicates that CWA will cover the costs associated with future changes in the law or regulations. CWA must also pay up to $20 million for the change to the intake system and $2.5 million for the operations of new and enhanced facilities. These costs will impact rates. The WPA also provides for annual increases of 10% after the desalination plant becomes operational.

Chief Financial Officer Joe Beachem indicated that CWA does not include in their estimated retail water rate impact increase of $5 to $7 the $20 million cost to change the Carlsbad desalination plant's intake system. He also noted that CWA is deferring interest costs which presents a better financial picture than actual. CWA is effectively deferring its debt payments and this initial deferral decreases the AF cost of desalinated water by $352 in 2016. In later years (by 2046), CWA will be paying an additional debt cost of $908/AF to compensate for the deferral of costs. Otay does not defer costs and feels that it is more conservative and responsible to have a level debt service. He presented a slide showing the cost difference for deferring costs versus level debt service and there is a cost savings of over $300 million over the life of the WPA.

He presented a slide showing three different scenarios and the potential rate impact of the desalinated water to Otay's customers (see attached copy of presentation). The scenarios are:

- 2% Electrical Inflator with Debt Deferred
- 4.1% Electrical Inflator with Level Debt Payments
- Additional Intake Cost with 4.1% Electrical Inflator with Level Debt Payments

The impact to Otay's customer based on the above scenarios is a monthly increase of $8.66 to $16.09 for customers utilizing 14 units of water a month. Over a four year period, the cumulative percentage rate increase would be up to 45.1%

General Manager Watton stated that he was not critical of the job Ms. Kerl has done negotiating the WPA. CWA's staff has looked at the project cost from many different scenarios. The agencies may agree to disagree, but in the end, this is really a business deal. There is a lot of disagreement and discussion regarding the rate for the desalinated water.

He stated that it is very unorthodox to vote on a project without knowing what the rates impact may be. He indicated that he expects there will be a lot of discussion on how the rates will be determined at CWA's board meeting tomorrow.

He indicated that CWA is very involved in the design, construction and the maintenance of the desalination plant and this all comes at a cost and also transfers risks to CWA. In a private development, generally the plant just delivers water to its customer at a certain cost. The buyer is not involved in their plans, they just purchase the water. Additionally, in the future it is very likely that Poseidon will be facing renewals of some of their permits which will very likely change their cost structure.

He stated that the Colorado River Supply is very reliable as California has the highest priority right on the river water and the IID water transfer is the highest within the California priority. He indicated that it is unlikely that the State of California would get cut back from these supply resources.

General Manager Watton stated that he supports desalination and that the region needs to develop a more robust portfolio of local supplies that relies less on imported water. He indicated that he did not know, however, if this is the right project based on the cost.

Director Croucher thanked CWA's staff for attending the District's meeting. He stated, as a board member, he looks at the District's customers and in providing them quality, reliable and affordable water. He indicated that ratepayers are fatigued with regard to cost increases and he is concerned that the COSS has not yet been done. It is currently unknown how the cost of the desalinated water will be allocated to the member agencies and, thus, it is uncertain if costs will be fairly allocated among the agencies.

Director Robak thanked staff for their thorough business analysis of the Carlsbad project. He stated, from a business perspective, he did not see how the project would "pencil out." The estimated rate of $2400 is much higher than was originally anticipated. He stated that it seems everyone is fatigued in the industry in hearing about the Poseidon Project. He indicated that it does not seem to matter what the facts are about the project, the agencies just want to push the project through. He stated this does not make for a good business decision.

Director Thompson indicated that he walked his division during his election campaign and the message he received from his constituents is how the District can keep water rates from going up higher than the rate of inflation. Customers felt if the District could not do this, then it has fundamentally not served them properly. The Carlsbad Desalination Project does not make sense financially and a COSS has not yet been completed. He asked the District's representatives to CWA to do whatever it takes to get CWA to delay their decision on the WPA. He indicated that

this project will not keep rates down and, thus, we would not be serving our ratepayers.

Director Gonzalez referenced a letter from one of the District's ratepayer complaining that their home was vacant for two (2) months, however, their water bill was approximately $167 for the two (2) months that it was vacant. They indicated that $15 of each bill was for actual water use and the remainder was for fixed fee charges. He stated that he felt this is a prelude to what will happen when this WPA is approved. He indicated that it seems the agencies are pushing for approval of the WPA because they are tired of hearing about the Carlsbad Project and they don't really want to hear/talk about it further. He indicated that he felt we need to be more conscious of our ratepayers and realize that it is not the time to approve the WPA as all the cost information has not been finalized.

President Lopez indicated that the District had been trying to request information concerning the project from CWA and the information was not received until two (2) weeks before CWA's board meeting. He stated that this was frustrating, as the District, could not get the information needed to assist in evaluating the viability of the Carlsbad Desalination Project. He stated the District is supportive of desalination or any project that will augment the region's water resources. He indicated he appreciates the board members' comments and as a representative of the District's customers he asks that the District's representatives vote "no" on the approval of the WPA.

General Manager Watton indicated that he supports the City of San Diego in requesting that the rate be reviewed. He indicated that he does not agree with everything the City has requested, but he felt that the rate should be reviewed by a professional consultant to assure that the proposed rate structure is fair to all the member agencies.

Director Croucher indicated CWA's Administration and Finance Committee met on Tuesday and the committee attendees all agreed that a COSS needs to be completed and all aspects of the project must be reviewed.

Director Thompson indicated that he wished to understand why CWA is borrowing on the future to fund this project. Ms. Kerl indicated that CWA has a very complex debt portfolio. CWA looks at structuring in the manner that the assets are not used within a short period of time (will be used over a long period of time) so there is a benefit to looking at wrapping that debt and having it paid in different increments over time. When you look at a portfolio such as CWA, you look at different tools in terms of spacing the debt. She indicted she fully appreciates the District's perspective and comments on the issue, however, it is a policy decision for the Board of Directors. She stated that she felt it was important for the District to know that CWA has put in an expensive amount of due diligence and effort into this project and CWA does not go into anything lightly. There is an extensive amount of study and effort, and what this truly gets down to, "is it worth the price to get that

additional increment of reliability." This is the bottom line policy decision for the Board of Directors. She indicated that she wished to note that it is her understanding that CWA moved forward with projects, including the overall Capital Improvement Program, ESP, and QSA, with the COSS being completed following approval of the projects. She stated CWA's process has always been a very thoughtful and involved when coming to a decision on how costs will be allocated and CWA clearly knows what the costs are. She indicated if CWA's board approves the agreement and approves a COSS, there will be a workgroup set-up in which every member agency will be a participant. She stated CWA's process has always been very iterative, and CWA has worked very hard to come to a consensus, which has then been brought forward to the board for consideration. Ms. Kerl thanked the board for the invite to attend the District's board meeting and that she appreciated their time. The board thanked Ms. Kerl and Mr. Weinberg for attending as well.

7. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:30 p.m.

_____
President

ATTEST:

_____
District Secretary

MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT and OTAY SERVICE CORPORATION
January 8, 2013

1. The meeting was called to order by President Lopez at 2:35 p.m.

2. ROLL CALL

Directors Present: Croucher, Gonzalez, Lopez, Robak, and Thompson

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, General Counsel Jeff Morris, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Information Technology Geoff Stevens, Chief of Administration Rom Sarno, Chief of Water Operations Pedro Porras and District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. OATH OF OFFICE CEREMONY

Mexico Congressman and former Otay WD Director, Jaime Bonilla, administered the Oath of Office to Director Jose Lopez. Mr. Isaiah Diamond administered the Oath of Office to Director Mitchell Thompson. District Secretary Susan Cruz administered the Oath of Office to Director Mark Robak. The three directors were elected in the November 2012 elections to the District's Divisions 4, 2 and 5 seats respectively.

5. PRESENTATION OF RECOGNITION PLAQUE TO BOARD PRESIDENT

Vice President Gonzalez presented a recognition plaque from the Board of Directors to Board President Lopez and thanked him for his leadership and service during the past year. President Lopez thanked Vice President Gonzalez and the Board for their support and stated that he is honored to be part of the Board of Directors.

6. RECESS FOR RECEPTION AND RECONVENE OTAY WATER DISTRICT BOARD MEETING

The board recessed for a reception at 2:38 p.m. and reconvened the board meeting at 3:05 p.m.

7. ELECTION OF BOARD PRESIDENT

A motion was made by Director Croucher, seconded by Director Gonzalez and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to re-elect Director Lopez as President.

8. ELECTION OF VICE PRESIDENT

A motion was made by Director Croucher, seconded by Director Gonzalez and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to elect Director Thompson as Vice President.

9. ELECTION OF BOARD TREASURER

A motion was made by Director Croucher, seconded by Director Thompson and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to elect Director Gonzalez as Treasurer.

10. APPROVAL OF AGENDA

A motion was made by Director Croucher, seconded by Director Thompson and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to approve the agenda.

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

No one wished to be heard.

12. RECESS OTAY WATER DISTRICT BOARD MEETING AND CONVENE A MEETING OF THE OTAY SERVICE CORPORATION

The Otay Water District board meeting was recessed at 3:10 p.m. and a meeting of the Otay Service Corporation board was convened.

13. ROLL CALL

Directors Present: Croucher, Gonzalez, Lopez, Robak and Thompson

14. ELECTION OF OFFICERS: PRESIDENT, VICE-PRESIDENT AND TREASURER

A motion was made by Director Croucher, seconded by Director Gonzalez and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to elect Director Lopez as President, Director Thompson as Vice President and Director Gonzalez as Treasurer.

15. APPOINTMENT OF OFFICERS: EXECUTIVE DIRECTOR, CHIEF FINANCIAL OFFICER AND SECRETARY

A motion was made by Director Croucher, seconded by Director Thompson and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to elect General Manager Watton as Executive Director, Joe Beachem as Chief Financial Officer and District Secretary Susan Cruz as Secretary.

16. ADJOURN OTAY SERVICE CORPORATION BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT FINANCING AUTHORITY BOARD MEETING

President Lopez adjourned the Otay Service Corporation board meeting at 3:12 p.m. and convened the Otay Water District Financing Authority board meeting.

17. ROLL CALL

Directors Present: Croucher, Gonzalez, Lopez, Robak and Thompson

18. RE-AFFIRM OFFICERS OF THE OTAY WATER DISTRICT FINANCING AUTHORITY

A motion was made by Director Croucher, seconded by Director Thompson and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to elect Director Lopez as President, Director Thompson as Vice-President, General Manager Watton as Executive Director, Joe Beachem as Treasurer/Auditor, and District Secretary Susan Cruz as Secretary.

19. ADJOURN OTAY DISTRICT FINANCING AUTHORITY BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT BOARD MEETING

President Lopez adjourned the Otay District Financing Authority board meeting at 3:14 p.m. and reconvened the Otay Water District board meeting.

20. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF OCTOBER 9, 2012 AND NOVEMBER 7, 2012

A motion was made by Director Gonzalez, seconded by Director Thompson and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to approve the minutes of the regular board meetings of October 9, 2012 and November 7, 2012.

CONSENT CALENDAR

21. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

Director Robak pulled Item 24b, APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH GARCIA JUAREZ CONSTRUCTION, INC. IN THE AMOUNT OF $22,460 FOR THE CALAVO GARDENS SEWER REHABILITATION PROJECT, for discussion.

A motion was made by Director Croucher, seconded by Director Gonzalez and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to approve the remaining consent calendar items:

a) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO HAAKER EQUIPMENT COMPANY IN THE AMOUNT OF $366,118.33 FOR THE PURCHASE OF ONE (1) NEW VACTOR MODEL 2110 PLUS JET RODDER

c) AWARD A CONSTRUCTION CONTRACT TO BASILE CONSTRUCTION, INC. FOR THE 12-INCH POTABLE WATER PIPELINE IN ORANGE AVENUE, I-805 CROSSING IN AN AMOUNT NOT-TO-EXCEED $872,000

President Lopez presented Item 24b for discussion:

b) APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH GARCIA JUAREZ CONSTRUCTION, INC. IN THE AMOUNT OF $22,460 FOR THE CALAVO GARDENS SEWER REHABILITATION PROJECT

Director Robak inquired about an incident at the project site and asked who oversees the project. General Manager Watton indicated that Engineering Manager Dan Martin is in charge of overseeing the project and invited him to the podium to provide an update report to the board.

Engineering Manager Martin reported that an incident at the project site had occurred on January 7, 2013. He stated that due to the rain, the trenches at the project site needed to be cleaned to prepare them for sewer pipeline work. As the contractor was cleaning the site, an SDG&E power line was struck which resulted in a power outage that affected approximately 150 residents. Mr. Martin indicated that District staff and the contractor worked closely with SDG&E to help expedite the restoration of power to these residents.

Mr. Martin provided details of Change Order No. 2 that included a variety of added and deleted items related to a storm drain conflict that required the re-routing and redesign of the sewer main. He indicated that the project is approximately 60% complete and that staff is satisfied with the work that Garcia Juarez Construction, Inc. provides to the District.

A motion was made by Director Robak, seconded by Director Croucher and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None

Abstain: None
Absent: None

to approve staffs' recommendation.

ACTION ITEMS

22. BOARD

a) APPROVE AMENDMENTS TO THE OTAY WATER DISTRICT'S GENERAL MANAGER'S EMPLOYMENT CONTRACT WITH NO CHANGES IN COMPENSATION

It was indicated that General Manager Watton's performance evaluation was completed by an ad hoc committee consisting of President Lopez and Director Croucher. The Committee recommended the approval of extending Mr. Watton's contract to July 1, 2016.

In response to a question from Director Croucher, General Manager Watton stated that the contract was more restrictive and includes an amendment to ensure its compliance with the severance provision of Government Code Section 53260:

> "Severance compensation equal to 12 months of the annual salary then in effect will be paid by District in same manner as if Watton was still employed by District, provided that, if the remaining term of Watton's Contract is less than 12 months, the maximum severance compensation that Watton may receive shall be an amount equal to Watton's monthly salary multiplied by the number of months left on the unexpired term of the Contract."

In response to a inquiry from Director Robak, Attorney Jeff Morris indicated that the existing contract was updated to become compliant to new Government Code section 53260. He explained that previously, as the severance provision was written, it allowed the General Manager to receive a 12 month severance pay although there was less than 12 months left on the contract. As per the new Government Code, if the contract is less than 12 months, the severance would only be equal to the remaining term of the contract. Attorney Morris also indicated that the maximum extension of a General Manager's contract is 4 years. The Otay Water District is extending Mr. Watton's contract for only 2 years (July 1, 2014 to July 1, 2016).

President Lopez indicated that after performing Mr. Watton's evaluation and considering all of his accomplishments and well-established relationship with the board, it gave the Committee an opportunity to extend his contract and stay within the District's normal 3-year term. President Lopez stated that he is pleased with the Committee's recommendation.

Director Thompson stated that he is in agreement with the Committee's recommendation and is very pleased with General Manager Watton's performance. He indicated that he understands the possibility that General Manager Watton may leave early, but believes he will continue his dedicated services to the District through his contract term given the amount of time he has vested, stability he has provided, his past performance and strong leadership. Director Thompson believes the Committee's action to extend General Manager Watton's contract is a good statement as it demonstrates the District's support for him as he continues to lead one of the strongest water agencies in the County.

A motion was made by Director Croucher, seconded by Director Gonzalez, and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to approve amendments to the District's General Manager's Employment Contract with no changes in compensation.

b) DISCUSSION OF 2013 BOARD MEETING CALENDAR

President Lopez requested that the 2013 Board Meeting Calendar be updated to reflect that the regular board meeting scheduled for January 2 was rescheduled to January 8.

A motion was made by Director Gonzalez, seconded by Director Croucher, and carried with the following vote:

Ayes: Directors Croucher, Gonzalez, Lopez, Robak, and Thompson
Noes: None
Abstain: None
Absent: None

to approve the 2013 board meeting calendar with the new date of the January board meeting (January 8).

INFORMATIONAL ITEMS

23. THESE ITEMS ARE PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEMS.

a) REPORT ON DIRECTOR'S EXPENSES FOR THE 1st QUARTER OF FISCAL YEAR 2013

The board waived presentation and recommended that the report be received and filed.

b) INFORMATIONAL REPORT ON THE DISTRICT'S WATER AND SEWER RATE STUDY

Finance Manager Rita Bell indicated that the District is currently performing its rate study. Mses. Bell and Karyn Keese from Atkins Global, the District's consultant for the Water and Sewer Rate Study, provided a PowerPoint presentation to the board members. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of their presentation.

Director Robak suggested that the District's customers should be involved with the District's water and sewer rate study process and be able to provide feedback and suggestions to the District.

Ms. Keese thanked the board for providing Atkins Global the opportunity to work with District staff to create a rate structure that is in line with the District's policies.

c) INFORMATIONAL REPORT ON THE ROSARITO DESALINATION PLANT AND THE OTAY MESA CONVEYANCE AND DISINFECTION SYSTEM PROJECTS

Senior Civil Engineer Bob Kennedy updated the board on the Rosarito Desalination Plant and the Otay Mesa Conveyance and Disinfection System Projects. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of his presentation.

General Manager Mark Watton stated that there is a misconception that it's easy to get permits in Mexico, but in reality Mexico has a very complex permitting process similar to the United States. He indicated that there is a need to educate the public that permitting in Mexico is just as rigorous as it is in the United States.

He indicated that on behalf of the District, he had signed a non-binding *Letter of Intent* (LOI) with NSC Agua to negotiate a *Water Purchase Agreement* for the purchase of desalinated water produced from the Rosarito Desalination facility. Mr. Watton stated that next month staff also plans to visit the pilot-plant which is currently in operation. He discussed Minute Order No. 319 which he believes is the most important minutes signed since the 1944 Treaty; it provides for shortage and surplus sharing, and storage in Lake Mead between the United States and Mexico. Mr. Watton indicated that the Project requires environmental work that needs to be completed and a spring survey. It was noted that if the survey is not submitted on time, it could be delayed another year. He also indicated that there will be at-risk money as consultants and environmentalists work parallel to each other to increase efficiency. Mr. Watton shared that the wholesale cost for Mexico to bring Colorado River water into its country is the same as the United States cost. He also shared that staff met with the California Department of Health to discuss the project and they are supportive of the desalination project. He stated that they seemed a little apprehensive because they have never dealt with a project similar to this. Mr. Watton indicated that the Otay Water District will

have to be cautious when approaching regulatory agencies and will have to provide some of the guidance to get through the issues.

Director Croucher stated that within the process of completing the projects, he felt that it was important to keep in mind the cost, reliability and quality of the water supply. He voiced his concerns with CWA's project in that the cost of the Carlsbad Desalination Project has not yet been laid out. He stated that the Rosarito Desalination Project would benefit the District and the region and would assure that a reliable source of water is available for customers.

Director Thompson indicated some of his concerns with the uncertainty of costs associated with the Project's water purchase agreement, share of risks, and lock-in with construction contracts, etc. General Manager Mark Watton indicated that the District's plan is to purchase water at the border only. The District will not be involved with the construction of the project or any overruns. However, the District will have to consider pass-thru costs that include power, operation and maintenance of the plant. Financing is another factor to consider. Mr. Watton believes that District staff, however, has a good understanding of these risk factors and has confidence in the project.

Director Robak thanked Director Croucher and General Manager Watton for representing the District's opposition of the CWA Desalination Project. He also thanked staff for a very detailed presentation.

In response to several questions from Director Robak, General Manager Watton indicated that a Groundbreaking Event for the Rosarito Desalination Plant may be held sometime in late February 2013. He also responded that the alignment of the Project has not been finalized at this time because there are other alignments being considered. He stated that the current estimated cost of the Project might increase because there may be a requirement to perform ultraviolet filtration. Conversely, there might not be a significant amount of increase because the District may not need to do full filtration and the Project might not need a pump station if the water can be gravity fed.

President Lopez believes the Project is ready and the District should start marketing it to the public.

Director Croucher stated that staff should consider other opportunities for the District, such as recycled water agreements and partnering with other agencies who can connect to the District's water supply.

In response to a question from Director Robak, General Manager Watton stated that the Presidential Permit is handled through the State Department and Mexico's State Department. It is not exotic, but must be precise and have all filings completed. There are many agencies to coordinate with to get this type of permit, including the Bureau of Reclamation, IBWC, and other State Departments. Mr. Watton indicated that Ms. Barbara Bartholomew has completed Presidential Permits and is assisting the District with this matter. In response to another inquiry from Director Robak regarding Minute Order No.

319, Mr. Watton stated that the minute identifies a desalination component where the language is open to allow for a private project. CILA, who is the Mexican counterpart for IBWC, approves those minutes through an intricate administrative process.

Director Thompson stated that he expects District staff to conduct many workshops to fully educate the board about the projects. He indicated that he wants a clear understanding of what he and the board will be voting for and he wishes to ensure that the public understands that the District knows what it is doing. General Manager Watton indicated that the board definitely needs to be engaged with these projects. He also stated that the District's public relations/focus groups are already marketing these projects to the public.

d) INFORMATIONAL REPORT REGARDING THE USE OF AS-NEEDED SERVICES TO SUPPORT THE DELIVERY OF THE DISTRICT'S CAPITAL IMPROVEMENT PROGRAM

Engineering Manager Dan Martin provided a report on the use of As-Needed Services to support the delivery of the District's Capital Improvement Program. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of his report.

Director Robak commended staff on their report. He indicated that he likes the approach, in terms of private sector paradigm, that the District is taking to increase efficiency. He stated that it is important to keep in mind that it is the public's money that the District is spending.

e) STATUS REPORT ON THE FIRST QUARTER OF FISCAL YEAR 2013 CAPITAL IMPROVEMENT PROGRAM

The board waived presentation and recommended that the report be received and filed.

REPORTS

24. GENERAL MANAGER'S REPORT

General Manager Watton reviewed the Bay Delta Conservation Plan (BDCP) handouts that were provided to the board and discussed some concerns about Bay Delta matters. He indicated that legislators are in conflict with each other about the BDCP, which could lead to disaster. Mr. Watton suggested that the District should place itself in a leadership role and sign the BDCP Conceptual Alternative letter along with other water agencies.

He presented his report which included the status of the District's Rate Increase Notice, the possibility of water conservation signs being installed at Knott's Soak City, MasterLinx Meter Reading Upgrade, the 30-Inch 980 Zone Hunte Parkway – Proctor Valley/Use Area Project, and the Avocado, Louisa, Calavo, Challenge, Hidden Mesa Sanitary Sewer Replacement Project.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE:

General Manager Watton indicated that the CWA committee appointments have been made and he and Director Croucher will continue to hold vice-chairmanships. He also indicated that he has been assigned as Chair of the Litigation Committee and will be involved with the Metropolitan lawsuit and QSA matters. He stated that CWA's vice-chairman seat has become vacant as Mr. Richard Smith from the Helix Water District was not re-elected to his seat. CWA is accepting nominations for the seat and will soon be filling the vacancy.

25. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that he had attended the ACWA Conference held in early December 2012.

26. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of December 2012 (a list of meetings he attended is attached).

RECESS TO CLOSED SESSION

27. CLOSED SESSION

The board recessed to closed session at 5:12 p.m. to discuss the following matters:

a. CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY NEGOTIATORS:	MARK WATTON, GENERAL MANAGER, AND GERMAN ALVAREZ, ASSISTANT GENERAL MANAGER
EMPLOYEE ORGANIZATION:	OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION

AND

ALL REPRESENTED AND UNREPRESENTED PERSONNEL INCLUDING MANAGEMENT AND CONFIDENTIAL EMPLOYEES

b. CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY NEGOTIATORS:	DIRECTORS JOSE LOPEZ AND GARY CROUCHER

WITH RESPECT TO THE GENERAL MANAGER'S CONTRACT

c. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION [GOVERNMENT CODE §54956.9]

1 CASE

RETURN TO OPEN SESSION

28. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened at 5:40 p.m. and Attorney Morris indicated that no reportable actions were taken in closed session for both Conference with Labor Negotiators (Items 30a and 30b).

Attorney Morris indicated that the board did take action on item 30c, Anticipated Litigation. The board considered a claim that was submitted by Mr. Larry A. Le Feuvre and a motion was made by Director Robak, seconded by Director Thompson, and carried with the following vote:

Ayes:	Directors Lopez, Thompson, Gonzalez, Croucher and Robak
Noes:	None
Abstain:	None
Absent:	None

to reject the claim submitted by Mr. Le Feuvre.

29. ADOPT RESOLUTION NO. 4207 TO EXTEND THE MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE OTAY WATER DISTRICT AND THE OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION AND APPROVE THE SAME PROVISIONS FOR MANAGEMENT, CONFIDENTIAL, AND EXECUTIVE EMPLOYEES

A motion was made by Director Croucher, seconded by Director Gonzalez, and carried with the following vote:

Ayes:	Directors Lopez, Thompson, Gonzalez, Croucher and Robak
Noes:	None
Abstain:	None
Absent:	None

to adopt Resolution No. 4207 to extend the Memorandum of Understanding (MOU) between the Otay Water District and the Otay Water District Employees' Association and approve the same provisions for management, confidential, and executive employees.

30. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:45 p.m.

_____
President

ATTEST:

_____
District Secretary

President's Report
January 8, 2013 Board Meeting

A) Meetings attended during the Month of *November* 2012:

1) **November 7:** Attended the District's Regular Board Meeting

2) **November 13:**

   a) Attended a meeting of the Desalination Project Committee. Reviewed, discussed and made recommendation on the Rosarito Desalination Project.

   b) Attended a meeting of the Ad Hoc Employee Negotiations Committee. Reviewed, discussed and made recommendation on Employee MOU matters.

3) **November 20:** Attended the signing ceremony for Minutes 319 at a ceremony held in San Diego at the Hotel Del Coronado. Attendees: Mark Watton.

4) **November 26:** Attended the Ad Hoc Employee Negotiations Committee. Reviewed, discussed and made recommendation on the Employee MOU matters.

5) **November 28:**

   a) Committee Agenda Briefing. Met with General Manager Watton to review items that will be presented at the December Committee meetings.

   b) Attended the District's Special Board Meeting. Discussed CWA's proposed Water Service Agreement with Poseidon Resources.

B) Meetings attended during the Month of *December* 2012:

1) **December 4:** Attended a meeting of the Finance, Administration and Communications Committee.

2) **December 6 to 7:** Attended the ACWA Fall Conference held in San Diego at the Manchester Grand Hyatt.

3) **December 12:** Attended the Water Conservation Garden Board Meeting (copy of agenda attached).

4) **December 19:** Attended a meeting of the Desalination Project Committee. Reviewed, discussed and made recommendation on the Rosarito Desalination Project.

C) Meetings attended during the Month of *January* 2013:

1) **January 4:** Board Agenda Briefing. Met with General Manager Watton and Attorney Jeff Morris to review items that will be presented at the January Board meeting.

AGENDA ITEM 6a

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Kevin Koeppen, Finance Manager		
APPROVED BY:	☒ Joseph R. Beachem, Chief Financial Officer ☒ German Alvarez, Assistant General Manager ☒ Mark Watton, General Manager		
SUBJECT:	Appointment of Auditor for Fiscal Year Ending June 30, 2013		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to sign the engagement letters from the auditing firm of White Nelson Diehl Evans LLP, to contract for audit services for the 2013 Fiscal Year. The FY-2013 audit is the last year under the 5-year agreement with White Nelson Diehl Evans LLP.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

The District is required to retain the services of an independent accounting firm to perform an audit of the District's financial records each year.

ANALYSIS:

At the Board meeting on March 9, 2009, the Board approved Diehl, Evans & Company, LLP as the District's auditors for a 1-year contract, with four (4) 1-year options, with each option year subject to Board review and approval. The Board subsequently approved contract options in March 2010, February 2011, and March 2012 to perform the respective FY-2010, FY-2011 and FY-2012 audits. In October 2011, Diel, Evans & Company, LLP merged with the accounting firm White, Nelson & Co., and now operates under the name White Nelson Diehl Evans LLP.

Staff is recommending the appointment of White Nelson Diehl Evans LLP as the District's auditors for FY-2013, in conjunction with the fourth 1-year contract option. This is based on their staff's knowledge of the District's operations and finances, their technical qualifications, and their performance as the District's auditors during the FY-2009 through FY-2012 audits. Also, at the conclusion of these audits, the White Nelson Diehl Evans staff provided significant advice and review of staff's draft Comprehensive Annual Financial Report (CAFR) prior to submission to the Government Finance Officers Association (GFOA) for award consideration.

The following is a tentative planning schedule for the major activities involved in completing the FY-2012 financial audit:

- Apr-2012: Pre-audit (3-4 days)
- Aug-2012: Year-end audit (4-5 days)
- Nov-2012: Board presentation of audited financials
- Dec-2012: Completed CAFR

The audit will consist of four major components: 1) Standard Audit Services, to provide an audit opinion on the District's financial statements; 2) Review of the District's Investment Policy procedures; 3) A State Controllers Report, required by the State of California; and 4) Assistance in preparation of the District's CAFR.

FISCAL IMPACT:

The fee for auditing services for the Fiscal Year ending June 30, 2013, will not exceed $35,000. This is an increase of $1,000 over last year's fee, and is the second fee increase since the inception of the contract in 2009.

STRATEGIC GOAL:

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

LEGAL IMPACT:

Required by law.

Attachments:
Attachment A - Committee Action Form
Attachment B - White Nelson Diehl Evans LLP Audit Engagement Letter
Attachment C - White Nelson Diehl Evans LLP State Controllers Report Engagement Letter
Attachment D - White Nelson Diehl Evans LLP Agreed Upon Procedures Engagement Letter

ATTACHMENT A

SUBJECT/PROJECT:	Appointment of Auditor for Fiscal Year Ending June 30, 2013

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on January 22, 2013 and the following comments were made:

- Staff is requesting that the board approve the engagement of White Nelson Diehl Evans, LLP (WNDE) to perform the District's Fiscal Year 2013 (FY 2013) audit.

- WNDE's performance of the FY 2013 audit will be the last year under their five (5) year agreement with the District. Next year the District will be bidding out audit services.

- Staff is recommending WNDE based on their knowledge of the District's operations, their technical qualifications, and their past performance. WNDE has also provided significant advice on the District's Comprehensive Annual Financial Report.

- WNDE's fee to perform the audit services for FY 2013 will not exceed $35,000. This is an increase of $1,000 over last year's fee and is the second fee increase since the inception of the contract in 2009.

- In response to an inquiry from the committee, staff indicated that the original contract amount was $33,000 in 2009. The increase is approximately 1.5% annually since 2009. The District did not request that WNDE perform any additional services. The increase is purely a Cost of Living increase.

- The committee observed that by utilizing the same auditor, it saves staff time as the auditor is already familiar with the District and its operations. Staff does not need to spend much time providing the auditor background information, etc. They would only require information pertinent to FY 2013.

Following the discussion, the Finance, Administration and Communications Committee supported presentation to the full board as a consent item.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

January 15, 2013

Mr. Joseph R. Beachem
Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Boulevard
Spring Valley, CA 91978-2004

Dear Mr. Beachem:

We are pleased to confirm our understanding of the services we are to provide Otay Water District (the District) for the year ending June 30, 2013. We will audit the financial statements of Otay Water District as of and for the year ending June 30, 2013. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Otay Water District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Otay Water District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted principles and will be subjected to certain procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Funding Progress for PERS
3. Schedule of Funding Progress for DPHP

If a Single Audit is required, supplementary information other than RSI also would accompany Otay Water District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Expenditures of Federal Awards

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Offices located in Orange and San Diego Counties

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will not provide an opinion or any assurance.

1. Introductory Section
2. Statistical Section

Audit Objective

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplemental information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to express an opinion, we may decline to express an opinion or may not issue a report as a result of this engagement.

If the District is subject to a Single Audit the objective of our audit also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the District, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

If the District is subject to a Single Audit, our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. If the District is subject to a Single Audit, management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the financial position of the Otay Water District and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation ond fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, is a Single Audit is required, as required by OMB Circular A-133, it is management’s responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management Responsibilities (continued)

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards (if applicable). In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit (if required). Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

If a Single Audit is required, as required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and related addenda for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration Fees, and Other

Noted below is a listing of work required by District staff to assist in the audit.

1. Preparation of trial balances for all funds, after posting of all year end journal entries.

2. Preparation of schedules supporting all major balance sheet accounts, and selected revenue and expense accounts.

3. Typing of all confirmation requests.

4. Pulling and refiling of all supporting documents required for audit verification.

5. Preparation of the Management's Discussion and Analysis.

The workpapers for this engagement are the property of White Nelson Diehl Evans LLP and constitute confidential information. However, we may be requested to make certain workpapers available to grantor agencies pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to the grantor agencies. The grantor agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

In accordance with our firm's current record retention policy, all of your original records will be returned to you at the conclusion of this engagement. Our accounting workpaper files will be kept for a period of seven years. All other files will be kept for as long as you retain us as your accountants. However, upon termination of our service, all records will be destroyed after a period of seven years. Physical deterioration or catastrophic events may further shorten the life of these records. The working papers and files of our firm are not a substitute for your original records.

We expect to begin our audit on approximately August 1, 2013 and to issue our reports no later than October 31, 2013. Nitin Patel is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, for the year ending June 30, 2013 will not exceed $35,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our peer review reports accompany this letter.

We appreciate the opportunity to be of service to the Otay Water District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Nitin P. Patel, CPA
Engagement Partner

RESPONSE:

This letter correctly sets forth the understanding of the Otay Water District

By: _____

Title: _____

Date: _____

Heidenreich & Heidenreich, CPAs, PLLC
10201 S. 51st Street, Suite #170
Phoenix, AZ 85044
(480)704-6301 fax 785-4619

System Review Report

August 3, 2012

To the Owners of
White Nelson Diehl Evans, LLP
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP (the firm) in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. White Nelson Diehl Evans, LLP has received a peer review rating of *pass*.

Heidenreich & Heidenreich

Heidenreich & Heidenreich, CPAs, PLLC

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

January 15, 2013

Mr. Joseph R. Beachem
Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004

Dear Mr. Beachem:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide.

We will compile and provide the Special Districts Financial Transaction Report and Supplement to the Annual Report of the Otay Water District (District) for the year ending June 30, 2013 to be included in the form prescribed by the California State Controller's Office. Our report is presently expected to read:

> "We have compiled the accompanying Annual Report of Financial Transactions of Otay Water District for the year ending June 30, 2013, included in the accompanying prescribed form and as filed electronically with the California State Controller's Office, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.
>
> Our compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.
>
> These financial statements are presented in accordance with the requirements of the State Controller of California, which differ from generally accepted accounting principles. These financial statements omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters."

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Offices located in Orange and San Diego Counties

Our fee to prepare the report is included in the $35,000 maximum fee quoted in the engagement letter to conduct the June 30, 2013 financial audit of the District dated January 15, 2013. This fee contemplates that conditions satisfactory to the normal progress and completion of the Report will be encountered and that the District personnel will furnish assistance in connection with the Report preparation.

We appreciate the opportunity to be of service to the Otay Water District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Nitin P. Patel, CPA
Engagement Partner

RESPONSE:

This letter correctly sets forth the understanding of the Otay Water District.

By _____

Title _____

Date _____

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

January 15, 2013

Mr. Joseph R. Beachem
Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004

Dear Mr. Beachem:

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for the Otay Water District.

We will apply the agreed-upon procedures which the District's senior management has specified, listed in Attachment A solely to assist the District's senior management in evaluating the investments of the District for the fiscal year ending June 30, 2013. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on the evaluation of the investments of the District. In addition, we have no obligation to perform any procedures beyond those listed in Attachment A.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of District senior management, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the evaluation of the investments of the District; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for making all management decisions and performing all management functions; and for evaluating the adequacy and results of those services and accepting responsibility for them.

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Offices located in Orange and San Diego Counties

Nitin P. Patel, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin our procedures on approximately August 1, 2013 and, unless unforeseeable problems are encountered, the engagement should be completed by October 31, 2013. At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the presentation of the evaluation of the investment of the District.

Our fee to prepare the report is included in the $35,000 maximum fee quoted in the engagement letter to conduct the June 30, 2013 financial audit of the District dated January 15, 2013. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Very truly yours,

Nitin P. Patel CPA
Engagement Partner

RESPONSE:

This letter correctly sets forth the understanding
of the Otay Water District.

By _____

Title _____

Date _____

Attachment A

Agreed Upon Procedures

1. Obtain a copy of the District's investment policy and determine that it is in effect for the time period under review.

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

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

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

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

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

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

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

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Kevin Cameron Assistant Civil Engineer	PROJECTS:	P2518-001103 P2519-001103
		DIV. NO.	5
	Ron Ripperger Engineering Manager		
APPROVED BY:	☒ Rod Posada, Chief, Engineering ☒ German Alvarez, Asst. General Manager ☒ Mark Watton, General Manager		
SUBJECT:	Award of a Construction Contract to Advanced Industrial Services, Inc. for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) award a construction contract to Advanced Industrial Services, Inc. (AIS) and authorizes the General Manager to execute an agreement with AIS for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project in an amount-not-to exceed $946,900 (see Exhibit A-1 & A-2 for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board authorization for the General Manager to enter into a construction contract with AIS for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project in an amount-not-to exceed $946,900.

ANALYSIS:

In June 2011, the District's corrosion consultant, Schiff Associates (Schiff), completed a Corrosion Control Program (CCP) that addressed the installation, maintenance, and monitoring of corrosion protection systems for the District's steel reservoirs and buried metallic piping. The CCP included a reservoir maintenance schedule that showed the 803-3 & 832-2 Reservoirs are due to be recoated on both the interior and exterior surfaces. In addition to replacing the coatings of the reservoir, structural upgrades will be added to comply with the current American Water Works Association (AWWA) and the Occupational Safety and Health Administration standards for both Federal (OSHA) and State (Cal-OSHA) levels.

An external inspection of the reservoirs was performed in 2008 by Utility Service Company, Inc. as part of a multiple tank investigation. An internal inspection was completed in October 2012 by Aqua Video Engineering, Inc. The recommended coating and structural upgrades, developed with input from engineering and operations staff, are as follows: replace the twenty (20) year old coating on the interior and exterior surfaces, replace the existing level indicators, install new fall prevention devices on the interior ladders, modify anode access ports, replace all anodes, replace the roof vents, install new lanyard cables, and add miscellaneous tank penetrations for chlorination and sampling. These upgrades will ensure compliance with AWWA, OSHA, Cal-OSHA requirements as well as upgrade antiquated equipment on the tanks.

Staff developed the contract documents and the Project was advertised for bid on November 28, 2012 on the District's website and several other publications including the San Diego Daily Transcript.

Two (2) addenda were sent out to all bidders and plan houses to address questions and clarifications to the contract documents during the bidding period. Bids were publicly opened on December 20, 2012, with the following results:

	CONTRACTOR	**TOTAL BID AMOUNT**	**CORRECTED BID AMOUNT**
1	Advanced Industrial Services, Inc.	$946,900.00	-
2	Tri-State Painting, Inc.	$994,670.00	$995,300.00
3	Blastco, Inc.	$996,505.00	-

The Engineer's Estimate is $948,000.

Staff reviewed the bids submitted for conformance with the contract requirements and determined that AIS was the lowest responsive and

responsible bidder. AIS holds a Class C-33, Painting and Decorating, Contractor's License, which meets the contract document's requirements, and is valid through January 31, 2014. AIS also holds a current QP-1 and QP-2 certification from Society for Protective Coatings, which were also a requirement. The reference checks indicated an excellent performance record on similar projects. An internet background search of the company was performed and revealed no outstanding issues with this company. AIS previously worked with the District on the 850-3 Reservoir exterior coating in the spring of 2012 and completed the work on time and within budget.

Staff has verified that the bid bond provided by AIS is valid. Staff will also verify that AIS' Performance Bond and Labor and Materials Bond are valid prior to execution of the contract.

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

The total budget for CIP P2518, as approved in the FY 2013 budget, is $750,000. Total expenditures, plus outstanding commitments and forecast, are $652,990.

The total budget for CIP P2519, as approved in the FY 2013 budget, is $775,000. Total expenditures, plus outstanding commitments and forecast, are $641,007.

Based on a review of the financial budget, the Project Manager anticipates that both budgets are sufficient to support the Project. See Attachment B-1 for the budget detail for CIP P2518 and Attachment B-2 for the budget detail for CIP P2519.

Finance has determined that 100% of the funding is available from the Replacement Fund for both CIP P2518 and CIP P2519.

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.

KC/RR:jf
P:\WORKING\CIP P2518 & 2519 - 803-3 & 832-2 Reservoir Interior-Exterior Coating\Staff Reports\Staff Report - 803-3 and 832-2 Reservoirs Coatings - 2-6-13.docx

Attachments: Attachment A – Committee Action
Attachment B-1 – Budget Detail for CIP P2518
Attachment B-2 - Budget Detail for CIP P2519
Exhibit A-1 – 803-3 Location Map (P2518)
Exhibit A-2 – 832-2 Location Map (P2519)

ATTACHMENT A

SUBJECT/PROJECT: P2518-001103 P2519-001103	Award of a Construction Contract to Advanced Industrial Services, Inc. for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee (Committee) reviewed this item at a meeting held on January 16, 2013, and the following comments were made:

- Staff requested that the Board award a construction contract to Advanced Industrial Services, Inc. (AIS) and authorize the General Manager to execute an agreement with AIS for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project in an amount-not-to exceed $946,900.

- It was indicated that the District's 2011 Corrosion Control Program (CCP) shows the 803-3 and 832-2 Reservoirs are due to be recoated on the interior and exterior surfaces.

- Staff stated that the existing coatings on both tanks are 20 years old and at the end of their useful life. Structural upgrades are also required to bring the reservoirs up to current Federal and State OSHA standards as well as AWWA Standards.

- It was noted that once the coatings are replaced, both sites will have cracks repaired in the asphalt and the site will be slurry sealed. The existing landscape at both sites is adequate, and neither site is in close proximity to any residential areas.

- Staff discussed the selection process and indicated that two addenda were sent out to address contractor's questions. It was noted that three (3) bids were received and the results are shown in the table on page 2 of the staff report.

- Staff indicated that AIS submitted the lowest bid and was reviewed for conformance. Staff also checked the company's references which showed an excellent performance record. After review, staff determined that AIS submitted a responsive bid.

- It was noted that AIS has previously worked with the District on the 850-3 Reservoir exterior coating project which was completed

in August 2012. That project was completed on time and on budget.

- The Committee inquired as to why the District received only 3 bids for such a big project (803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project). Staff stated that 1 bid was submitted but did not make the District's deadline and indicated that 3 other companies were called to submit bids but they declined. It was also noted that there is a small number of companies in this type of business because it requires specialized knowledge of materials and products.

- In response to a question by the Committee, staff stated that both sites' landscaping is sufficient and does not need upgrades. The 803-3 site is in a valley not visible to the community. The 832-2 site is mostly asphalt with surrounding trees and the land outside the fence line is protected habitat.

- The Committee inquired about security at the site. Staff indicated that they are currently working with SDG&E to obtain power at the project's site. Once power is established, a camera system can be installed. This plan would fall under a different CIP project as staff plans to look into a solar camera system, SCADA, and back-up generator.

Following the discussion, the committee supported staffs' recommendation and presentation to the full board on the consent calendar.

ATTACHMENT B-1

SUBJECT/PROJECT: P2518-001103 P2519-001103	Award of a Construction Contract to Advanced Industrial Services, Inc. for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project

Otay Water District — Date Updated: 12/19/2012

P2518-803-3 Reservoir Interior/Exterior Coating

Budget 750,000	Committed	Expenditures	Outstanding Commitment & Forecast	Projected Final Cost	Vendor/Comments
Planning					
Standard Salaries	678	678	-	678	
Total Planning	678	678	-	678	
Design					
Service Contracts	992	874	119	992	MAYER REPROGRAPHICS INC
	45	45	-	45	SAN DIEGO DAILY TRANSCRIPT
Standard Salaries	22,258	22,258	4,742	27,000	
Total Design	23,295	23,177	4,861	28,037	
Construction					
Standard Salaries	418	418	74,582	75,000	
Construction Contract	475,500	-	475,500	475,500	ADVANCED INDUSTRIAL SERVICES
Service Contracts	-	-	35,000	35,000	V & A CONSULTING
Project Closeout	-	-	15,000	15,000	CLOSEOUT
Project Contingency	23,775	-	23,775	23,775	5% CONTINGENCY
Total Construction	499,693	418	623,857	624,275	
Grand Total	**523,666**	**24,273**	**628,717**	**652,990**	

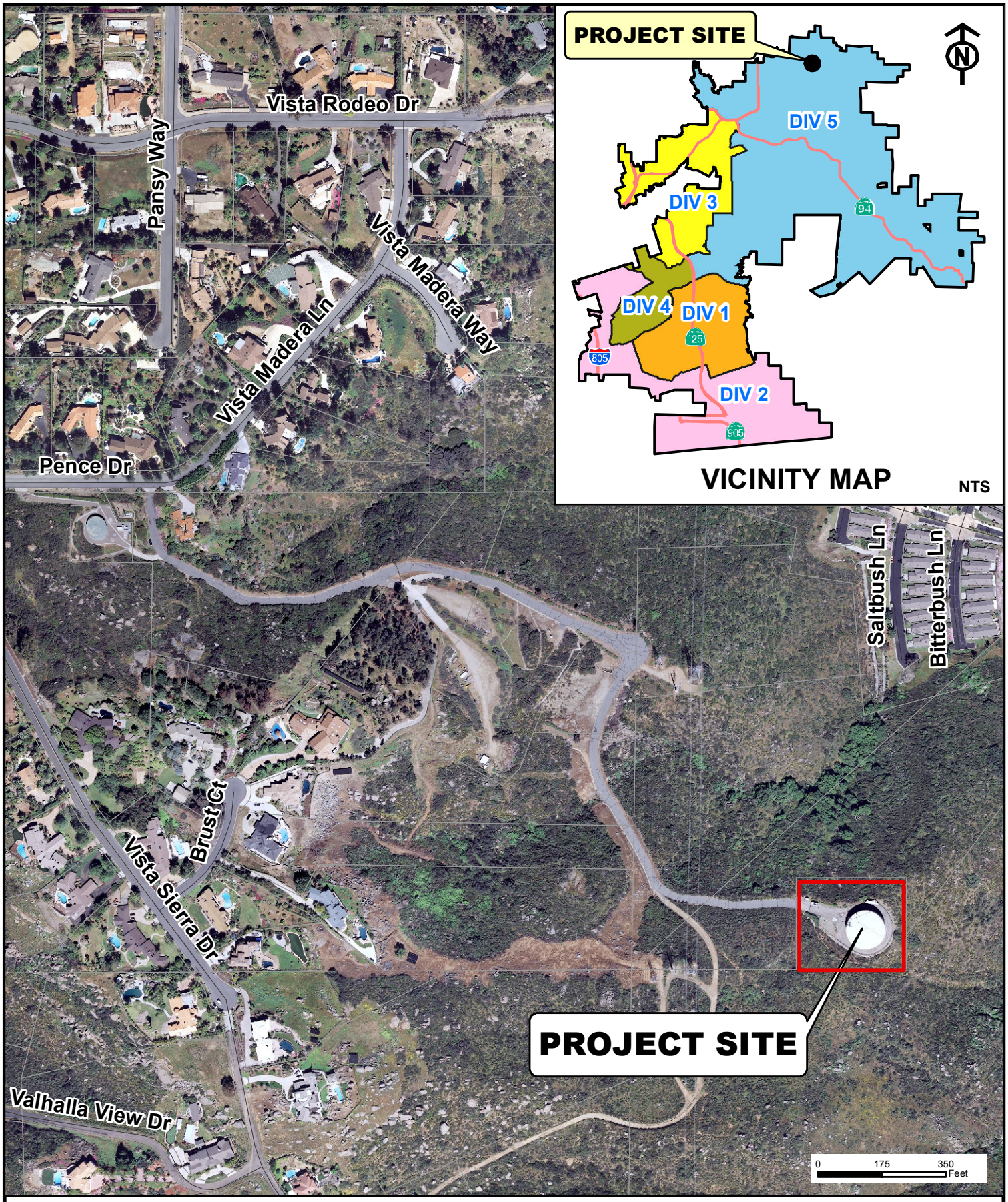
ATTACHMENT B-2

SUBJECT/PROJECT: P2518-001103 P2519-001103	Award of a Construction Contract to Advanced Industrial Services, Inc. for the 803-3 & 832-2 Reservoirs Interior/Exterior Coatings and Upgrades Project

Otay Water District — Date Updated: 12/19/2012

P2519-832-2 Reservoir Interior/Exterior Coating

Budget	Committed	Expenditures	Outstanding Commitment & Forecast	Projected Final Cost	Vendor/Comments
775,000					
Planning					
	-	-	-	-	
Total Planning	-	-	-	-	
Design					
Service Contracts	992	874	119	992	MAYER REPROGRAPHICS INC
	45	45	-	45	SAN DIEGO DAILY TRANSCRIPT
Standard Salaries	16,482	16,482	3,518	20,000	
Total Design	17,520	17,401	3,636	21,037	
Construction					
Standard Salaries	152	152	74,848	75,000	
Construction Contract	471,400	-	471,400	471,400	ADVANCED INDUSTRIAL SERVICES
Service Contracts	-	-	35,000	35,000	V & A CONSULTING
Project Closeout	-	-	15,000	15,000	CLOSEOUT
Project Contingency	23,570	-	23,570	23,570	5% CONTINGENCY
Total Construction	495,122	152	619,818	619,970	
Grand Total	**512,642**	**17,554**	**623,454**	**641,007**	



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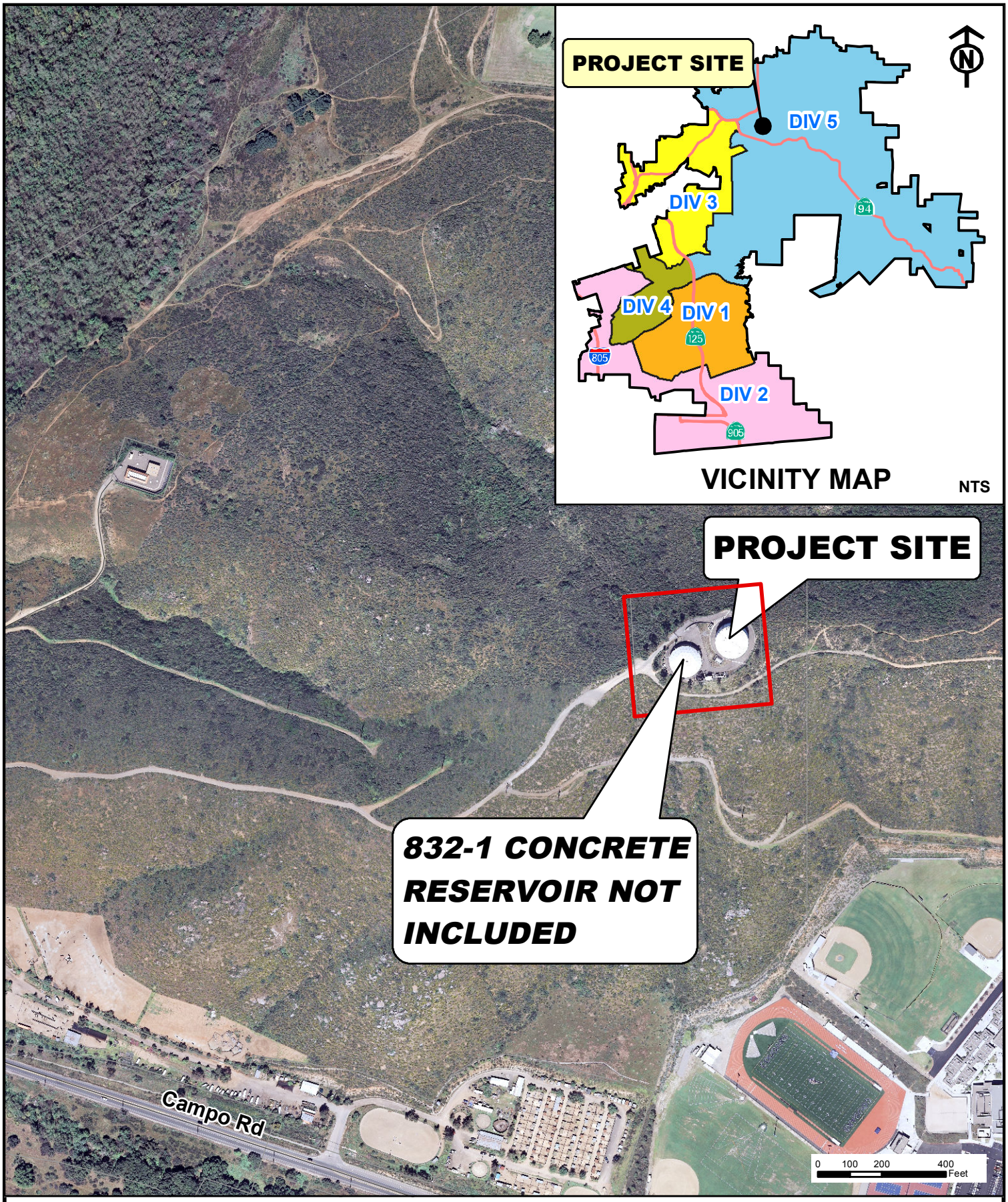
OTAY WATER DISTRICT

803-3 RESERVOIR INT./EXT. COATING & UPGRADES LOCATION MAP

CIP P2518

EXHIBIT A-1



OTAY WATER DISTRICT

832-2 RESERVOIR INT./EXT. COATING & UPGRADES LOCATION MAP

CIP P2519

EXHIBIT A-2

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STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Mark Watton General Manager	PROJECT:	P2451-001101 DIV. NO. 2
APPROVED BY:	☒ Mark Watton, General Manager		
SUBJECT:	Award of a Consulting Services Contract for Professional Consulting Work Related to the Otay Mesa Conveyance and Disinfection System Project for Consulting on Bi-national Water Matters		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) authorize the General Manager to execute a Consulting Services Agreement with Hector Mares (Attachment C) in an amount not-to-exceed $60,000 annually commencing April 1, 2013 for two years ($120,000 total ending March 31, 2015) for professional consulting work on Bi-national water matters related to the Otay Mesa Desalination Facility Conveyance and Disinfection System Project (see Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board authorization for the General Manager to enter into a Consulting Services Agreement with Hector Mares in an amount not-to-exceed $60,000 annually commencing April 1, 2013 for two years ($120,000 total ending March 31, 2015) for professional consulting work on Bi-national water matters related to the Otay Mesa Desalination Facility Conveyance and Disinfection System Project (Project).

ANALYSIS:

The District is working with a private developer and several bi-national governmental agencies to support the design, build, and operation of a sea-water desalting facility in the area of Rosarito, Baja California. The Otay Mesa Conveyance and Disinfection System Project (Project) will provide a potable water transmission pipeline

and pump station to convey the desalinated water from the border of Mexico to Roll Reservoir on Otay Mesa. The primary purpose of the Project is to provide water service at a potable level to customers in both the U.S. and Mexico.

Given the many challenges in advancing this Project, the District will benefit by retaining the services of a bi-national consultant to advise the board and management on matters concerning desalination in Mexico among other subjects related to bi-national water development opportunities.

Staff is recommending the engagement of Mr. Mares based on his experience and knowledge in bi-national matters. Mr. Mares has been engaged as a consultant to the District in a similar capacity under the General Manager's authority and his analysis, reporting, and expertise has been of benefit to the District. By Mr. Mares' efforts, the District has established very important contacts and relationships with various Mexican water officials. This has resulted in a better understanding of the various projects and initiatives by local, state, and federal agencies in Mexico.

In addition to the Otay Mesa Conveyance and Disinfection System Project, there are opportunities for bi-national water projects, including but not limited to, recycled water, Colorado River aqueduct transportation and desalination. Mr. Mares will continue to provide valuable insight and assistance in these efforts.

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

The total budget for CIP P2451, as approved in the FY 2013 budget, is $30,000,000. Expenditures to date are $1,195,716. Total expenditures, plus outstanding commitments, including this contract, totals $5,270,198.

Based on a review of the financial budget, the Project Manager anticipates that the budget is sufficient to support this Project (see Attachment B).

Finance has determined that 40% of the funding is available from the New Water Supply Fund and 60% of the funding will be available from the Betterment Fund.

STRATEGIC GOAL:
This Project supports the District's Mission statement, "To provide the best quality of water and wastewater services to the customers of Otay Water District, in a professional, effective, and efficient manner" and the District's Strategic Goal, "To satisfy current and future water needs for potable, recycled, and wastewater services."

LEGAL IMPACT:

None.

BK:sc

P:\WORKING\CIP P2451 Desalination Feasibility Study\Staff Reports\Board 1-6-13 Mares Binational\BD 02-06-13, Staff Report, Award of Consulting Services Contract to Mares Bi-national Consulting Services, (MW).docx

Attachments: Attachment A – Committee Action
Attachment B – Budget Detail
Exhibit A – Location Map
Attachment C – Agreement

ATTACHMENT A

SUBJECT/PROJECT: P2451-001101	Award of a Consulting Services Contract for Professional Consulting Work Related to the Otay Mesa Conveyance and Disinfection System Project for Consulting on Bi-national Water Matters

COMMITTEE ACTION:

This item was presented to the Engineering and Water Operations Committee at a meeting held on January 16, 2013, and the following comments were made:

- Staff requested that the Board authorize the General Manager to execute a Consulting Services Agreement with Hector Mares in an amount not-to-exceed $60,000 annually commencing April 1, 2013 for two years ($120,000 total ending March 31, 2015) for professional consulting work on Bi-national water matters related to the Otay Mesa Desalination Facility Conveyance and Disinfection System Project.

- Staff provided a background of the Rosarito Desalination Project and the Otay Mesa Desalination Facility Conveyance and Disinfection System Project.

- Staff also provided a background of Mr. Mares' assigned duties and indicated that he has been a consultant for the District since 2005. Mr. Mares' resume was provided to the Committee.

- Staff noted that the engagement of Mr. Mares services is very important because his experience and knowledge in bi-national matters is needed by the District. With the anticipation of the District purchasing water from the Rosarito Desalination Plant, staff believes Mr. Mares would benefit the District because he can help the District understand the politics and communicate with officials in Mexico.

- In response to a request by the Committee, staff indicated that they would consult with the District's legal counsel to include a "Confidentiality" provision to Mr. Hector Mares' contract.

Following the discussion, the committee supported staffs' recommendation and presentation to the full board on the consent calendar with the requested revision.

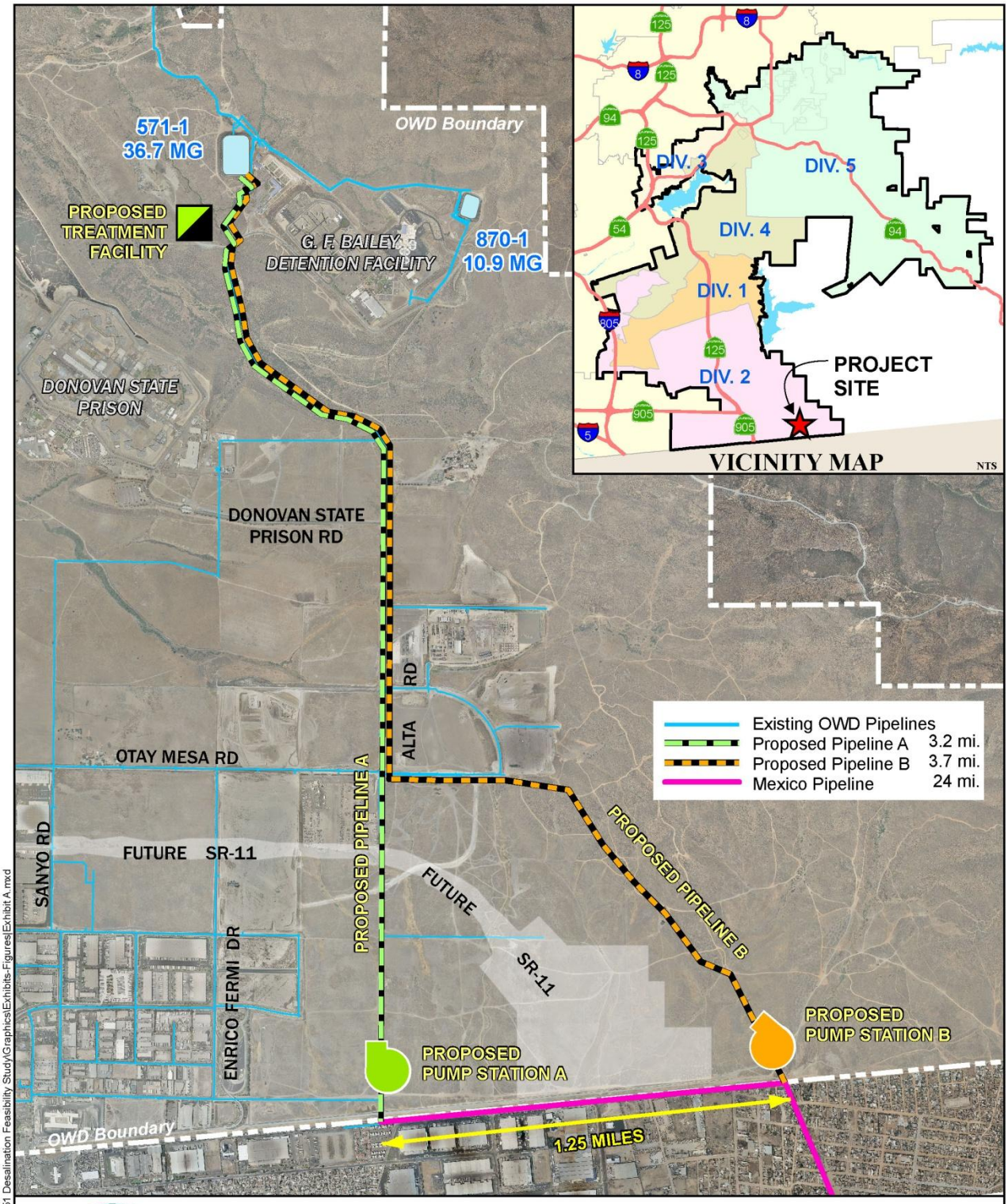
ATTACHMENT B

SUBJECT/PROJECT:	Award of a Consulting Services Contract for Professional Consulting Work Related to the Otay Mesa Conveyance and Disinfection System Project for Consulting on Bi-national Water Matters
P2451-001101	

Otay Water District
P2451 - Rosarito Desalination Facility Conveyance

Date Updated: January 11, 2013

Budget 30,000,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor/Comments*
Planning					
Labor	478,643	478,643		478,643	
Printing	61	61	-	61	MAIL MANAGEMENT GROUP INC
Mileage Reimbursement	138	138	-	138	PETTY CASH CUSTODIAN
Parking and Tolls	88	88	-	88	PETTY CASH CUSTODIAN
	45	45	-	45	US BANK CORPORATE PAYMENT
	21	21	-	21	WATTON, MARK
Airfare and Transportation	40	40	-	40	PETTY CASH CUSTODIAN
	9,781	9,781	0	9,781	US BANK CORPORATE PAYMENT
	697	697	-	697	WATTON, MARK
Lodging	3,262	3,262	-	3,262	US BANK CORPORATE PAYMENT
	1,590	1,590	-	1,590	WATTON, MARK
	472	472	-	472	CONSOLIDATED WATER COMPANY
Meals and Incidentals	249	249	-	249	PETTY CASH CUSTODIAN
	38	38	-	38	US BANK CORPORATE PAYMENT
	194	194	-	194	WATTON, MARK
	395	395	-	395	CONSOLIDATED WATER COMPANY
Business Meetings	180	180	-	180	PETTY CASH CUSTODIAN
	949	949	-	949	US BANK CORPORATE PAYMENT
Insurance	26	26	-	26	PETTY CASH CUSTODIAN
	27	27	-	27	US BANK CORPORATE PAYMENT
Professional Legal Fees	43,175	43,175	-	43,175	SOLORZANO CARVAJAL GONZALEZ Y
	15,914	15,914	-	15,914	STUTZ ARTIANO SHINOFF
	152,066	152,066	-	152,066	GARCIA CALDERON & RUIZ LLP
Other Legal Expenses	9,975	9,975	-	9,975	GARCIA CALDERON & RUIZ LLP
	38	38	-	38	STUTZ ARTIANO SHINOFF
Consultant Contracts	98,577	98,577	-	98,577	CAMP DRESSER & MCKEE INC
	46,706	46,706	-	46,706	MARSTON+MARSTON INC
	994	994	-	994	CPM PARTNERS INC
	12,200	12,200	-	12,200	REA & PARKER RESEARCH
	4,173	4,173	-	4,173	SALVADOR LOPEZ-CORDOVA
	152,066	80,066	72,000	152,066	SILVA SILVA INTERNATIONAL
	70,200	64,800	5,400	70,200	HECTOR I MARES-COSSIO
	120,000	-	120,000	120,000	HECTOR I MARES-COSSIO
	7,000	7,000	-	7,000	BUSTAMANTE & ASSOCIATES LLC
	32,340	32,340	-	32,340	BROWNSTEIN HYATT FARBER
Service Contracts	500	500	-	500	REBECA SOTURA NICKERSON
	106	106	-	106	SAN DIEGO DAILY TRANSCRIPT
Total Planning	1,262,926	1,065,525	197,400	1,262,926	
Design					
Labor	76,660	76,660		76,660	
Meals and Incidentals	14	14	-	14	PETTY CASH CUSTODIAN
Consultant Contracts	5,535	5,535	-	5,535	MICHAEL R WELCH PHD PE
	3,910,297	33,215	3,877,082	3,910,297	AECOM TECHNICAL SERVICES INC
	5,000	5,000	-	5,000	ATKINS
	8,818	8,818	-	8,818	CPM PARTNERS INC
	276	276	-	276	MARSTON+MARSTON INC
Service Contracts	343	343	-	343	SAN DIEGO UNION-TRIBUNE LLC
Total Design	4,006,943	129,861	3,877,082	4,006,943	
Construction					
Labor	329	329		329	
Total Construction	329	329	-	329	
Grand Total	**5,270,198**	**1,195,716**	**4,074,482**	**5,270,198**	



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OTAY WATER DISTRICT

Otay Mesa Conveyance and Disinfection Facility Project

EXHIBIT A

Attachment C

CONSULTANT CONTRACT SERVICES AGREEMENT FOR BI-NATIONAL WATER AND RELATED ISSUES

THIS CONTRACT SERVICES AGREEMENT (herein "Agreement") is made and effective as of January 1, 2013, by and between the Otay Water District, a municipal water district organized pursuant to the provisions of the Municipal Water District Law of 1911, commencing with Section 71000 of the Water Code of the State of California, as amended (herein "OWD") and Hector Mares (herein "Consultant").

NOW, THEREFORE, the parties hereto agree as follows:

1.0 SERVICES OF CONSULTANT

1.1. Scope of Services. In compliance with all the terms and conditions of this Agreement, the Consultant shall perform the work or services set forth in the Scope of Services attached hereto as Exhibit A and incorporated herein by reference. The Consultant warrants that all work and services set forth in the Scope of Services will be performed in a competent, professional and satisfactory manner.

1.2. Compliance With Law. All work and services rendered hereunder shall be provided in accordance with all ordinances, resolutions, statutes, rules, and regulations of the OWD and any Federal, State or local governmental agency of competent jurisdiction.

1.3. Licenses, Permits, Fees and Assessments. The Consultant shall obtain at its sole cost and expense such licenses, permits and approvals as may be required by law for the performance of the services required by this Agreement.

2.0 COMPENSATION

2.1. Contract Sum. For the services rendered pursuant to this Agreement, and costs incurred in connection therewith, Consultant shall be compensated in accordance with the Schedule of Compensation attached hereto as Exhibit B and incorporated herein by this reference.

2.2. Method of Payment . Provided that Consultant is not in default under the terms of this Agreement, Consultant shall be paid monthly in accordance with the terms set forth in Exhibit B.

3.0 COORDINATION OF WORK

3.1. Representative of Consultant. Hector Mares is hereby designated as being the principal and representative of Consultant authorized to act in its behalf with respect to the work and services specified herein and make all decisions in connection therewith.

3.2. Contract Officer. Mark Watton, General Manager of the OWD, is hereby designated as being the OWD representative authorized to act in its behalf with respect to the work and services specified herein and make all decisions in connection therewith (herein "Contract Officer"). The General Manager of OWD shall have the right to designate another Contract Officer by providing written notice to Consultant.

3.3. Prohibition Against Subcontracting or Assignment. Consultant shall not contract with any person or entity to perform in whole or in part the work or services required hereunder without the express written approval of OWD. Neither this Agreement nor any interest herein may be assigned or transferred voluntarily or by operation of law, without the prior written approval of OWD. Any such prohibited assignment or transfer shall be void.

3.4. Independent Contractor. Neither OWD nor any of its employees shall have any control over the manner, mode or means by which Consultant, its agents or employees, perform the services required herein, except as otherwise set forth. Consultant shall perform all services required herein as an independent contractor of OWD and shall remain under only such obligations as are consistent with that role. Consultant shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of OWD.

4.0 INSURANCE AND INDEMNIFICATION

4.1. Insurance. The Consultant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to OWD, during the entire term of this Agreement including any extension thereof, a policy of comprehensive automobile liability insurance written on a per occurrence basis in an amount not less than either (i) bodily injury liability limits of $250,000.00 per person and $500,000.00 per occurrence and property damage liability limits of $100,000.00 per occurrence and $250,000.00 in the aggregate or (ii) combined single limit liability of $500,000.00. Said policy shall include coverage for owned, non-owned, leased and hired cars.

The above policy of insurance shall be primary insurance and shall name OWD, its directors, officers, employees and agents as additional insureds. The insurer shall waive all rights of subrogation and contribution it may have against OWD, its directors, officers, employees and agents and their respective insurers. The policy of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to OWD. In the event said policy of insurance is canceled, the Consultant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 4.1 to the Contract Officer. No work or services under this Agreement shall commence until the Consultant has provided OWD with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by OWD.

CANCELLATION:

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY SHALL MAIL THIRTY (30) DAYS ADVANCE WRITTEN NOTICE TO CERTIFICATE HOLDER NAMED THEREIN.

_____
Initials

The provisions of Section 4.1 shall not be construed as limiting in any way the extent to which the Consultant may be held responsible for the payment of damages to any persons or property resulting from the Consultant's activities or the activities of any person or persons for which the Consultant is otherwise responsible.

The insurance required by this Agreement shall be satisfactory only if issued by companies qualified to do business in California, rated A or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager of OWD due to unique circumstances.

4.2. Indemnification. The Consultant agrees to indemnify OWD, its directors, officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, including applying any legal costs, attorneys fees, or paying any judgment (herein "Claims or Liabilities") that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work or services of Consultant, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of Consultant hereunder, or arising from Consultant's negligent performance of or failure to perform any term, provision covenant or condition of this Agreement, but excluding such Claims or Liabilities to the extent caused by the sole negligence or willful misconduct of OWD.

5.0 TERM

5.1. Term. This Agreement shall be effective as of January 1, 2013. Unless earlier terminated in accordance with Section 5.2 below, this Agreement shall continue in full force and effect until December 31, 2013.

5.2. Termination Prior to Expiration of Term. Either party may terminate this Agreement at any time, with or without cause, upon ten (10) days written notice to the other party. Upon receipt of the notice of termination, the Consultant shall immediately cease all work or services hereunder except as may be specifically approved by the Contract Officer. In the event of termination by OWD, Consultant shall be entitled to compensation for all services rendered prior to the effective date of the notice of termination and for such additional services specifically authorized by the Contract Officer. OWD shall be entitled to reimbursement for any compensation paid in excess of the services rendered.

6.0 MISCELLANEOUS

6.1. Covenant Against Discrimination. The Consultant covenants that, by and for itself, its heirs, executors, assigns and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the performance of this Agreement. The Consultant shall take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, creed, religion, sex, marital status, national origin or ancestry.

6.2. Non-liability of District Officers and Employees. No officer or employee of OWD shall be personally liable to the Consultant, or any successor in interest, in the event of any default or breach by OWD or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

6.3. Conflict of Interest. No officer or employee of OWD shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which affects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation.

The Consultant warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement.

_____
Initials

6.4. Notice. Any notice demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of OWD, to the General Manager and to the attention of the Contract Officer, OWD, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, and in the case of the Consultant, to the person at the address designated on the execution page of this Agreement.

6.5. Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

6.6. lntegration: Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Agreement. This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

6.7. Severability. If any part of this Agreement shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity

or unenforceability shall not affect any of the remaining portions of this Agreement which are hereby declared as severable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Agreement meaningless.

6.8. Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

6.9. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) they are duly authorized to execute and deliver this Agreement on behalf of said party; (ii) the executing and entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

6.10. Governing Law/Venue. The terms and conditions of this Agreement shall be governed by the laws of the State of California. Any action or proceeding brought by any party against any other party arising out of or related to this Agreement shall be brought exclusively in San Diego County.

6.11. Confidential Information. OWD may from time to time communicate to the Consultant certain confidential information to enable the Consultant to effectively perform the services to be provided herein. The Consultant shall treat all such information as confidential and shall not disclose any part thereof without the prior written consent of OWD. The Consultant shall limit the use and circulation of such information, even within its own organization, to the extent necessary to perform the services to be provided herein. The foregoing obligation of this Section 6.11, however, shall not apply to any part of the information that (i) has been disclosed in publicly available sources of information; (ii) is, through no fault of the Consultant, hereafter disclosed in publicly available sources of information; (iii) is already in the possession of the Consultant without any obligation of confidentiality; (iv) has been or is hereafter rightfully disclosed to the Consultant by a third party, but only to the extent that the use or disclosure thereof has been or is rightfully authorized by that third party; or (v) is subject to disclosure pursuant to applicable laws and regulations including, but not limited to, the California Public Records Act and the Freedom of Information Act

The Consultant shall not disclose any reports, recommendations, conclusions or other results of the services or the existence of the subject matter of this Agreement without the prior written consent of OWD. In its performance hereunder, the Consultant shall comply with all legal obligations it may now or hereafter have respecting the information or other property of any other person, firm or corporation.

Consultant shall be liable to OWD for any damages caused by breach of this condition, pursuant to the provisions of Section 4.2.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

OTAY WATER DISTRICT

_____
Mark Watton, General Manager

APPROVED AS TO FORM:

_____
Daniel Shinoff, General Counsel

CONSULTANT:

By: _____
Hector Mares

EXHIBIT A

SCOPE OF SERVICES

All items described herein shall be provided by Consultant as part of his compensation to further OWD's objectives regarding water delivery and supply, as such objectives are described below and may be further described to Contractor by the Contract Officer in writing during the Term of this Agreement:

1. Monitor and report from time to time on progress of the Mexican Colorado River Aqueduct and associated facilities.

2. Provide research and a written report on the interest and viability of forming a committee such as San Diego Dialogue to foster bi-national relations.

3. Monitor and report from time to time on existing bi-national committees and associations, such as the San Diego Dialogue and the Institute of the Americas.

4. Provide oral and written reports on Mexicali, Mexico (MX) issues related to All-American Canal lining and other water related activities.

5. Arrange and guide tours of Tijuana, MX water facilities involving appropriate Mexican officials.

6. Provide a comprehensive report and analysis on Tijuana, MX water matters.

7. Arrange introductions for Tijuana, Rosarito Beach and Mexicali state and federal public officials involved in water issues.

8. Arrange, organize, and invite Mexican water leaders and public officials for a tour of OWD facilities.

9. Provide political analysis on Mexican water matters involving local, state and federal jurisdictions.

10. Provide advice and analysis on the pending Rosarito Beach, MX desalination facility.

EXHIBIT B

SCHEDULE OF COMPENSATION

OWD shall pay Consultant a sum not to exceed $3,600.00 per month for a total sum not to exceed $45,000.00 for all costs and services under this Agreement. Consultant shall submit monthly invoices describing in detail the services and tasks performed during the prior calendar month. Each invoice is payable within thirty (30) days of acceptance of the invoiced amounts by OWD. Services under this Agreement shall commence on January 1, 2013 and end on December 31, 2013.

Consultant will be reimbursed for all reasonable out-of-pocket expenses incurred in performance of the work identified in Exhibit A. Consultant shall request written pre-approval of any single expense in excess of $100.00 or any monthly sum of expenses in excess of $250.00. Consultant shall submit to the OWD detailed receipts and a detailed invoice for said out-of-pocket expenses. Any entertainment or meal expenses must be pre-approved by the Contract Officer. Failure to obtain pre-approval may result in a denial of reimbursement.

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Lisa Coburn-Boyd Environmental Compliance Specialist Ron Ripperger Engineering Manager	PROJECT:	P2494-001101 DIV. NO. All
APPROVED BY:	☒ Rod Posada, Chief, Engineering ☒ German Alvarez, Asst. General Manager ☒ Mark Watton, General Manager		
SUBJECT:	Discussion and Recommendation Regarding the Proposed Termination of Work on the Joint Water Agencies Natural Community Conservation Plan/Habitat Conservation Plan		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) recommend that the District, along with the three other Joint Water Agencies (JWA), terminate all work on the JWA Natural Community Conservation Plan/Habitat Conservation Plan (JWA NCCP/HCP) (see Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To provide the Board with the history and background of the JWA Plan so that they can make a recommendation regarding the termination of work on the JWA Plan.

ANALYSIS:

In September, 2007 the District made the decision to pursue becoming a partner in the Joint Water Agencies plan to produce a NCCP/HCP. The three agencies that were a part of the JWA at that time, Sweetwater Authority, Helix Water District, and Padre Dam Water District had been working on putting together the NCCP/HCP for about 10 years and were close to finishing the Plan. The District recognized at that time that by becoming a partner in the JWA Plan it would provide substantial benefits for the biological permitting challenges of future CIP projects. These benefits include the following:

- Long-term self-permitting for habitat and species impacts
- Increased certainty with Project schedules, pre-approved mitigation areas and mitigation ratios
- Exchange or sale of mitigation credits among JWA Partners
- Reduced Wildlife Agency consultations

The JWA Partners supported the inclusion of the District, but asked for a financial buy-in since the other three agencies had expended a significant amount of money and time to get the Plan to substantial completion. The District agreed and paid $133,333 to each existing Partner, as approved by the Board in January 2010. In addition, the District would fast-track the preparation of its individual Sub-area Plan for the overall NCCP/HCP and enter into contracts with the existing JWA Plan Consultants to complete the NCCP/HCP.

The JWA NCCP/HCP covers approximately 8,388 acres in the southwest quadrant of San Diego County, including lands within the unincorporated area and the cities of Chula Vista, National City, Santee, La Mesa, Lemon Grove, and El Cajon. The Plan proposes coverage for 77 species (28 plants and 49 animals) through coordinated conservation and management actions which would be implemented within a 3,134 acre Conservation Easement Area (CEA) dedicated on lands currently owned by the Partners, including the District's San Miguel Habitat Management Area.

The draft Plan which includes six components, a Sub-regional Plan, a Conservation Plan, and four Sub-area Plans (one from each Partner) was submitted to the California Dept. of Fish & Game (CDFG) and the US Fish & Wildlife Service (USFWS), referred to collectively as Wildlife Agencies (WLA's), on March 7, 2011. The JWA Partners and Consultants had been working with the WLA's

throughout the process and were cautiously optimistic that it would take three to six months to receive review comments from the WLA's because of their workloads. Unfortunately, the USFWS sent a letter to the JWA Partners in December, 2011, saying that their Agency would not be able to start the review of the documents until April 2012 because of staffing issues, a backlog of already submitted NCCP's/HCP's, and a priority shift that put the review of any energy-related projects at the top of their list. Although this news was discouraging, the JWA Partners' staff members felt that having a start date for review was positive.

In April, correspondence from USFWS indicated that they were starting their review, but could only spend eight (8) hours per week on the JWA Plan, which meant that the review period length could be substantial because of the breadth of the Plan. The JWA Partners staff met in May 2012 and again in July 2012 with our General Managers to decide how to proceed. At the July meeting, it was decided that the General Managers would meet with representatives of the two agencies, CDFG and USFWS, to let them know that the JWA Partners were considering not going forward with the Plan.

The most significant concern that led the Partners to this decision was the economics of moving forward. Current economic conditions are such that the budgets for all four Agencies are tight and CIP projects are being delayed and/or abandoned. The costs associated with going ahead with the Plan include additional consultant work to address the WLA's review comments and the associated CEQA/NEPA document and the more substantial costs that would be incurred with the implementation of the Plan upon approval. Implementation costs include the work associated with setting up the conservation easements for mitigation lands and the survey, management, and reporting for these lands on an annual basis once they are established.

The District is in the unique position of having our conservation lands already established, the District's Habitat Management Area (HMA). The District already manages, surveys, and reports on the HMA. However, the WLA's may have established other conditions for the HMA land which would have needed to be met, increasing our annual costs for this area. For the other three agencies, the costs for this work would be significant and staff felt that it would not be fiscally responsible to proceed.

The Partners' General Managers met with the WLA representatives in July 2012. The WLA's asked that the General Managers delay

their decision for 60 days while they come up with a plan that could reduce the costs associated with the conservation easements. That deadline has come and gone without any word from the WLA's and the Partners have decided that it is in their best interests to stop work on the Plan and abandon the JWA NCCP/HCP.

Although the recommendation is to not go ahead with the JWA Plan at this time, the work that has been done for the preparation of the District's Subarea Plan and the other JWA Plan documents can still be used to explore other options for the District to streamline our biological permitting in the future.

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

The total Project budget for CIP P2494 is $930,000, of which $789,049 has been expended to date (see Attachment B for budget detail). The committed funds for the Project are $934,017 which exceeds the approved Project budget by $4,017 due to extended effort by staff to monitor the ongoing review process.

Upon approval by the Board to terminate the work on the JWA plan, the contracts for the JWA Plan consultants, TAIC, The Rick Alexander Company, and A.D. Hinshaw would be terminated and $65,905 of the committed budget amount would not be spent. Staff will continue to work with the District's Subarea Plan consultant, RECON, to investigate how the District can streamline our biological permitting.

The remaining fiscal issue concerns the payments that the District made to the other three JWA Partners to "buy-in" to the JWA Plan. Any refunds of this money to the District will be worked out between the Partners' General Managers.

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.

LCB/RR:jf
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Attachments: Attachment A – Committee Action
Attachment B – Budget Detail
Exhibit A – Regional Location Map

ATTACHMENT A

SUBJECT/PROJECT:	Discussion and Recommendation Regarding the Proposed Termination of Work on the Joint Water Agencies Natural Community Conservation Plan/Habitat Conservation Plan
P2494-001101	

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on January 16, 2013 and the following comments were made:

- It was requested for the Board to recommend that the District, along with the three other Joint Water Agencies (JWA), terminate all work on the JWA Natural Community Conservation Plan/Habitat Conservation Plan (JWA NCCP/HCP).

- Staff provided a history of JWA NCCP/HCP that begun more than 10 years ago by Helix, Padre Dam and Sweetwater and indicated that the Otay Water District (District) made the decision to join their effort in 2007.

- It was indicated that the three agencies supported the inclusion of the District, but asked for a financial buy-in for the District to become a JWA Partner because of all of the work that had already been done in the preparation of the Plan documents. The buy-in amount was $400,000 and was split evenly between the three Districts and was approved by the Board in January 2010.

- Staff indicated that the original plan was to amend the District's subarea plan into the overall plan once it was adopted by the Wildlife agencies (WLAs), but timing for submittal of the Plan was delayed. The District was able to have its subarea plan ready to be included in the draft Plan that was submitted to the WLAs in March 2011.

- Staff noted that at the time the Plan was submitted, the JWA partners were optimistic of receiving review comments in 3-6 months. However, in December 2011, the District received a

letter from the USFWS saying that they could not begin review until April 2012.

- In April 2012, the District received word that USFWS would begin review of the District's Plan for 8 hours per week. Considering the length of the documents, that could have meant a 2-3 year review period.

- Staff stated that after JWA partners met to discuss the delay, they met again with the Otay Water District's General Manager present. It was noted that the Partners were beginning to consider not going forward with the Plan and the main driver for this decision was cost and Wildlife Agencies (WLA) delays.

- It was discussed that current economic conditions are such that budgets are tight and CIP projects are being delayed or abandoned. Staff stated that the costs of going ahead with the project began to outweigh the benefits, especially for the other Districts who would have to establish their conservation lands, maintain, monitor and report on them annually. The costs for this work are significant and staff felt that it was not fiscally responsible to proceed.

- The JWA GMs met with the WLA's in July 2012 to let them know that the Partners were planning on not going ahead with the Plan and the reasons. The WLA requested that the Partners delay the decision for 30-60 days while they came up with a plan that could reduce the implementation costs. Staff indicated that the deadline has come and gone without any words from the WLAs, and the Partners have decided that it is time to stop work on the Plan and abandon the NCCP/HCP.

- Although it is recommended that the District terminates any work on the JWA NCCP/HCP, staff would like to continue to work with RECON (District's subarea plan consultant) to determine what options are available to use the Subarea Plan and the other JWA Plan documents to streamline the District's biological permitting in the future.

- Staff believes that state and federal funding cut-backs are the main reason for the agencies' inability to execute the Plan.

- The Committee thanked staff for preparing the District's Subarea Plan and JWA Plan and stated that the collected data will be beneficial to use as a reference in the future as the District continues to work with WLAs independently.

- The Committee recommended that the staff report be revised to indicate that there are no residual funds from the “buy-in” payments made by the Partners for the JWA Plan.

Following the discussion, the committee supported staffs’ recommendation and presentation to the full board on the consent calendar.

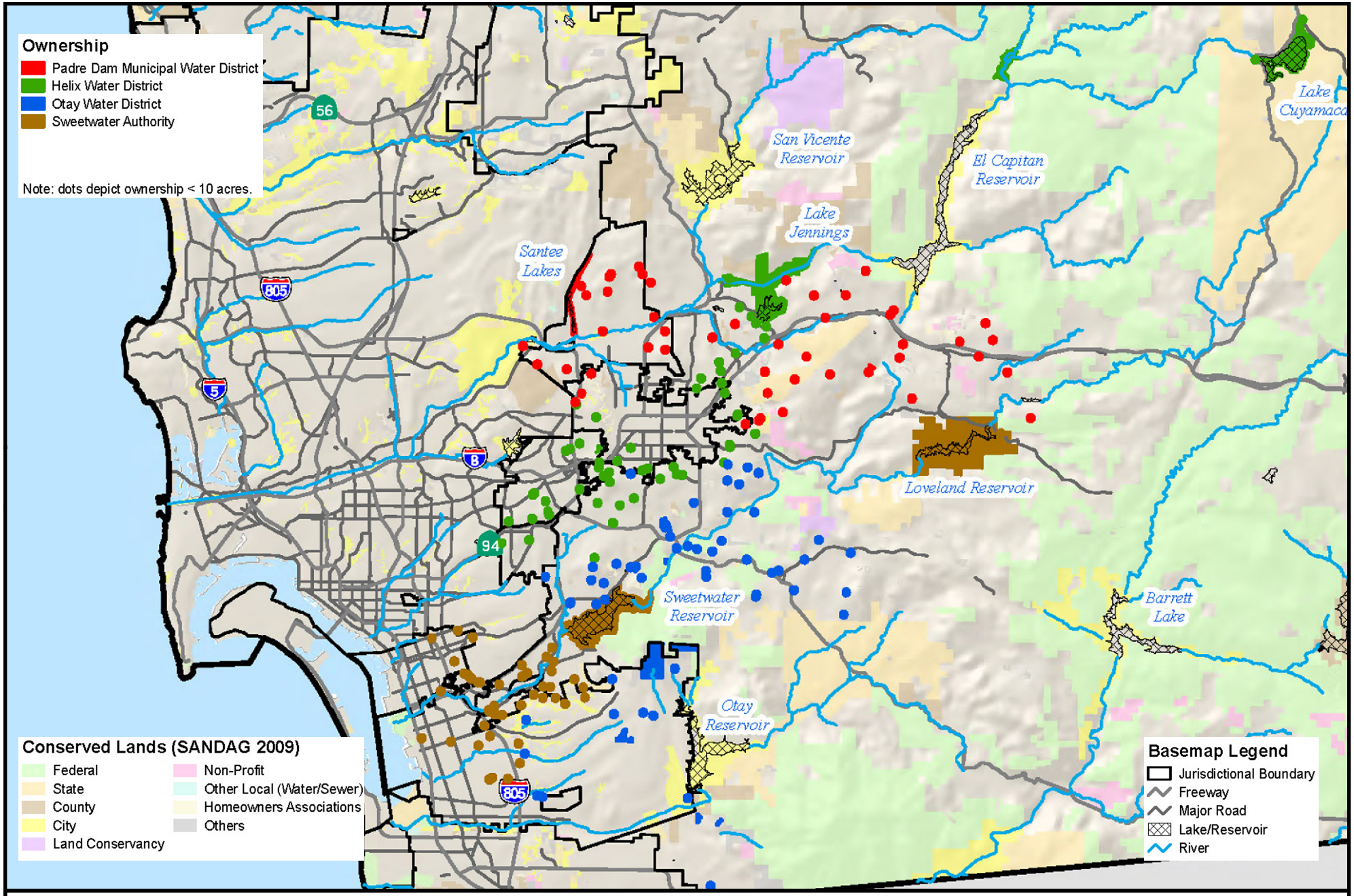
ATTACHMENT B

SUBJECT/PROJECT:	Discussion and Recommendation Regarding the Proposed Termination of Work on the Joint Water Agencies Natural Community Conservation Plan/Habitat Conservation Plan
P2494-001101	

Otay Water District — Date Updated: - 1/7/2013

P2494-Multiple Species Conservation Plan

Budget	Committed	Expenditures	Outstanding Commitment &	Projected Final Cost	Vendor/Comments
930,000					
Planning					
Construction Contracts	133,333	133,333	-	133,333	SWEETWATER AUTHORITY
	133,333	133,333	-	133,333	PADRE DAM MUNICIPAL WATER
	133,333	133,333	-	133,333	HELIX WATER DISTRICT
Consultant Contracts	20,202	14,450	5,752	20,202	RICK ALEXANDER COMPANY, THE
	34,625	8,501	26,125	34,625	A D HINSHAW ASSOCIATES
	3,000	3,000		3,000	DR MARY ANNE HAWKE
	4,332	4,332	-	4,332	TRAC
	254,331	175,267	79,064	254,331	RECON
	76,451	42,422	34,028	76,451	TECHNOLOGY ASSOCIATES
Meals and Incidentals	31	31	-	31	US BANK CORPORATE PAYMENT
Professional Legal Fees	11,388	11,388	-	11,388	GARCIA CALDERON & RUIZ LLP
	22	22	-	22	STUTZ ARTIANO SHINOFF
Service Contracts	4,000	4,000	-	4,000	FORENSIC ENTOMOLOGY SERVICES
	-	3,000	(3,000)	-	MATTHEW RAHN
	4,000	1,000	3,000	4,000	RAHN CONSERVATION CONSULTING
Standard Salaries	119,654	119,654	-	119,654	
Total Planning	932,035	787,067	144,968	932,035	
Design					
Standard Salaries	1,982	1,982	-	1,982	
Total Design	1,982	1,982	-	1,982	
Grand Total	**934,017**	**789,049**	**144,968**	**934,017**	



JOINT WATER AGENCIES NCCP/HCP

REGIONAL LOCATIONS OF WATER AGENCY LANDS RELATIVE TO CONSERVED LANDS

NOT TO SCALE

CIP P2494

EXHIBIT A

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STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
APPROVED BY:	☒ Susan Cruz, District Secretary ☒ 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:

Budget Workshops:

Board Workshop:

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STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Rita Bell, Finance Manager	PROJECT:	DIV. NO. All
APPROVED BY:	☒ Joseph R. Beachem, Chief Financial Officer		
	☒ German Alvarez, Assistant General Manager		
	☒ Mark Watton, General Manager		
SUBJECT:	Water and Sewer Cost of Service Study Update		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the potential changes in the rate structure currently being examined, in the water and sewer cost of service study performed by Karyn Keese of Atkins Global.

BACKGROUND:

On January 8, 2013, staff discussed the current cost of service study being performed. This informational item is to inform the Board of the changes being considered in this study. In March 2013, the final recommendations will be brought forward for the Board's consideration.

Typically, rate studies are performed every three to five years depending on changes in economic factors; price increases; water use patterns; regulations; infrastructure; and other cost driver changes. It has been four years since the District's last water and sewer rate study. The cost of service study is an important tool when setting retail rates because as water use and cost drivers change over time, imbalances may occur in the equity of how various customer classes pay for water.

Another factor to consider is the requirements of Proposition 218, whereby changes to the rate structure require a public hearing and the protest procedures must be followed. The cost of the notice requirements for the public hearing can be minimized by having a

five-year rate increase notice and schedule. For this reason, and the timing of the rate study, staff will be proposing a fair number of changes at this time. These changes are based on the findings of the rate study. These periodic updates also give stability in the rate structure.

The majority of the rate increase will be for the pass-through cost increases from our providers. These pass-through costs had no limitations within the prior 218 process, while the internal causes of the rate increases were set at a "not to exceed" percentage based on the rate model projections.

For significant changes to the rate structure, the District has the option of phasing in changes over time and incorporating the "phase-in" into the Proposition 218 notice and hearing.

There are several purposes of performing a rate study. The first is to maintain equity among the customer classes based on the cost of service study. The second is to bring financial stability to the agency by balancing fixed and variable charges so it can survive swings in water sales volume. Lastly, is to encourage conservation by adjusting both the tiered water rate structure and the strength and flow rate structure for sewer customers.

The current rate study will examine equity and assign costs to the various customer types. Financial stability will be a factor in setting fixed and variable charges as well as best management practices.

For the water cost of service study the following changes are being considered:

1. Create a Recycled Commercial Rate for future customers.
2. Update the fire service fee to ensure equity among customers.
3. Examine master meter/irrigation and commercial/irrigation customers to determine if they belong in a separate customer class because of their mixed use meter.
4. Re-examine the tiers for all customer types to ensure they match current consumption.
5. Examine the energy charge to ensure customers that cause a higher energy cost pay a higher energy charge.
6. Evaluate water meter equivalencies using AWWA hydraulic capacity factors for water customers.

For the sewer cost of service study the following changes are being considered:

1. Eliminate the Assigned Service Unit (ASU) calculation for commercial accounts. This would include the creation of a system fee by water meter size plus the annual average water consumption for the usage charge.
2. Adjust commercial sewer strengths to current industry standards.
3. Ensure water meter equivalencies used for sewer base fees are consistent with AWWA water meter equivalencies. (See No. 6 above.)
4. For multi-residential, charge the system fee on meter size instead of the current ¾″ system fee per dwelling unit.
5. Make the monthly base fee for SFR the same regardless of meter size (¾″ vs. 1").
6. Eliminate the special formulas for schools and churches and charge them on the same proposed basis of other commercial accounts.

In addition to the changes being proposed in the water and sewer cost of service study, staff will be requesting the Board to consider an additional change. Since this change requires a Proposition 218 hearing it will be presented with the study findings. The change is to detach and attach Improvement Districts (ID) 25 to ID 20 and ID 19 to ID 22. The fees are identical for customers in the IDs being combined and would allow the District to eliminate two IDs that are no longer needed. Also, it would simplify the accounting and administration currently required for these IDs.

In March 2013, staff plans to bring the findings and recommendations to the Board, asking to incorporate these changes into the FY 2014 rate model. With the Board's direction, staff will then incorporate these recommendations into the FY 2014 rate model and budget. In May of 2013, staff will request the Board to approve the budget and to move forward with the Proposition 218 process. Only after the Proposition 218 hearing is completed can the Board approve the rates and rate structure changes.

FISCAL IMPACT:

This is an informational item only and has no fiscal impact.

STRATEGIC GOAL:

The District ensures its continued financial health through sound policies and procedures.

LEGAL IMPACT:

None.

Attachments:

A) Committee Action Form
B) Presentation

ATTACHMENT A

SUBJECT/PROJECT:	Water and Sewer Cost of Service Study Update

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on January 22, 2013 and the following comments were made:

- Staff had presented at the January 8 board meeting the reasons why rate studies should be performed and how often they should be performed. The purpose of this update is to provide the committee and members of the board an idea of the topics and issues that are considered when determining rates.

- The study will provide for equity among the District's customer classes based on the Cost of Service Study (COSS), financial stability for the District, and rate structures that encourage conservation.

- The Rate Study includes:

  - An analysis of the District's revenue requirements for operations based on expenses.
    - The following equation is utilized to determine the District's revenue requirements:

      + Operations and Maintenance Expenses
      + Transfer Payments from Reserve Funds
      + Capital Projects Costs based on Rates
      = Total Revenue Requirement
      - Miscellaneous (1% property tax collection, cell site leases, etc.)
      = Net Revenue Requirement from Rates
  - Allocates the expenses (costs) to the various customer classes based on the COSS.

        - Identifies fixed and variable costs and allocates the cost based on meter size, water usage and other factors.
    - An analysis of the rate design to collect the target level of service.

- There are three classifications of cost that are allocated to the District's different customer classifications (Residential, Multi-family, Commercial/Government, etc.) which determines the customer classifications' rate structure:

    - **Customer**: Costs related to billing, collections, meter maintenance, and costs that exist due to adding a customer.
    - **Commodity**: Cost related to water purchases, power, and employee costs to provide potable water to customers.
    - **Capacity**: Fixed costs such as debt service, MWD fixed charges, and actuarial pension obligations.

- A slide was presented that provides definitions of terminology associated with a Cost of Service analysis. Staff indicated that they would not review the listed terminology at this time, but would be happy to answer any questions that the committee members might have after they have had time to review the terminology.

- To implement rate increases, the District must comply with Proposition 218 which requires a public hearing and protest procedures. Staff plans to present to the committee next month a proposal for rates based on the findings of the Rate Study.

- It was noted that the proposed rates will be presented for adoption following a Proposition 218 public hearing. Staff is recommending a five (5) year rate increase notice as has been done in the past. The notice will advise of pass-through cost increases from the District's suppliers and a "not-to-exceed" percentage for District internal cost increases.

- It was discussed that if there is a significant change/increase to the District's rate structure, a "phase-in" approach may be used to spread the impact of the

increase over multiple years. This will be noted in the Proposition 218 notice to the District's customers.

- Currently, the District's recycled customers are all irrigation customers. However, the District is anticipating new recycled commercial customers (a power plant, rock quarry, and prisons) that will be converting irrigation systems, laundry and toilet flushing to recycled water. Because these new customers would use approximately the same amount of water throughout the year versus irrigation customers who peak during the summer months, staff is proposing implementing a recycled commercial rate. The implementation of a recycled commercial rate would:

  - Ensure equity between user classes as the peaking factor for indoor use is much lower than the peaking factor for irrigation use.
  - Ensures compliance with the CWA Recycled Credits Agreement.
  - Encourages the use of recycled water as the rate for recycled water is 85% of the potable rate which would provide cost savings to recycled customers.

- It was also noted that "peaking," at any point in time, drives the size of infrastructure. Thus, peaking factors are a key factor in allocating costs to customer classifications.

- Staff also wishes to examine mixed-use meters. There are several hundred meters that are mixed use (businesses or multi-residential customers utilizing one meter for indoor, outdoor, and sometimes also fire service). Most of these are older customers. Today, the Disrict's Code requires that businesses/multi-residential customers install a separate meter for both irrigation and fire service. Staff is reviewing these customers to see if they should be identified as a separate customer classification to assure they are not over or under paying. Examples of these type customers are strip malls, Home Owners' Associations, schools, etc.

- The COSS will also re-examine the different tier rates to:

  - Ensure they match current consumption levels.

        - The District uses industry standards which utilizes winter and summer flows to determine tier break points.
    - Ensures equity among customer classes.

- Staff is proposing that the commercial class tiers be retained. The commercial class rate has a very small differential between the different tiers and pricing. While this tiering of commercial class is not currently an industry trend, retaining this structure is advantageous if the District needs to implement a Stage II drought rate structure, and promote conservation with expanded tiering.

- Energy charges are also being reviewed. The District currently charges a set rate per 100 feet of lift. The review would assure that customers are in the correct energy zones based on the infrastructure that serves them and the cost allocation is correct.

- Staff presented the sewer rate structure changes that are being considered. It is proposed that the District eliminate the ASU calculation for commercial accounts as it is an antiquated method and, instead, create a system fee based on water meter size and the customer's average annual water consumption. This calculation is different from residential customers where the average winter months use is utilized to determine sewer fees. This new method would allocate costs more fairly based on usage. It was noted that customers who utilize very little water (less than 1 ASU) will likely see lower sewer bills as all customers are assigned 1 ASU even if they use very little water.

- Because sewer fees will be based on water meter size (similar to water), it will bring consistency between water and sewer. The District's rate structure will also be brought to industry standard.

- The study will also update sewer strength factors using current industry standards. High strength commercial users (ie., restaurants) may see an increase in their volumetric rate per HCF if this factor has increased notably. This will bring equity among the District's user classes.

- In response to an inquiry from the committee, staff indicated that the sewer strength factors come from the Water Resources Control Board. The District is also billed

similarly by its sewer treatment supplier, the Metro Commission. The more concentrated the flow, the higher the charge.

- Staff explained, in response to an inquiry from the committee, that meter size correlates closer to the number of fixtures at a property than to the number of dwelling units. It is proposed that multi-residential sewer customers be charged a system fee based on their meter size instead of the number of their dwelling units. This will bring equity among the user classes. There are two charges associated with the sewer system fee:

  - The *fixed* charge is based on capacity (size of the meter) and costs driven by customer [one (1) customer requiring one (1) meter read]
  - The *variable* charge is tied to the customer's actual water use.

- It was further discussed that new fire regulations require the installation of fire sprinkler systems in new homes and buildings. The installation of fire sprinklers in residential homes would require that the size of the meter be increased from the normal ¾" meter to an 1" meter. Because the upsizing of the meter is required for fire service and not necessarily for increased residential water use, staff is reviewing the fire service fee to ensure equity among customers. There are costs associated with providing fire service and the District wants to ensure that it allocates the applicable costs to these customers.

- Staff is proposing that the sewer system fee for single-family accounts be the same for both ¾" and 1" meters as meter size does not play a large role in sewer rates. Single-family homes with a one inch (1") meter are generally new homes that require fire sprinkler systems or homes on large lots requiring the larger meter for irrigation purposes. This change will simplify the rate structure.

- Currently, the District utilizes special formulas based on attendance to determine sewer service charges for schools and churches. The Disrict is proposing that the special formulas be eliminated and that sewer system fees for these customers be based on meter size and average annual water use; similar to commercial accounts. There are about three

(3) churches and five (5) schools within the District's sewer service area and it is believed with the new methodology that many will see their sewer bills reduced. The new methodology will also simplify the rate structure and bring it to industry standard.

- Staff also reviewed a change being proposed, which is outside of water and sewer rates; the elimation of two (2) Improvement Districts (ID). Staff wishes to merge ID 25 into ID 20; and ID 19 into ID 22. This change does require compliance with Proposition 218 and it is felt that the change could be included in the rate increase notices. Currently, ID 25 has a reservoir, but there are no customers or debt associated with the ID. The reservoir in ID 25 serves mainly ID 20 and ID 1. Also, ID 19 has only 79 customers, but no infrastructure. The fees for ID's 25 and 20; and ID 19 and 22; are the same. By merging the ID's it would simplify the accounting and administration currently required for these IDs.

- Staff explained, in response to an inquiry from the committee, that in the past, ID's were created for the purpose of issuing debt for infrastructure. Any issued debt would be placed on the tax roll and collected from customers residing within the ID.

  ID 25 was originally created to issue debt to build a reservoir. After creating the ID and issuing debt, it was decided that the reservoir was not yet needed. The District defeased the debt, but the ID remained. It was indicated that debt was never issued for ID 25.

  Currently, the District has one ID (ID 27) in which general obligation bonds were issued. The debt is collected through the tax rolls. Customers annexed into ID 27 would share in the payment of the debt. The rest of the District's debt is issued as Certificates of Participation (COPs) which is paid through the rate structure.

- Staff plans to present at the next committee meeting recommended changes based on the Rate Study findings. Once staff receives direction from the board, the proposed rate structures will be incorporated into the District's Rate Model to produce the FY 2014 Budget. Once the FY 2014 budget is adopted, a Proposition 218 public hearing notice will be forwarded to the District's customers advising them of the proposed rate increases and the date and time of the

public hearing where the District will receive the publics' comments on the new proposed rates and charges. The notices will explain the reasons why rates are increasing. The board will be provided copies of the rate increase notices prior to their being mailed. Following the hearing, the Board has the ability to adopt the noticed rate increase for FY 2014.

- Director Thompson indicated that he has disclosed within his Form 700 that he owns two (2) condominiums and a single-family home within the District's service area. He indicated that he wished the District's Attorney to clarify, with regard to the adoption of the proposed rates, that a conflict of interest does not exist for members of the board as the rate changes would apply to a large number of the District's customers. Attorney Richard Romero confirmed that that was correct. The committee requested that Attorney Romero prepare an opinion on the matter to be presented at the February board meeting for the record.

- The committee discussed the rates for multi-family customers and asked staff to compare the rates for multi-family and single-family classifications to assure that there is equity in their rate structures. The committee also asked that staff review the rates for condominiums versus apartments. Staff indicated that there has been very large groupings of the different customer classes in the past and staff is looking at breaking customers out by adding more customer classes to assure equity among its customers. Staff also noted that the COSS only looks at factors that drive costs, excluding different ownership structures. The study will look at what is driving costs, which includes, capacity, meter size, usage and peaking.

Following the discussion, the committee supported presentation to the full board as an informational item.

Water and Sewer Cost of Service Study Update

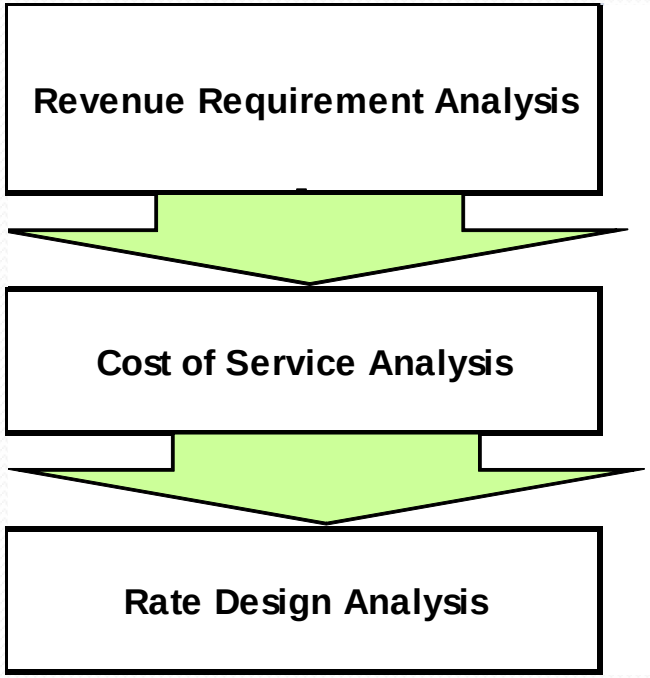
Informational Item

February 6, 2013

Introduction & Purpose

- Introduced water and sewer cost of service study to the Board on January 8, 2013 and discussed reasons to reexamine the rate structure every 3 to 5 years
  - Economic Factors, Price Increases (elasticity), Environmental Changes and Regulatory Changes
- Purpose
  - Bring equity between customer classes based on cost of service
  - Financial stability (fixed vs. variable charges)
  - Encourage conservation
    - Tiered rate structure for water
    - Strength and flow rate structure for sewer

Overview of Rate Study Analysis



Compares the sources of funds (revenue) to the expenses of the utility to determine the overall rate adjustment required

Allocates the revenue requirements to the various customer classes of service in a "fair and equitable manner

Considers both the level and structure of the rate design to collect the target level of service

Establishing a Revenue Requirement

+ Operations and Maintenance

+ Transfer Payments

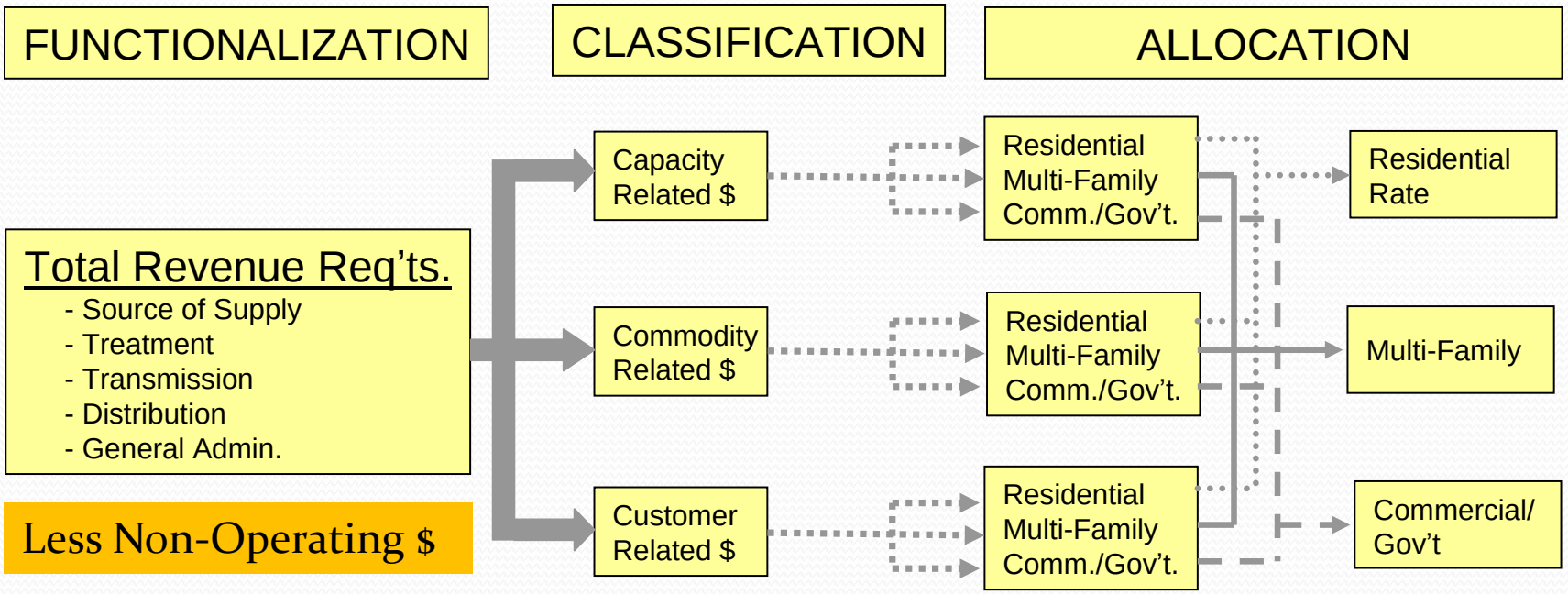
<u>+ Capital Projects Based on Rates</u>

= Total Revenue Requirement

<u>- Miscellaneous Revenues</u>

= Net Revenue Requirement from Rates

Cost of Service



Customer Related Costs – Billing, Collecting, Meter Maintenance, any costs that exist due to adding a customer.

Commodity Related Costs – Purchased water, power, and employee costs to provide potable water to customers.

Capacity Related Costs – Fixed costs such as debt service, MWD fixed charges, and actuarial pension obligations.

Terminology of a Cost of Service Analysis

Terminology of a Cost of Service Analysis
Functionalization – The arrangement of the cost data by functional category (e.g. treatment, collection etc.)
Allocation – Allocating the classified costs to each class of service based upon each class's proportional contribution to that specific cost component.
Commodity Costs – Costs that are classified as commodity related vary with the total flow of water (e.g. chemical use at a treatment plant.
Strength Costs – Costs classified as strength related refer to the wastewater treatment function. Typically, strength-related costs are further defined as biochemical oxygen demand (BOD) and total suspended solids (TSS).
Customer Costs – Costs classified as customer related vary with the number of customers on the system, e.g. billing costs.
Capacity Costs – If all customers used the utility in the same way over time (average annual daily volume flows), capacity costs would not need to be recognized. However various customer classes' peaks are realized throughout the year and even throughout the day. Residential customers peak during weekday mornings and commercial accounts tend to peak seasonally due to visitors (conventions or summer visitors). The costs associated with peaking (capacity) are allocated to these customers through the recognition of capacity costs. WW treatment plants and sewers are designed with peak flows in mind and thus a portion of O&M costs can also be attributed to peak flows (using the design basis cost allocation). Capacity cost can be more important when assigning capital costs to volume or capacity since sewers and treatment plants are designed with capacity in mind.
Direct Assignment – Costs that can be clearly identified as belonging to a specific customer group or group of customers.
Fire Protection Costs – Costs that are related to fire protection services (e.g. fire hydrants)
Customer Classes of Service – The grouping of customers into similar groups based usage characteristics and/or facility requirements

Proposition 218 and "Phase-in" Option

- Requirement of a public hearing and protest procedures
  - Additional cost of a 218 process
  - Recommended rate structure changes considered every 3 to 5 years with a rate study
    - Brings rate stability inline with rate setting methodology
    - Majority of rate increase is pass-through from providers
    - Internal rate increase will be set as "not to exceed" percentage based on reasonable rate model projections
- For significant changes to the rate structure a "phase-in" approach may be used to spread the impact over multiple years. This must be included in the Proposition 218 notice.

Water Rate Structure Changes being Considered

Recycled Commercial Rate

- Currently all recycled water is used for irrigation
- Anticipation of new commercial customers such as power plant and conversion of irrigation, laundry and toilet flushing at prisons
- Ensures compliance with CWA Recycled Credits Agreement
- Encourages use of recycled water
- Ensures equity between user classes
  - Peaking factor for indoor use is much lower than peaking factor for irrigation

Fire Service

- Used for sprinkler systems in homes and buildings
- Update the fire service fee to ensure equity among customers
- Examine mixed-use meters
  - Upsizing of the meter for fire service
  - Combined mixed use indoor/irrigation/fire

Mixed Use Meters

- Examine the mixed use meters to determine if they belong in a separate class of customers
  - Commercial/Irrigation
  - Multi-Residential/Irrigation

Re-examine Tiers

- Ensure they match current consumption
  - Industry standard uses winter and summer flows to determine tier break points
- Ensures equity among customer classes
- Retain tiers for commercial classes
  - This allows the District to easily implement drought rates if necessary

Energy Charges

- Examine the way energy charges get allocated to pressure zones
- Ensures those customers causing higher energy costs to pay higher energy charges

Water Meter Equivalencies

- Used to allocate fixed costs driven by capacity
- Ensure compliance with AWWA hydraulic capacity factors
- Ensure equity among customer classes

Sewer Rate Structure Changes being Considered

Commercial Accounts

- Eliminate the ASU calculation for commercial accounts
  - Create a system fee by water meter size
  - Use annual average water consumption for the usage charge
  - More fairly allocates costs based on usage
  - Accounts with less than 1 ASU could see lower sewer bills

Adjust Sewer Strength Factors

- Update strength factors using current industry standards
- Brings equity among user classes
- High strength commercial users could see an increase in their volumetric rate per HCF

Water Meter Equivalencies for Sewer Base Charges

- Ensure consistency with water meter equivalencies for the purpose of allocating fixed charges based on capacity
- Brings consistency between water and sewer
- Brings current rate structure to industry standard

Multi-Residential

- Charge system fee based on meter size instead of number of dwelling units
- Brings equity among user classes
- Multi-residential may see a decrease in the system fee

System Fee for Single-Family

- Make monthly base fee for ¾" and 1" single-family accounts the same
- Meter size does not play a large role in sewer rates for single-family
- Simplifies rate structure

Schools and Churches

- Eliminate the special formulas for schools and churches based on attendance
- Simplifies rate structure
- Brings current structure into industry standard
- Many will see their sewer bill reduced

Other Changes

- Detach and attach Improvement District (ID) 25 to ID 20 and ID 19 to ID 22
  - The fees are identical for these customers
  - This allows the District to eliminate two IDs

Next Steps

- Continue to review preliminary findings with consultant
- Determine staff recommendations
- Bring recommended rate structure changes to the Board
- Incorporate new rate structure into FY2014 Rate Model
- Adopt FY2014 Budget
- Bring new rates and charges to Proposition 218 hearing
- Adopt a five-year Proposition 218 set of rates and charges
- Adopt the FY2014 rate increases

Questions???

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Kevin Koeppen, Finance Manager		
APPROVED BY:	☒ Joseph R. Beachem, Chief Financial Officer ☒ German Alvarez, Assistant General Manager ☒ Mark Watton, General Manager		
SUBJECT:	Refinancing the 2004 Certificates of Participation (COPS)		

GENERAL MANAGER'S RECOMMENDATION:

Informational report only. No action required.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

This is an information only item to inform the Board of Directors of the potential savings from refinancing the 2004 COPs. The staff is currently working on Requests for Proposals (RFPs) seeking proposals for Financial Advisor, Bond Counsel, and Disclosure Counsel related to the refinancing.

BACKGROUND:

In 2004 the District issued Certificates of Participation and received proceeds of $12,270,000. The proceeds of the 2004 COPS were used to redeem the 1993 COPS, which were originally used for reservoirs, pump stations and 50,000 feet of pipeline. The amount of the 2004 COPS currently outstanding is $8,100,000 and is scheduled to be paid-off in FY-2024. The amount to be refinanced would include the current amount outstanding, plus any issuance costs.

The District's Debt Policy (Policy 45) states, "the District may commence the refinancing process if a minimum five percent (5%) present value savings, net of issuance costs, and any cash contributions can be demonstrated. Beginning the process with at least a 5% savings should provide the District with some level of protection that it can achieve a minimum of three percent (3%) net present value savings of refinancing the bonds when and if the debt is issued." Staff estimates the value savings would meet the 5% requirement.

ANALYSIS:

Based on current interest rates, it is estimated that the District will save $550,000-$600,000 over the remaining life of the debt. Staff is evaluating alternatives to calculate the final savings. The staff is not considering any options that would change the debts duration or structure, meaning any refinancing would maintain the maturity and fixed interest aspects of the current debt.

The duration of the refinance process is estimated to be approximately three months.

Conclusions:

This is an information only item to inform the Board of Directors of the potential savings from refinancing the 2004 COPs. To further evaluate and confirm the savings, staff is working on RFPs seeking proposals for Financial Advisor, Bond Counsel, and Disclosure Counsel.

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

A preliminary estimated savings of $550,000-$600,000 over the remaining life of the debt is expected, which meets the 5% required by the policy to commence the refinancing process. The exact amount will be determined when the proposed costs are finalized.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

Attachments:

Attachment A – Committee Action Form

ATTACHMENT A

SUBJECT/PROJECT:	Refinancing the 2004 Certificates of Participation (COPS)

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on January 22, 2013 and the following comments were made:

- This report is to inform the board of potential savings from refinancing the 2004 COPS.

- Staff is currently working on RFP's seeking proposals for a Financial Advisor, Bond Counsel, and Disclosure Counsel related to the refinancing of the 2004 COPS.

- It is estimated that the District will save between $550,000 to $600,000 over a ten-year period. The exact amount will be determined once all RFP's are received and exact costs can be calculated.

- Staff is not looking at options that would extend the maturity date or structure of the debt. The preference would be to pay the debt off within the same maturity period. Staff, however, is open to any suggestions that would secure the largest amount of savings for the District.

- The committee asked if staff could explain the required 5% present value savings indicated within the District's Debt Policy versus the 3% net present value savings. Staff explained that the net present value of the proposed savings, if the 2004 COPs were refinanced, is approximately $500,000 or 5%. Five (5) percent is the threshold where staff should look at refinancing the debt per the District's Debt Policy. The 3% is the minimum net present value savings that staff would consider refinancing the debt.

- Once a Financial Advisor is selected, one of their tasks is to look at structures of debt that would provide the District the

largest savings. Staff noted that the Financial Advisor does not receive payment unless the debt is refinanced.

- Staff indicated that there are other factors, other than interest rates, that are considered when deciding to refinance debt. Additionally, there is a date upon which the district may call the debt. As that date is approached, it becomes more financially advantageous to refinance.

- It was indicated that the possible refinancing of this debt would be included in the Rate Study.

- The committee inquired what the current interest rate is on the 2004 COPS versus the estimated interest rate for the refinancing. Staff followed up on this inquiry subsequent to the Finance committee meeting. The average interest rate on the current debt is 4.12% and the average interest rate anticipated on the refinanced debt is 1.5%.

Following the discussion, the committee supported presentation to the full board as an informational item.

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
		PROJECT:	Various DIV. NO. ALL
SUBMITTED BY:	Adolfo Segura, IT Manager		
REVIEWED BY:	☒ Geoff Stevens, Chief Information Officer		
APPROVED BY:	☒ German Alvarez, Assistant General Manager		
	☒ Mark Watton, General Manager		
SUBJECT:	DISTRICT COMPUTER SECURITY STATUS		

GENERAL MANAGER'S RECOMMENDATION:

No recommendation. This is an informational item.

COMMITTEE ACTION:

Please see "Attachment A".

PURPOSE:

To brief the Board on the current state of computer security at the Otay Water District.

ANALYSIS:

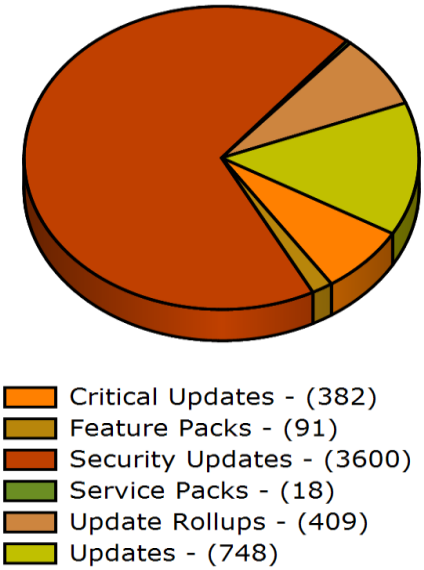
The District follows technology security best practices and implements, with the help of key vendors and IT support staff, a comprehensive and layered approach to operations and system security. Staff has always placed a very high priority on security of our computer systems. With the assistance of excellent consultants, we implemented a high level of security in the original design and all subsequent upgrades. Staff has worked with external agencies, such as the FBI and security testing firms, and as a result has made additional changes (e.g., a revision of our procedure for Virtual Private Network [VPN] access following our last security audit). We have also been recognized by the Municipal Information Systems Association of California (MISAC) and received "Excellence in Operations" awards in 2010 and 2011, which includes an audit of our

published security policies and procedures. While one can never be completely free of risk, the District has systematically been proactive in implementing appropriate security improvements and when we have learned of threats or weaknesses, we have been aggressive in making changes. Specific areas of concentration are:

Desktops/Laptops: The District operates a combination 150 Intel based desktops and laptops, with the vast majority operating on a Windows 7 operating system and a small number running XP. For activity protection, all desktops and laptops run the Symantec Antivirus/Antispyware solution and are updated daily. In addition, via Microsoft subscription service, IT staff routinely monitors for the availability of required operating systems and security patches.

Business Servers: The District operates approximately 70 physical and virtual servers. These servers run our financials, computerized maintenance work order system, website, SCADA, phone system, work group databases, network file & print and general user connectivity. These servers are supported by IT staff and vendor support agreements. For activity protection, all servers run the Symantec Antivirus/Antispyware solution and are updated daily. In addition, via Microsoft subscription service and vendor maintenance agreements, IT staff routinely monitors for the availability of required operating system and application patches. Our internet access is also controlled by Websense software that blocks sites that are known security risks or contain inappropriate content. As an additional precaution, we use a third party credit card validation vendor that allows us to not keep our customers credit card numbers. Likewise, there are extra levels of protection for internal data, such as employee social security numbers, that are restricted from access without approval.

12-Month Otay Server Patch Summary: Report Generated 12/21/2012



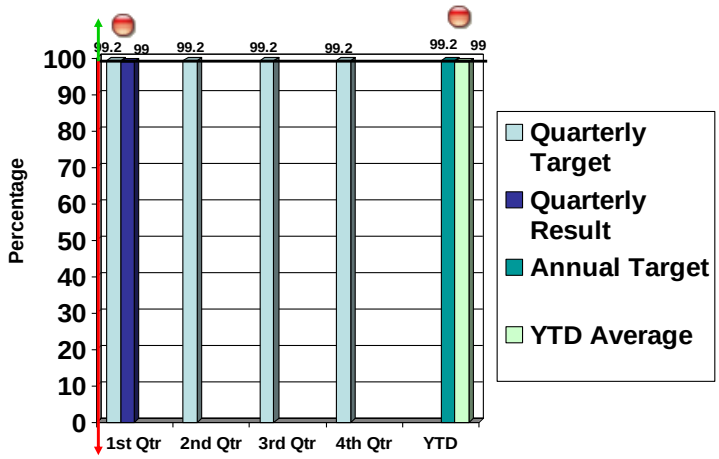
Data Center and Network: The District operates one small data center and five satellite communication rooms, which facilitate LAN and remote site connectivity. These computer rooms are physically protected behind door, lock/key and remote card, or FOB access. These rooms are environmentally protected and contain fire suppression systems and/or monitoring agents.

The District operates Cisco networking technology. The networking equipment is supported by IT staff and service providers. Data Center services and general network activity is monitored 24/7 via a remote service provider (RMS). The RMS vendor assists with preventive monitoring, patch deployment and technical support.

Security: Overall District computing security is layered from desktop level to physical access. This layer strategy includes operating system and database security patching, email anti-virus/anti-spyware, web content filtering for Internet exploit protection, Cisco firewalls for network and intrusion protection, and physical security components to protect District technology assets. In the wireless system that is under deployment, we use fully encrypted point-to-point protocols that cannot be accessed by an unauthorized party. When transmitting sensitive data, for example to PERS or the IRS, we also employ high level encryption for data. We have also outsourced our email system, which removes a lot of risky access to our internal servers and are doing the same for our external web site. **To date, there has been zero network, operating system, or application security breaches. In January 2013, via security vendor Symantec, the District's website was rated as "Very Secure".**

The District did experience an unauthorized access of phone voice mailboxes in November 2012. While no access to our internal systems or data was obtained, the intruders did gain access to a long-distance line. Staff is working with AT&T's Fraud Prevention Unit and should not be liable for these charges. To mitigate this incident, passwords were changed, longer password strings enforced, and a number of non-essential phone functions were disabled.

IT Operations: To enhance the stability and security of the District's computing environment, the IT team routinely meets internally, and with key vendors, to review and apply functional and security updates. Exercising planned Change and Control Management best practices, the IT team has been able to provide computing services at 99.99% up-time, which exceeds our Strategic Plan Measure 4.3.401 target rate of 99.2% (refer to graph on the following page). This means that system downtime is limited to scheduled after-hours maintenance windows.



Measure 4.3.401, Network Availability, aims to be above all set targets in order to have an average of no less than 99.2% network availability per quarter in a single year.

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

This report is a requested deliverable under item 3.1.2.10, Streamline and Improve Data Center Processes.

LEGAL IMPACT:

None.

Attachments: Attachment A – Committee Action Report

ATTACHMENT A

SUBJECT/PROJECT:	DISTRICT COMPUTER SECURITY STATUS

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on January 22, 2013 and the following comments were made:

- Staff provided an update on the current state of the District's computer and network security.

- It was indicated that the District follows technology best practices for systems security. The District's computers and laptops are routinely monitored for the availability of required operating systems and security patches and Symantec Antivirus/Antispyware updates are run daily.

- The District operates approximately 70 physical and virtual servers. These servers run the District's financials, website, SCADA system, phone system, databases, and general network and user connectivity. The servers are proactively updated with security, operational and application patches. The District's servers have received over 5000 patches over the last 12 months.

- The District also has firewalls in place which protect the District's network from unauthorized access.

- The District's physical assets (computer equipment, switches, routers, networking and telephone equipment) are all protected behind doors which require "key" and/or FOB access. Many of the areas also have video cameras which monitor who is going in and out of these areas.

- Staff shared that the District did have one incident this past November where there was unauthorized access of the District's voicemail boxes. The intruders were able to make long distance calls from the District's system. The voicemail system feature that allowed this access has been disabled. The District was notified of the unauthorized access through AT&T's fraud team and staff is working with them to remove the unauthorized charges

from the District's bill. Recently, the intruder tried again to access the District's long distance lines through the same method, but the District was able to repel the second attempt because of changes that were implemented after the first attempt.

- Staff indicated that Symantec, the District's Antivirus/Antispyware solutions provider tested the District's website by trying to access the District's network through the website. They provided the District a rating of "very secure."

- Currently, the District's website is hosted internally. Staff is planning to transition the website to an outside vendor, similar to the District's email system. This would remove the potential threat of unauthorized access to the District's production systems. This transition is planned to occur in the next 30 to 60 days.

- There has been no other unauthorized access to the District's system. Staff noted that the District's SCADA System is not on the public network/production system, as per Best Practice. It is on a private internal stand-alone network.

- In response to an inquiry form the committee, staff indicated that employees can access the District's private network/applications systems from home through the District's Virtual Private Network (VPN). Employees are provided an application that is loaded onto their laptop/desk top which establishes a secure handshake from the employee's laptop/desk top to the District's network services. It was indicated that two (2) years ago the District tested the security on its VPN by having a vendor try to "break" into the District's system. They were unsuccessful, but the District did receive recommendations on how to further strengthen the VPN access. Those recommendations were implemented. This type of testing is part of the District's normal cycle for systems security. Employees are also required to change their passwords periodically.

- Staff indicated in response to an inquiry from the committee that operational control of the District's infrastructure is through the SCADA system. The SCADA system provides data to the District's network for analysis, however, there is no connection back to the SCADA network. It is on its own private network, so an intruder cannot access the SCADA network, even if they were able to break into the District's website. It was further discussed that even if an employee were to cause some harm to the system (ie., overflow a reservoir) alarms would go off to alert staff. The employee would have had to sign into the SCADA system, so the District would know who had caused the issue. It

was also noted that Employees go through a thorough criminal/background check before they are hired.

- It was discussed that the District's data systems are backed up each week and a full back-up tape is forwarded to an offsite storage facility with a copy held at the District.

- Staff indicated that the District's Information Technology team constantly reviews the security of the District's system and implements all available measures to secure the systems. This is a continual process to assure the security of the District's systems.

Following the discussion, the committee supported presentation to the full board as an informational item.

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013		
SUBMITTED BY:	Jeff Marchioro Senior Civil Engineer Ron Ripperger Engineering Manager	CIP./G.F. NO:	P2434-001102	DIV. NO.	2
APPROVED BY:	☒ Rod Posada, Chief, Engineering ☒ German Alvarez, Asst. General Manager ☒ Mark Watton, General Manager				
SUBJECT:	Informational Update for the Rancho del Rey Groundwater Well Development Project				

GENERAL MANAGER'S RECOMMENDATION:

No recommendation. This is an informational item only.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To update the Otay Water District (District) Board of Directors (Board) on the progress of the Rancho del Rey Groundwater Well Development Project (Project).

ANALYSIS:

In 1997, the District purchased property along Rancho del Rey Parkway within the City of Chula Vista with an existing brackish groundwater production well on site (see Exhibit A for Project location).

In 1999, the District split the property and sold the excess land. The property modification was approved through the City

of Chula Vista planning process that included preparing a tract map with plans for a developer to build a childcare facility (Childtime) and a common driveway to serve Childtime's and the District's sites. The District acquired an access easement from Childtime in 2001. At the time the property was purchased, the Project was considered economically unfeasible. Consequently, the Project was suspended until the cost of imported water began to escalate in recent years.

In 2010, a new production well was constructed by AECOM Technical Services, Inc. (AECOM). After development of the well, AECOM recommended that 450 gallons per minute (725 acre-feet per year) maximum safe yield pumping rate be used for design purposes. Subsequently, staff contracted with Separation Processes, Inc. (SPI), a well-known membrane treatment firm, to conduct a feasibility study for the Project.

In April 2011, the Board awarded a professional services contract to Tetra Tech, Inc. (Tetra Tech) to design the treatment plant facility. To date, Tetra Tech has completed the 90% design submittal. Tetra Tech is currently proceeding to the 100% design level. In parallel with Tetra Tech's ongoing design effort, staff has been working on the following components of the overall Project:

1. Sewer: Waste will be transported through the City of Chula Vista's (Chula Vista) existing sewer collection system, the County of San Diego's (County) existing Spring Valley Outfall, and the Metropolitan Wastewater Joint Powers Authority's (Metro) sewage system for treatment. The District will utilize existing sewer capacity rights in the County's Spring Valley Outfall and in Metro's South Metro Interceptor and Point Loma Wastewater Treatment Plant. The District will be invoiced by Chula Vista, the County, and Metro for Project sewer discharges separately.

   Staff is working with Chula Vista to develop a new sewer agreement to discharge brine to the sewer. Staff is also working with the City of San Diego to obtain a new Metro Industrial User Discharge Permit. The overall cost for the sewer connection including Chula Vista, County, and Metro fees is anticipated to be roughly $200/acre-foot.

2. Storm Drain: Staff is working with the City of Chula Vista and the Regional Water Quality Control Board to obtain coverage under existing National Pollutant Discharge

Elimination System (NPDES) Permit for discharge of non-spec potable water to the storm drain.

3. Hazardous Materials Storage/Handling: Staff met with the City of Chula Vista Fire Department in December 2011 to review the draft design. A County Hazardous Materials Business Plan application was submitted to the County in April 2012.

4. Operation Options: Staff is currently considering three options for operation of the facility including: a) operation by a private company, b) operation by District in-house staff, and c) operation by the Sweetwater Authority.

5. San Diego Gas & Electric (SDG&E) Power Supply: Coordination with SDG&E has been completed for the design phase. Staff is working with SDG&E to gain a better understanding of future changes in electricity rates.

6. Funding: District staff is working on a Bureau of Reclamation funding application for up to 25% of the cost of the Project ($2.18M in initial cost savings, which is equivalent to a $223/acre-foot savings). Funding through the San Diego County Water Authority's (SDCWA) Local Water Supply Development (LWSD) Program (up to $200/acre-foot) and the Metropolitan Water District of Southern California (up to $250/acre-foot) is currently unavailable.

7. Design: Tetra Tech has designed the treatment facility to the 90% design level and is currently proceeding to the 100% design level.

Staff considers it prudent at this time to complete the following items:

- Design phase
- Lock in the City of Chula Vista sewer agreement
- Permit the storm drain connection
- Continue Agency coordination regarding hazardous materials
- Obtain a better understanding of future changes in electricity rates
- Secure available funding

However, once the design has been completed, the Project construction phase should be put on hold due to the uncertainty of the items summarized in the table below:

Assumption:	**Economic Impact:**	**Reliability Impact:**
SDCWA/Poseidon Resources current draft water purchase agreement moves forward	Increase in SDCWA Rates would increase Project appeal	No change - regional treated water supply would increase; however, the Project would remain the sole non-SDCWA source
SDCWA and Metropolitan Water District of Southern California treated water rate increases long-term	Increase in SDCWA Rates would increase Project appeal	Not applicable
Rosarito Desalination project moves forward	Unknown	The additional non-SDCWA source would decrease Project appeal
SDG&E rate increases per November 7, 2012 District Staff Report	Increase in electricity cost would decrease Project appeal	Not applicable

Once staff has a better understanding of when the SDCWA all-inclusive treated rate will approach the projected Project unit cost (currently estimated at $2,000/acre-foot) continuing with the construction phase could be re-evaluated (see presentation attached as Exhibit B).

FISCAL IMPACT: ☒ Joe Beachem, Chief Financial Officer

No fiscal impact. The total budget for CIP P2434, as approved in the FY 2013 budget, is $8,700,000. CIP expenditures prior to FY 2009 (prior to commencing the SPI feasibility study and prior to drilling the new production well) were $551,303. CIP expenditures to date (through October 24, 2012) were $3,481,978. Total CIP expenditures, plus outstanding commitments and forecast, are approximately $8,694,729. See Attachment B for budget detail.

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.

JM/RR:jf
P:\WORKING\CIP P2434 - RDR Well\Staff Reports\BD 02-06-13, Attachment A, (JM-RR) (edits4).doc

Attachments: Attachment A – Committee Action
Attachment B – Budget Detail
Exhibit A – Location Map
Exhibit B – Presentation

ATTACHMENT A

SUBJECT/PROJECT: P2434-001102	Informational Update for the Rancho del Rey Groundwater Well Development Project

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on December 10, 2012 and the following comments were made:

- Staff provided a PowerPoint presentation on the progress of the Rancho del Rey Groundwater Well Development Project (Project).

- Staff stated that the Project is a new 600 AFY Potable Water Source with a new brackish groundwater production well, nested monitoring well, and reverse osmosis treatment plant that will discharge brine to the sewer.

- The Project is located in the City of Chula Vista along Rancho del Rey Parkway in a mostly residential community adjacent to an existing daycare facility called Childtime. It was noted that the District's property shares a common driveway that is owned by Childtime.

- A slide was provided to show current architectural elevations for the Project. Staff and the consultant (Tetra Tech) incorporated architectural concepts to blend in with Childtime and the surrounding residential homes. The idea was for the structure to appear similar to a 2-story home.

- It was noted that staff, California Department of Public Health (CDPH), and the value engineering and constructability consultant (Arcadis) reviewed Tetra Tech's 90% design level submittal. Tetra Tech is currently proceeding to the 100% design level.

- A map was provided that showed the sewer flow path to Metro's south interceptor. Staff indicated that brine will be transported through the City of Chula Vista's sewer system, then through the County's Spring Valley Outfall and Metro's South Metro Interceptor, and ultimately to the Point Loma Wastewater Treatment Plant.

- Staff noted that the District will pay three (3) separate bills, one to Chula Vista, one to the County, and one to Metropolitan Water District (Metro).

- It was indicated that District and Chula Vista staff have been working together for a couple years to study Chula Vista's sewer system and determine its hydraulic capacity to support the Project. Based on the technical results, staff drafted and negotiated a new sewer agreement that is nearly complete. The draft Chula Vista sewer agreement includes initial and reoccurring transportation costs, and possible other costs like manhole lining and scale removal; however, it's unlikely that it will be needed. Staff stated that working with the County and Metro has been straightforward because the District will utilize existing capacity in the Spring Valley Outfall and Metro Wastewater pursuant to existing agreements. Existing County and Metro agreements will be utilized for reoccurring County and Metro costs. District staff is working with the City of San Diego to secure an Industrial User Discharge Permit.

- It was noted that staff is also working on development of a new storm drain connection to discharge non-spec potable water to the storm drain.

- Staff stated that the District is working with the Chula Vista fire department and the County regarding hazardous materials which are especially sensitive since the Project will be adjacent to a daycare facility.

- There was a discussion about who will operate the plant. Staff indicated that the health department requires two (2) T3 certified operators familiar with reverse osmosis equipment until the plant is deemed reliable for remote operation. If the District decides to operate the plant in-house, it would need to hire from the outside because the District currently does not employ T3 certified operators. Staff stated that there may be an opportunity for an outside company to operate the plant, but the drawback is that there are no similar operations nearby and

the private companies may have difficulty keeping the T3 operators busy when not working on the well. It was noted that Sweetwater may be a good fit to operate the plant since they have a similar facility nearby, but it's not clear if they are interested.

- Staff stated that coordination with SDG&E has been completed for the design phase; however, staff is working with SDG&E to gain a better understanding of future changes in electricity rates.

- It was noted that District staff is working on a Bureau of Reclamation funding application for up to 25% of the cost of the Project.

- Staff provided a slide that showed the current schedule for the Project. Staff, including the Engineering, Operations, and Finance departments, will meet with the City of Chula Vista on January 17, 2013 to negotiate a few items in the agreement.

- It was noted that the Project will not be placed on hold until the design has been completed. Staff feels it is important to work through details of the design, permitting, and agreements to facilitate resurrecting the Project in the future.

- Staff indicated that some of the drivers influencing the decision to place the Project on hold include the uncertainty of the SDCWA/Poseidon Resources water purchase agreement, long-term SDCWA and Metropolitan Water District of Southern California treated water rates, Rosarito Desalination project, and future SDG&E rate increases.

- Staff stated that Sycuan is showing an interest in the Project.

- In response to a question by the Committee, staff indicated that the District has so far invested $3.5 million into the Project and has committed $3.8 million. It was noted that staff will pause the construction of the Project to ensure that the District is investing in the right areas.

- The Committee recommended that staff add to the PowerPoint presentation some focal points that emphasize the Project's potential, such as Sycuan's interest in the Project and the production of water at 600 AFY for approximately $2,000.

Following the discussion, the EO&WR Committee requested that this item be brought back to the EO&WR Committee before going to the full Board.

- The following was provided after the Committee meeting in response to the Committee's inquiries described above:

  - On April 4, 2007, the District adopted the Integrated Resource Plan (IRP). The IRP outlined which measures the District needed to "wean" itself from CWA by developing several alternative water supplies, including groundwater, desalination, recycled water supplies, and conservation. Thirty (30) potential alternative water supplies were considered including Rosarito Desalination, SD17 Pump Station with the City of San Diego, North District Recycled Water Concept, Rancho del Rey Groundwater Well, Otay 7 Well, Otay River Sweetwater Wells, etc.

  - In the FY 2008 budget, a CIP was created to allocate funds for the planning, exploration, testing, and preliminary investigation of groundwater wells to develop treatment requirements to meet water supply diversification and reliability goals. In FY 2010, the Rancho del Rey Groundwater Well Development Project was specifically identified as a production well development of approximately 300 GPM for potable water use as the Project needed to meet the IRP water supply goals.

  - In January 2010, staff brought for Board consideration the awarding of a contract to AECOM in the amount of nearly $1.6 million for technical services including the planning, design, construction, and testing of a production and monitoring well at Project site. Attachment C of the January 2010 staff report justified the need of taking the next step towards development of a production groundwater well at the Rancho del Rey Groundwater Well site. At the time the staff report was prepared, it was understood that land use development projects planned to be served by the District, however, not within the jurisdictions of the SDCWA, would likely require alternative water resources.

  - In January 2011, staff presented two staff reports to the full Board including an AECOM change order in an amount of $176,805 and authorization to issue a RFP for the Design of Phase 2 of the Project.

- In April 2011, staff brought for Board consideration the awarding of a contract to Tetra Tech in the amount of $724,000 for design engineering, permitting assistance, construction support services, and operations training. In February 2012, staff updated the Board on the progress of the Architectural Design relating to the Project.

- The following recent developments have influenced the decision to pause the construction phase of the Project. Staff will continue to develop a better understanding of the issues and outcomes below before more funds are committed.

  1. The Rosarito Desalination Project, which has recently gained momentum, would reduce the need for more local supply. The Rosarito Desalination Project would be preferred compared to the Rancho del Rey Groundwater Well Development Project due to its larger scale, probable lower unit cost of water, and streamlined operations.

  2. The impact of SDG&E rate increases per the District's November 7, 2012 Staff Report is unknown. Electricity cost is very sensitive to the Project since it's currently estimated at $260,000 annually which is equivalent to $430/acre-foot. Based on the November 7, 2012 Staff Report, possible SDG&E rate increases could add an additional $215/acre-foot to the Project unit cost of water.

  3. The Metropolitan Water District of Southern California's (MWDSC) $250/acre-foot local supply rebate was made unavailable when SDCWA entered into litigation with MWDSC over water rates. SDCWA's Local Water Supply Development (LWSD) Program's $200/acre-foot rebate was also made unavailable when SDCWA did not include it in their FY 2011-12 budget.

  4. The outcome of ongoing sewer connection negotiations, partially related to unforeseen existing hydraulic capacity issues in the City of Chula Vista's existing sewer system and other items, are still unknown.

  5. To partially mitigate City of Chula Vista sewer capacity issues (see bullet #4 above) and discharge off-spec potable water to the storm drain, the

Regional Water Control Board is currently reviewing the District's application for coverage under the RWQCB's General Permit for the Discharge of Groundwater Extraction Waste to the Waters of San Diego Bay, Order R9-2007-0034.

6. Staff is currently considering operation options in response to the health department's verbal suggestion that they will require two (2) T3 certified operators with reverse osmosis experience to operate the facility. If the District decides to operate the plant in-house, it would need to hire from the outside because the District currently does not employ T3 certified operators. Appeal for an outside company to operate the plant appears low because there are no similar operations nearby and the private companies may have difficulty keeping the T3 operators busy when not working on the Project.

7. Staff is also evaluating reimbursements to District sewer customers for the Project to utilize existing sewer capacity assets which were originally purchased by sewer customers. These assets include existing capacity in the Spring Valley Outfall and Metro Wastewater pursuant to existing agreements. If the District did not already own unused capacity in Metro Wastewater, the City of Chula Vista would charge the District an additional $802,276 one-time payment based on Metro capacity rates per the City of Chula Vista's current (May 2005) Sewer Master Plan. If the District did not already own unused capacity in the Spring Valley Outfall, the pipeline capacity one-time payment to City of Chula Vista could double ($624,877 rather than $312,439). Based on this, the internal reimbursement for the Project to purchase capacity in the Spring Valley Outfall and Metro from the District's sewer customers would be a one-time payment of approximately $1.1 million which is equivalent to approximately $115/acre-foot assuming 600 AFY. This internal reimbursement to District sewer customers has not yet been included in the Project cost model or Attachment B.

- The Project's potential might be realized through a better understanding of the following items:

8. When the SDCWA all-inclusive treated rate will approach the projected Project unit cost considering SDCWA's recent approval of the water purchase agreement with Poseidon Resources.

9. Sycuan Indian Reservation may be interested in contributing to funding of the Project because they are seeking a source of water independent of MWDSC and SDCWA supplies.

10. If and when Bureau of Reclamation funding for up to 25% of the cost of the Project ($2.18 million in initial cost savings, which is equivalent to a $223/acre-foot savings) will be available.

11. If and when SDCWA ends litigation with MWDSC and MWDSC's $250/acre-foot local supply rebate will become available again.

Several San Diego County Water Authority (SDCWA) member agencies have invested in potential alternate water supply projects at risk in an attempt to increase reliability and lessen the impact of supply shortages and regulatory restrictions that have limited Southern California's imported water supplies (Colorado River and Sacramento-San Joaquin River Delta). Alternative water supply projects have also become attractive as Metropolitan Water District of Southern California and SDCWA have raised and will continue to raise wholesale water rates.

Recently, the Olivenhain Municipal Water District (OMWD) budgeted $19 million for the San Elijo Valley Groundwater Project through FY 2016/FY 2017. OMWD's project, which is anticipated to produce up to 10% of their yearly demand (approximately 2,000 AFY), is still in the early planning stage, with a pilot test well recently installed. The City of San Diego has budgeted approximately $100 million for their Groundwater Asset Development Program and has installed and/or is working to install several brackish groundwater monitoring wells and pilot-production wells throughout San Diego County (County). The City of Oceanside and Sweetwater Authority are both working to expand their existing local brackish groundwater supplies and treatment plants (Richard A. Reynolds Groundwater Purification Facility and Mission Basin Groundwater Purification Facility, respectively) and construct additional production wells. There are several Indirect Potable Reuse (IPR) projects including the Helix Water District's El Monte Valley Project which was suspended in 2011. Once staff has a better understanding of the issues described above, continuing with the

construction phase will be re-evaluated and staff will bring it back to the Board for consideration.

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item for the second time at a meeting held on January 16, 2013. Following the discussion, the Committee supported staffs' recommendation to forward this staff report and presentation to the full board as an informational item.

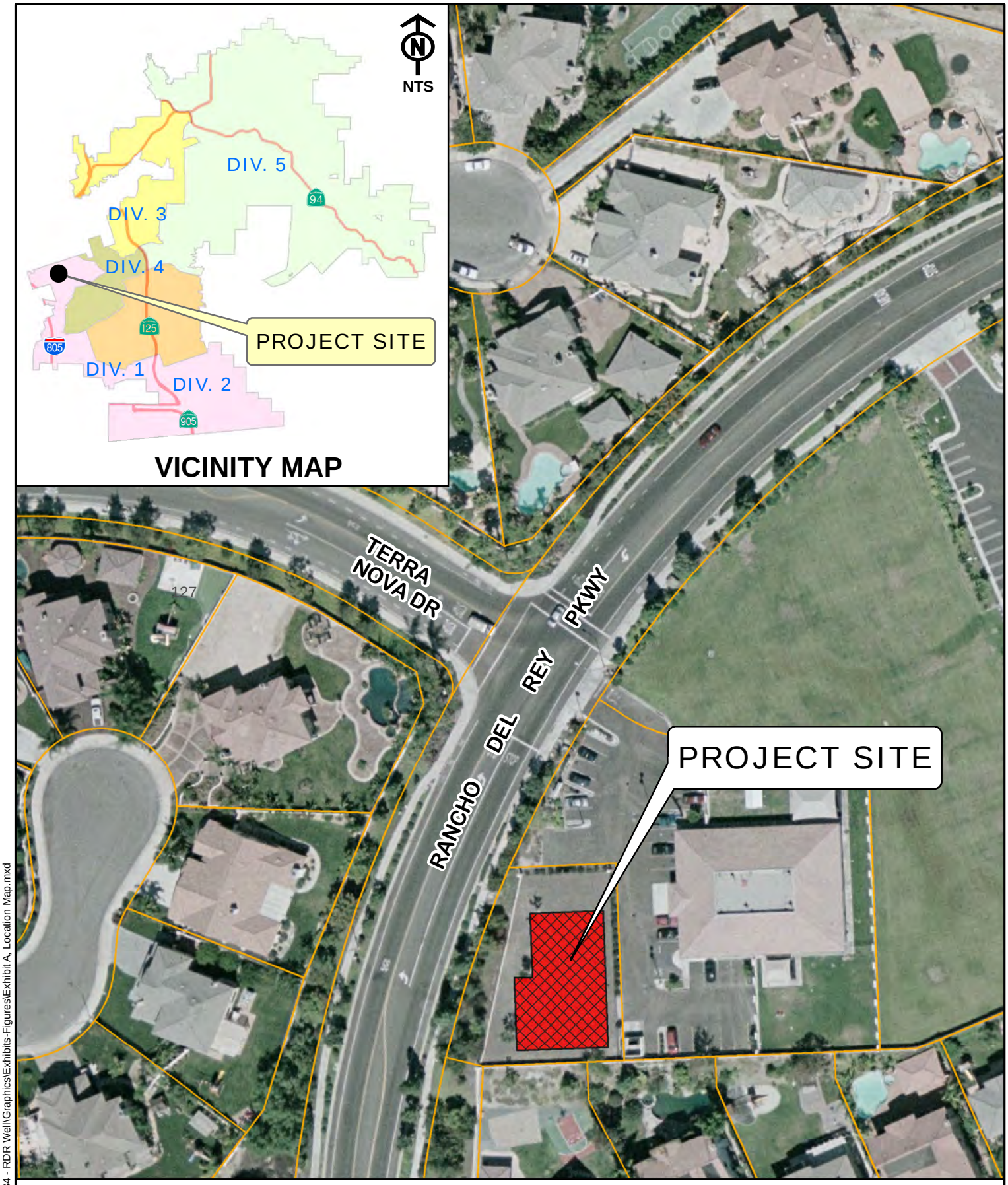
ATTACHMENT B

SUBJECT/PROJECT: P2434-001102	Informational Update for the Rancho del Rey Groundwater Well Development Project

Otay Water District
P2434 - Rancho Del Rey Well Development

Date Updated: October 24, 2012

Budget 8,700,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor/Comments*
Prior to FY 2009					
Labor	119,257	119,257	-	119,257	
Land	326,092	326,092	-	326,092	
Permits	125	125	-	125	CITY OF CHULA VISTA-DEPT. OF
Materials	1,348	1,348	-	1,348	VARIOUS
Rental	159	159	-	159	PENHALL COMPANY
Construction Costs	26,154	26,154	-	26,154	CHILDTIME CHILDCARE, INC.
Service Contracts	6	6	-	6	COUNTY OF SAN DIEGO
	134	134	-	134	COURIER EXPRESS, INC.
	205	205	-	205	USA SIGN CO.
	3,226	3,226	-	3,226	QUALITY ASSURANCE LABORATORY
	7,108	7,108	-	7,108	MULTI WATER SYSTEMS
	1,955	1,955	-	1,955	BARRETT CONSULTING GROUP
	5,665	5,665	-	5,665	EARTH TECH
	3,344	3,344	-	3,344	CITY OF CHULA VISTA
	16,714	16,714	-	16,714	BOYLE ENGINEERING CORPORATION
	112	112	-	112	MONTGOMERY WATSON LABORATORIES
	2,500	2,500	-	2,500	ANDREW A. SMITH COMPANY
	2,000	2,000	-	2,000	ENARTEC ENGINEERING PLANNING
	35,200	35,200	-	35,200	ALCEM FENCE COMPANY INC.
Total Prior to FY 2009	551,303	551,303	-	551,303	
Planning (FY2009-current)					
Labor	233,027	233,027	-	233,027	
Professional Legal Fees	5,619	5,619	-	5,619	GARCIA CALDERON & RUIZ LLP
Outreach Materials	1,876	1,876	-	1,876	MARSTON+MARSTON INC
Regulatory Agency Fees	50	50	-	50	PETTY CASH CUSTODIAN
Consultant Contracts	19,871	19,871	-	19,871	JONES & STOKES ASSOCIATES INC
	13,825	13,825	-	13,825	MWH CONSTRUCTORS INC
	1,100	1,100	-	1,100	SOUTHWESTERN COLLEGE
	3,065	3,065	-	3,065	SOUTHERN CALIFORNIA SOIL
	14,993	14,993	-	14,993	SEPARATION PROCESSES INC
	6,930	6,930	-	6,930	VALLEY CONSTRUCTION MANAGEMENT
	1,718,505	1,718,505	-	1,718,505	AECOM TECHNICAL SERVICES INC
Service Contracts	5,100	5,100	-	5,100	S R BRADLEY & ASSOCIATES INC
	257	257	-	257	SAN DIEGO DAILY TRANSCRIPT
	245	245	-	245	SAN DIEGO UNION-TRIBUNE LLC
	2,500	2,500	-	2,500	FIRST AMERICAN TITLE CO
	624	624	-	624	UNION TRIBUNE PUBLISHING CO
	399	399	-	399	REPROHAUS CORP
	440	440	-	440	URBINA'S MASTER SWEEPING INC
Total Planning (FY2009-current)	2,028,426	2,028,426	-	2,028,426	
Design (FY2009-current)					
Labor	390,736	390,736	40,000	430,736	
Professional Legal Fees	5,118	5,118	-	5,118	STUTZ ARTIANO SHINOFF
Consultant Contracts	646,457	404,445	242,012	646,457	TETRA TECH INC
	7,847	7,847	-	7,847	PBS&J
	11,940	11,940	-	11,940	ATKINS
	6,130	6,130	-	6,130	MTGL INC
	3,200	3,200	-	3,200	ALTA LAND SURVEYING INC
	8,154	8,154	-	8,154	V & A CONSULTING ENGINEERS
	4,500	4,500	-	4,500	ENGINEERING PARTNERS INC, THE
	1,980	1,980	-	1,980	HERNDON SOLUTIONS GROUP
	79,472	42,717	36,754	79,472	ARCADIS US INC
Service Contracts	294	294	-	294	REPROHAUS CORP
	130	130	-	130	SAN DIEGO DAILY TRANSCRIPT
	343	343	-	343	SAN DIEGO UNION-TRIBUNE LLC
			20,000	20,000	Planset Reproduction/Distribution
Total Design (FY2009-current)	1,166,300	887,534	338,766	1,226,300	
Construction (FY2009-current)					
Labor	14,715	14,715	200,000	214,715	
	101,785		101,785	101,785	TETRA TECH INC
			3,814,900	3,814,900	Treatment Plant Construction
			350,000	350,000	Construction Management
			407,300	407,300	Chula Vista Sewer Connection
Total Construction (FY2009-current)	116,500	14,715	4,873,985	4,888,700	
Grand Total	**3,862,529**	**3,481,978**	**5,212,751**	**8,694,729**	



OTAY WATER DISTRICT

RANCHO DEL REY WELL PROJECT
LOCATION MAP

CIP P2434

EXHIBIT A

P:\WORKING\CIP P2434 - RDR Well\Graphics\Exhibits-Figures\Exhibit A, Location Map.mxd

Exhibit B

OTAYWATERDISTRICT

Informational Update for:

Rancho del Rey Groundwater Well Development Project

February 6, 2013

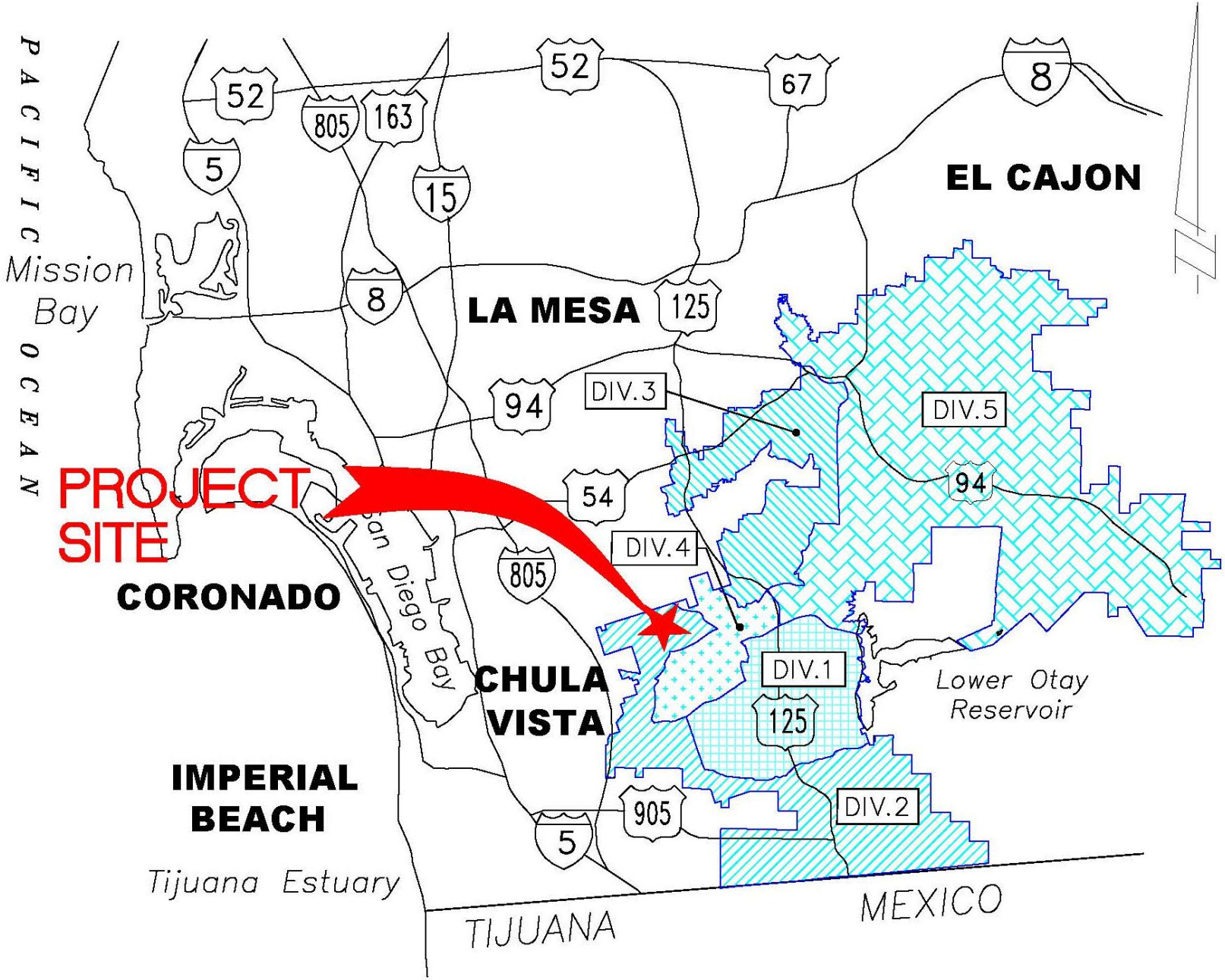
Presentation Outline

1. Project Overview
2. Recent Efforts
3. Costs
4. Schedule

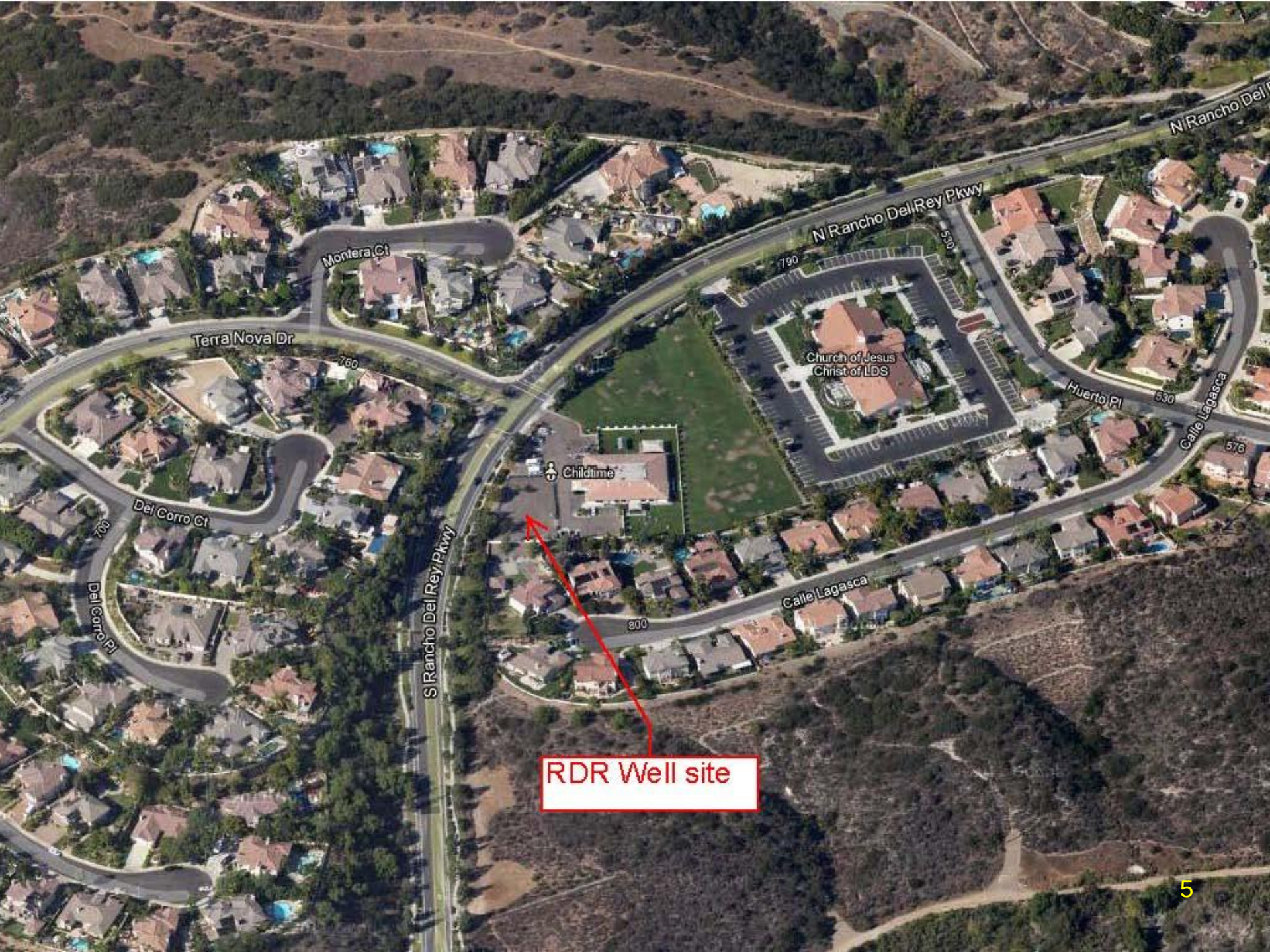
Project Overview

New Potable Water Source (600 AFY):

- Production well (900' deep, 450 gpm)
- Nested Monitoring Well (5 sub-monitoring wells)
- RO Treatment Facility (80-90% recovery)
- Discharge Brine to Sewer



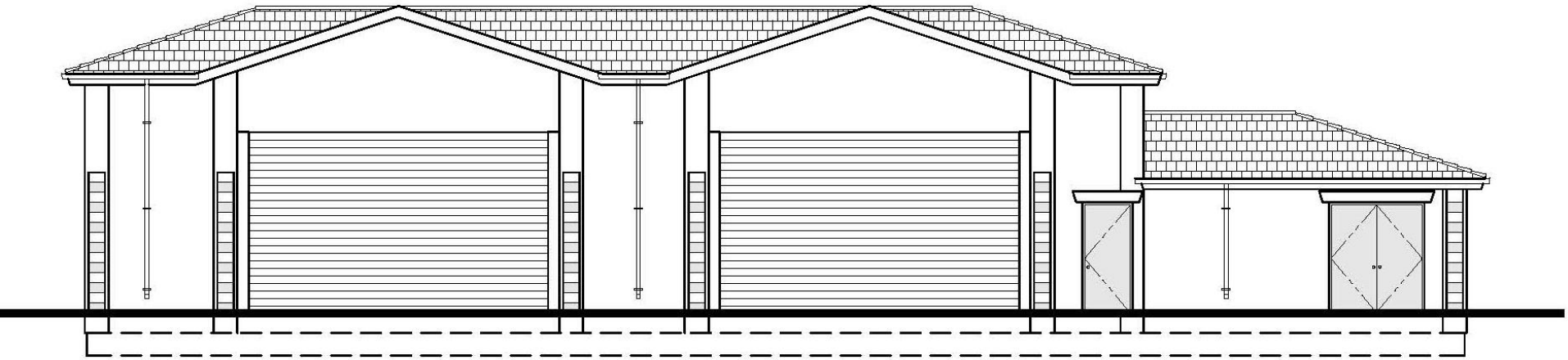
VICINITY MAP


N Rancho Del Rey Pkwy
Montera Ct
Terra Nova Dr
760
790
580
Church of Jesus Christ of LDS
Huerto Pl
530
Calle Lagasca
576
Childtime
Del Corro Ct
Del Corro Pl
S Rancho Del Rey Pkwy
Calle Lagasca
800
RDR Well site

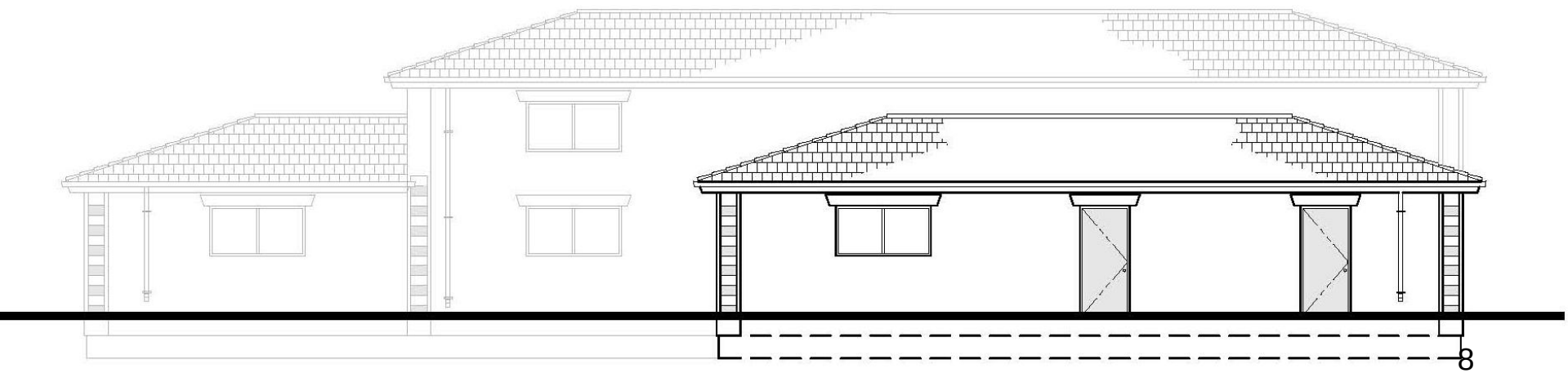
Old Well
New Well
STOP
STOP
780
Childtime

Childtime

Architectural Elevations



VIEW FROM CHILDTIME



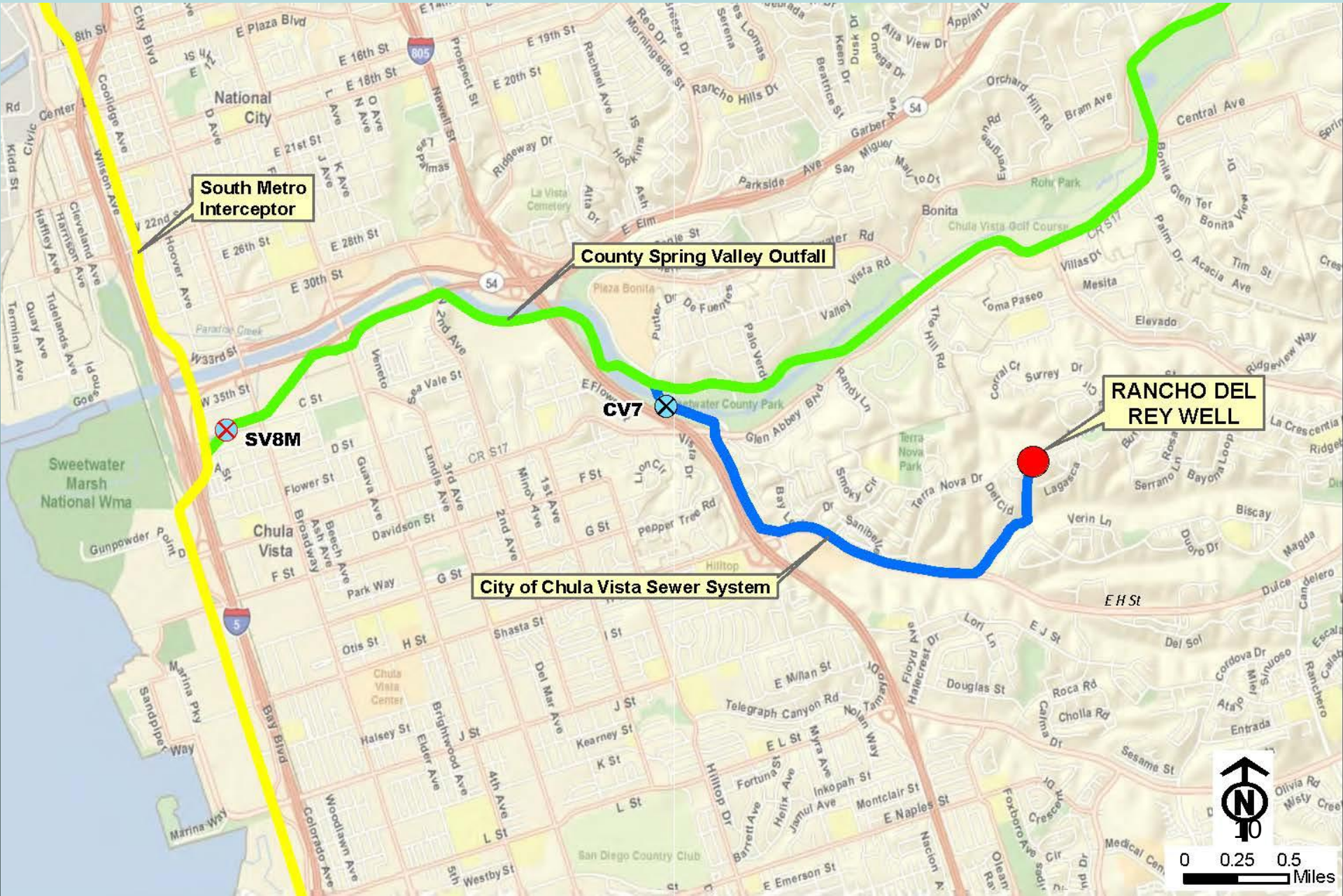
VIEW FROM STREET

Recent Efforts

- Tetra Tech 100% Design
  - 90% reviewed by District staff, CDPH, and Value engineering and constructability consultant (Arcadis)

- Sewer
  - City of Chula Vista
  - County
  - Metro

Sewer Connection



Sewer Connection

- City of Chula Vista
  - New Agreement
  - $406K in initial costs (pipeline capacity, shared sewer system improvement costs, CCTV) and $11k+/- quarterly for conveyance
  - Possible additional costs (scale removal, manhole relining)

- County
  - Utilize existing agreement & existing pipeline capacity in the County's Spring Valley Outfall

- Metro
  - Utilize existing agreement & existing pipeline and treatment capacity in Metro's South Metro Interceptor and Point Loma Wastewater Treatment Plant
  - Industrial User Discharge Permit

Recent Efforts (continued)

- Storm Drain connection and NPDES Permit
- Hazardous Materials Storage/Handling
  - County Hazardous Materials Business Plan
  - Chula Vista Fire Department
- Operation Options
  - Private Company (Veolia, Cal Am, United Water, Degremont, IDE)
  - In-House (District hire two T3 Operators)
  - Sweetwater Authority

Recent Efforts (continued)

- SDG&E Power Supply
  - Agreement
  - Possible Rate Increases
- Funding
  - United States Bureau of Reclamation grant request

Current Cost Model

- Initial (CIP Budget) $8.7M
  - Treatment Facility $3.8M
  - Expenditures to Date $3.8M
  - Other (e.g., Admin, Construction Mgt.) $1.0M
  - City of CV Sewer Connection $0.4M
- Annual $650K/year
- Cost of Water (600 AFY) $2,000/AF

Project Schedule

➢ Preliminary Design Report	Oct	2011 (complete)
➢ 90% Design	May	2012 (complete)
➢ 90% Design Review	Aug	2012 (complete)
➢ Final Design	Mar	2013

Drivers for Placing Project on Hold (after completion of design)

- Rosarito Desalination Project gaining momentum
- SDG&E rate increases
- MWDSC $250/AF local supply rebate availability
- Chula Vista's sewer connection negotiations
- RWQCB Storm Drain Connection
- Operations Options
- Sewer customer impact

Project's Potential Realized

- SDCWA all-inclusive treated rate approaches the projected Project unit cost
- Sycuan Indian Reservation
- Funding (Bureau of Rec, MWDSC Rebate)

Regional Examples of Alternate Water Supply Projects

- Olivenhain Municipal Water District and City of San Diego pilot test wells.
- City of Oceanside and Sweetwater Authority existing brackish groundwater supply expansions
- Indirect Potable Reuse (IPR) projects

Questions?

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013		
SUBMITTED BY:	Mark Watton General Manager	W.O./G.F. NO:	N/A	DIV. NO.	N/A
APPROVED BY:	☒ Mark Watton, General Manager				
SUBJECT:	General Manager's Report				

ADMINISTRATIVE SERVICES:

- **SDRMA Longevity Distribution** – For the fourth year in a row, the District will receive two longevity distribution checks, totaling $22,915, for participating in the Property & Liability and Workers' Comp programs. The Longevity Distribution Policy, approved by SDRMA's Board of Directors, is to recognize and reward members for their loyalty and commitment to SDRMA programs.

Water Conservation and School Education:

- Watersmart Landscape Programs - Promotion continues on the Water Authority's Turfgrass Replacement Program. A number of Otay customers have already signed up for the program and are in the process of replacing their front yard lawns with a water smart landscape. For more details and to apply, please visit http://turfreplacement.watersmartsd.org.

  The District is wrapping up its own turfgrass replacement and irrigation programs. To date, three properties have retrofitted 19,849 square feet of turfgrass and one site upgraded their irrigation efficiency through our program. Staff submitted an invoice to MET for $1 per square foot reimbursement.

- School Education - Through the end of January, 27 Garden Tours were completed and three more are scheduled to be completed before the end of June 2013. The three tours completed this month involved 156 3rd graders and 30 adults from the Corky McMillin Elementary School in Chula Vista.

- MET's School Poster Contest – The winners' posters will be on display in the District lobby from February 7-14, 2013. The District's winner, Teresa Vasquez Alvizo, is featured in the month of April. To see the winning posters, and learn more about this year's contest, go to www.otaywater.gov and click on Education, then "For Students".

- Knott's Soak City (Acquisition by Sea World) - District staff approached Sea World regarding their recent acquisition of the former Knott's Soak City water park to see if there may be an opportunity to create signage that promotes water conservation. The District is meeting with Sea World staff in early February.

- Chula Vista Green Business Recognition - On January 17th, the District received recognition as a participant in Chula Vista's Green Business Challenge. Over 50 Chula Vista businesses participated in the challenge.

Human Resources:

- Wellness Program - The District is pleased to announce the sixth year of our Wellness Program. This year, we are continuing the monthly challenges, lunchtime seminars, Weight Management and Smoking & Tobacco Cessation Programs. Through our medical provider, employees have access to additional online tools and resources to help them meet their wellness goals. The culture of the District has been influenced by the health and wellness activities. Employees have experienced positive health changes and there is continued interest in the program.

- Recruitments – HR is currently preparing to recruit for Safety & Security Administrator, Construction Inspector II, Senior SCADA/SCADA Instrumentation Technician, Engineering Manager, and two Water System Operator positions.

- New Hires – There were no new hires in the month of January.

Purchasing and Facilities:

- Purchase Orders – There were 70 purchase orders processed in January 2013 for a total of $4,319,632.04 (including one purchase order for SDRMA for $3,200,000 for Employee Health Administration Services from January 1, 2013 – December 31, 2013).

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- 2014 Strategic Plan - Staff is preparing modifications of the Strategic Plan for FY 2014. A series of workshops with each department (and then further fine-tuning with the Senior Team)

will begin in February. This is the final year of the existing 2012-2014 plan. The output from this process will be presented to the Board for review and comment as part of the annual budget approval process.

- Security Improvements with San Diego Sheriff's Office Collaboration – IT and Safety & Security staff met with the Sheriff's Office Critical Infrastructure Team (CIT) to review the District's 2011 general security assessment. The Sheriff's Office CIT would like to renew its relationship with the District and continue to fine-tune the security assessment to include tactical deployment planning of District security assets and response protocol improvements. Onsite and field visits are planned to commence in March.

- Consolidation of Customer Information into GIS Viewer –IT has streamlined the ability to access customer data within the Customer Information System (CIS) via the GIS Dashboard Viewer. Customer information such as meter number, account number, customer name, APN, and site address, is now linked through the dashboard. Consolidating these functions into one tool will provide gained efficiencies for Customer Service staff to quickly QA/QC account information, as well as assist Engineering Front Counter staff to create permits.

FINANCE:

- GFOA Distinguished Budget Presentation Award - This year, in addition to receiving the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the 9th year in a row, the Finance Department received two Special Recognitions for the FY 2012-2013 Budget: 1) as a Communications Device, and 2) as a Policy Document. These special recognitions are rarely given to agencies. Last year, only 13 of more than 1,350 agencies received the special recognition for a Communications Device and only five agencies received the special recognition for a Policy Document. Otay is receiving both.

- 2004 COPS Refinancing RFPs – Request for Proposals (RFP) for a Financial Advisor, related to the possible refinancing of the 2004 COPS debt, were emailed on January 23, 2013, to nine firms. The selection will be done using the General Manager's contracting authority as the cost is expected to fall well under his spending limit.

- Accounts Payable Fraud Prevention - The District is adding payee verification controls to its accounts payable process to further prevent the misappropriation of A/P checks. The payee verification process confirms when a check clears the bank and

that the name on the check matches the District's records. If the payee cannot be verified, the bank will reject the check. This prevents fraud related to the misappropriation of checks from someone changing the payee name. The District already has controls in place to safeguard itself from fraud related to changing the check amount or depositing a single check multiple times.

- Eden Software Upgrade - Staff has tested the new software upgrade for customer service, which will be implemented on January 30th. This upgrade is being tested thoroughly to minimize any possibility of disrupting the high quality of service to our customers. This is an annual process to keep up-to-date on the software package used throughout the District.

- Bill Print Contract - The current contract with our bill print vendor, InfoSend, will expire this fiscal year. Staff is drafting an RFP, which will include information on bill payment methods, web-based bill presentment, and phone payment options as well as bill print options. By bundling these services, the District may receive better pricing and reduce the number of vendors involved in these processes.

- Financial Reporting:
  - For the six months ended December 31, 2012, there are total revenues of $43,735,034 and total expenses of $41,364,958. The revenues exceeded expenses by $2,370,076.
  - The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of December 31, 2012 total $85,149,492.38 with an average yield to maturity of 0.418%. The total earnings year-to-date are $199,845.84.

ENGINEERING AND WATER OPERATIONS:

Engineering:

- **Rancho del Rey Groundwater Well Development:** The design consultant (Tetra Tech) is proceeding to the 100% design level. District staff met on January 17, 2013 with the City of Chula Vista to discuss several items in the agreement. Additional activities are underway to secure an Industrial User Discharge Permit from the City of San Diego, a Hazardous Materials Business Plan from the County, a power supply from SDG&E, and a storm drain connection for discharges into the storm drain system. Staff is preparing a request for a grant from the United States Bureau of Reclamation. Potentially, 25% of the cost of the project could be offset if the funds are granted. Staff will make a formal update of this project at the January

Engineering & OPS Committee Meeting and the February Board Meeting. (P2434)

- **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. On December 19, 2012, a meeting was held with San Diego County Water Authority (CWA) staff in follow up to the December 10, 2012 meeting with Supervisor Cox. During the December 19, 2012 meeting, CWA staff gave the impression that they might support the parallel encroachment north of Jonel Way if the interconnect would be aligned through private property south of Jonel Way. CWA requested that the District contact the private property owner (Mr. Uwe Warner) and acquire rights to align the interconnect through his property. Mr. Warner mentioned in a January 4, 2013 phone conversation that he was definitely not interested since he has spent the last 20 years reconfiguring his property after CWA came through and built Aqueduct Pipeline 4 in the 1990s. CWA has been contacted and advised of Mr. Warner's wishes. Staff will continue to work with CWA and Supervisor Cox's office on an agreed upon alignment. (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 pipeline will increase total water delivery to reduce pressure losses experienced during periods of high demand. The Contractor, Sepulveda Construction, began installing pipe at the intersection of Proctor Valley Road and Hunte Parkway on October 2, 2012. They have installed approximately 2,000 linear-feet of pipe. Change orders requests have been submitted by the contractor for changes associated with utility conflicts and unanticipated soils conditions. The requests have been evaluated by staff. A contract change order and a request for additional funds will be presented at the February 2013 Engineering, Operations & Water Resources Committee meeting for consideration. Construction is anticipated to be completed in March 2013. (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, submitted several change order requests subsequent to the Notice of Substantial Completion. The Contractor's notification of these change order requests to the District are considered late in accordance with the contract. Staff is currently evaluating these requests to determine if entitlement exists for the submitted requests. Project is within budget and final acceptance is anticipated in March 2013. (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. Work is ongoing in Avocado Boulevard by Garcia Juarez Construction. Contract change order 2 for $22,460 was approved by the Board at the January 8, 2013 Board Meeting. Project is within budget and anticipated to be complete in May 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. The Board awarded a contract to Layfield Environmental Systems Corporation at the October 9, 2012 Board Meeting. The Notice to Proceed was issued on November 16, 2012. Project is within budget and anticipated to be complete in April 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. At the January Board Meeting, the Board approved increasing the budget by $100,000 and awarding a construction contract to Basile Construction (Basile). The Pre-Construction Meeting with Basile was held on January 15, 2013. Project is within budget with the approved increase, 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 2.0 MG 803-3 Reservoir and the 2.0 MG 832-2 MG Reservoir, 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. Bids were opened on

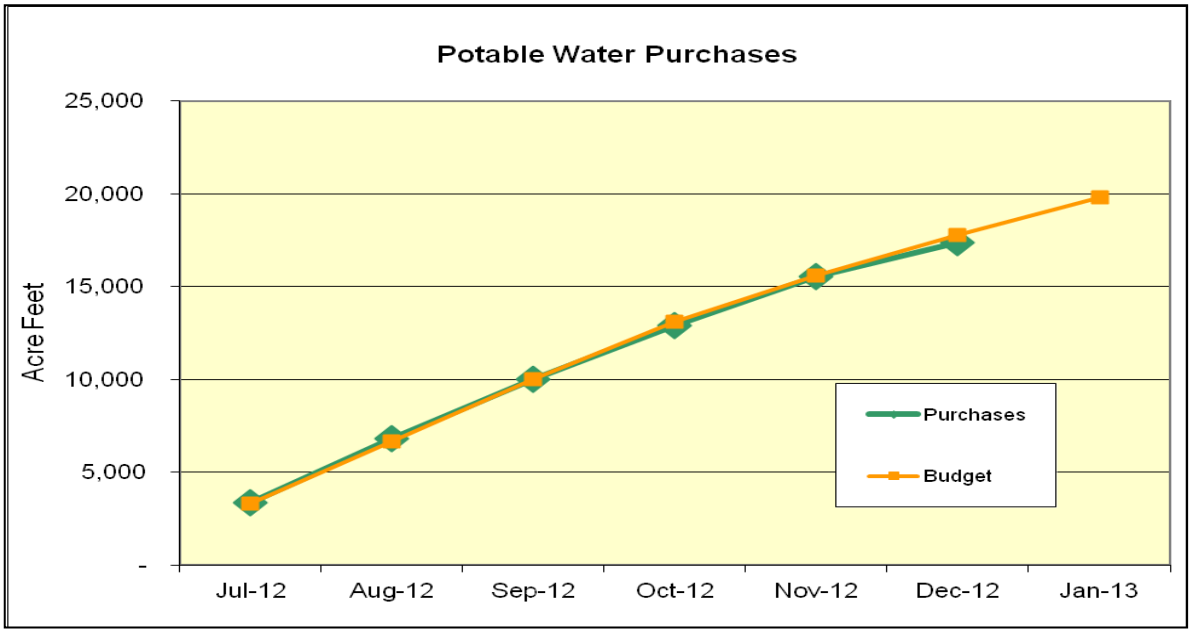
December 20, and Advanced Industrial Services (AIS) was the apparent low bidder. Staff will recommend awarding a construction contract to AIS at the January Engineering & OPS Committee Meeting and the February Board Meeting. Project is within budget and anticipated to be complete in August 2013. (P2518 & P2519)

- For the month of December 2012, the District sold 11 meters (11 EDUs) generating $100,944 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 December 2012 is $1,986,032 against the annual budget of $3,972,064.

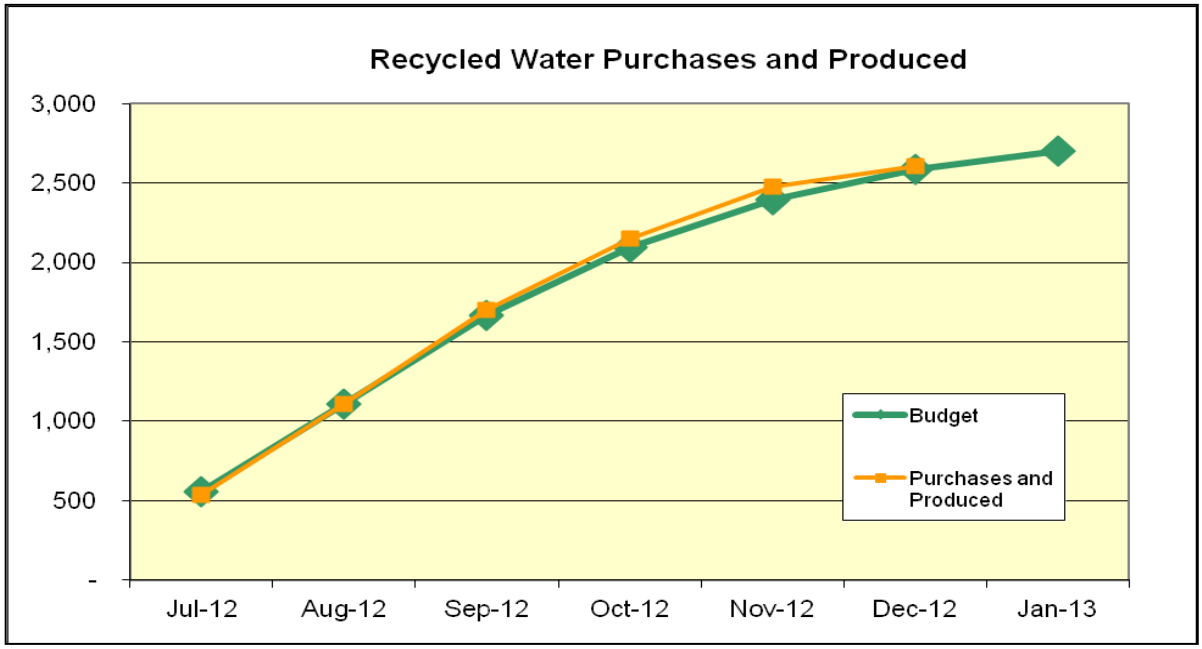
Water Operations:

- Total number of potable water meters is 48,934.

- The December potable water purchases were 1,835.5 acre-feet which is 14.5% below the budget of 2,146.8 acre-feet. The cumulative purchases through December is 17,387.4, acre-feet which is 2.1% below the cumulative budget of 17,761.9 acre-feet.



- The December recycled water purchases and production was 132.0 acre-feet which is 29.0% less than the budget of 186.0 acre-feet. The cumulative production and purchases through December is 2,607.1 acre-feet which is 0.9% above the cumulative budget of 2,583.4 acre-feet.



- Recycled water consumption for the month of December is as follows:

  Total consumption was 206.9 acre-feet or 67,378,344 gallons and the average daily consumption was 2,173,495 gallons per day.

  Total recycled water consumption as of October for FY 2013 is 2743.4 acre-feet.

  Total number of recycled water meters is 704.

- Wastewater flows for the month of December were as follows:

  - Total basin flow, gallons per day: 1,759,228.
  - Spring Valley Sanitation District Flow to Metro, gallons per day: 582,760.
  - Total Otay flow, gallons per day: 1,176,349.
  - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 966,564.
  - Flow to Metro from Otay Water District, gallons per day: 209,904.

By the end of December there were 6,084 wastewater connections/EDUs.

Exhibit A

OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
FOR SIX MONTHS ENDED DECEMBER 31, 2012

	Annual Budget	YTD Actual	YTD Budget	YTD Variance	Var %
REVENUES:					
Water Sales	$ 39,110,200	$ 21,641,986	$ 21,531,400	$ 110,586	0.5%
Energy Charges	1,809,500	1,158,658	1,132,300	26,358	2.3%
System Charges	10,328,400	4,815,269	4,788,000	27,269	0.6%
MWD & CWA Fixed Charges	9,705,800	4,996,145	4,958,400	37,745	0.8%
Penalties	800,500	455,186	450,500	4,686	1.0%
Total Water Sales	61,754,400	33,067,244	32,860,600	206,644	0.6%
Recycled Water Sales	7,702,400	4,901,723	4,867,500	34,223	0.7%
Sewer Charges	2,555,200	1,244,162	1,257,000	(12,838)	(1.0%)
Meter Fees	112,200	51,531	56,100	(4,569)	(8.1%)
Capacity Fee Revenues	1,180,600	618,272	610,300	7,972	1.3%
Betterment Fees for Maintenance	689,400	294,714	309,700	(14,986)	(4.8%)
Non-Operating Revenues	1,914,300	895,947	918,600	(22,653)	(2.5%)
Tax Revenues	3,882,600	1,415,922	1,410,300	5,622	0.4%
Interest	105,700	34,719	42,900	(8,181)	(19.1%)
Transfer from OPEB	879,500	439,800	439,800	-	0.0%
General Fund Draw Down	946,900	473,500	473,500	-	0.0%
Transfer from General Fund	595,000	297,500	297,500	-	0.0%
Total Revenues	$ 82,318,200	$ 43,735,034	$ 43,543,800	$ 191,234	0.4%
EXPENSES:					
Potable Water Purchases	$ 30,552,200	$ 16,515,906	$ 16,709,200	$ 193,294	1.2%
Recycled Water Purchases	1,504,000	969,385	1,048,000	78,615	7.5%
CWA-Infrastructure Access Charge	1,818,000	898,278	898,200	(78)	(0.0%)
CWA-Customer Service Charge	1,687,800	826,481	826,200	(281)	(0.0%)
CWA-Emergency Storage Charge	4,086,000	1,911,893	1,911,600	(293)	(0.0%)
MWD-Capacity Res Charge	504,000	271,553	271,800	247	0.1%
MWD-Readiness to Serve Charge	1,610,400	804,855	805,200	345	0.0%
Subtotal Water Purchases	41,762,400	22,198,351	22,470,200	271,849	1.2%
Power Charges	2,368,000	1,268,147	1,281,900	13,753	1.1%
Payroll & Related Costs	18,856,200	8,761,555	9,096,067	334,512	3.7%
Material & Maintenance	3,747,900	1,703,175	1,707,450	4,275	0.3%
Administrative Expenses	4,424,900	1,912,429	2,010,062	97,633	4.9%
Legal Fees	380,000	131,901	190,000	58,099	30.6%
Expansion Reserve	3,936,000	1,968,000	1,968,000	-	0.0%
Betterment Reserve	1,120,000	560,000	560,000	-	0.0%
Replacement Reserve	743,000	371,500	371,500	-	0.0%
Transfer to Sewer Fund Reserve	595,000	297,500	297,500	-	0.0%
Transfer to General Fund Reserve	2,285,800	1,142,900	1,142,900	-	0.0%
Transfer to Sewer Replacement	2,099,000	1,049,500	1,049,500	-	0.0%
Total Expenses	$ 82,318,200	$ 41,364,958	$ 42,145,079	$ 780,121	1.9%
EXCESS REVENUES(EXPENSE)	**$ -**	**$ 2,370,076**	**$ 1,398,721**	**$ 971,355**	

OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
DECEMBER 31, 2012

INVESTMENT OVERVIEW & MARKET STATUS:

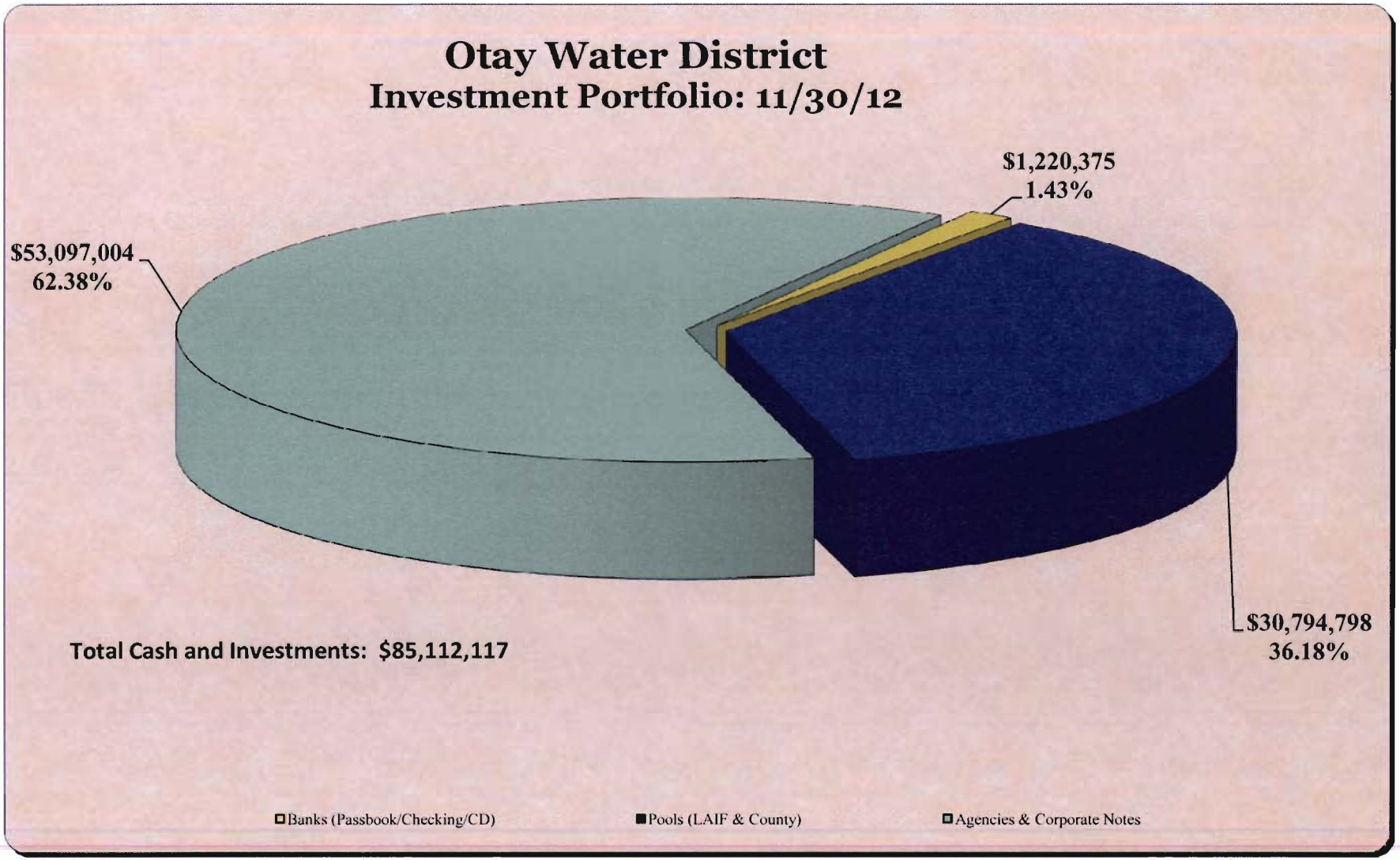
The federal funds rate has remained constant now for over 4 years. On December 16, 2008, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was lowered from 1.00% to "*a target range of between Zero and 0.25%*" in response to the nation's ongoing financial crisis, as well 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 December 12, 2012. They went on to say: "*The Committee currently anticipates exceptionally low levels for the federal funds rate will be appropriate as long as the unemployment rate remains above 6.25%.*"

Despite the large drop in available interest rates, the District's overall effective rate of return at December 31st was 0.40%, which was a decrease of 13 basis points (0.13%) from the prior month. At the same time the LAIF return on deposits has fluctuated slightly over the last several months, reaching an average effective yield of 0.326% for the month of December 2012. 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. Due to the high volume of Federal Agency Issue calls over the past few years, the District's holdings in LAIF and the County Pool have risen in comparison to historical levels. In an effort to achieve a portfolio mix that is more consistent with historical levels, the District has been more aggressive in purchasing Federal Agency Issues. 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.

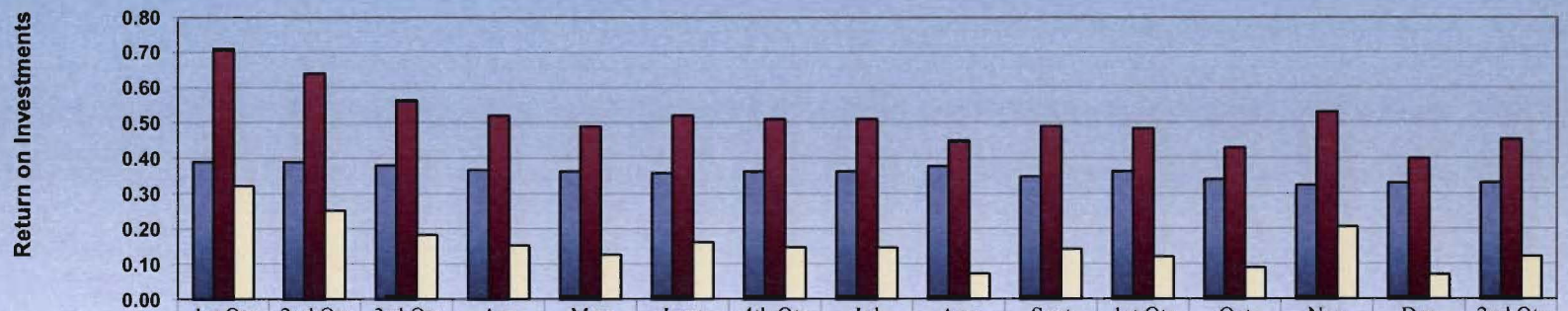
PORTFOLIO COMPLIANCE: December 31, 2012

	Investment	State Limit	Otay Limit	Otay Actual
8.01:	Treasury Securities	100%	100%	0
8.02:	Local Agency Investment Fund (Operations)	$50 Million	$50 Million	$4.6 Million
8.02:	Local Agency Investment Fund (Bonds)	100%	100%	4.79%
8.03:	Federal Agency Issues	100%	100%	62.38%
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%	26.03%
12.0:	Maximum Single Financial Institution	100%	50%	1.34%


Otay Water District
Investment Portfolio: 11/30/12
$1,220,375
1.43%
$53,097,004
62.38%
$30,794,798
36.18%
Total Cash and Investments: $85,112,117
Banks (Passbook/Checking/CD)
Pools (LAIF & County)
Agencies & Corporate Notes

Performance Measure F-12
Return on Investment

Target: Meet or Exceed 100% of LAIF



	1st Qtr FY12	2nd Qtr FY12	3rd Qtr FY12	Apr FY12	May FY12	June FY12	4th Qtr FY12	Jul FY13	Aug FY13	Sept FY13	1st Qtr FY13	Oct FY13	Nov FY13	Dec FY13	2nd Qtr FY13
LAIF	0.39	0.39	0.38	0.37	0.36	0.36	0.36	0.36	0.38	0.35	0.36	0.34	0.32	0.33	0.33
Otay	0.71	0.64	0.56	0.52	0.49	0.52	0.51	0.51	0.45	0.49	0.48	0.43	0.53	0.40	0.45
Difference	0.32	0.25	0.18	0.15	0.13	0.16	0.15	0.15	0.07	0.14	0.12	0.09	0.21	0.07	0.12

Month

LAIF Otay Difference

OTAY
Portfolio Management
Portfolio Summary
December 31, 2012

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	53,095,000.00	53,111,275.05	53,097,004.06	63.23	897	786	0.431	0.437
Certificates of Deposit - Bank	81,326.80	81,326.80	81,326.80	0.10	731	386	0.280	0.284
Local Agency Investment Fund (LAIF)	8,641,486.84	8,652,842.37	8,641,486.84	10.29	1	1	0.321	0.325
San Diego County Pool	22,153,311.58	22,165,000.11	22,153,311.58	26.38	1	1	0.426	0.432
Investments	**83,971,125.22**	**84,010,444.33**	**83,973,129.28**	**100.00%**	**568**	**498**	**0.418**	**0.424**
Cash								
Passbook/Checking (not included in yield calculations)	1,139,048.05	1,139,048.05	1,139,048.05		1	1	0.225	0.228
Total Cash and Investments	**85,110,173.27**	**85,149,492.38**	**85,112,177.33**		**568**	**498**	**0.418**	**0.424**

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	29,030.50	202,584.00
Average Daily Balance	**85,534,629.70**	**85,454,325.04**
Effective Rate of Return	**0.40%**	**0.47%**

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.

1-17-13

Joseph Beachem, Chief Financial Officer

OTAY
Portfolio Management
Portfolio Details - Investments
December 31, 2012

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												
3135G0SQ7	2257	Fannie Mae		12/24/2012	3,000,000.00	3,000,150.00	3,000,000.00	0.400	AA	0.395	904	06/24/2015
3133EAEG9	2241	Federal Farm Credit Bank		05/09/2012	1,360,000.00	1,361,047.20	1,360,000.00	0.550		0.542	787	02/27/2015
3133EAU30	2253	Federal Farm Credit Bank		10/26/2012	3,000,000.00	2,999,910.00	2,998,613.90	0.320	AA	0.336	800	03/12/2015
3133EC2L7	2255	Federal Farm Credit Bank		11/13/2012	3,000,000.00	3,000,540.00	3,000,000.00	0.440	AA	0.434	1,046	11/13/2015
3133EC6F6	2258	Federal Farm Credit Bank		12/05/2012	3,000,000.00	2,999,430.00	3,000,000.00	0.350	AAA	0.345	881	06/01/2015
3133EC7H1	2260	Federal Farm Credit Bank		12/17/2012	3,000,000.00	2,996,460.00	3,000,000.00	0.340		0.335	958	08/17/2015
3133ECA61	2261	Federal Farm Credit Bank		12/18/2012	3,000,000.00	2,996,130.00	2,999,260.83	0.320		0.325	898	06/18/2015
313380AV9	2248	Federal Home Loan Bank		08/13/2012	3,000,000.00	3,000,930.00	3,000,000.00	0.450		0.444	773	02/13/2015
313380AV9A	2249	Federal Home Loan Bank		08/13/2012	1,030,000.00	1,030,319.30	1,030,000.00	0.450		0.444	773	02/13/2015
313380AV9B	2250	Federal Home Loan Bank		08/13/2012	2,705,000.00	2,705,838.55	2,705,000.00	0.450		0.444	773	02/13/2015
313380SU2	2252	Federal Home Loan Bank		10/15/2012	3,000,000.00	3,000,330.00	3,000,000.00	0.410		0.404	834	04/15/2015
3133762C8	2254	Federal Home Loan Bank		11/09/2012	3,000,000.00	3,005,280.00	3,004,129.33	0.375	AA	0.438	330	11/27/2013
3134G3SS0	2232	Federal Home Loan Mortgage		03/22/2012	3,000,000.00	3,002,850.00	3,000,000.00	0.540		0.533	629	09/22/2014
3134G3Y61	2256	Federal Home Loan Mortgage		12/10/2012	3,000,000.00	3,000,930.00	3,000,000.00	0.375	AAA	0.370	708	12/10/2014
3134G32R0	2259	Federal Home Loan Mortgage		12/24/2012	3,000,000.00	2,998,650.00	3,000,000.00	0.400	AA	0.395	996	09/24/2015
3135G0KL6	2238	Federal National Mortage Assoc		04/30/2012	3,000,000.00	3,002,100.00	3,000,000.00	0.500		0.493	667	10/30/2014
3135G0KS1	2240	Federal National Mortage Assoc		05/10/2012	3,000,000.00	3,003,270.00	3,000,000.00	0.560		0.552	770	02/10/2015
3135G0LF8	2242	Federal National Mortage Assoc		05/24/2012	3,000,000.00	3,003,480.00	3,000,000.00	0.500		0.493	692	11/24/2014
3135G0LL5	2244	Federal National Mortage Assoc		06/04/2012	3,000,000.00	3,003,630.00	3,000,000.00	0.550		0.542	702	12/04/2014
		Subtotal and Average	**44,936,270.15**		**53,095,000.00**	**53,111,275.05**	**53,097,004.06**			**0.431**	**786**	
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	386	01/22/2014
		Subtotal and Average	**81,326.80**		**81,326.80**	**81,326.80**	**81,326.80**			**0.280**	**386**	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA		07/01/2004	4,566,662.48	4,572,663.40	4,566,662.48	0.326		0.322	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		04/21/2010	4,074,824.36	4,080,178.97	4,074,824.36	0.324		0.320	1	
		Subtotal and Average	**14,407,615.87**		**8,641,486.84**	**8,652,842.37**	**8,641,486.84**			**0.321**	**1**	
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County		07/01/2004	22,153,311.58	22,165,000.11	22,153,311.58	0.432		0.426	1	
		Subtotal and Average	**22,153,311.58**		**22,153,311.58**	**22,165,000.11**	**22,153,311.58**			**0.426**	**1**	

OTAY
Portfolio Management
Portfolio Details - Investments
December 31, 2012

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	85,534,629.70		83,971,125.22	84,010,444.33	83,973,129.28			0.418	498

OTAY
Portfolio Management
Portfolio Details - Cash
December 31, 2012

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	10,012.03	10,012.03	10,012.03	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	996,448.68	996,448.68	996,448.68	0.250		0.247	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2004	27,971.60	27,971.60	27,971.60			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA		04/20/2010	6,484.01	6,484.01	6,484.01	0.010		0.010	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA		04/20/2010	17,650.98	17,650.98	17,650.98	0.010		0.010	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		04/20/2010	70,015.05	70,015.05	70,015.05	0.147		0.145	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		01/01/2011	7,515.70	7,515.70	7,515.70			0.000	1
		Average Balance	**0.00**								**1**
		Total Cash and Investments	**85,534,629.70**		**85,110,173.27**	**85,149,492.38**	**85,112,177.33**			**0.418**	**498**

OTAY
Portfolio Management
Interest Earnings Summary
December 31, 2012

	December 31 Month Ending	Fiscal Year To Date
CD/Coupon/Discount Investments:		
Interest Collected	24,950.00	121,239.43
Plus Accrued Interest at End of Period	47,514.23	47,766.57
Less Accrued Interest at Beginning of Period	(55,762.47)	(58,130.60)
Less Accrued Interest at Purchase During Period	(0.00)	(0.00)
Interest Earned during Period	16,701.76	110,875.40
Adjusted by Premiums and Discounts	-316.60	-300.97
Adjusted by Capital Gains or Losses	0.00	1,633.33
Earnings during Periods	16,385.16	112,207.76
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	478.96	108,182.52
Plus Accrued Interest at End of Period	462,583.40	462,583.86
Less Accrued Interest at Beginning of Period	(450,417.02)	(480,390.14)
Interest Earned during Period	12,645.34	90,376.24
Total Interest Earned during Period	**29,347.10**	**201,251.64**
Total Adjustments from Premiums and Discounts	**-316.60**	**-300.97**
Total Capital Gains or Losses	**0.00**	**1,633.33**
Total Earnings during Period	**29,030.50**	**202,584.00**

OTAY
Activity Report
Sorted By Issuer
July 1, 2012 - December 31, 2012

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Par Value Purchases or Deposits	Redemptions or Withdrawals	Ending Balance
Issuer: STATE OF CALIFORNIA									
Union Bank									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		70,481,052.37	70,481,046.25	
UNION OPERATING	9004	STATE OF CALIFORNIA			0.250		5,437,838.88	5,732,358.62	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			0.010		1,035,795.99	1,030,000.00	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.010		2,722,233.75	2,705,000.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					21,000.00	55,584.52	
		Subtotal and Balance		**1,445,116.45**			**79,697,920.99**	**80,003,989.39**	**1,139,048.05**
Local Agency Investment Fund (LAIF)									
LAIF	9001	STATE OF CALIFORNIA			0.326		40,933,406.74	43,900,000.00	
LAIF BABS 2010	9012	STATE OF CALIFORNIA			0.324		7,247.75	0.00	
		Subtotal and Balance		**11,600,832.35**			**40,940,654.49**	**43,900,000.00**	**8,641,486.84**
		Issuer Subtotal	**11.492%**	**13,045,948.80**			**120,638,575.48**	**123,903,989.39**	**9,780,534.89**
Issuer: California Bank & Trust									
Certificates of Deposit - Bank									
		Subtotal and Balance		**81,326.80**					**81,326.80**
		Issuer Subtotal	**0.096%**	**81,326.80**			**0.00**	**0.00**	**81,326.80**
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	**3.525%**	**0.00**			**3,000,000.00**	**0.00**	**3,000,000.00**
Issuer: Federal Farm Credit Bank									

OTAY
Activity Report
July 1, 2012 - December 31, 2012

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Par Value Ending Balance
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	
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**	**3,000,000.00**	**16,360,000.00**
		Issuer Subtotal	**19.222%**	**4,360,000.00**			**15,000,000.00**	**3,000,000.00**	**16,360,000.00**
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	
313380AV9A	2249	Federal Home Loan Bank			0.450	08/13/2012	1,030,000.00	0.00	
313380AV9B	2250	Federal Home Loan Bank			0.450	08/13/2012	2,705,000.00	0.00	
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	
313380SU2	2252	Federal Home Loan Bank			0.410	10/15/2012	3,000,000.00	0.00	
3133762C8	2254	Federal Home Loan Bank			0.375	11/09/2012	3,000,000.00	0.00	
		Subtotal and Balance		**18,000,000.00**			**15,735,000.00**	**21,000,000.00**	**12,735,000.00**
		Issuer Subtotal	**14.963%**	**18,000,000.00**			**15,735,000.00**	**21,000,000.00**	**12,735,000.00**
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	

OTAY
Activity Report
July 1, 2012 - December 31, 2012

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Federal Home Loan Mortgage									
Federal Agency Issues- Callable									
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	
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	
		Subtotal and Balance		**15,737,000.00**			**6,000,000.00**	**12,737,000.00**	**9,000,000.00**
		Issuer Subtotal	**10.575%**	**15,737,000.00**			**6,000,000.00**	**12,737,000.00**	**9,000,000.00**
Issuer: Federal National Mortage Assoc									
Federal Agency Issues- Callable									
3135G0JG9	2234	Federal National Mortage Assoc			0.520	09/26/2012	0.00	3,000,000.00	
		Subtotal and Balance		**15,000,000.00**			**0.00**	**3,000,000.00**	**12,000,000.00**
		Issuer Subtotal	**14.099%**	**15,000,000.00**			**0.00**	**3,000,000.00**	**12,000,000.00**
Issuer: San Diego County									
San Diego County Pool									
SD COUNTY POOL	9007	San Diego County			0.432		44,092.36	0.00	
		Subtotal and Balance		**22,109,219.22**			**44,092.36**	**0.00**	**22,153,311.58**
		Issuer Subtotal	**26.029%**	**22,109,219.22**			**44,092.36**	**0.00**	**22,153,311.58**
		Total	**100.000%**	**88,333,494.82**			**160,417,667.84**	**163,640,989.39**	**85,110,173.27**

OTAY
GASB 31 Compliance Detail
Sorted by Fund - Fund
July 1, 2012 - December 31, 2012

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value: Amortization Adjustment	Adjustment in Value: Change in Market Value	Ending Invested Value
Fund: Treasury Fund											
LAIF	9001	99	Fair Value		7,542,443.62	0.00	40,933,406.74	43,900,000.00	0.00	-3,186.96	4,572,663.40
UNION MONEY	9002	99	Amortized		10,005.91	0.00	70,481,052.37	70,481,046.25	0.00	0.00	10,012.03
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	5,437,838.88	5,732,358.62	0.00	0.00	996,448.68
PAYROLL	9005	99	Amortized		27,971.60	0.00	0.00	0.00	0.00	0.00	27,971.60
SD COUNTY POOL	9007	99	Fair Value		22,089,000.00	0.00	44,092.36	0.00	0.00	31,907.75	22,165,000.11
RESERVE-10 COPS	9010	99	Amortized		688.02	0.00	1,035,795.99	1,030,000.00	0.00	0.00	6,484.01
RESERVE-10 BABS	9011	99	Amortized		417.23	0.00	2,722,233.75	2,705,000.00	0.00	0.00	17,650.98
LAIF BABS 2010	9012	99	Fair Value		4,072,537.60	0.00	7,247.75	0.00	0.00	393.62	4,080,178.97
UBNA-2010 BOND	9013	99	Amortized		70,015.05	0.00	0.00	0.00	0.00	0.00	70,015.05
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	21,000.00	55,584.52	0.00	0.00	7,515.70
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	0.00	0.00	-1,020.00	3,002,850.00
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	0.00	0.00	8,130.00	3,002,100.00
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	0.00	0.00	5,820.00	3,003,270.00
3133EAEG9	2241	99	Fair Value	02/27/2015	1,361,632.00	0.00	0.00	0.00	0.00	-584.80	1,361,047.20
3135G0LF8	2242	99	Fair Value	11/24/2014	2,999,640.00	0.00	0.00	0.00	0.00	3,840.00	3,003,480.00
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	4,290.00	3,003,630.00
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

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: Amortization Adjustment	Adjustment in Value: Change in Market Value	Ending Invested 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	0.00	0.00	930.00	3,000,930.00
313380AV9A	2249	99	Fair Value	02/13/2015	0.00	1,030,000.00	0.00	0.00	0.00	319.30	1,030,319.30
313380AV9B	2250	99	Fair Value	02/13/2015	0.00	2,705,000.00	0.00	0.00	0.00	838.55	2,705,838.55
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	0.00	0.00	330.00	3,000,330.00
3133EAU30	2253	99	Fair Value	03/12/2015	0.00	2,998,500.00	0.00	0.00	0.00	1,410.00	2,999,910.00
3133762C8	2254	99	Fair Value	11/27/2013	0.00	3,004,788.00	0.00	0.00	0.00	492.00	3,005,280.00
3133EC2L7	2255	99	Fair Value	11/13/2015	0.00	3,000,000.00	0.00	0.00	0.00	540.00	3,000,540.00
3134G3Y61	2256	99	Fair Value	12/10/2014	0.00	3,000,000.00	0.00	0.00	0.00	930.00	3,000,930.00
3135G0SQ7	2257	99	Fair Value	06/24/2015	0.00	3,000,000.00	0.00	0.00	0.00	150.00	3,000,150.00
3133EC6F6	2258	99	Fair Value	06/01/2015	0.00	3,000,000.00	0.00	0.00	0.00	-570.00	2,999,430.00
3134G32R0	2259	99	Fair Value	09/24/2015	0.00	3,000,000.00	0.00	0.00	0.00	-1,350.00	2,998,650.00
3133EC7H1	2260	99	Fair Value	08/17/2015	0.00	3,000,000.00	0.00	0.00	0.00	-3,540.00	2,996,460.00
3133ECA61	2261	99	Fair Value	06/18/2015	0.00	2,999,250.00	0.00	0.00	0.00	-3,120.00	2,996,130.00
				Subtotal	**88,327,075.52**	**39,737,538.00**	**120,682,667.84**	**163,640,989.39**	**0.00**	**43,200.41**	**85,149,492.38**
				Total	**88,327,075.52**	**39,737,538.00**	**120,682,667.84**	**163,640,989.39**	**0.00**	**43,200.41**	**85,149,492.38**

OTAY
Duration Report
Sorted by Investment Type - Investment Type
Through 12/31/2012

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3134G3Y61	2256	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	3,000,930.00	.3750000	0.370	0.313	12/10/2014	1.763
3134G32R0	2259	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	2,998,650.00	.4000000	0.395	0.417	09/24/2015	2.712
3134G3SS0	2232	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	3,002,850.00	.5400000	0.533	0.485	09/22/2014	1.712
3135G0LF8	2242	99	Federal National Mortage Assoc	Fair	3,000,000.00	3,000,000.00	3,003,480.00	.5000000	0.493	0.439	11/24/2014	1.885
3135G0KS1	2240	99	Federal National Mortage Assoc	Fair	3,000,000.00	3,000,000.00	3,003,270.00	.5600000	0.552	0.508	02/10/2015	2.089
3135G0LL5	2244	99	Federal National Mortage Assoc	Fair	3,000,000.00	3,000,000.00	3,003,630.00	.5500000	0.542	0.487	12/04/2014	1.911
3135G0KL6	2238	99	Federal National Mortage Assoc	Fair	3,000,000.00	3,000,000.00	3,002,100.00	.5000000	0.493	0.462	10/30/2014	1.819
313380AV9A	2249	99	Federal Home Loan Bank	Fair	1,030,000.00	1,030,000.00	1,030,319.30	.4500000	0.444	0.435	02/13/2015	2.100
313380SU2	2252	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	3,000,330.00	.4100000	0.404	0.405	04/15/2015	2.273
3133762C8	2254	99	Federal Home Loan Bank	Fair	3,004,129.33	3,000,000.00	3,005,280.00	.3750000	0.438	0.180	11/27/2013	0.903
313380AV9	2248	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	3,000,930.00	.4500000	0.444	0.435	02/13/2015	2.100
313380AV9B	2250	99	Federal Home Loan Bank	Fair	2,705,000.00	2,705,000.00	2,705,838.55	.4500000	0.444	0.435	02/13/2015	2.100
3133EAEG9	2241	99	Federal Farm Credit Bank	Fair	1,360,000.00	1,360,000.00	1,361,047.20	.5500000	0.542	0.514	02/27/2015	2.136
3133EC7H1	2260	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	2,996,460.00	.3400000	0.335	0.385	08/17/2015	2.612
3133EC6F6	2258	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	2,999,430.00	.3500000	0.345	0.358	06/01/2015	2.404
3133ECA61	2261	99	Federal Farm Credit Bank	Fair	2,999,260.83	3,000,000.00	2,996,130.00	.3200000	0.325	0.373	06/18/2015	2.450
3133EAU30	2253	99	Federal Farm Credit Bank	Fair	2,998,613.90	3,000,000.00	2,999,910.00	.3200000	0.336	0.321	03/12/2015	2.185
3133EC2L7	2255	99	Federal Farm Credit Bank	Fair	3,000,000.00	3,000,000.00	3,000,540.00	.4400000	0.434	0.434	11/13/2015	2.844
3135G0SQ7	2257	99	Fannie Mae	Fair	3,000,000.00	3,000,000.00	3,000,150.00	.4000000	0.395	0.398	06/24/2015	2.465
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	1.055
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	4,074,824.36	4,074,824.36	4,080,178.97	.3240000	0.320	0.324		0.000
LAIF COPS07	9009	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	1.530000	1.509	1.530		0.000
LAIF	9001	99	STATE OF CALIFORNIA	Fair	4,566,662.48	4,566,662.48	4,572,663.40	.3260000	0.322	0.326		0.000

OTAY
Duration Report
Sorted by Investment Type - Investment Type
Through 12/31/2012

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
SD COUNTY	9007	99	San Diego County	Fair	22,153,311.58	22,153,311.58	22,165,000.11	.4320000	0.426	0.432		0.000
				Report Total	**83,973,129.28**	**83,971,125.22**	**84,010,444.33**			**0.404**		**1.347**

OTAY
Interest Earnings
Sorted by Fund - Fund
December 1, 2012 - December 31, 2012
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	Adjusted Interest Earnings: Amortization/ Accretion	Adjusted Interest Earnings: Adjusted Interest Earnings
Fund: Treasury Fund												
LAIF	9001	99	LA1	4,566,662.48	15,616,662.48	4,566,662.48		0.326	0.216	2,860.91	0.00	2,860.91
UNION MONEY	9002	99	PA1	10,012.03	10,005.08	10,012.03		0.010	1.398	11.88	0.00	11.88
UNION OPERATING	9004	99	PA1	996,448.68	831,679.98	996,448.68		0.250	0.728	514.15	0.00	514.15
SD COUNTY POOL	9007	99	LA3	22,153,311.58	22,153,311.58	22,153,311.58		0.432	0.432	8,128.14	0.00	8,128.14
RESERVE-10 COPS	9010	99	PA1	6,484.01	6,484.01	6,484.01		0.010	0.011	0.06	0.00	0.06
RESERVE-10 BABS	9011	99	PA1	17,650.98	17,650.98	17,650.98		0.010	0.010	0.15	0.00	0.15
LAIF BABS 2010	9012	99	LA1	4,074,824.36	4,074,824.36	4,074,824.36		0.324	0.324	1,121.31	0.00	1,121.31
UBNA-2010 BOND	9013	99	PA1	70,015.05	70,015.05	70,015.05		0.147	0.147	8.74	0.00	8.74
3134G3AC4	2226	99	MC1	0.00	3,000,000.00	0.00	12/06/2013	0.600	0.608	250.00	0.00	250.00
3134G3BN9	2228	99	MC1	0.00	2,000,000.00	0.00	06/05/2014	0.770	0.781	171.11	0.00	171.11
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
3134G3SS0	2232	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	09/22/2014	0.540	0.530	1,350.00	0.00	1,350.00
3135G0KL6	2238	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	10/30/2014	0.500	0.491	1,250.00	0.00	1,250.00
3135G0KS1	2240	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	02/10/2015	0.560	0.549	1,400.00	0.00	1,400.00
3133EAEG9	2241	99	MC1	1,360,000.00	1,360,000.00	1,360,000.00	02/27/2015	0.550	0.540	623.33	0.00	623.33
3135G0LF8	2242	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	11/24/2014	0.500	0.491	1,250.00	0.00	1,250.00
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
313380AV9	2248	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	02/13/2015	0.450	0.442	1,125.00	0.00	1,125.00
313380AV9A	2249	99	MC1	1,030,000.00	1,030,000.00	1,030,000.00	02/13/2015	0.450	0.442	386.25	0.00	386.25
313380AV9B	2250	99	MC1	2,705,000.00	2,705,000.00	2,705,000.00	02/13/2015	0.450	0.442	1,014.38	0.00	1,014.38
313380SU2	2252	99	MC1	3,000,000.00	3,000,000.00	3,000,000.00	04/15/2015	0.410	0.402	1,025.00	0.00	1,025.00
3133EAU30	2253	99	MC1	3,000,000.00	2,998,561.33	2,998,613.90	03/12/2015	0.320	0.335	800.00	52.57	852.57
3133762C8	2254	99	MC1	3,000,000.00	3,004,509.33	3,004,129.33	11/27/2013	0.375	0.218	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	0.00	3,000,000.00	12/10/2014	0.375	0.363	656.25	0.00	656.25
3135G0SQ7	2257	99	MC1	3,000,000.00	0.00	3,000,000.00	06/24/2015	0.400	0.355	233.33	0.00	233.33
3133EC6F6	2258	99	MC1	3,000,000.00	0.00	3,000,000.00	06/01/2015	0.350	0.342	758.33	0.00	758.33
3134G32R0	2259	99	MC1	3,000,000.00	0.00	3,000,000.00	09/24/2015	0.400	0.355	233.33	0.00	233.33
3133EC7H1	2260	99	MC1	3,000,000.00	0.00	3,000,000.00	08/17/2015	0.340	0.322	396.67	0.00	396.67

OTAY
Interest Earnings
December 1, 2012 - December 31, 2012

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	Adjusted Interest Earnings: Amortization/ Accretion	Adjusted Interest Earnings: Adjusted Interest Earnings
Fund: Treasury Fund												
3133ECA61	2261	99	MC1	3,000,000.00	0.00	2,999,260.83	06/18/2015	0.320	0.311	346.67	10.83	357.50
			Subtotal	**85,071,735.97**	**82,960,030.98**	**85,073,740.03**			**0.389**	**29,347.10**	**-316.60**	**29,030.50**
			Total	**85,071,735.97**	**82,960,030.98**	**85,073,740.03**			**0.389**	**29,347.10**	**-316.60**	**29,030.50**

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2013
SUBMITTED BY:	Sean Prendergast, Finance Supervisor, Payroll & AP	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Chief)	Joseph Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Accounts Payable Demand List		

PURPOSE:

Attached is the list of demands for the Board's information.

FISCAL IMPACT:

SUMMARY FOR PERIOD 12/31/12-01/23/13	NET DEMANDS
CHECKS (2035690-2035926)	$ 1,496,874.18
VOID CHECKS (2)	$ (187.54)
TOTAL CHECKS	$ 1,496,686.64
WIRE TO:	
DELTA DENTAL OF CALIF - DENTAL & COBRA CLAIMS (MONTHLY)	$ 14,380.70
JP MORGAN - REMARKETING FEE (QUARTERLY)	$ 2,352.79
SAN DIEGO COUNTY WATER - WATER DELIVERIES (MONTHLY)	$ 2,791,475.31
SPECIAL DIST RISK MGMT AUTH - INSURANCE PREM (MONTHLY)	$ 261,946.52
UNION BANK - CERT OF PARTICIPATION 1996 (MONTHLY)	$ 1,375.35
UNION BANK - CERT OF PARTICIPATION 1996 (QUARTERLY)	$ 29,060.73
UNION BANK - PAYROLL TAXES (MONTHLY)	$ 327,955.66
TOTAL CASH DISBURSEMENTS	**$ 4,925,233.70**

RECOMMENDED ACTION:

That the Board receive the attached list of demands.

Jb/Attachment

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2035690 THROUGH 2035926
RUN DATES 1/2/2013 TO 1/23/2013

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2035736	01/09/13	08488	ABLEFORCE INC	3488	10/17/12	PROGRAMMING SERVICES (ENDING 7/30/12)	3,125.00	
				3538	11/14/12	PROGRAMMING SERVICES (ENDING 11/11/12)	2,500.00	
				3549	11/21/12	PROGRAMMING SERVICES (11/5/12-11/19/12)	2,415.00	
				3584	12/18/12	PROGRAMMING SERVICES (12/5/12-12/12/12)	1,696.25	
				3592	12/26/12	PROGRAMMING SERVICES (12/13/12-12/19/12)	1,610.00	11,346.25
2035853	01/23/13	08488	ABLEFORCE INC	3613	01/03/13	PROGRAMMING SERVICES (12/21/12-12/28/12)	1,667.50	1,667.50
2035737	01/09/13	13901	ADVANCED INDUSTRIAL SVCS INC	00013781	12/12/12	RETAINAGE RELEASE	14,685.00	14,685.00
2035738	01/09/13	11462	AEGIS ENGINEERING MGMT INC	1124	12/14/12	DEVELOPER PLANCHECKS (11/3/12-11/30/12)	8,659.39	
				1036	12/14/12	PLAN CHECKING (10/1/12-11/30/12)	5,002.37	13,661.76
2035739	01/09/13	07732	AIRGAS SPECIALTY PRODUCTS INC	131270601	12/11/12	AQUA AMMONIA	3,289.11	
				131270600	12/11/12	AQUA AMMONIA	1,692.99	4,982.10
2035854	01/23/13	13753	AIRGAS USA LLC	9906954573	12/31/12	BREATHING AIR	39.25	39.25
2035740	01/09/13	02362	ALLIED WASTE SERVICES # 509	0509005015964	12/25/12	TRASH SERVICES (JAN 2013)	570.38	
				0509005017684	12/25/12	TRASH SERVICES (JAN 2013)	26.47	596.85
2035741	01/09/13	06166	AMERICAN MESSAGING	L1109570NA	01/01/13	PAGER SERVICES (DEC 2012)	162.16	162.16
2035803	01/16/13	00107	AMERICAN WATER WORKS ASSN	7000586126	11/27/12	MEMBERSHIP RENEWAL (3/1/13-2/28/14)	5,642.00	5,642.00
2035690	01/02/13	00002	ANSWER INC	7619	12/21/12	ANSWERING SERVICES (MONTHLY)	1,100.00	1,100.00
2035742	01/09/13	08967	ANTHEM BLUE CROSS EAP	41104	12/21/12	EMPLOYEE ASSISTANCE PROGRAM (JAN 2013)	323.35	323.35
2035691	01/02/13	14597	APG FUND ONE	Ref002425911	12/28/12	UB Refund Cst #0000194877	168.36	168.36
2035804	01/16/13	14611	ARTURO MILAN	Ref002426138	01/14/13	UB Refund Cst #0000183616	10.49	10.49
2035743	01/09/13	05758	AT&T	0821645728112512	11/25/12	PHONE SERVICES (11/25/12-12/24/12)	2,312.78	
				61942256051112	11/20/12	PHONE SERVICES (11/20/12-12/19/12)	53.93	
				33784130451212	12/07/12	PHONE SERVICES (12/7/12-1/6/13)	31.71	2,398.42
2035744	01/09/13	05758	AT&T	61969851401112	11/24/12	PHONE SERVICES (MONTHLY)	32.65	
				61967053091112	11/15/12	PHONE SERVICES (MONTHLY)	20.95	53.60
2035745	01/09/13	07785	AT&T	000003907379	12/02/12	PHONE SERVICES (11/2/12-12/1/12)	5,671.16	
				000003909597	12/02/12	PHONE SERVICES (11/2/12-12/1/12)	15.66	5,686.82
2035855	01/23/13	05758	AT&T	0821645728122512	12/25/12	PHONE SERVICES (12/25/12-1/24/13)	2,312.78	
				61942256051212	12/20/12	PHONE SERVICES (12/20/12-1/19/13)	54.66	2,367.44
2035856	01/23/13	05758	AT&T	61967053091212	12/15/12	PHONE SERVICES (MONTHLY)	32.65	
				61969851401212	12/24/12	PHONE SERVICES (MONTHLY)	32.65	65.30

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2035690 THROUGH 2035926
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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2035857	01/23/13	07785	AT&T	000003991789	01/02/13	PHONE SERVICES (12/2/12-1/1/13)	15.71	15.71
2035746	01/09/13	08330	AT&T INTERNET SERVICES	8547826251112	11/22/12	INTERNET BANDWIDTH (11/21/12-12/20/12)	2,028.00	2,028.00
2035858	01/23/13	08330	AT&T INTERNET SERVICES	8547826251212	12/22/12	INTERNET BANDWIDTH (12/21/12-1/20/13)	2,028.00	2,028.00
2035859	01/23/13	13947	ATI	40252	01/03/13	HARDWARE MAINTENANCE	725.00	
				40266	01/03/13	HARDWARE MAINTENANCE	75.00	800.00
2035747	01/09/13	12810	ATKINS	1157316	12/20/12	W&S RATE STRUCTURE (10/29/12-12/2/2/12)	4,949.00	4,949.00
2035805	01/16/13	12810	ATKINS	1157297	12/20/12	DESIGN SERVICES (NOVEMBER 2012)	8,034.19	8,034.19
2035860	01/23/13	13392	AZTECA SYSTEMS INC	7705	10/04/12	SOFTWARE APPLICATIONS(11/15/12-11/15/13)	8,395.00	8,395.00
2035861	01/23/13	08024	BACKGROUND PROFILES INC	4969	12/31/12	BACKGROUND CHECK	92.00	92.00
2035748	01/09/13	06859	BILCO COMPANY, THE	847867	12/19/12	BILCO LADDERS	1,978.81	1,978.81
2035692	01/02/13	14600	BRENDA PORRAS	Ref002425914	12/28/12	UB Refund Cst #0000196251	75.00	75.00
2035749	01/09/13	10970	BRENNTAG PACIFIC INC	BPI261611	12/13/12	SODIUM HYPOCHLORITE	1,416.54	
				BPI261424	12/12/12	SODIUM HYPOCHLORITE	1,174.99	
				BPI262695	12/17/12	SODIUM HYPOCHLORITE	1,095.19	
				BPI260566	12/10/12	SODIUM HYPOCHLORITE	971.69	
				BPI261423	12/13/12	SODIUM HYPOCHLORITE	882.06	
				BPI262696	12/17/12	SODIUM HYPOCHLORITE	569.46	
				BPI260567	12/10/12	SODIUM HYPOCHLORITE	511.53	
				BPI263757	12/20/12	SODIUM HYPOCHLORITE	462.34	
				BPI263756	12/20/12	SODIUM HYPOCHLORITE	462.34	
				BPI260349	12/10/12	SODIUM HYPOCHLORITE	420.81	
				BPI265336	12/20/12	SODIUM HYPOCHLORITE	114.76	8,081.71
2035862	01/23/13	10970	BRENNTAG PACIFIC INC	BPI266518	01/03/13	SODIUM HYPOCHLORITE	1,097.68	
				BPI265089	12/27/12	SODIUM HYPOCHLORITE	1,021.97	
				BPI265807	12/31/12	SODIUM HYPOCHLORITE	917.04	
				BPI264385	12/24/12	SODIUM HYPOCHLORITE	671.11	
				BPI265088	12/27/12	SODIUM HYPOCHLORITE	615.36	
				BPI266517	01/03/13	SODIUM HYPOCHLORITE	556.50	4,879.66
2035863	01/23/13	10792	BROOKFIELD SAN DIEGO BUILDERS	004073	01/17/13	TEMP METER DEPOSIT REFUND	2,046.00	2,046.00
2035693	01/02/13	13345	BURGUENO-GOMEZ, MARIANA	004033	12/20/12	COMPUTER LOAN	888.00	888.00
2035806	01/16/13	14609	C B R E FAMILY TRUST	Ref002426136	01/14/13	UB Refund Cst #0000160290	572.01	572.01
2035864	01/23/13	02920	CALIFORNIA COMMERCIAL	123261	12/06/12	ASPHALT	3,903.74	3,903.74

OTAY WATER DISTRICT
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FOR CHECKS 2035690 THROUGH 2035926
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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2035865	01/23/13	02758	CARMEL BUSINESS SYSTEMS INC	7614	01/01/13	RECORDS MGMT SVCS (DEC 2012)	332.25	332.25
2035750	01/09/13	02026	CHULA VISTA ELEM SCHOOL DIST	AR041278	12/13/12	GARDEN TOURS (11/1/12-11/29/12)	660.00	660.00
2035751	01/09/13	04119	CLARKSON LAB & SUPPLY INC	65194	12/19/12	LABORATORY SUPPLIES	106.67	106.67
2035866	01/23/13	13900	COMMUNITY BANK	8	01/04/13	RETENTION/GARCIA (ENDING 12/31/12)	10,465.60	10,465.60
2035807	01/16/13	08160	COMPLETE OFFICE	14405760	11/30/12	TONER CARTRIDGE	2,008.93	
				14534770	12/21/12	TONER	641.94	2,650.87
2035808	01/16/13	02612	COUNCIL OF WATER UTILITIES	004063	01/14/13	MEETING REGISTRATION (1/15/12)	50.00	50.00
2035752	01/09/13	00099	COUNTY OF SAN DIEGO - DPW	162554	11/30/12	EXCAVATION PERMITS (NOV 2012)	1,959.88	1,959.88
2035809	01/16/13	02756	COX COMMUNICATIONS SAN DIEGO	28811212	12/30/12	INTERNET SERVICES (12/29/12-1/28/13)	1,500.00	
				27171212	12/30/12	INTERNET SERVICES (12/29/12-1/28/13)	1,500.00	3,000.00
2035753	01/09/13	11150	DARNELL & ASSOCIATES INC	024301	12/11/12	TRAFFIC SERVICES (11/15/12-12/11/12)	6,750.00	6,750.00
2035810	01/16/13	14606	DAVID SHERMO	Ref002426133	01/14/13	UB Refund Cst #0000068852	108.65	108.65
2035867	01/23/13	14008	DELL AWARDS	191716	12/18/12	PLAQUE & NAME TAGS	242.98	242.98
2035694	01/02/13	14594	DEMETRI LETTSONE	Ref002425908	12/28/12	UB Refund Cst #0000187710	22.42	22.42
2035811	01/16/13	03744	DEPARTMENT OF JUSTICE	949611	01/04/13	FINGERPRINTING SERVICES (DEC 2012)	98.00	98.00
2035868	01/23/13	00319	DEPARTMENT OF PUBLIC HEALTH	1291082	12/19/12	RECYCLED WATER FEES # 3790034	554.40	554.40
2035812	01/16/13	08676	DEPT OF INDUSTRIAL RELATIONS	E1063540SD	12/18/12	CONVEYANCE INSPECTION (12/10/12)	225.00	
				E1063542SD	12/18/12	CONVEYANCE INSPECTION (12/10/12)	225.00	
				E1063541SD	12/18/12	CONVEYANCE INSPECTION (12/10/12)	225.00	675.00
2035754	01/09/13	03417	DIRECTV	19388625348	12/19/12	SATELLITE TV (12/18/12-1/17/13)	6.00	6.00
2035813	01/16/13	03417	DIRECTV	19507160655	01/05/13	SATELLITE TV (1/4/13-2/3/13)	18.00	18.00
2035695	01/02/13	14579	DONNA HENSLEY	Ref002425893	12/28/12	UB Refund Cst #0000007160	36.00	36.00
2035869	01/23/13	13714	EAST COUNTY CALIFORNIAN, THE	00014546	12/27/12	NOTICE OF INTENT	157.50	157.50
2035870	01/23/13	14616	EAST COUNTY GAZETTE	1184	12/27/12	NOTICE OF INTENT	75.00	75.00
2035871	01/23/13	02447	EDCO DISPOSAL CORPORATION	1554581212	12/31/12	RECYCLING SERVICES (DEC 2012)	90.00	90.00
2035696	01/02/13	08023	EMPLOYEE BENEFIT SPECIALISTS	0058870IN	11/30/12	EMPLOYEE BENEFITS (NOV 2012)	680.00	680.00

OTAY WATER DISTRICT
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2035872	01/23/13	08023	EMPLOYEE BENEFIT SPECIALISTS	0059184IN	12/31/12	EMPLOYEE BENEFITS (DEC 2012)	687.50	687.50
2035755	01/09/13	03227	ENVIROMATRIX ANALYTICAL INC	2120480	12/10/12	RECYCLED WTR ANALYSIS (11/27/12-11/30/12	335.00	
				2120793	12/20/12	RECYCLED WTR ANALYSIS (12/7/12-12/12/12)	300.00	635.00
2035873	01/23/13	03227	ENVIROMATRIX ANALYTICAL INC	3010236	01/02/13	RECYCLED WTR ANALYSIS(12/13/12-12/18/12)	550.00	550.00
2035874	01/23/13	07596	ENVIRONMENTAL EXPRESS INC	1000296999	01/04/13	LABORATORY SUPPLIES	2,036.54	2,036.54
2035756	01/09/13	14320	EUROFINS EATON ANALYTICAL INC	L0107669	12/18/12	OUTSIDE LAB SERVICES	255.00	255.00
2035875	01/23/13	14320	EUROFINS EATON ANALYTICAL INC	L0109110	01/01/13	OUTSIDE LAB SERVICES (12/11/12)	375.00	
				L0108819	12/27/12	OUTSIDE LAB SERVICES (12/12/12)	260.00	
				L0109051	12/28/12	OUTSIDE LAB SERVICES (12/19/12)	75.00	710.00
2035757	01/09/13	00645	FEDEX	212120780	12/21/12	MAIL SERVICES (12/18/12)	11.81	11.81
2035876	01/23/13	00645	FEDEX	212864614	12/28/12	MAIL SERVICES (12/21/12)	16.99	16.99
2035758	01/09/13	03546	FERGUSON WATERWORKS # 1083	0423593	12/13/12	INVENTORY	3,964.40	
				0420864	12/17/12	4" AIR-VAC	3,113.98	
				0424281	12/17/12	INVENTORY	2,847.57	
				04242811	12/20/12	INVENTORY	492.92	10,418.87
2035877	01/23/13	03546	FERGUSON WATERWORKS # 1083	0425401	12/27/12	INVENTORY	2,248.70	
				0425576	01/01/13	INVENTORY	874.61	3,123.31
2035878	01/23/13	12187	FIRST AMERICAN DATA TREE LLC	9003401212	12/31/12	ONLINE DOCUMENTS (12/1/12-12/31/12)	99.00	99.00
2035759	01/09/13	04066	FIRST CHOICE SERVICES - SD	210681	12/18/12	COFFEE SUPPLIES	283.66	283.66
2035760	01/09/13	11962	FLEETWASH INC	X69695	12/07/12	VEHICLE/FLEET WASHING SERVICE	109.50	109.50
2035697	01/02/13	01612	FRANCHISE TAX BOARD	Ben2425928	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	90.00	90.00
2035698	01/02/13	02344	FRANCHISE TAX BOARD	Ben2425934	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	81.00	81.00
2035814	01/16/13	01612	FRANCHISE TAX BOARD	Ben2426195	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	90.00	90.00
2035815	01/16/13	02344	FRANCHISE TAX BOARD	Ben2426201	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	81.00	81.00
2035699	01/02/13	14580	FRED PAYNE	Ref002425894	12/28/12	UB Refund Cst #0000046282	60.83	60.83
2035761	01/09/13	13563	FRIENDS OF THE WATER	152	12/22/12	GARDEN TOURS (DEC 2012)	1,860.00	1,860.00
2035700	01/02/13	14593	GABRIEL WRIGHT	Ref002425907	12/28/12	UB Refund Cst #0000187682	31.79	31.79

OTAY WATER DISTRICT
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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2035879	01/23/13	13716	GARCIA JUAREZ CONSTRUCTION INC	8	01/04/13	CALAVO GARDENS (ENDING 12/31/12)	198,846.42	198,846.42
2035816	01/16/13	14615	GERALD MICHOLS	Ref002426142	01/14/13	UB Refund Cst #0000195747	26.02	26.02
2035762	01/09/13	12907	GREENRIDGE LANDSCAPE INC	10288	12/11/12	WOOD CHIPS	619.00	619.00
2035880	01/23/13	12907	GREENRIDGE LANDSCAPE INC	10370	12/27/12	LANDSCAPING SERVICES (DEC 2012)	8,650.00	
				10380	01/04/13	WEED ABATEMENT	2,889.00	11,539.00
2035881	01/23/13	03773	GTC SYSTEMS INC	34685	01/02/13	NETWORK SERVICES (JAN 2013)	3,173.00	
				34651	12/31/12	NETWORK SERVICES (12/4/12-12/26/12)	1,706.25	4,879.25
2035763	01/09/13	02795	HARTFORD INSURANCE CO, THE	72ETB2004171212	01/09/13	ACCIDENT INS RENEWAL (1/1/13-1/1/1/14)	750.00	750.00
2035764	01/09/13	05986	HAVS INCORPORATED	68772	12/18/12	AUDIO/VIDEO UPGRADE	1,481.92	1,481.92
2035817	01/16/13	05986	HAVS INCORPORATED	69431	01/09/13	BOARDROOM MAINTENANCE	150.00	150.00
2035818	01/16/13	14604	HECTOR JIMENEZ	Ref002426131	01/14/13	UB Refund Cst #0000046642	123.67	123.67
2035882	01/23/13	02096	HELIX WATER DISTRICT	0000292400113	01/16/13	TEMPORARY METER (11/29/12-12/27/12)	171.74	171.74
2035819	01/16/13	14612	HOME OF GUIDING HANDS	Ref002426139	01/14/13	UB Refund Cst #0000186449	199.28	199.28
2035820	01/16/13	14613	HOME OF GUIDING HANDS	Ref002426140	01/14/13	UB Refund Cst #0000186450	147.62	147.62
2035765	01/09/13	12335	HP ENTERPRISE SERVICES LLC	U3018442	12/11/12	CREDIT CARD PYMT SVC (NOV 2012)	2,741.20	2,741.20
2035883	01/23/13	01649	IDEXX DISTRIBUTION INC	265143696	01/04/13	LABORATORY SUPPLIES	4,500.34	4,500.34
2035766	01/09/13	08969	INFOSEND INC	64224	12/11/12	QUICKPAY SVCES	350.00	350.00
2035884	01/23/13	08969	INFOSEND INC	64751	12/31/12	POSTAGE-DEC 2013	13,111.61	
				64750	12/31/12	BILL PRINTING SERVICES (DEC 2012)	5,367.90	
				64849	01/03/13	BILL PRINTING SERVICES (DEC 2012)	4,945.00	23,424.51
2035885	01/23/13	02372	INTERIOR PLANT SERVICE INC	3071	12/31/12	PLANT SERVICES (DEC 2012)	186.00	186.00
2035701	01/02/13	13899	INTERMEDIA.NET INC	12120088	12/01/12	EXCHANGE OUTSOURCING (11/2/12-12/1/12)	4,390.55	4,390.55
2035886	01/23/13	13899	INTERMEDIA.NET INC	13010097	01/01/13	EXCHANGE OUTSOURCING (12/2/12-1/1/13)	2,746.08	2,746.08
2035887	01/23/13	03077	JANI-KING OF CALIFORNIA INC	SDO12120166	12/01/12	JANITORIAL SERVICES (DEC 2012)	1,119.82	1,119.82
2035767	01/09/13	10563	JCI JONES CHEMICALS INC	568601		CREDIT MEMO	(3,000.00)	
				568560	12/12/12	CHLORINE	3,225.20	225.20
2035888	01/23/13	10563	JCI JONES CHEMICALS INC	570120		CREDIT MEMO	(2,000.00)	

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				570088	01/02/13	CHLORINE	4,837.80	2,837.80
2035889	01/23/13	14619	JEAN COFFEY	004072	01/17/13	WATER SMART LANDSCAPE PROGRAM	1,453.50	1,453.50
2035768	01/09/13	01010	JOBS AVAILABLE INC	1226020	12/18/12	JOB POSTING	490.00	490.00
2035890	01/23/13	01010	JOBS AVAILABLE INC	1301015	12/31/12	JOB POSTING	560.00	560.00
2035702	01/02/13	14587	JOHN HUNNICUTT	Ref002425901	12/28/12	UB Refund Cst #0000163290	32.38	32.38
2035769	01/09/13	03172	JONES & STOKES ASSOCIATES INC	0091202	12/11/12	ENVIRONMENTAL CONSULT (10/1/12-11/23/12)	12,185.00	12,185.00
2035703	01/02/13	14586	JOSE CARLOS BAUTISTA	Ref002425900	12/28/12	UB Refund Cst #0000161152	121.96	121.96
2035821	01/16/13	14607	JOSE GARCIA	Ref002426134	01/14/13	UB Refund Cst #0000080496	90.34	90.34
2035822	01/16/13	14608	JUAN ROJA AVILA	Ref002426135	01/14/13	UB Refund Cst #0000095423	48.10	48.10
2035704	01/02/13	14583	JULIE TONG	Ref002425897	12/28/12	UB Refund Cst #0000069027	127.83	127.83
2035705	01/02/13	14599	KIRK PAVING INC	Ref002425913	12/28/12	UB Refund Cst #0000196065	1,673.04	1,673.04
2035770	01/09/13	05840	KIRK PAVING INC	5270	12/11/12	PAVING SERVICES	5,871.00	
				5271	12/11/12	PAVING SERVICES	2,784.00	8,655.00
2035771	01/09/13	14036	KRATOS / HBE	SM40049	12/19/12	ACCESS CONTROL REPAIR	4,866.68	4,866.68
2035891	01/23/13	14036	KRATOS / HBE	SM39986	12/14/12	ALARM MONITORING (MONTHLY)	55.00	
				SM39987	12/14/12	ALARM MONITORING (MONTHLY)	55.00	
				SM39985	12/14/12	ALARM MONITORING (MONTHLY)	40.00	150.00
2035823	01/16/13	14460	KUBE ENGINEERING	TEQE581	12/17/12	YSI TSS METER	14,880.94	14,880.94
2035772	01/09/13	01859	LA PRENSA SAN DIEGO	24010	12/21/12	JOB POSTING	60.00	60.00
2035892	01/23/13	01859	LA PRENSA SAN DIEGO	24027	01/05/13	JOB POSTING	48.00	48.00
2035773	01/09/13	06497	LAKESIDE LAND COMPANY	267747	12/20/12	LANDFILL	50.60	50.60
2035706	01/02/13	14592	LANI SYLVAS	Ref002425906	12/28/12	UB Refund Cst #0000186978	31.87	31.87
2035824	01/16/13	09511	LAYFIELD ENVIRONMENTAL SYSTEMS	E04349	12/21/12	COVER MAINTENANCE (DEC 2012)	64,416.00	64,416.00
2035707	01/02/13	14584	LIHUA GUAN	Ref002425898	12/28/12	UB Refund Cst #0000140389	82.36	82.36
2035893	01/23/13	03019	LOPEZ, JOSE	70101212	01/10/13	MILEAGE REIMBURSEMENT (DEC 2012)	52.17	52.17
2035708	01/02/13	10512	MAIL MANAGEMENT GROUP INC	OWD7879	11/20/12	RATE NOTICES PRINTING/PROCESSING	5,741.85	5,741.85

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2035709	01/02/13	14588	MARIA GABRIELA LAFARGA	Ref002425902	12/28/12	UB Refund Cst #0000177169	37.68	37.68
2035894	01/23/13	02902	MARSTON+MARSTON INC	201321	01/02/13	COMMUNITY OUTREACH (DEC 2012)	5,000.00	
				201322	01/02/13	SPEC PROJ-COMMUNITY OUTREACH (DEC 2012	405.00	5,405.00
2035774	01/09/13	02882	MAYER REPROGRAPHICS INC	0076470IN	12/12/12	REPROGRAPHICS SERVICES	134.69	134.69
2035825	01/16/13	02882	MAYER REPROGRAPHICS INC	0076626IN	12/19/12	REPROGRAPHICS SERVICES	167.01	167.01
2035710	01/02/13	14581	MEI XIAN LIANG	Ref002425895	12/28/12	UB Refund Cst #0000057507	92.00	92.00
2035775	01/09/13	03268	MERCHANT, MARCIANO	004059	01/08/13	SAFETY BOOTS	150.00	150.00
2035776	01/09/13	01824	MERKEL & ASSOCIATES INC	1212001	12/10/12	ENVIRONMENTAL SRVCS (11/1/12-11/30/12)	4,275.55	4,275.55
2035711	01/02/13	14590	MICHAEL KREBS	Ref002425904	12/28/12	UB Refund Cst #0000185563	7.19	7.19
2035712	01/02/13	14582	MIGUEL DIAZ	Ref002425896	12/28/12	UB Refund Cst #0000067854	68.59	68.59
2035777	01/09/13	01577	MINARIK CORPORATION	I0999621DD	12/18/12	BANNER RADIOS	3,010.76	3,010.76
2035713	01/02/13	14589	MISTY CONNELLY	Ref002425903	12/28/12	UB Refund Cst #0000182906	44.88	44.88
2035778	01/09/13	02764	MYRON L COMPANY	338049	12/12/12	EQUIPMENT REPAIR	530.06	530.06
2035714	01/02/13	03523	NATIONAL DEFERRED COMPENSATION	Ben2425926	01/03/13	BI-WEEKLY DEFERRED COMP PLAN	12,635.76	12,635.76
2035826	01/16/13	03523	NATIONAL DEFERRED COMPENSATION	Ben2426193	01/17/13	BI-WEEKLY DEFERRED COMP PLAN	12,976.38	12,976.38
2035895	01/23/13	08656	NORTH STATE ENVIRONMENTAL	203549	12/11/12	WASTE DISPOSAL, ABS PIPE	880.00	880.00
2035779	01/09/13	00510	OFFICE DEPOT INC	637945260001	12/21/12	OFFICE SUPPLIES	214.16	
				637468277001	12/19/12	OFFICE SUPPLIES	135.67	349.83
2035780	01/09/13	03149	ON SITE LASER LLC	47285	12/19/12	PRINTER SERVICES	273.73	
				47272	12/17/12	PRINTER SERVICES	69.00	342.73
2035781	01/09/13	02334	OTAY LANDFILL - 4531	0000013258	12/15/12	WASTE DISPOSAL	91.74	91.74
2035896	01/23/13	02334	OTAY LANDFILL - 4531	0000013301	12/31/12	WASTE DISPOSAL	445.81	445.81
2035715	01/02/13	03101	OTAY WATER DISTRICT	Ben2425922	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	679.00	679.00
2035827	01/16/13	03101	OTAY WATER DISTRICT	Ben2426189	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	686.00	686.00
2035782	01/09/13	01002	PACIFIC PIPELINE SUPPLY	157417	12/18/12	VAULT HINGES	1,919.89	
				157404	12/11/12	PULL-THRU ADAPTER	1,330.37	3,250.26

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2035897	01/23/13	01002	PACIFIC PIPELINE SUPPLY	157722	12/27/12	AVK FLOWGAURD	4,444.69	
				157401	12/27/12	METER LIDS	3,955.18	
				157429	12/27/12	VICTAULIC CAP	204.91	8,604.78
2035716	01/02/13	14598	PATTI MCKELVEY	Ref002425912	12/28/12	UB Refund Cst #0000195067	47.07	47.07
2035898	01/23/13	05497	PAYPAL INC	21297855	12/31/12	PHONE PAYMENT SERVICES (DEC 2012)	54.10	54.10
2035783	01/09/13	00137	PETTY CASH CUSTODIAN	004056	01/08/13	PETTY CASH	980.54	980.54
2035717	01/02/13	07290	PILLSBURY WINTHROP SHAW	7799424	11/08/12	LEGAL EXPENSES	118.75	118.75
2035828	01/16/13	00053	PITNEY BOWES INC	314627	12/22/12	INK CARTRIDGE	152.95	152.95
2035899	01/23/13	13059	PRIORITY BUILDING SERVICES	33272	12/01/12	JANITORIAL SERVICES (DEC 2012)	3,504.00	3,504.00
2035718	01/02/13	14595	PROPERTY SALES LLC	Ref002425909	12/28/12	UB Refund Cst #0000187993	28.59	28.59
2035719	01/02/13	07860	PROTECTIVE LIFE INSURANCE CO	1027881212	12/10/12	LIFE INSURANCE PREMIUMS	10,893.50	10,893.50
2035784	01/09/13	06641	PRUDENTIAL OVERALL SUPPLY	30306797	12/13/12	UNIFORMS, TOWELS & MATS	401.26	
				30308105	12/20/12	UNIFORMS, TOWELS & MATS	361.13	
				30306796	12/13/12	UNIFORMS, TOWELS & MATS	193.75	
				30308104	12/20/12	UNIFORMS, TOWELS & MATS	193.75	
				30306798	12/13/12	UNIFORMS, TOWELS & MATS	173.33	
				30308106	12/20/12	UNIFORMS, TOWELS & MATS	173.33	
				30306169	12/11/12	UNIFORMS, TOWELS & MATS	109.53	
				30307465	12/18/12	UNIFORMS, TOWELS & MATS	109.53	
				30306799	12/13/12	UNIFORMS, TOWELS & MATS	53.87	
				30308107	12/20/12	UNIFORMS, TOWELS & MATS	53.87	
				30306168	12/11/12	UNIFORMS, TOWELS & MATS	44.71	
				30307464	12/18/12	UNIFORMS, TOWELS & MATS	44.71	1,912.77
2035829	01/16/13	06641	PRUDENTIAL OVERALL SUPPLY	30309514	12/27/12	UNIFORMS, TOWELS & MATS	533.00	533.00
2035900	01/23/13	06641	PRUDENTIAL OVERALL SUPPLY	30311268	01/03/13	UNIFORMS, TOWELS & MATS	682.03	
				30309513	12/27/12	UNIFORMS, TOWELS & MATS	208.29	
				30311267	01/03/13	UNIFORMS, TOWELS & MATS	208.29	
				30309515	12/27/12	UNIFORMS, TOWELS & MATS	173.33	
				30311269	01/03/13	UNIFORMS, TOWELS & MATS	173.33	
				30308800	12/25/12	UNIFORMS, TOWELS & MATS	109.53	
				30310565	01/01/13	UNIFORMS, TOWELS & MATS	109.53	
				30309516	12/27/12	UNIFORMS, TOWELS & MATS	53.87	
				30311270	01/03/13	UNIFORMS, TOWELS & MATS	53.87	
				30308799	12/25/12	UNIFORMS, TOWELS & MATS	44.71	
				30310564	01/01/13	UNIFORMS, TOWELS & MATS	44.71	1,861.49

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2035785	01/09/13	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2425920	01/03/13	BI-WEEKLY PERS CONTRIBUTION	155,376.40	155,376.40
2035901	01/23/13	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2426187	01/17/13	BI-WEEKLY PERS CONTRIBUTION	156,823.99	156,823.99
2035786	01/09/13	01342	R J SAFETY SUPPLY CO INC	30801900	12/12/12	SAFETY JACKETS	376.05	376.05
2035787	01/09/13	12337	RANCHO SAN DIEGO ASSOCIATION	004058	12/26/12	WATER SMART LANDSCAPE PROGRAM	9,000.00	9,000.00
2035720	01/02/13	00766	RANROY PRINTING COMPANY	017209	10/30/12	ATLAS BOOKS	3,095.66	3,095.66
2035902	01/23/13	14578	RAP ENGINEERING INC	1331	01/04/13	PAVING SERVICES	29,150.00	29,150.00
2035721	01/02/13	02950	RDO EQUIPMENT CO	462936	12/05/12	TRAILER PURCHASE	41,390.00	41,390.00
2035788	01/09/13	00521	RICK POST WELDING &	9393	12/17/12	RICK POST WELDING	2,059.28	2,059.28
2035830	01/16/13	14610	ROBERT DUGGAN	Ref002426137	01/14/13	UB Refund Cst #0000168426	18.81	18.81
2035903	01/23/13	06412	ROMERO, TANYA	004071	01/15/13	TUITION REIMBURSEMENT	935.49	935.49
2035789	01/09/13	09148	S & J SUPPLY COMPANY INC	S100018864001	12/12/12	INVENTORY	2,973.90	2,973.90
2035722	01/02/13	11596	SAN DIEGO CONSTRUCTION WELDING	8607	10/30/12	WELDING-SEWER RESPONSE TRAILER	4,900.00	
				8597	10/22/12	WELDING SERVICES	1,445.00	
				8651	11/30/12	WELDING SERVICES	1,360.00	7,705.00
2035831	01/16/13	00003	SAN DIEGO COUNTY WATER	0000000655	01/07/13	SOCAL WATERSMART (NOV 2012)	120.00	120.00
2035904	01/23/13	00003	SAN DIEGO COUNTY WATER	0000000652	01/07/13	SOCAL WATERSMART (OCT 2012)	1,535.00	
				0000000654	01/07/13	SOCAL WATERSMART NOV 2012)	1,470.00	3,005.00
2035790	01/09/13	00247	SAN DIEGO DAILY TRANSCRIPT	343456	12/20/12	NOTICE OF INTENT	155.10	155.10
2035791	01/09/13	00121	SAN DIEGO GAS & ELECTRIC	004053	12/26/12	UTILITY EXPENSES (MONTHLY)	49,769.58	
				004052	12/24/12	UTILITY EXPENSES (MONTHLY)	49,417.66	
				004050	12/18/12	UTILITY EXPENSES (MONTHLY)	22,731.43	
				004051	12/21/12	UTILITY EXPENSES (MONTHLY)	782.23	122,700.90
2035905	01/23/13	00121	SAN DIEGO GAS & ELECTRIC	004061	01/03/13	UTILITY EXPENSES (MONTHLY)	37,122.73	
				004064	01/04/13	UTILITY EXPENSES (MONTHLY)	2,989.09	40,111.82
2035792	01/09/13	03273	SAN DIEGO READER	172403	12/13/12	JOB POSTING	89.15	89.15
2035906	01/23/13	03273	SAN DIEGO READER	173353	12/27/12	JOB POSTING	83.90	83.90
2035723	01/02/13	07676	SAN MIGUEL FIRE PROTECTION	004048	12/13/12	TEMPORARY LABOR (OCT 2012)	6,829.30	
				003845	07/23/12	TEMPORARY LABOR (JUNE 2012)	6,778.60	
				004035	08/28/12	TEMPORARY LABOR (JULY 2012)	6,761.38	

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				004047	10/17/12	TEMPORARY LABOR (SEPT 2012)	6,650.96	
				003897	09/17/12	TEMPORARY LABOR (AUG 2012)	6,571.13	33,591.37
2035907	01/23/13	07676	SAN MIGUEL FIRE PROTECTION	004068	01/17/13	TEMPORARY LABOR (DEC 2012)	6,770.44	
				004067	01/08/13	TEMPORARY LABOR (NOV 2012)	6,716.69	
				SMG22730	01/10/13	ANNUAL BUSINESS INSPECTION	394.00	13,881.13
2035908	01/23/13	03514	SANTOS, MARCIANO	004070	01/15/13	TUITION REIMBURSEMENT	182.00	182.00
2035832	01/16/13	05523	SARNO, ROM	004062	01/10/13	COMPUTER LOAN	1,189.92	1,189.92
2035909	01/23/13	12333	SCHINDLER ELEVATOR CORPORATION	8103337216	12/01/12	ELEVATOR MAINTENANCE (DEC 2012)	416.00	416.00
2035910	01/23/13	07442	SCHULTZ, ALEXANDER	004069	01/18/13	TUITION REIMBURSEMENT	2,840.00	2,840.00
2035911	01/23/13	12421	SCS ENGINEERS	0203624	12/31/12	CALARP AUDIT (DEC 2012)	100.00	100.00
2035833	01/16/13	13565	SHEA HOMES	004065	01/16/13	CUSTOMER REFUND	796.43	796.43
2035834	01/16/13	13327	SILVA-SILVA INTERNATIONAL	1301	01/10/13	PROJECT CONSULTANT (DEC 2012)	4,000.00	4,000.00
2035835	01/16/13	12281	SIR SPEEDY PRINTING	3943	12/19/12	BUSINESS CARDS	41.05	41.05
2035836	01/16/13	14605	SOR POH	Ref002426132	01/14/13	UB Refund Cst #0000062818	60.30	60.30
2035912	01/23/13	11618	SOUTH COAST COPY SYSTEMS	AR119665	12/26/12	COPIER MAINTENANCE (JAN 2013)	1,680.96	1,680.96
2035793	01/09/13	03103	SOUTHCOAST HEATING &	287780	12/13/12	AC MAINTENANCE	370.00	
				C50080	12/17/12	AC MAINTENANCE (DEC 2012)	205.00	575.00
2035913	01/23/13	03103	SOUTHCOAST HEATING &	C50079	12/17/12	AC MAINTENANCE (DEC 2012)	1,068.00	1,068.00
2035794	01/09/13	13754	SOUTHLAND WATER TECHNOLOGIES	112612123	11/26/12	GPRS CELLULAR WIRELESS RTU	3,320.03	3,320.03
2035837	01/16/13	14614	SOUZA AND SOUZA CONSTRUCTION	Ref002426141	01/14/13	UB Refund Cst #0000187971	2,013.86	2,013.86
2035724	01/02/13	03760	SPANKY'S PORTABLE SERVICES INC	934758	12/07/12	PORTABLE TOILET RENTAL (12/6/12-1/2/13)	98.15	98.15
2035838	01/16/13	03760	SPANKY'S PORTABLE SERVICES INC	935495	12/14/12	PORTABLE TOILET RENTAL(12/14/12-1/10/13)	79.96	
				935723	12/17/12	PORTABLE TOILET RENTAL(12/15/12-1/11/13)	79.96	
				935493	12/14/12	PORTABLE TOILET RENTAL(12/14/12-1/10/13)	79.96	
				935494	12/14/12	PORTABLE TOILET RENTAL(12/14/12-1/10/13)	79.96	319.84
2035914	01/23/13	03760	SPANKY'S PORTABLE SERVICES INC	936245	12/26/12	PORTABLE TOILET RENTAL(12/26/12-1/22/13)	79.96	79.96
2035915	01/23/13	09711	SPATIAL WAVE INC	11064890	12/28/12	GIS TECHNICAL SUPPORT (10/3/12-12/28/12)	3,180.00	3,180.00
2035839	01/16/13	10343	SPECIALTY DOORS AND AUTOMATION	38527SD	11/30/12	GATE REPAIR	809.37	809.37

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2035840	01/16/13	06510	SPRINT NEXTEL	901500243076	01/12/13	WIRELESS SERVICES (12/9/12-1/8/13)	3,511.30	3,511.30
2035795	01/09/13	02354	STANDARD ELECTRONICS	17854	12/19/12	SECURITY MAINTENANCE (12/18/12)	95.00	95.00
2035916	01/23/13	02354	STANDARD ELECTRONICS	17808	12/10/12	SECURITY MONITORING (NOV-DEC 2012)	2,705.00	2,705.00
2035796	01/09/13	07448	STANLEY STEEMER	1195807	12/14/12	CARPET CLEANING	438.00	438.00
2035797	01/09/13	13564	STAR-NEWS PUBLISHING CO, THE	00014526	12/21/12	JOB POSTING	123.50	123.50
2035725	01/02/13	06281	STATE DISBURSEMENT UNIT	Ben2425932	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	206.61	206.61
2035726	01/02/13	06299	STATE DISBURSEMENT UNIT	Ben2425924	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2035727	01/02/13	06303	STATE DISBURSEMENT UNIT	Ben2425930	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15
2035728	01/02/13	08533	STATE DISBURSEMENT UNIT	Ben2425936	01/03/13	BI-WEEKLY PAYROLL DEDUCTION	258.00	258.00
2035841	01/16/13	06281	STATE DISBURSEMENT UNIT	Ben2426199	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	206.81	206.81
2035842	01/16/13	06299	STATE DISBURSEMENT UNIT	Ben2426191	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2035843	01/16/13	06303	STATE DISBURSEMENT UNIT	Ben2426197	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15
2035844	01/16/13	08533	STATE DISBURSEMENT UNIT	Ben2426203	01/17/13	BI-WEEKLY PAYROLL DEDUCTION	258.00	258.00
2035917	01/23/13	00097	STATE OF CALIFORNIA	440221330113	01/16/13	MAINTENANCE FEE (JAN-DEC 2012)	780.02	780.02
2035918	01/23/13	12809	STUTZ ARTIANO SHINOFF	90435	12/24/12	LEGAL SERVICES (NOV 2012)	26,335.80	26,335.80
2035798	01/09/13	02750	SUPERIOR READY MIX LP	541659	12/20/12	CRUSHED ROCK	218.20	218.20
2035919	01/23/13	02750	SUPERIOR READY MIX LP	543569	01/04/13	CRUSHED ROCK	235.37	235.37
2035920	01/23/13	10339	SUPREME OIL COMPANY	380770	12/26/12	DIESEL FUEL	20,610.72	
				380769	12/26/12	UNLEADED FUEL	18,233.83	38,844.55
2035845	01/16/13	02376	TECHKNOWSION INC	2438	12/26/12	MISC SCADA SERVICES	3,712.50	
				2437	09/18/12	MISC SCADA SERVICES	2,822.00	6,534.50
2035846	01/16/13	12080	THE SAN DIEGO UNION-TRIBUNE	305733	01/01/13	JOB POSTINGS (11/9/12-12/8/12)	398.00	398.00
2035847	01/16/13	03071	THE SOCO GROUP INC	110062	12/10/12	MOTOR OIL	1,875.11	1,875.11
2035921	01/23/13	13564	THE STAR-NEWS PUBLISHING CO	00014762	01/04/13	JOB POSTING	114.00	
				00014847	01/11/13	JOB POSTING	104.00	218.00

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2035690 THROUGH 2035926
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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2035729	01/02/13	14596	TJRF ASSOCIATES	Ref002425910	12/28/12	UB Refund Cst #0000188688	91.42	91.42
2035848	01/16/13	14603	TOM PENDLETON	Ref002426130	01/14/13	UB Refund Cst #0000009277	14.67	14.67
2035922	01/23/13	00427	UNDERGROUND SERVICE ALERT OF	1220120457	01/01/13	UNDERGROUND ALERTS (DECEMBER 2012)	171.00	171.00
2035730	01/02/13	07674	US BANK	O0000000021	11/23/12	CALCARD EXPENSES	13,066.44	
				a000034	12/26/12	CAL CARD EXPENSES MONTHLY	10,172.58	
				004034	10/22/12	CAL CARD EXPENSES (MONTHLY)	195.51	23,434.53
2035799	01/09/13	07674	US BANK	004057	11/23/12	CAL CARD EXPENSES (MONTHLY)	1,438.92	
				E000022	12/24/12	CAL CARD EXPENSES (MONTHLY)	80.00	1,518.92
2035849	01/16/13	07674	US BANK	E000023	12/24/12	CAL CARD EXPENSES (MONTHLY)	2,582.25	
				004066	12/24/12	CAL CARD EXPENSES (MONTHLY)	865.66	3,447.91
2035800	01/09/13	06829	US SECURITY ASSOCIATES INC	915525	11/30/12	SECURITY SERVICES (NOV 2012)	219.75	219.75
2035923	01/23/13	06829	US SECURITY ASSOCIATES INC	960394	12/31/12	SECURITY SERVICES (DEC 2012)	131.95	131.95
2035924	01/23/13	13048	V & A CONSULTING ENGINEERS	13746R	11/30/12	CORROSION SERVICES (9/1/12-11/30/12)	17,813.00	
				13819	12/31/12	CORROSION SERVICES (12/1/12-12/31/12)	14,107.50	31,920.50
2035925	01/23/13	08028	VALLEY CONSTRUCTION MANAGEMEN	SD100130	12/31/12	CONSTRUCTION MGMT (12/1/12-12/31/12)	13,570.00	13,570.00
2035731	01/02/13	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2425918	01/03/13	BI-WEEKLY DEFERRED COMP PLAN	13,062.22	13,062.22
2035732	01/02/13	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2425916	01/03/13	BI-WEEKLY 401A PLAN	12,743.42	12,743.42
2035850	01/16/13	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2426185	01/17/13	BI-WEEKLY DEFERRED COMP PLAN	13,336.98	13,336.98
2035851	01/16/13	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2426183	01/17/13	BI-WEEKLY 401A PLAN	13,213.59	13,213.59
2035801	01/09/13	03329	VERIZON WIRELESS	1148769834	12/21/12	WIRELESS SERVICES (11/22/12-12/21/12)	5,840.11	5,840.11
2035926	01/23/13	01343	WE GOT YA PEST CONTROL	79369	12/04/12	BEE REMOVAL	115.00	
				79477	12/04/12	BEE REMOVAL	115.00	
				79967	12/28/12	BEE REMOVAL	115.00	345.00
2035802	01/09/13	14544	WEBCAMPROSHOP.COM	2407	12/21/12	SOFTWARE LICENSES	16,000.88	16,000.88
2035733	01/02/13	00125	WESTERN PUMP INC	W10914	11/30/12	DUSTO INSPECTIONS (NOV 2012)	400.00	400.00
2035852	01/16/13	00125	WESTERN PUMP INC	W10889	11/30/12	APCD TEST	594.25	594.25
2035734	01/02/13	14591	WILLIAM DE RIDDER	Ref002425905	12/28/12	UB Refund Cst #0000186236	15.53	15.53
2035735	01/02/13	14585	YASSARETTE VALDIVIA	Ref002425899	12/28/12	UB Refund Cst #0000156277	146.28	146.28

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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
			GRAND TOTAL				1,496,874.18	1,496,874.18