OTAY WATER DISTRICT
BOARD OF DIRECTORS MEETING

DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
August 10, 2011
3:30 P.M.

AGENDA

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

4. APPROVE THE MINUTES OF THE REGULAR MEETINGS OF MARCH 2, 2011 AND APRIL 6, 2011

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

RECESS TO CLOSED SESSION

6. CLOSED SESSION

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

      AGENCY DESIGNATED REPRESENTATIVES: AD HOC UNREPRESENTED EMPLOYEE COMPENSATION COMMITTEE

      EMPLOYEE ORGANIZATION: OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION

   b) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [GOVERNMENT CODE §54956.9(a)]

      (I) INFRASTRUCTURE ENGINEERING CORP. v. OTAY WATER DISTRICT, COUNTY OF SAN DIEGO, SUPERIOR COURT, CASE NO. 37-2008-00093876-CU-BC-CTL

(II) MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-2007-00077024-CU-BC-SC

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

1 CASE

RETURN TO OPEN SESSION

7. ADOPT RESOLUTION NO. 4185 TO INCREASE THE REPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN (7) PERCENT AND RESOLUTION NO. 4186 TO AMEND THE MEMORANDUM OF UNDERSTANDING WITH THE OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION BY SIDE LETTER AGREEMENT REGARDING RETIREE HEALTH BENEFITS AND AN ADDITIONAL THREE-QUARTERS-OF-A-PERCENT (.075%) CALPERS CONTRIBUTIONS IN EXCHANGE FOR ENHANCED RETIREE HEALTH BENEFITS (WILLIAMSON/BEACHEM)

8. APPROVE AN INCREASE TO THE FISCAL YEAR 2012 BUDGET FOR THE JAMACHA PIPELINE PROJECT FROM $20,300,000 TO $20,800,000 (KAY)

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

CONSENT CALENDAR

10. 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) AWARD A CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES CONTRACT TO SAIC IN AN AMOUNT NOT-TO-EXCEED $359,013.32 FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADES PROJECT

    b) APPROVE A PROFESSIONAL AS-NEEDED LAND SURVEYING SERVICES AGREEMENT WITH ALTA LAND SURVEYING, INC. IN AN AMOUNT NOT-TO-EXCEED $175,000 FOR FISCAL YEARS 2012 AND 2013 (ENDING JUNE 30, 2013)

    c) APPROVE AN AGREEMENT WITH LOGICALIS INTEGRATION SOLUTIONS, INC., IN THE AMOUNT OF $69,454 FOR REDUNDANT CORE NETWORK SWITCHING GEAR

d) ADOPT RESOLUTION NO. 4181 TO REVISE AND UPDATE VARIOUS DISTRICT BOARD OF DIRECTORS POLICIES

ACTION ITEMS

11. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY

    a) RECEIVE BOARD OF DIRECTORS POLICY NO. 27, INVESTMENT POLICY, FOR REVIEW AND ADOPT RESOLUTION NO. 4184 AMENDING THE POLICY AND RE-DELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607 (CUDLIP)

12. BOARD

    a) DISCUSSION OF 2011 BOARD MEETING CALENDAR

INFORMATIONAL ITEMS

13. THIS ITEM IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEM:

    a) NORTH DISTRICT AND SOUTH DISTRICT INTERCONNECTION SYSTEM PROJECT UPDATE REPORT (MARCHIORO)

REPORTS

14. GENERAL MANAGER'S REPORT

    a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

15. DIRECTORS' REPORTS/REQUESTS

16. PRESIDENT'S REPORT/REQUESTS

17. 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 August 5, 2011, 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 August 5, 2011.

Susan Cruz, District Secretary

MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 2, 2011

1. The meeting was called to order by President Bonilla at 3:30 p.m.

2. ROLL CALL

Directors Present:	Bonilla, Croucher, Gonzalez and Robak
Directors Absent:	Lopez (due to a work commitment)
Staff Present:	General Manager Mark Watton, Asst. General Manager of Administration and Finance German Alvarez, Asst. General Manager of Engineering and Water Operations Manny Magana, Attorney Richard Romero, 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 Director Gonzalez and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF AUGUST 4, 2010

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

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

to approve the minutes of the regular meeting of August 4, 2010.

6. SAN DIEGO COUNTY WATER AUTHORITY PRESENTATION REGARDING THEIR WATER RATES AND THEIR LAWSUIT WITH METROPOLITAN WATER DISTRICT (MWD) CHALLENGING MWD RATES

Mr. Dennis Cushman, Assistant General Manager of the San Diego County Water Authority (CWA), reviewed CWA's history, rates and its lawsuit with Metropolitan Water District (MWD) with regard to their rates. He indicated that back in 1991 the State was experiencing water shortages due to drought. This was a very pivotal time in CWA's history and from that experience, CWA embarked on a long term multi-decade investment program to diversify this region's water supplies. He stated that in 1991, 95% of the region's water supply came from MWD. Today, the region's water supply is very diversified with only 48% of the water supply coming from MWD and the remaining from various sources that include the IID transfer agreement, conservation, the All American & Coachella Canal Lining project, recycled, local surface and groundwater. He stated that the goal is that by 2020, the supply from MWD would be reduced to 23% of the region's water supply.

He noted that CWA currently charges $1,026 per acre foot (AF) of water and reviewed the breakdown of where the $1,026 is used in CWA's budget. He noted that 55% of the $1,026 is paid to MWD for water and for the transportation of water, through the Quantification Settlement Agreement (QSA), to San Diego. He noted that MWD's rate increases are the major driver of CWA's rate increases to its member agencies and that MWD's rate will increase 55% from 2008-2012 (during this five-year period). He stated that MWD's rate structure is flawed in that it misallocates its costs between its transportation and water supply rate. He noted that 90% of all revenues collected by MWD, is collected on the sale of water. As water sales decline, rates are increased. CWA's representatives on MWD's board are focused on advocating cost containment, persuading them to charge appropriately for their services, opposing unnecessary supply project expenditures and the misallocation of its rates. CWA's board voted in June 2011 to file a lawsuit against MWD to challenge how it allocates its costs in its rates. He stated that the misallocation of costs translates into an overcharge of $31 million in 2011 and, over a 45 year period, an overcharge of approximately $2.1 billion to CWA. Mr. Cushman reviewed MWD's rate structure (reference attached copy of presentation), the status of the litigation and indicated that it is estimated that the court decision would be made in late 2011 or early 2012. It is expected, as a large amount of money is at stake ($1.3 to $2.1 billion), that whichever party loses, the case would be appealed and the matter will be in the appellate court for the next several years.

Mr. Cushman also reviewed CWA's budget and 2011 rate increase in detail (reference attached copy of presentation). Director Croucher thanked Mr. Cushman for his presentation. He asked if he could also update Otay's board on the San Vicente Reservoir and Lake Hodges projects. Mr. Cushman indicated that Lake Hodges is overflowing, which is rare and only occurs once or twice a decade. He stated Lake Hodges is the largest watershed in San Diego County and fills very quickly in wet years and, in multiple dry years, it can turn into a forest. CWA is currently building a pump station at Lake Hodges and a pipeline to connect it to the Olivenhain Reservoir. This will allow CWA to maximize the efficient use of the available storage capacity in Lake Hodges during dry years and the County will gain 20,000 AF storage capacity for emergency storage. The San Vicente Reservoir project consists of a pipeline and the raising of the reservoir's wall 117 feet. The raising of the wall will increase the reservoirs storage capacity by 152,000 AF (additional storage), of which, 52,000 AF will complete the emergency storage needs for the County. The remaining 100,000 AF will be carry over storage that may be captured in wet years and utilized during dry years. It is expected that the project will be completed in 2013. Lake Hodges and the San Vicente Reservoir represent a portion of CWA's emergency storage program. The entire program cost is approximately $1.5 billion.

7. 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.

CONSENT CALENDAR

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

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

to approve the following consent calendar items:

a) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO HAAKER EQUIPMENT COMPANY IN THE AMOUNT OF $305,511.87 FOR THE PURCHASE OF ONE (1) NEW CLASS 8 HYDRO-EXCAVATOR

b) ADOPT RESOLUTION NO. 4169 AMENDING BOARD OF DIRECTORS POLICY 29, CLAIMS HANDLING PROCEDURE

ACTION ITEMS

9. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY

a) AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO AGREEMENTS WITH: 1) SAGE DESIGN, INC. IN THE AMOUNT OF $243,792, PLUS APPLICABLE TAXES AND SHIPPING CHARGES, FOR FIRETIDE RADIOS AND RELATED HARDWARE; 2) PRIME ELECTRIC IN

AN AMOUNT NOT-TO-EXCEED $63,838 FOR THE INSTALLATION OF ELECTRICAL AND WIRELESS HARDWARE AT MULTIPLE SITES THROUGHOUT THE CENTRAL AND SOUTH DISTRICT; AND 3) HENRY BROTHERS IN AN AMOUNT NOT-TO-EXCEED $183,873 FOR CAMERA HARDWARE AND INSTALLATION AT ALL NORTH DISTRICT SITES CONNECTED TO THE DISTRICT'S WIRELESS NETWORK

Chief of Information Technology Geoff Stevens indicated that this project is the final phase for the installation of wireless backbone communications systems at District facilities to carry video and data information, including SCADA, in a highly secure and high bandwidth environment. This final phase of the project includes the installation of wireless facilities at 60 sites and will complete the wireless backbone project. The project is scheduled to be finished by the end of the year and when complete it will provide for wireless communications at all District facilities. He recognized Mr. Gene Palop, Reclamation Plant Supervisor, and Mr. Bruce Trites, Network Engineer, for their work on the project. Mr. Trites demonstrated the video capability of the new wireless facilities which would provide efficiency. One such enhanced efficiency is that staff could "visit" District facility sites via live video surveillance without having to visit the site physically. It was noted that the cameras will record when motion is detected and the images are retained for three (3) to six (6) months depending on the activity at the site. It was shared that a lighting plan for each facility is being developed to assure video clarity at night, and also to help deter vandalism/theft. There was a discussion of increased visibility/safety by utilizing infrared cameras. It was requested that staff identify two critical sites where infrared cameras may be tested.

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

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

to approve staffs' recommendation.

INFORMATIONAL ITEMS

10. FISCAL YEAR 2011 SECOND QUARTER CAPITAL IMPROVEMENT PROJECT UPDATE REPORT

Associate Civil Engineer Daniel Kay presented the second quarter CIP update in which he highlighted the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2011 CIP consists of 82 projects totaling $28.5 million. He stated that overall expenditures through the second quarter of Fiscal

Year 2011 totaled approximately $8 million, which is approximately 28% of the District's fiscal year budget.

He presented a slide depicting a map showing the District's major CIP projects, their status and their location within the District's service area. He stated, of the 24 projects depicted, three are in the planning stage, sixteen are in design, three are in construction and two have been completed and are in service during the fiscal year. He reviewed the status of the District's flagship projects which included the 1296-1 and 2 Reservoirs Coating and the Otay Lakes Road 12-inch Recycled Water Pipeline and Potable Utility Relocation Project.

Associate Civil Engineer Kay also presented slides which provides the status of the various consultant contracts for planning, design, public services, construction/inspection and environmental. He also presented slides providing a listing of all CIP projects planned in Fiscal Year 2011 and the status of each.

11. REPORT ON DIRECTORS' EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2011

Payroll and Accounts Payable Supervisor, Sean Prendergast, indicated that Policy 8 of the District Code of Ordinances requires that staff present a quarterly update of Directors' expenses and per diems. He indicated that this item was also reviewed by the Finance, Administration and Communications Committee at a meeting held on February 16, 2011.

He presented slides showing in detail each director's expenses for the second quarter of fiscal year 2011 (October 1 to December 31, 2010) and total expenses for each. He indicated that the total board of directors' expenses and per diems for the second quarter was $3,025.50. The total expenses and per diems to date for fiscal year 2011 is $5,972. Staff projects that the total expenditure at the end of fiscal year 2011, July 1, 2010 through June 30, 2011, to be $11,944.

General Manager Watton indicated that Director Croucher has been assigned to serve on many of the District's board committees and future presentations will include information reflecting the number of committee assignments and the number of meetings attended by each director during the quarter reported.

12. OCEAN DESALINATION OPINION SURVEY REPORT

Drs. Richard Parker and Lou Rea, Rea and Parker Research, presented the findings of the Ocean Desalination Opinion Survey that they completed on behalf of the District. Dr. Parker indicated that his firm performed a random sample telephone survey in November 2010. Four hundred (400) District customers were contacted and were asked their opinion about the desalinated ocean water as an alternate source of potable water. He indicated that a few months earlier, his firm conducted two (2) focus groups to begin to discuss some of the issues/concerns with regard to a possible desalination water source. The focus groups were very enthusiastic, not only about desalination in general, but about the possible location at Rosarito Beach. He stated that the District wished to follow the focus group survey with a scientific sample to see how the findings would compare. Mr. Parker reviewed in detail the findings of the telephone survey (see attachment A to staffs' report for details of the findings) and indicated that a substantial portion of the District's customers supported the development of desalinated water. They felt that it was a good way to serve the District's customers and they also felt that it was important that the desalinated water reduce our dependence on imported water. They preferred that the desalinated plant be located in the United States as it would bolster the local economy, but they did not oppose the plant being located in Mexico.

It was noted that the margin of error for the survey is ±5%. There was discussion that the cost for desalinated versus imported water was converging. There was further discussion that the survey did not explore how customers felt about the cost versus the time to develop the plant (plant could take many years to complete), but that the topic was discussed with the focus group. Dr. Parker did not have the information with him on the focus groups' position on the issue, but indicated that he would provide the information following the board meeting.

13. BOARD

a) DISCUSSION OF 2010 AND 2011 BOARD MEETING CALENDAR

There were no changes to the meeting calendar.

REPORTS

14. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that CWA is focused on rates and developing their budget for the upcoming fiscal year.

GENERAL MANAGER'S REPORT

General Manager Watton indicated that each year the District's water system is inspected by the California Department of Public Health. He stated that their report was positive and read a sentence from their report which indicated, "Otay's water system is well maintained and operated." He stated that this is a real tribute to the folks that operate and maintain our systems.

He presented his report which included an update on Water Conservation contests and programs available to District customers, the status of the District's new bill format, an update on the progress of the District's AMR program, information on new alternative payment types and an update on the City of San Diego Recycled Water Study.

15. DIRECTORS' REPORTS/REQUESTS

No reports were provided.

16. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the month of February 2011 and indicated that on February 8 he met with General Manager Watton to discuss items that are scheduled to be presented at the February committee meetings. On February 19 he met with General Manager Watton and General Counsel Daniel Shinoff to review the March board meeting agenda. He stated on February 28 he attended an Ad Hoc Legal Matters Committee where issues related to the IEC matter were discussed.

Chief Financial Officer Beachem read an excerpt from an article into the record, at President Bonilla's request:

> "Each year we make a conscious effort to improve the quality of financial documents to make them easier to read and understand," said Jaime Bonilla, President of the District's Board of Directors. "This national award reflects the board's ongoing commitment to public accountability and transparency."

It was indicated that the District has received the *Distinguished Budget Presentation Award* from the Government Finance Officers Association of the US and Canada for the past seven (7) years. President Bonilla congratulated and thanked staff on the receipt of the award.

17. CLOSED SESSION

The board recessed to closed session at 5:10 p.m. to discuss the following matters:

a. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [GOVERNMENT CODE §54956.9(a)]

(I) INFRASTRUCTURE ENGINEERING CORP. v. OTAY WATER DISTRICT, COUNTY OF SAN DIEGO, SUPERIOR COURT, CASE NO. 37-2008-00093876-CU-BC-CTL

(II) MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-2007-00077024-CU-BC-SC

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

The board reconvened from closed session at 5:50 p.m. Attorney Richard Romero reported that there were no reportable actions taken in closed session.

19. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:50 p.m.

President

ATTEST:

District Secretary

MINUTES OF THE BOARD OF DIRECTORS MEETING OF THE OTAY WATER DISTRICT April 6, 2011

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

2. ROLL CALL

Directors Present:	Bonilla, Gonzalez, Lopez and Robak
Directors Absent:	Croucher
Staff Present:	General Manager Mark Watton, Asst. General Manager of Administration and Finance German Alvarez, Asst. General Manager of Engineering and Water Operations Manny Magana, 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. MOMENT OF SILENCE IN MEMORY OF MR. FRANK BIEHL, LEE & RO, INC.

Ron Ripperger, District Manager of Engineering, Design and Construction spoke in memory of Frank Biehl and provided the following:

"Frank Biehl was the Manager of Lee & Ro's San Diego office. Frank died on March 10, 2011. Frank was a Professional Civil Engineer and Land Surveyor and spent most of his work life here in the San Diego Region. Frank was responsible for overseeing the design of some of the District's most successful Pipeline Projects including the Recyled Supply Link and the Jamacha Pipeline. For those who knew him, he was cheerful, had a wonderful smile and sense of humor, was a vibrant, feisty, fun loving person who could not help but bring a smile to your face. Frank was always in attendance at District Board meetings and interested in getting the latest information. He could also be found handing out his trademark "Tide Tables" booklets at the District, hence one of his many nicknames "High Tide". Frank gained many good friends here at the District because of his honesty, integrity, and commitment to getting the work done. He was truly one of a kind and one of the last true "gentlemen" left who personified "style". He will be missed."

A moment of silence was held in memory of Mr. Frank Biehl.

5. APPROVAL OF AGENDA

President Bonilla recommended pulling Agenda Item 13, Closed Session – Conference with Legal Counsel – Existing Litigation [Government Code §54956.9(a)], as Director Croucher was unable to attend today's meeting. Director Croucher sits on the Ad Hoc Legal Matters Committee and President Bonilla would like to consider the item at a later date when Director Croucher is present.

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

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

to approve the agenda as amended by President Bonilla.

6. APPROVE THE MINUTES OF THE REGULAR MEETING OF SEPTEMBER 1, 2010

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

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

to approve the minutes of the regular meeting of September 1, 2010.

7. 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.

CONSENT CALENDAR

8. 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 Mark Robak requested that Item 7f, Approve a One-Year Agreement with Brownstein, Hyatt, Farber and Schrek (BHFS) for an Amount Not-to-Exceed $160,000 for Comprehensive State and Federal Legislative Issues Advocacy, be pulled for discussion.

President Bonilla presented item 7f for discussion. In response to an inquiry from Director Robak regarding the services of BHFS, General Manager Mark Watton indicated that attorneys, Ms. Chris Frahm and Mr. David Bernhardt, from BHFS will be the primary contacts for State and Federal issues respectively. The proposed BHFS agreement will cover the continuance of legislative advocacy in Sacramento and the scope of work will be expanded to include legislative advocacy for the Rosarito Desalination Project. General Manager Watton stated that Ms. Frahm has worked with the District on State issues (i.e. health, environmental protection, water quality) and indicated that the proposed one-year agreement would expand her firm's services to provide Federal representation. Mr. Bernhardt is a partner in the firm and works in their Washington D.C. office. He has worked with the Bureau of Reclamation, has experience with Presidential Permits and is familiar with its process. His services are also required to assist with regulatory issues associated with the project. General Manager Watton indicated that the project will require signatures from both the United States' and Mexico's Presidents and may involve a Minute Order under the Mexican Water Treaty between the United States of America and Mexico that was established in 1944.

After receiving General Manager Watton's report, Director Robak withdrew his recommendation to pull Item 7f from the consent agenda.

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

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

to approve the following consent calendar items:

a) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO CUMMINS CAL PACIFIC, LLC IN THE AMOUNT OF $63,125.38 FOR THE PURCHASE OF ONE (1) REPLACEMENT EMERGENCY STANDBY GEN-SET FOR THE RALPH W. CHAPMAN WATER RECYCLING FACILITY

b) ADOPT ORDINANCE NO. 529 AMENDING SECTION 36.03, ENCROACHMENT IN DISTRICT EASEMENTS, OF THE DISTRICT'S CODE OF ORDINANCES

c) APPROVE THE FISCAL YEAR 2011 LEGISLATIVE PROGRAM

d) ADOPT ORDINANCE NO. 528 AMENDING SECTION 34, ISSUANCE AND PAYMENT OF WATER BILLS, AND SECTION 53, FEES, RATES, CHARGES AND CONDITIONS FOR SEWER SERVICE, OF THE CODE OF ORDINANCES

e) ADOPT RESOLUTION NO. 4170 DESIGNATING SPECIFIC STAFF POSITIONS TO BE AUTHORIZED AS AGENTS TO DEAL WITH THE STATE OF CALIFORNIA, OFFICE OF EMERGENCY SERVICES, ON THE

DISTRICT'S BEHALF IN ALL MATTERS PERTAINING TO DISASTER ASSISTANCE

f) APPROVE A ONE-YEAR AGREEMENT WITH BROWNSTEIN, HYATT, FARBER AND SCHREK FOR AN AMOUNT NOT-TO-EXCEED $160,000 FOR COMPREHENSIVE STATE AND FEDERAL LEGISLATIVE ISSUES ADVOCACY

g) APPROVE AN AGREEMENT FOR PROFESSIONAL AS-NEEDED HYDRAULIC MODELING SERVICES WITH NARASIMHAN CONSULTING SERVICES, INC. IN AN AMOUNT NOT-TO-EXCEED $175,000 DURING FISCAL YEARS 2011, 2012 AND 2013 (ENDING JUNE 30, 2013)

h) APPROVE THE WATER ASSESSMENT REPORT DATED FEBRUARY 2011 FOR THE RABAGO TECHNOLOGY PARK PROJECT AS REQUIRED BY SENATE BILL 610

i) ADOPT RESOLUTION NO. 4171 ANNEXING PROPERTY OWNED BY DAVID L. AND SUZANNE M. DUKE (APN: 519-281-07-00) TO THE OTAY WATER DISTRICT'S IMPROVEMENT DISTRICT NO. 18

j) APPROVE A CONSTRUCTION CONTRACT TO SEPULVEDA CONSTRUCTION FOR THE 944-1R PUMP STATION UPGRADE PROJECT IN AN AMOUNT NOT-TO-EXCEED $1,162,423

k) APPROVE REVISIONS TO THE COOPERATIVE AGREEMENT FOR THE UNITED STATES BUREAU OF RECLAMATION TITLE XVI FUNDING FOR THE OTAY WATER DISTRICT RECYCLED WATER INFRASTRUCTURE PROGRAM

l) APPROVE AMENDMENTS TO TWO (2) UTILITY AGREEMENTS (NOs. 31755 AND 31926) WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

m) APPROVE A PROFESSIONAL SERVICES CONTRACT WITH TETRA TECH, INC. FOR THE DESIGN OF PHASE 2 OF THE RANCHO DEL REY WELL PROJECT IN AN AMOUNT NOT-TO-EXCEED $724,493.50

n) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO SLOAN ELECTROMECHANICAL SERVICE & SALES FOR THE PROCUREMENT OF FIVE (5) PUMPS, MOTORS AND DISCHARGE HEADS FOR THE 711-1 PUMP STATION IMPROVEMENT PROJECT IN AN AMOUNT NOT-TO-EXCEED $204,934.45

INFORMATIONAL ITEMS

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

a) 2011 RESIDENTIAL CUSTOMER OPINION AND AWARENESS SURVEY REPORT (REA AND PARKER RESEARCH INC.)

Rea and Parker Research presented the findings of the Residential Customer Opinion and Awareness Survey in detail (see attachment A to staffs' report for details of the findings). It was indicated that 308 respondents participated in the survey that was conducted from January 6-11, 2011.

In response to a question from Director Robak, Rea and Parker Research stated that in 2005 and 2006 there was a slight increase in the number of respondents who favored the use of recycled water for residential front yards, but overall the respondents opinion on such use has remained fairly consistent over the years. Director Robak suggested that the District include a question that asks customers their opinion of the use of recycled water on both residential front and backyard landscapes after they are made aware that it is already occurring in the state of Florida.

Director Robak inquired if the survey included questions about "Potable Re-use." Rea and Parker Research indicated that it only inquires about respondents' opinion of its use as drinking water. However, the City of San Diego is currently conducting a customer survey that inquires more pointedly about respondents opinion on "Potable Re-Use." He stated that he would happy to share the results of the City's survey if the Board has interest. General Manager Watton indicated that the District's survey shows a downward trend in respondents' opinion on supplementing drinking water with potable re-use.

Director Robak indicated that he was encourage by the survey's result regarding respondents' interest in Social Media where 61% of respondents believe that it is important for the District to have a social media presence. Director Robak recommended that the next survey inquire about customers' opinion of videotaping or streaming meetings on the District's website.

President Jaime Bonilla thanked Rea and Parker Research for their work on the Residential Customer Opinion and Awareness Survey and recommended in future that they provide an analysis of the report that indicates what has been learned from the survey findings; areas where the District can focus or make improvements in relation to the findings.

b) FISCAL YEAR 2011 STRATEGIC PLAN AND PERFORMANCE MEASURES UPDATE REPORT

Chief of Information Technology Geoff Stevens provided a detailed update on the Fiscal Year 2011 Strategic Plan and Performance Measures (see attachment A to staffs' report for details of the update).

The Board commended Chief of Information Technology Stevens for his assistance in accomplishing and implementing the District's Strategic Plan. The board believes the plan is a very important and viable tool for monitoring and tracking the District's progress, especially in our current economic situation. The Strategic Plan also motivates staff to execute the objectives and goals of the plan as it provides a visual of the District's progress.

General Manager Watton indicated that on May 9, 2011, an economist will provide a presentation on the local and state economy. The information presented will help develop the Strategic Plan for Fiscal Years 2012 to 2014 and the Fiscal Year 2012 budget which will be presented at the May 16, 2011 special board meeting. General Manager Watton noted that the Strategic Plan and Performance Measure Report is available on the District's intranet and can be reviewed in more detail.

10. BOARD

a) DISCUSSION OF 2011 BOARD MEETING CALENDAR

It was discussed that several Directors would be out-of-town during the week of the August board meeting. The board suggested that the meeting be rescheduled to the following Wednesday, August 10, 2011, and asked District Secretary Cruz to poll the members to determine a new date for the August meeting.

REPORTS

11. GENERAL MANAGER'S REPORT

GENERAL MANAGER'S REPORT

General Manager Watton provided the Board a copy of a letter from the International Boundary and Water Commission (IBWC) United States and Mexico, dated March 25, 2011. The letter indicated that Mexico has informed the IBWC that they will no longer require the May and June water deliveries and canceled water deliveries for the two months.

General Manager Watton presented his report and indicated that staff of the Water Conservation Division provided a presentation at Cuyamaca College's 3rd Annual Sustainable Urban Landscapes Conference, that staff partnered with Sweetwater Authority and the Water Education Foundation to hold a Project WET (Water Education for Teachers) Educator Workshop, revised Summary Plan Descriptions have been distributed and that a Mexico Network for has been added to the dental plan, new alternative payment types are available to District customers, a new bill format is being developed by staff, the District has retained Mr. Alan Nevin, an economist and the Director of Economic Research at Marketpointe Realty Advisors, and the District's budget workshop is scheduled for May 16.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

There were no CWA updates to report.

12. DIRECTORS' REPORTS/REQUESTS

Director Lopez indicated that he and Director Gonzalez attended a Delta Tour and stated that the tour was very informative. He indicated that he gained a better understanding of why local agencies stress the importance of conserving water. He noted that the tour included several presentations that provided information about the Rosarito Desalination Project. Director Lopez lastly shared that the project was also included in several presentations at the WateReuse Conference that he attended.

Director Robak discussed the format of the Accounts Payable Demands List attached to the GM's Report and requested that staff add a time frame for each disbursement on the list as it would clarify if disbursements are for monthly or annual expenses. Director Robak indicated that he and Directors Lopez and Gonzalez attended a WateReuse Conference in Dana Point, California. He discussed the District's photo contest and indicated that the deadline to submit photos is April 18, 2011. And lastly, Director Robak shared some of his memories of Frank Biehl and indicated his condolences to the Biehl family.

13. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the month of March 2011 and indicated that on March 15 he attended an Ad Hoc Redistricting Committee meeting to discuss and begin the reapportionment of the District's divisional boundaries as required following a census. On March 16 he met with General Manager Watton to discuss items to be presented at the March committee meetings, and also attended the City of Chula Vista's Board of Ethics Committee to discuss the District's complaint filed with the committee. On March 17 he met with representative of Banco Popular to discuss possible services that the bank may provide to the District. On March 22 he met with Will Gustafson to discuss issues concerning the Salt Creek Golf Course lease. Lastly, on April 1 he met with General Manager Watton and General Counsel Dan Shinoff to discuss the April board agenda.

President Bonilla shared that the District submitted a complaint to the City of Chula Vista's Board of Ethics Committee concerning the unethical demeanor of one of its members. He provided details of the complaint and shared his thoughts about the matter and indicated that as President of the Otay Water District, he feels that it is his duty to protect the reputation of the District and its employees and Board of Directors. He noted that if litigation is pursued in this matter, it would be handled through his own resources.

General Manager Watton presented to the board a Distinguished Budget Award from the Governor's Finance Office Association (GFOA) that was awarded to the District's Chief Financial Officer Beachem and his staff. General Manager Watton noted that it was very nice to see Chief Financial Officer Beachem and his staff receive an award for their work. He noted that it is a great honor for staff to be recognized by peers as it is an indication that staff is looked upon as a role model.

President Bonilla and General Manager Watton congratulated Chief Financial Officer Beachem and his staff on their receipt of the award.

14. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:12 p.m.

____

President

ATTEST:

____

District Secretary

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	August 10, 2011
SUBMITTED BY:	Mark Watton General Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):			
SUBJECT:	ADOPT RESOLUTION #4185 AND RESOLUTION #4186 TO APPROVE ALLOWING REPRESENTED EMPLOYEES TO PAY AN ADDITIONAL 7.75% OF SALARY, FOR A TOTAL EMPLOYEE CONTRIBUTION OF 8.75% FOR CALPERS, IN EXCHANGE FOR ENHANCED RETIREE HEALTH BENEFITS		

GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors adopt Resolution #4185 to increase the Represented Employees' contribution to the CalPERS Pension Plan by seven (7) percent and Resolution #4186 to amend the Memorandum of Understanding with the Otay Water District Employees' Association (OWDEA) by Side Letter Agreement regarding Retiree Health Benefits and an additional three-quarters-of-a-percent (0.75) CalPERS Contributions in exchange for enhanced Retiree Health Benefits.

COMMITTEE ACTION:

Please see Attachment "A".

PURPOSE:

To allow Represented Employees to increase their Employees' contributions to CalPERS in exchange for enhanced Retiree Health Benefits, which will be effectively cost-neutral for the District.

ANALYSIS:

Background

Since 1993, the District has had three Tiers of employees with regard to retiree health coverage for all regular full-time employees. Tiers I and II (those employees hired before July 1, 1993) receive a lifetime Retiree Health Benefit if they meet certain age and service requirements. Prior to 2007, Tier III employees (those hired on or after July 1, 1993) who are age 55 and have 15 years of continuous service, had the ability to buy into the medical plan, at the employees' own expense, and stay on the plan until the employee was Medicare-eligible as long as the health plan allowed for participation.

In 2007, when the District negotiated a six-year collective bargaining agreement with the Otay Water District Employees' Association (OWDEA), the Tier III benefit level was amended and provided that the District pays a monthly amount of $157.86 or the minimum required by the plan, which ever is greater for the District-selected (lowest cost) plan until the employee is Medicare-eligible. It was understood that few Tier III employees would begin retiring in the near future and that Retiree Health Benefits would again be the subject of future discussions with various employee groups.

On July 15, 2011, The Board of Directors met and approved an action that allowed Unrepresented Employees to exchange 7% of salary for enhanced Retiree Health Benefits with a 15 year eligibility period (Attachment B).

On July 26, 2011, the Represented Employees met and voted to make a proposal similar to that of the Unrepresented Employees except that the Represented Employees proposed an exchange of 7.75% of salary for a 20-year eligibility period for the Retiree Health Benefits.

Proposal for Represented Employees

The Represented Employees are represented by the Otay Water District Employees' Association. The Employees negotiate in good faith with the District and the results of the negotiations are documented in a collective bargaining agreement called a Memorandum of Understanding (MOU). In 2007, the District entered into a six-year MOU with the Represented Employees. Pursuant to Resolution #4110 and the Memorandum of Understanding that was negotiated in good faith with the OWDEA in 2007, employees received a 3.5% Cost of Living Adjustment (COLA) effective July 1, 2011 and will receive a 3.5% COLA effective July 1, 2012.

It is proposed that the Represented Employees' contribution to CalPERS be increased by the same amount of the COLA (3.5% effective 7/1/11 and 3.5% effective 7/1/12). By July 1, 2012, all Represented Employees will be contributing the full eight (8) percent employees' contribution. In exchange for the Represented Employees contributing the full employees' contribution to CalPERS, it is recommended that the District level the Tiers of Retiree Health Benefits so that all Represented Employees receive the same level of benefit at retirement. This would also change the contribution percentage for all newly hired Represented Employees. The Represented Employees propose a 20-year eligibility period. Employees would begin contributing 4.25% on August 15, 2011, and the remaining 3.5% percent on July 1, 2012, for a total of 7.75%. This is in addition to the 1% the employees already contribute for a total of 8.75% employees' contribution.

Advantages

Advantages to implementing this program include Represented Employees contributing the full employee portion of the CalPERS Pension Plan, 8% plus an additional 0.75% of the employer portion, employees funding their Post Retirement Health Benefits, savings to the District on a long-term basis, and providing a leveled benefit for all Tiers of Represented Employees.

Resolution #4185 (Attachment C)

This Resolution is required by CalPERS in order to change the contribution percentage that the District is contributing on behalf of the Represented Employees for the employees' contribution of the Pension Plan.

Resolution #4186 (Attachment D)

This Resolution outlines the changes in the employees' contribution to the Pension Plan and Retiree Health Benefits that will be provided to the Represented Employees that would remain in force unless modified in subsequent collective bargaining agreements.

Key provisions of this Resolution include:

- At age 55 and 20 years of continuous full-time service, Represented Employees will receive Retiree Health Benefits (paid by the District at 100% for employee coverage and 88% for dependent coverage) for health and dental coverage for life and this contribution will remain at this level of coverage throughout the retirement of the employee.
- Revised language clarifying that this benefit will be guaranteed for life; however, the District reserves the

right to make changes related to the overall administration of the plan (e.g., changing health care providers) that do not have a major impact on the overall plan structure.

- Expand the survivor benefit from ending when the spouse reaches Medicare eligibility to a lifetime benefit.
- A hardship provision where an employee has 20 years of service, and is between the ages of 50 and 54, the employee would have the option to retire early through CalPERS and the District's retiree health provision at a reduced level of benefits. Hardships may include the serious and prolonged illness of a spouse where the employee is required to care for the spouse and other similar extraordinary circumstances.

Summary of Employees in each Tier

Prior to Board action on July 15, 2011, to amend the Retiree Health Coverage for Unrepresented Employees, these employees were in three Tiers based on hire date. A breakdown has been provided of all the Unrepresented Employees, prior to the July 15 Board action, and current Represented Employees by Tier for reference (Attachment E).

As part of the District's Succession Plan, the District attempts to anticipate vacancies at least six years ahead of time for planning purposes. It is noted by an asterisk in the tables when the District is aware that employees will likely be retiring prior to reaching the required age and service requirements to be eligible for the Retiree Health Benefit.

Actuarial Study

Actuaries are skilled in mathematics, economics, computer science, finance, probability, statistics, and business to help businesses assess the risk of certain events occurring and to formulate policies that minimize the cost of that risk. The District is required to hire an Actuary every two years to perform a study that determines the cost of the District's Other Post Employment Benefit (OPEB) plan. The Actuary not only determines the current liability earned by the employees' service to date, but also looks at the unfunded liability and determines the annual funding required to bring the fund back to a fully funded status. This unfunded portion is called the Unfunded Actuarial Accrued Liability (UAAL) and is one of the two parts of the Annual Required Contribution (ARC). The remaining portion of the ARC is the portion of the future benefits which is earned from service in the current year. Each actuarial study looks at the various assumptions, updates them as needed, and then generates the various costs.

FISCAL IMPACT:

The proposed changes result in an estimated net savings to the District of $28,700 per year. The Annual Required Contribution, or ARC, is the actuarially determined plan cost of the current year plus the amount needed to fund any shortfall in the trust. The total increase in the ARC, resulting from the proposed changes for Represented Employees, is $599,500. The total savings to the District of the additional 7.75% CalPERS funding by employees is $628,200 per year. The projected annual savings will be fully realized beginning in the second year as the employee contribution is phased in over two years.

The attached table (Attachment F) shows the overall annual savings for both Represented and Unrepresented Employees to be $74,400 beginning in the second year, and continuing until the savings rate increases to $414,400 per year when the ARC payments are reduced. This table shows the savings based on the current year's salaries for both the Represented and Unrepresented Employees. The cumulative savings over 35 years is projected to be $5,150,500. The staff report presented at the July 15, 2011 Board meeting regarding the Unrepresented Employees was prepared in fiscal year 2010 using 2010 salaries. The attached table updates this data with the current year salaries which is more reflective of the expected saving.

STRATEGIC GOAL:

Retain a Results-Oriented Workforce; Succession Planning for Key District Employees.

LEGAL IMPACT:

None.

Mark Watton
General Manager

Attachment A - Committee Action
Attachment B - Staff Report - Board Meeting on July 15, 2011
Attachment C - Resolution #4185
Attachment D - Resolution #4186

Attachment E - Summary of Employees in each Tier of Retiree Health Coverage
Attachment F - Annual Savings for Represented and Unrepresented Employees
Attachment G - District Facts & Accomplishments
Attachment H - June 30, 2011 GASB45 Actuarial Valuation Preliminary Results
Attachment I - Power Point Presentation

ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION #4185 AND RESOLUTION #4186 TO APPROVE ALLOWING REPRESENTED EMPLOYEES TO PAY AN ADDITIONAL 7.75% OF SALARY, FOR A TOTAL EMPLOYEE CONTRIBUTION OF 8.75% FOR CALPERS, IN EXCHANGE FOR ENHANCED RETIREE HEALTH BENEFITS

COMMITTEE ACTION:

The Ad Hoc Unrepresented Employee Committee met on August 4, 2011 to review the proposal for the Represented Employees. A presentation was made to the Committee that included a review of the Other Post Employment Benefits (OPEB) Chronology, summary of the 2011 Retiree Health Actuarial Study, and a review of the proposal made by the Represented Employees.

The Committee requested input from the Association to ensure that it was the Association's request that the District take action regarding the matter at hand. The Association Representatives confirmed that the Represented Employees' intent was clear from the overwhelmingly positive vote, with two employees voting favorably for every one employee voting non-favorably.

The Committee expressed appreciation of employees' willingness to give up salary now and moving forward. They commended the employees for thinking long-term by considering their future and being responsible for their families instead of focusing on their immediate financial needs.

There was discussion about the District's financial soundness and that this proposal saves the District money over the long-term. During the presentation, the analogy was used that this proposal is similar to that of refinancing a home mortgage. While there are some upfront costs, the savings over the long-term outweigh the initial implementation costs. As referenced in Attachment F, while in the first year of the program the District will incur modest initial costs, when this action is fully initiated, the annual savings that the District will realize, beginning in 2013, quickly makes up for that initial cost with cost-savings that could be approximately 5.1 million dollars over a 35-year period.

There was discussion about all of the District's accomplishments, including the high employee morale and strong work ethic. Some of the District's many accomplishments are attached to the Staff Report (Attachment G). The District employees are continually working to streamline functions and are working very efficiently. It was discussed that the District has reduced the staffing level by a total of 10.9% over the last five years (18.75 full-time equivalent positions), even as it delivers more services to a customer base that has grown by 9% in just the past five years. The reduction in staffing level has resulted in a cumulative savings through FY12 of 6.8 million dollars and the savings will continue to grow. The Committee expressed that they are very proud of the employees and the District's accomplishments and appreciate the employees' hard work and dedication to the District.

The Committee stated that it supports bringing the proposal to the full Board for consideration at the August 10, 2011 meeting. They requested Staff to include in the presentation a summary of the District's accomplishments, as well address some of the misinformation that has been in the media.

The Committee also requested meeting with the Board in closed session to receive any further direction for employee negotiations on this matter.

NOTE:

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

ATTACHMENT B

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	July 15, 2011
SUBMITTED BY:	Mark Watton General Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):			
SUBJECT:	ADOPT RESOLUTION #4182 TO INCREASE UNREPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN (7) PERCENT TO PURCHASE ENHANCED RETIREE HEALTH BENEFITS AND RESOLUTION #4183 TO AMEND RETIREE HEALTH BENEFITS FOR UNREPRESENTED EMPLOYEES		

GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors adopt Resolution #4182 to increase the Unrepresented Employees' contribution to the CalPERS Pension Plan by seven (7) percent to purchase enhanced Retiree Health Benefits and Resolution #4183 to amend the Retiree Health Benefits for Unrepresented Employees.

COMMITTEE ACTION:

See Attachment "A".

PURPOSE:

To allow Unrepresented Employees to purchase enhanced Retiree Health Benefits by increasing the Unrepresented Employees' contributions to CalPERS, which will be cost-neutral for the District.

ANALYSIS:

Background

Since 1993, the District has had three Tiers of employees with regard to retiree health coverage for all regular full-time employees. Tiers I and II (those employees hired before July 1, 1993) receive a lifetime Retiree Health Benefit if they meet certain age and service requirements. Prior to 2007, Tier III employees (those hired on or after July 1, 1993) who are age 55 and have 15 years of service, had the ability to buy in to the medical plan, at the employees own expense, and stay on the plan until the employee was Medicare-eligible as long as the health plan allowed for participation.

In 2007, when the District negotiated a collective bargaining agreement with the Employee Association, the Tier III benefit level was amended and provided that the District pays a monthly amount of $157.86 or the minimum required by the plan, which ever is greater for the District-selected (lowest cost) plan until the employee is Medicare-eligible. This benefit was also provided to Unrepresented Employees. It was understood that few Tier III employees would be retiring in the near future and that Retiree Health Benefits would be the subject of future discussions with various employee groups.

Today, over 80% of the District's employees are Tier III employees and have a modest Retiree Health Benefit. The Unrepresented Employees support a proposal to use the pending Cost of Livings Adjustments to increase their contribution to CalPERS Pension Plan to purchase enhanced Retiree Health Benefits.

Proposal for Unrepresented Employees

Pursuant to Resolution #4110, Regular District Employees received a 3.5% Cost of Living Adjustment (COLA) effective July 1, 2011 and will receive a 3.5% COLA effective July 1, 2012. It is proposed that the Unrepresented Employees' contribution to CalPERS be increased by the same amount of the COLA (3.5% effective 7/1/11 and 3.5% effective 7/1/12). By July 1, 2012, all Unrepresented Employees will be contributing the full 8% employees' contribution. In exchange for the Unrepresented Employees contributing the full employees' contribution to CalPERS, it is recommended that the District level the Tiers of Retiree Health Benefits so that all Unrepresented Employees receive the same level of benefit at retirement. This would also change the contribution percentage for all newly hired Unrepresented Employees. Staff has met with all Unrepresented

Employees and they understand the need to contribute to the Pension Plan and are supportive of the proposal being presented.

Board Committee Recommendation

The Ad Hoc Unrepresented Employee Compensation Committee was assigned by the Board President to review and discuss Unrepresented Employee compensation and benefits. This staff report outlines a proposal for the Board's consideration for Unrepresented Employees.

The Ad Hoc Unrepresented Employee Compensation Committee met on June 27, 2011 (Attachment B). A presentation detailing the proposal for Unrepresented Employees was made to the Committee. The Committee stated that they supported the proposal but asked the General Manager to bring back additional information for the Committee, and that the Committee would reconvene prior to the next July Board meeting tentatively scheduled for Friday, July 15. The Committee also directed Staff to meet with Represented Employees and provide a similar proposal for their consideration.

The Committee met again on Tuesday, July 5, as a follow up to the June 27 meeting. Staff reported back to the Committee that the Employee Representatives were presented with a similar proposal and they are scheduled to meet with the Represented Employees on Thursday, July 7, to consider the proposal, but that they may need additional time due to it being a holiday week. The Committee again expressed the appreciation of the hard work and dedication of the District's employees and the Committee supported bringing the item for Unrepresented Employees forward to the full Board for presentation at the July 15 Board meeting, even if the Represented Employees may need a little more time to consider the proposal.

Represented Employees

A similar proposal was provided to Represented Employees for their consideration. The Represented Employees met on July 7, 2011, and requested through July 20, 2011, to consider the proposal. Should they decide to move forward, that proposal will be brought forward for consideration by the Board at its August 2011 meeting.

Advantages

Advantages to implementing this program are that Unrepresented Employees would contribute the full employees' portion of the CalPERS Pension Plan and it would level all the Tiers of Retiree Health so that all Unrepresented Employees will be in one Tier.

This will also be consistent with Succession Planning by ensuring the ability to attract and retain key employees, especially as the economy recovers.

Resolution #4182 (Attachment C)
This Resolution is required by CalPERS in order to change the contribution percentage that the District is contributing on behalf of the Unrepresented Employees for the employees' portion of the Pension Plan.

Resolution #4183 (Attachment D)
This Resolution outlines the changes in the employees' contribution to the Pension Plan and Retiree Health Benefits that will be provided to the Unrepresented Employees.

Key provisions of this Resolution include:

- At age 55 and 15 years of service, Unrepresented Employees will receive Retiree Health Benefits (paid by the District at 100% for employee coverage and 88% for dependent coverage) for health and dental coverage for life and this contribution will remain at this level of coverage throughout the retirement of the employee.
- Revised language clarifying that this benefit will be guaranteed for life; however, the District reserves the right to make changes related to the overall administration of the plan (e.g., changing health care providers) that do not have a major impact on the overall plan structure.
- Expand the survivor benefit from ending when the spouse reaches Medicare eligibility to a lifetime benefit.
- A hardship provision where an employee has 15 years of service, and is between the ages of 50 and 54, the employee would have the option to retire early through CalPERS and the District's retiree health provision at a reduced level of benefits. Hardships may include the serious and prolonged illness of a spouse where the employee is required to care for the spouse and other similar extraordinary circumstances.

FISCAL IMPACT:

The proposed changes result in an estimated net savings to the District of $33,900 per year. The Annual Required Contribution, or ARC, is the actuarially determined plan cost of the current year and the amount needed to fund any shortfall in the trust. The total increase in the ARC, resulting from the proposed changes, is $316,400. The total savings to the District of the additional 7% CalPERS funding by employees is $350,300 per year.

STRATEGIC GOAL:

Retain a Results-Oriented Workforce; Succession Planning for Key District Employees.

LEGAL IMPACT:

None.

Mark Watton
General Manager

Attachment A - Committee Action
Attachment B - Staff Report Presented to the Ad Hoc Committee
Attachment C - Resolution #4182
Attachment D - Resolution #4183
Attachment E - Powerpoint Presentation

ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION #4182 TO INCREASE UNREPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN (7) PERCENT TO PURCHASE ENHANCED RETIREE HEALTH BENEFITS AND RESOLUTION #4183 TO AMEND RETIREE HEALTH BENEFITS FOR UNREPRESENTED EMPLOYEES

COMMITTEE ACTION:

The Ad Hoc Unrepresented Employee Compensation Committee met on June 27, 2011. A presentation detailing the proposal for Unrepresented Employees was made to the Committee. The Committee stated that they supported the proposal but asked the General Manager to bring back additional information for the Committee, and that the Committee would reconvene prior to the next July Board meeting tentatively scheduled for Friday, July 15. The Committee also directed Staff to meet with Represented Employees and provide a similar proposal for their consideration.

The Committee met again on Tuesday, July 5, as a follow up to the June 27 meeting. Staff reported back to the Committee that the Employee Representatives were presented with a similar proposal and they are scheduled to meet with the Represented Employees on Thursday, July 7, to consider the proposal, but that they may need additional time due to it being a holiday week. The Committee again expressed the appreciation of the hard work and dedication of the District's employees and the Committee supported bringing the item for Unrepresented Employees forward to the full Board for presentation at the July 15 Board meeting, even if the Represented Employees may need a little more time to consider the proposal.

The Committee requests meeting with the Board in closed session to receive any further direction for employee negotiations on this matter.

NOTE:

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

Attachment C

RESOLUTION NO. 4185

RESOLUTION OF THE BOARD OF DIRECTORS

OF OTAY WATER DISTRICT

FOR EMPLOYER PAID MEMBER CONTRIBUTIONS TO CalPERS

REGARDING REPRESENTED EMPLOYEES

WHEREAS, the governing body of the Otay Water District has the authority to implement Government Code Section 20691;

WHEREAS, the governing body of the Otay Water District has a written labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer;

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the Otay Water District of a Resolution to commence said Employer Paid Member Contributions (EPMC);

WHEREAS, the governing body of the Otay Water District has identified the following conditions for the purpose of its election to pay EPMC:

- This benefit shall apply to all Local Miscellaneous Members.
- This benefit shall consist of the District paying 3.5% of the normal member contributions as EPMC effective August 15, 2011 and 0% effective July 1, 2012.
- The effective date of this Resolution shall be August 10, 2011.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the Otay Water District elects to pay EPMC, as set forth above.

____

President

ATTEST:

____
Secretary

APPROVED AS TO FORM:

____
District Counsel

I HEREBY CERTIFY that the foregoing Resolution No. 4185 was duly adopted by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT at a regular meeting thereof held on the 10th day of August, 2011 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

____
District Secretary

Attachment D

RESOLUTION NO. 4186

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT TO CHANGE THE EMPLOYEES' CONTRIBUTION TO CALPERS PENSION PLAN AND THE LEVEL OF RETIREE HEALTH BENEFITS FOR REPRESENTED EMPLOYEES

WHEREAS, the Otay Water District ("District") endeavors to recruit and retain the most qualified and talented employees to serve its customers; and

WHEREAS, the salary and benefits offered by District to its employees are designed to aid in the District's recruitment and retention efforts; and

WHEREAS, the District currently provides compensation and benefits for its represented employees ("Represented Employees") pursuant to a Memorandum of Understanding (MOU) between the District and the Otay Water District Employees' Association for the period of July 1, 2007 to June 30, 2013 ("MOU"); and

WHEREAS, when the Board adopted a modest retiree health benefit in 2007 for Tier III employees (employees hired on or after July 1, 1993), the Board did so with the understanding that few employees would be retiring from Tier III in the near future and that retiree health benefits would be the subject of future discussions; and

WHEREAS, this Resolution proposes adoption of a change to the level of contribution by Represented Employees to the CalPERS Pension Plan, from the current one (1) percent to four-and-a-half (4.5) percent effective August 15, 2011, and to eight (8) percent effective July 1, 2012, to be paid toward the employees' contribution to CalPERS; in addition to three-quarters-of-a-percent (0.75) salary toward the Employer Contribution effective August 15, 2011; and

WHEREAS, in exchange for the increase in the Represented Employees' contribution to CalPERS, Represented Employees will be provided an enhanced retiree health plan substantially similar to that offered to the District's Unrepresented Employees, to be memorialized through a Side Letter Agreement to the MOU as attached in Exhibit 1; and

WHEREAS, because of the increased contributions by the Represented Employees to their contribution to the CalPERS Pension Plan, the aforementioned enhanced retiree health plan is cost-neutral for the District; and

WHEREAS, this Resolution is intended only to identify the above changes to the Represented Employees' CalPERS contribution and to the retiree health plan and is in no way intended to, nor shall it affect, all other compensation and benefits for Represented Employees, as documented in the MOU, other policies, procedures, resolutions and other documents which specifically identify such compensation and benefits, and which compensation and benefits shall remain in full force and effect unless specifically set forth herein; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Otay Water District as follows:

1. That the Board of Directors directs the General Manager to amend the Memorandum of Understanding by Side Letter Agreement to memorialize the change to the Retiree Health Plan and Pension Plan changes, with the changes to the Retiree Health Plan being substantially similar to those offered to the District's Unrepresented Employees; and

1. That the Board of Directors hereby approves the changes to retiree health and employees' contribution to the CalPERS Pension Plan for all Represented Employees, as referenced in Resolution No. 4185 and the Side Letter Agreement, subject to General Counsel's review and approval of the Side Letter Agreement; and

3. That the effective date of the Side Letter Agreement shall be the date of full execution of said agreement; and

4. The effective date of this resolution shall be August 10, 2011.

BE IT FURTHER RESOLVED that the Board authorizes and directs the appropriate staff of the District to take any and all actions necessary to implement the above-referenced changes.

Attachment D

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 10th day of August, 2011.

President

ATTEST:

Secretary

APPROVED AS TO FORM:

District Counsel

I HEREBY CERTIFY that the foregoing Resolution No. 4186 was duly adopted by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT at a regular meeting thereof held on the 10th day of August, 2011 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

District Secretary

SIDE LETTER AGREEMENT

The current five-year Memorandum of Understanding (MOU) for the period from July 1, 2007 through June 30, 2013, between the Otay Water District (District) and the Otay Water District Employees Association (Association) is hereby amended as set forth herein. District Management and Association Employee Representatives have met and agreed to the following additional provisions which shall constitute an amendment to the MOU effective August 10, 2011, as follows:

1. The District and the Association hereby enter into this side agreement, which shall be considered an amendment to the Memorandum of Understanding in effect from July 1, 2007 to June 30, 2013. This side agreement shall expire with the Memorandum of Understanding.

2. Summary:

   a. Update the Pension Retirement Plan contributions; and
   b. Update Group Health Insurance for retired employees.

3. The District submits the following proposal for Article 7, Section, 1: PENSION (RETIREMENT PLAN) and Article 7, Section, 4: GROUP HEALTH INSURANCE: RETIRED EMPLOYEES.

4. Except as modified herein, all other terms and conditions of the MOU shall remain unchanged and in full force and effect.

ARTICLE 7 - EMPLOYEE BENEFITS

ARTICLE 7, SECTION 1: PENSION (RETIREMENT PLAN)

Retirement benefits and the Pre-retirement Option 2 Death Benefit are provided to eligible regular employees under the California Public Employees Retirement System (PERS).

A. Retirement Formula. For employee that retires on or after December 29, 2003 the basis for computing employee retirement compensation shall be two point seven (2.7) percent at age 55 PERS Supplemental Formula based on the employee's single highest year annual compensation.

B. Employer Contribution. The Employee shall pay point seventy five (0.75) percent of the employer contribution effective August 15, 2011 and the District shall pay the remainder of the employer contribution.

C. Employee Contribution. The employee shall pay four-and-one-half (4.5) percent of the employee's service contribution effective August 15, 2011, and eight (8) percent effective July 1, 2012.

ARTICLE 7, SECTION 4: GROUP HEALTH AND DENTAL INSURANCE: RETIRED EMPLOYEES

A. Retiree Health Insurance Guaranteed. The provision of health insurance and access to medical and dental insurance for employees retiring who held full-time status during their employment and their eligible dependents (as set forth below) are guaranteed for the life of the retiree and spouse. However the District reserves the right to make changes related to the overall administration of the plan (e.g. changing health care providers) that do not have a major impact on the overall plan structure.

B. Eligibility. Retirement through the District's Pension Retirement Plan (currently CalPERS) is required to be eligible to receive Retiree Health Insurance in addition to any other provisions set forth herein. Additionally, Medicare-eligible retirees and retiree's spouse are required to sign up for Medicare Parts A and B at the retiree's and/or spouse's own expense, if eligible, to be eligible for District retiree health coverage.

C. Eligible Dependents. Eligible dependents include those dependents who were covered by the District's health insurance on the date the employee ceased active service with the District. Dependents acquired after the employee retires are not eligible for coverage. If the retiree dies, or an active employee dies, and such employee was eligible to be covered by health insurance as a retiree on the date of death, then such employee's dependent(s) will be eligible for District-paid continuation of health insurance coverage at 88% for the life of the retiree's spouse. If there are dependent children eligible for coverage, such unmarried children are eligible for District-paid continuation of health insurance coverage at 88% up to age 19. Plan requirements shall be set forth in a separate booklet furnished to all eligible retirees, is referenced only to provide additional information and is not incorporated into the MOU. Dependent children may be allowed to remain on the plan at the retiree's own expense beyond age 19 as required by law.

D. Health and Dental Insurance Premium Contributions. District contributions towards health and dental insurance premiums for retired employees who held full-time status during their employment, shall be as follows; and medical and dental plan requirements shall be as set forth in separate booklets furnished to all eligible retirees, are referenced only to provide additional information, and are not incorporated into the MOU:

I. REGULAR RETIREMENT

1. Qualifications for represented employee coverage are:
The employee has attained age 55; and
The employee has completed twenty (20) years of continuous full-time service.

2. District/retiree contribution:
District and retiree health and dental insurance contributions shall be based on the following formula:

Employee Only:	100% of the premium paid by the District.
Employee+1:	88% of the District-selected premium paid by the District; 12% paid by the employee.
Employee+2 or more:	88% of the District-selected premium paid by the District; 12% paid by the employee.

This shall be a fixed percentage and shall not change after the employee retires.

II. EARLY RETIREMENT

1. Early Retirement Due To Employee Disability.

An employee may retire between the ages of 50 and 54, if (1) the employee is disabled and unable to work the usual duties of the employee's position on a permanent basis or long term basis (subject to District approval), (2) has a minimum of ten (10) years of continuous full-time District service, and (3) also takes an early retirement through the District's retirement pension plan (CalPERS). The District will make the final determination of disability eligibility. The District has sole discretion to determine whether the employee is disabled to qualify for this benefit and to adopt policies, regulations, and or guidelines to aid in this determination. The Association waives for the life of this agreement its right to negotiate the District's ability to determine who is disabled and to determine the polices, regulations and or guidelines.

2. Early Retirement Due To Employee Hardship.

An employee may retire between the ages of 50 and 54, if (1) the employee experiences a severe hardship (subject to District approval), (2) has a minimum of twenty (20) years of continuous full-time District service, and (3) also takes an early retirement through the District's retirement pension plan (currently CalPERS). A severe hardship may include a spouse who suffers from a serious and prolonged illness or disability where the employee is required to care for the spouse or other similar extraordinary circumstances. The District will make the final determination of hardship eligibility. The District has sole discretion to determine whether the employee has a qualified hardship to be eligible for this benefit and to adopt policies, regulations, and or guidelines to aid in this determination. The Association waives for the life of this agreement its right to negotiate the District's ability to determine who qualifies for this benefit and to determine the policies, regulations and or guidelines.

3. Benefit Level.

If an employee is permanently disabled or has a severe hardship as defined above, the employee may be eligible for retiree health benefits provided they are an active employee who has attained age 50 and has years of continuous service as defined above. The employee and eligible dependents would receive a reduced contribution level toward the District's current retiree medical and dental benefit plans as follows:

Early Retirement Due to Disability or Hardship	
Age at Time of Retirement	District Fixed Percentage Contribution Level
50	**70%**
51	**76%**
52	**82%**
53	**88%**
54	**94%**

If disability retirement or hardship is approved by the District, the percentage of the retiree's health benefit premium to be paid by the District will be determined based on the retiree's age at the time the retirement becomes effective, as demonstrated in the above table. The District's fixed percentage contribution will not increase over time. The same fixed percentage will be applied to calculate the District's portion for any qualified dependent(s).

Association:

Patrick Newman, Association President
Otay Water District Employees Association

Otay Water District:

Mark Watton, General Manager
Otay Water District

ARTICLE 7 - EMPLOYEE BENEFITS

ARTICLE 7, SECTION 1: PENSION (RETIREMENT PLAN)

Retirement benefits and the Pre-retirement Option 2 Death Benefit are provided to eligible regular employees under the California Public Employees Retirement System (PERS).

A. Retirement Formula. For employee that retires on or after December 29, 2003 the basis for computing employee retirement compensation shall be two point seven (2.7) percent ~~(2.7%)~~ at age 55 PERS Supplemental Formula based on the employee's single highest year annual compensation.

B. Employer Contribution. The Employee shall pay point seventy five (0.75) percent of the employer contribution effective August 15, 2011 and the District shall pay the remainder of the~~full~~ employer contribution.

C. Employee Contribution. The employee shall pay four-and-one-half (4.5) percent of the employee's service contribution effective August 15, 2011, and eight (8) percent effective July 1, 2012.~~The District shall pay up to seven percent (7.0%) of the employee's service contribution.~~

ARTICLE 7, SECTION 4: GROUP HEALTH AND DENTAL INSURANCE: RETIRED EMPLOYEES

A. Retiree Health Insurance ~~Not~~ Guaranteed. The provision of health insurance and access to medical and dental insurance for employees retiring who held full-time status during their employment and their eligible dependents (as set forth below) ~~is subject to the discretion of the District and is not~~ are guaranteed for the life of the retiree and spouse~~, or for any specific time period~~. However the District reserves the right to make changes related to the overall administration of the plan (e.g. changing health care providers) that do not have a major impact on the overall plan structure. ~~However, the District will endeavor to make health insurance available to employees who retire, subject to the conditions noted in the rest of Article 7. In addition, retirees may only remain as participants in the District's plan as long as the terms of the plan permit such participation. Retirement through the District's Pension Retirement Plan (CalPERS) is required to be eligible to receive Retiree Health Insurance in addition to the provisions set below. Medicare-eligible retirees are required to sign up for Medicare Parts A and B at the retiree's own expense, in order to qualify for the Medicare-enrolled premium rates. For Medicare-eligible retirees who choose not to enroll for both Medicare Parts A and B, the District will pay up to the Medicare supplement premium rate and the retiree will pay the difference in the higher premium rate.~~

B. Eligibility. Retirement through the District's Pension Retirement Plan (currently CalPERS) is required to be eligible to receive Retiree Health Insurance in addition to any other provisions set forth herein~~the provisions set below~~. Additionally, Medicare-eligible retirees and retiree's spouse are required to sign up for Medicare Parts A and B at the retiree's and/or spouse's own expense, if eligible, to be eligible for District retiree health coverage.~~in order to qualify for the Medicare-enrolled premium rates~~

C~~B~~. Eligible Dependents. Eligible dependents include those dependents who were covered by the District's health insurance on the date the employee ceased active service with the District. Dependents acquired after the employee retires are not eligible for coverage. If the retiree dies, or an active employee dies, and such employee was eligible to be covered by health insurance as a retiree on the date of death, then such employee's dependent(s) will be eligible for District-paid continuation of health insurance coverage at 88% for the life of the retiree's spouse~~until the surviving spouse is Medicare eligible~~. If there are dependent children eligible for coverage, such unmarried children are eligible for District-paid continuation of health insurance coverage at 88% up to age 19. Plan requirements shall be set forth in a separate booklet furnished to all eligible retirees, is referenced only to provide additional information and is not incorporated into the MOU. Dependent children may be allowed to remain on the plan at the retiree's own expense beyond age 19 as required by law.

D~~C~~. Health and Dental Insurance Premium Contributions. ~~Effective January 1, 2008~~, District contributions towards health and dental insurance premiums for retired employees who held full-time status during their employment, shall be as follows; and medical and dental plan requirements shall be as set forth in separate booklets furnished to all eligible retirees, are referenced only to provide additional information, and are not incorporated into the MOU:

I. REGULAR RETIREMENT

1. Qualifications for represented employee coverage are:
   The employee has attained age 55; and
   The employee has completed twenty (20) years of continuous full-time service.
2. District/retiree contribution:
   District and retiree health and dental insurance contributions shall be based on the following formula:

Employee Only:	100% of the premium paid by the District.
Employee+1:	88% of the District-selected premium paid by the District; 12% paid by the employee.
Employee+2 or more:	88% of the District-selected premium paid by the District; 12% paid by the employee.

   This shall be a fixed percentage and shall not change after the employee retires.

~~1. TIER I: Qualifications for Tier I coverage are:~~
   ~~a. The employee was hired before January 1, 1981; and~~
   ~~b. The employee has attained age 55; and~~
   ~~c. The employee has completed five (5) continuous years of service.~~
   ~~e. District/retiree contribution:~~
   ~~District and retiree health and dental insurance contributions shall be based on the formula implemented for active employees as set forth in Article 7, Section 3(D) and Article 7, Section 5 of this Memorandum of Understanding.~~

2. ~~TIER II: Qualifications for Tier II coverage are:~~
   a. ~~The employee was hired on or after January 1, 1981 but before July 1, 1993 and;~~
   b. ~~The employee has attained age 55 but has not attained age 60; and~~
   c. ~~The sum of the employee's age plus continuous years of service equals 70~~

~~OR~~

   d. ~~The employee was hired on or after January 1, 1981 but before July 1, 1993 and;~~
   e. ~~The employee has attained age 60; and~~
   f. ~~The sum of the employee's age plus continuous years of service equals 70.~~
   g. ~~District/retiree contribution:~~

      ~~District and retiree health insurance contributions for employees eligible under a), b) and c) immediately above shall be based on the formula implemented for active employees as set forth in Article 7, Section 3(D) of this Memorandum of Understanding.~~

      ~~District and retiree health and dental insurance contributions for employees eligible under d), e) and f) immediately above shall be based on the formula implemented for active employees as set forth in Article 7, Section 3(D) and Article 7, Section 5 of this Memorandum of Understanding.~~

3. ~~TIER III: Qualifications for Tier III coverage are:~~
   a. ~~The employee was hired on or after July 1, 1993; and~~
   b. ~~The employee has attained age 55; and~~
   c. ~~The employee has completed fifteen (15) years of continuous service.~~
   d. ~~District/retiree contribution:~~

      ~~At the time of retirement, an eligible retiring employee will be eligible to receive $157.86 monthly or the minimum required by the District-selected plan, whichever is greater, to be paid towards employee-only health premiums. If there is no minimum contribution required by the plan, then the payment amount toward health insurance premium will be the last current dollar amount paid toward premiums at the time the District moves to a new plan.~~

      ~~District coverage will end when the employee becomes Medicare-eligible unless the District-selected health insurance plan requires the District to continue to make a contribution toward the retiree health premium.~~

      ~~The retiree may elect to provide coverage to his/her eligible dependents after retirement provided the employee pays 100% of the District-selected plan costs at the group plan rate. This election is not available once the retiree becomes Medicare-eligible.~~

      ~~The retiree will not have access to purchase the District's group dental plan.~~

II. EARLY RETIREMENT

1. Early Retirement Due To Employee Disability.

~~Effective January 1, 2008, a~~An employee may retire between the ages of 50 and 54~~5~~, if (1) the employee is ~~permanently~~ disabled and unable to work the usual duties of the employee's position on a permanent basis or long term basis (subject to District approval), (2) ~~and~~ has a minimum of ten (10) years of continuous full-time District service, and (3) also takes an early retirement through the District's retirement pension plan (CalPERS). The District will make the final determination of disability eligibility. The District has sole discretion to determine whether the employee is disabled to qualify for this benefit and to adopt policies, regulations, and or guidelines to aid in this determination. The Association waives for the life of this agreement its right to negotiate the District's ability to determine who is disabled and to determine the polices, regulations and or guidelines.

2. Early Retirement Due To Employee Hardship.

An employee may retire between the ages of 50 and 54, if (1) the employee experiences a severe hardship (subject to District approval), (2) has a minimum of twenty (20) years of continuous full-time District service, and (3) also takes an early retirement through the District's retirement pension plan (currently CalPERS). A severe hardship may include a spouse who suffers from a serious and prolonged illness or disability where the employee is required to care for the spouse or other similar extraordinary circumstances. The District will make the final determination of hardship eligibility. The District has sole discretion to determine whether the employee has a qualified hardship to be eligible for this benefit and to adopt policies, regulations, and or guidelines to aid in this determination. The Association waives for the life of this agreement its right to negotiate the District's ability to determine who qualifies for this benefit and to determine the policies, regulations and or guidelines.

3. Benefit Level.

If an employee is permanently disabled or has a severe hardship as defined above, the employee may be eligible for retiree health benefits provided they are an active employee who has attained age 50 and has years of continuous service as defined above. The employee and eligible dependents would receive a reduced contribution level toward the District's current retiree medical and dental benefit plans as follows:

~~The early retirement benefit is determined based on eligible Tier (hire date) as follows:~~

~~1. Tier I and Tier II: If an employee is permanently disabled, the employee may be eligible for Tier I or Tier II retiree health benefits provided they are an active employee who has attained age 50 and has 10 years of continuous service. The employee and eligible dependents would receive a reduced contribution level toward the District's current retiree benefit medical plan and if eligible for dental as follows:~~

Early Retirement Due to Disability or Hardship	
Age at Time of Retirement	District Fixed Percentage Contribution Level
~~<50~~	~~0%~~
50	**70%**
51	**76%**
52	**82%**
53	**88%**
54	**94%**

If disability retirement or hardship is approved by the District, the percentage of the retiree's health benefit premium to be paid by the District will be determined based on the retiree's age at the time the retirement becomes effective, as demonstrated in the above table. The District's fixed percentage contribution will not increase over time. The same fixed percentage will be applied to calculate the District's portion for any qualified dependent(s).

2. ~~Tier III: If an employee is permanently disabled, the employee may be eligible for Tier III employee-only retiree health benefits provided they are an active employee who has attained age 50 and has 10 years of continuous service. The employee would receive the same level of benefit as if the employee had retired at normal age described in Article 7, Section 4(C-3).~~

Represented Employees
Eligible to retire with 20 Years of Service at age 55

	Tier I	Tier II	Tier III
Now		3	
2011		2	
2012		2	
2013			
2014			
2015	1		
2016			1
2017		1	
2018		2	1
2019			1
2020		1	4 (1)*
2021			2 (1)*
2022			5 (3)*
2023			6 (2)*
2024			5 (2)*
2025			6
2026			15 (4)*
2027			14 (3)*
2028			13 (1)*
2029			6 (1)*
2030			3 (1)*
2031			2
2032			2
2033			2
2034			1
2035			1
2036			2
2037			1
2038			1
2039			
2040			
2041			
2042			1
Total	**1**	**11**	**95**

*Note: Based on input related to our Succession Plan, employees listed in parenthesis have indicated that they will be retiring before eligibility for the Retiree Health Benefit.

Unrepresented Employees
Eligible to retire with 15 Years of Service at age 55

	Tier I	Tier II	Tier III
Now		4	
2011		1	
2012	1	1	
2013	1	1	2
2014			1
2015			
2016		1	3 (1)*
2017			1
2018		2	4 (1)*
2019			1
2020			2 (2)*
2021			1
2022			2
2023			2 (1)*
2024			2 (1)*
2025			1
2026			1
2027		1	1
2028			
2029			
2030			1
2031			
2032			
2033			2
2034			
2035			1
2036			
2037			
2038			
2039			
2040			1
Total	2	11	29

*Note: Based on input related to our Succession Plan, employees listed in parenthesis have indicated that they will be retiring before eligibility for the Retiree Health Benefit.

Annual Savings for
Represented and Unrepresented Employees

		Savings	Cost		
		PERS Contribution	OPEB ARC Increase	Annual Savings	Cumulative Savings
Year 1	FY 2012	476,800	915,900	(439,100)	(439,100)
Year 2	FY 2013	990,300	915,900	74,400	(364,700)
Year 3	FY 2014	990,300	915,900	74,400	(290,300)
Year 4	FY 2015	990,300	915,900	74,400	(215,900)
Year 5	FY 2016	990,300	915,900	74,400	(141,500)
Year 6	FY 2017	990,300	915,900	74,400	(67,100)
Year 7	FY 2018	990,300	915,900	74,400	7,300
Year 8	FY 2019	990,300	915,900	74,400	81,700
Year 9	FY 2020	990,300	915,900	74,400	156,100
Year 10	FY 2021	990,300	915,900	74,400	230,500
Year 11	FY 2022	990,300	915,900	74,400	304,900
Year 12	FY 2023	990,300	915,900	74,400	379,300
Year 13	FY 2024	990,300	915,900	74,400	453,700
Year 14	FY 2025	990,300	915,900	74,400	528,100
Year 15	FY 2026	990,300	915,900	74,400	602,500
Year 16	FY 2027	990,300	915,900	74,400	676,900
Year 17	FY 2028	990,300	915,900	74,400	751,300
Year 18	FY 2029	990,300	915,900	74,400	825,700
Year 19	FY 2030	990,300	915,900	74,400	900,100
Year 20	FY 2031	990,300	915,900	74,400	974,500
Year 21	FY 2032	990,300	915,900	74,400	1,048,900
Year 22	FY 2033	990,300	915,900	74,400	1,123,300
Year 23	FY 2034	990,300	915,900	74,400	1,197,700
Year 24	FY 2035	990,300	915,900	74,400	1,272,100
Year 25	FY 2036	990,300	915,900	74,400	1,346,500
Year 26	FY 2037	990,300	915,900	74,400	1,420,900
Year 27	FY 2038	990,300	575,900	414,400	1,835,300
Year 28	FY 2039	990,300	575,900	414,400	2,249,700
Year 29	FY 2040	990,300	575,900	414,400	2,664,100
Year 30	FY 2041	990,300	575,900	414,400	3,078,500
Year 31	FY 2042	990,300	575,900	414,400	3,492,900
Year 32	FY 2043	990,300	575,900	414,400	3,907,300
Year 33	FY 2044	990,300	575,900	414,400	4,321,700
Year 34	FY 2045	990,300	575,900	414,400	4,736,100
Year 35	FY 2046	990,300	575,900	414,400	5,150,500

Note: This chart does not inflate the savings or the cost for the expected increases in payroll, nor does this chart discount the savings or cost to a present value. These numbers have been updated to use the July 1, 2011 salaries.

The Ad Hoc Unrepresented Employee Compensation Committee requested that Staff include a summary of District accomplishments with the Staff Report. Staff will present a summary of the District accomplishments as well as clarify some of the misinformation that is being disseminated in the media at the Board Meeting.

Otay Water District Facts and Accomplishments

General OWD facts

- The Otay Water District is the second largest water district in Southern California. It serves more than 206,000 customers in a more than 125 square-mile area.

OWD water rates:

- Otay prides itself on having water rates that are among the lowest of San Diego County's 24 water agencies. For a typical customer using 15 units per month, Otay's water rates are the lowest third of water rates in San Diego County. In a UT Watchdog survey Same amount of water, some pay 70 percent more (Feb. 23, 2011), it reported Otay having among the lowest rates in San Diego County. For insights on the factors driving water rates, please see the attached 2010 Grand Jury Report, San Diego County Water Rates: High Today, Higher Tomorrow.

OWD efficiency and innovation

- The District's Operation and Maintenance (O&M) costs are also in the lowest third of water agencies in San Diego County (see attached). This means Otay is one of the most efficiently operated and managed local water agencies. This analysis includes power, labor, materials, maintenance, and administrative costs.

- Otay's capital improvement projects are completed on schedule, on budget, and with a minimum amount of change orders. For instance, the 5-mile Jamacha Road Pipeline Project was not only the largest capital improvement project in the District's 55-year history, but also one of the most challenging. Despite the challenges, the project was completed on-time and more than $1 million under budget.

- Otay is a recognized leader in the use of recycled water and the District's efforts have resulted in many benefits to its customers. For instance, in its 2005-2006 budget, the District invested nearly $30 million to extend a 30-inch pipeline to connect with the city of San Diego's South Bay Water Treatment Plant in order to obtain recycled water that was at the time being discharged into the ocean. When the pipeline came online, recycled water used for landscape irrigation reduced the District's purchases of imported potable water by approximately 13%.

  This happened just as the drought and supply disruptions forced other water agencies into adopting mandatory water conservation measures. Due in part to this foresight, Otay customers only faced voluntary conservation measures and the District never moved to a Level II drought.

- The District has been committed to using technology to enhance customer service and utilize staff efficiently. Through the innovative and practical use of technology, Otay has reduced the number of full-time employees by 10.9 % (18.75 full time positions), even as it delivers more services to a customer base that has grown by 9% in just the past five years.

Customer satisfaction and recognition

- Customers continually report high levels of satisfaction and trust in the District as their service provider. In the most recent customer survey, 93% of customers rated the District as good, very good, or excellent.

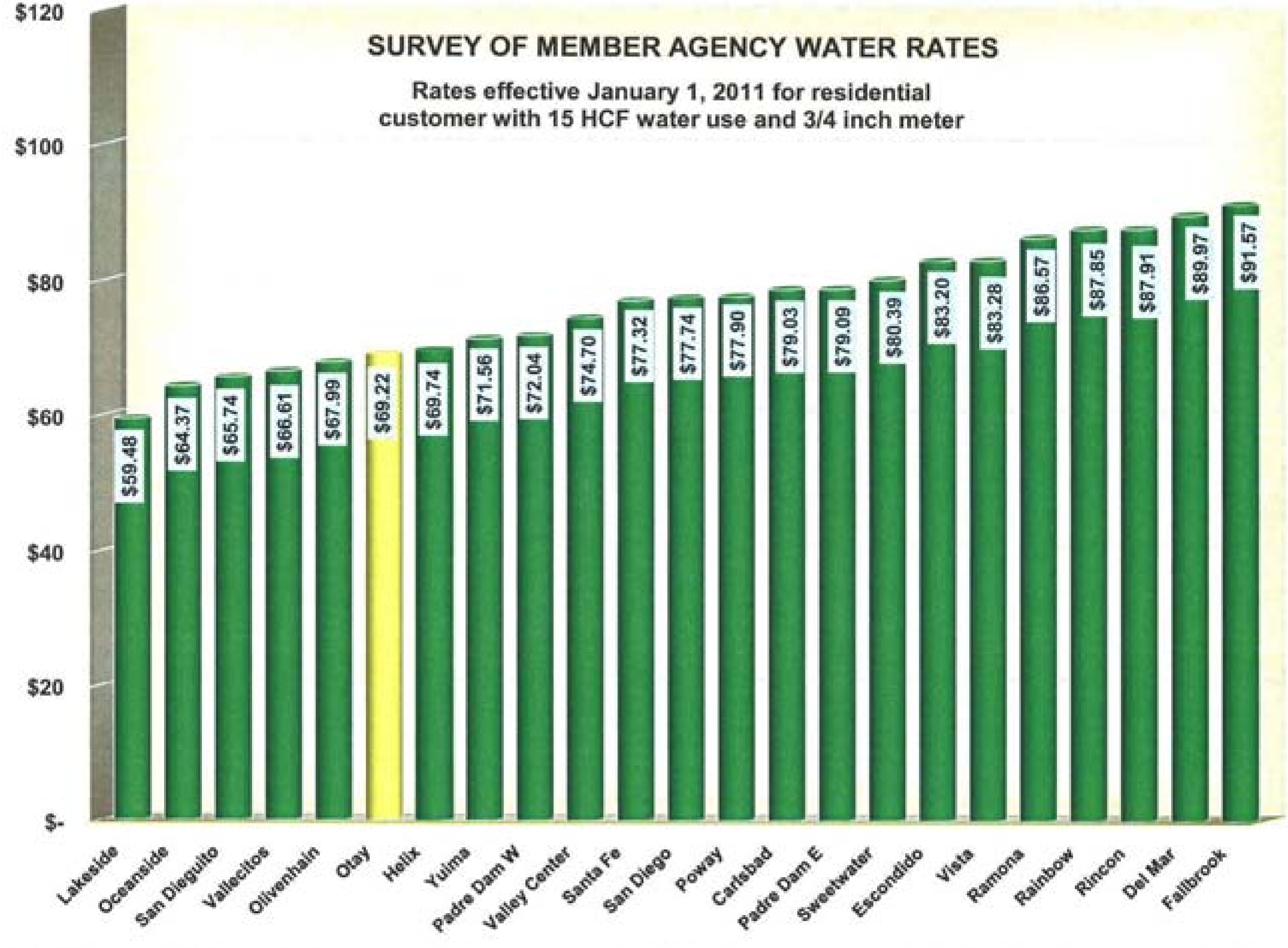
- Customers also report a substantial amount of trust in the ability of the District to provide them with clean, safe water, and they view water service as one of the best values for their dollar: above gas and electricity, telephone service, cable TV, and Internet access.

- Otay is continually recognized by third party, national and international organizations as a leader in the water industry. When compared with similar-sized public agencies, Otay consistently ranks among the very best. In just in the past five years, Otay has received more than 35 awards on subjects such as its budget management, capital improvement projects, safety, IT service and support, and water and energy conservation.

  This year, Otay received the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada for the seventh year in a row. Getting the award just once is an accomplishment for any public agency.

Stability of the District

- The District has a AA credit rating from the rating agencies Standard and Poor's, and Fitch. This is an excellent credit rating for a public agency of its size and reflects on Otay's high credit worthiness. Otay also received two credit rating increases in less than nineteen months. Bond rating agencies look at a number of factors when assigning ratings including financial strength, management, and operational efficiency. For the average customer the high bond rating means they pay less interest on bonds issued for future capital improvement projects, which helps to keep water rates down.


SURVEY OF MEMBER AGENCY WATER RATES
Rates effective January 1, 2011 for residential customer with 15 HCF water use and 3/4 inch meter
$120
$100
$80
$60
$40
$20
$-
$59.48
$64.37
$65.74
$66.61
$67.99
$69.22
$69.74
$71.56
$72.04
$74.70
$77.32
$77.74
$77.90
$79.03
$79.09
$80.39
$83.20
$83.28
$86.57
$87.85
$87.91
$89.97
$91.57
Lakeside
Oceanside
San Dieguito
Vallecitos
Olivenhain
Otay
Helix
Yuima
Padre Dam W
Valley Center
Santa Fe
San Diego
Poway
Carlsbad
Padre Dam E
Sweetwater
Escondido
Vista
Ramona
Rainbow
Rincon
Del Mar
Fallbrook

SIGN ON SAN DIEGO

PRINTTHIS

Same amount of water, some pay 70 percent more

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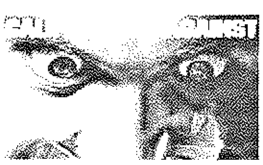
Audit finds UCLA misused $23 million in student fees



Radio ad warns of petition drives, draws critics

Two households use the same amount of water in a given month. One is in Ramona and the other is in Lakeside.

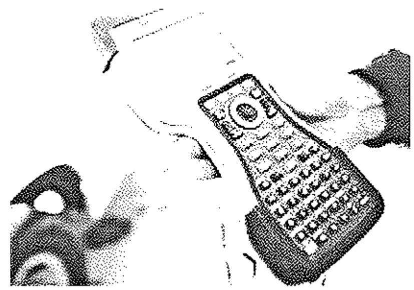
The Ramona family will pay 70 percent more for the same 10,500 gallons.

The difference is not necessarily a scandal or even an injustice, so much as a demonstration of how capital costs and terrain can affect the price of an everyday commodity.

As rates go up across the region, The Watchdog is trying to help readers understand why and therefore surveyed 23 providers to determine what they charge, using the industry standard for a typical family. Ramona topped the list at $85.54.

On the low end, the tiny farm-based agency Yuima and the Lakeside district each charge about $50 for the same monthly delivery. A few large agencies, such as Helix and Otay, also are near the bottom of the price range.

Water managers attribute the



Rates compared

Charge in each jurisdiction for 10,500 gallons of water, including rate increases approved for the coming months. Rates do not include additional pumping charges in some areas for high-elevation zones.

Water district	Typical monthly bill
Ramona	$85.54
Rainbow	$82.45
Padre Dam	$77.87
Vista	$76.09
Sweetwater	$74.24
Del Mar	$73.84
San Diego	$72.03
Fallbrook	$69.56
Vallecitos	$69.09
Valley Center	$68.85
Poway	$67.62

Sweetwater scholarship fund sat dormant

Also of interest

[illegible]

Water savings doesn't equal lower bill

Padre water may lower rates, boost fees

Water, solar power work together

[illegible]

differing rates to variations in infrastructure, loan payments, tax revenues, pumping costs, the number of customers and other factors.

Bob Cook, Lakeside's general manager, said his district's prices were the result of streamlining work flow, staff reductions and creative approaches such as using college students for meter reading.

Lakeside has about 7,000 customers and 14 employees, a ratio that Cook said is partly responsible for controlling costs. In addition, Cook has one of the smallest compensation packages among his peers countywide at about $227,000 a year, and he said the Lakeside board is cautious about other expenses.

Santa Fe $66.33

Oceanside $65.85

Rincon $65.44

San Dieguito $65.43

Olivenhain $65.08

Escondido $62.25

Carlsbad $62.06

Otay $61.50

Helix $61.37

Cal-Am (Imperial Beach/Coronado) $53.99

Lakeside $50.66

Yuima $49.93

Source: Watchdog survey

Note: Rates are based on a 3/4-inch residential connection, except in Sweetwater, Rincon and Yuima, which use 5/8-inch.

"It's definitely a culture," he said.

In San Diego city, by far the largest water retailer in the region with about 270,000 connections, the most recent rate increase will take effect March 1. Typical residential customers will pay $72.03 per month. Similar price hikes were adopted across the region in recent months as agencies' costs to buy water increased.

San Diego's current rates are the result of a decision in 2007. The City Council approved four consecutive years of water rate increases at that time to pay for major upgrades to its treatment and delivery system under orders from state health officials. The cost was estimated at $585 million.

The typical residential bill in San Diego has jumped 67 percent over four years, a number that critics said could be lower if San Diego had done more to cap personnel expenses and eliminate a controversial bonus program for utility department employees. The mayor is trying to end that program now.

Roger Bailey, director of the San Diego Public Utilities Department, said comparing water rates is like comparing mortgages between neighbors — they can be drastically different based on when the houses were built, their condition, lot sizes and other factors.

Water agencies vary dramatically across the county, from San Diego with three major treatment plants to others that buy fully treated water and still others that tap local groundwater that doesn't have to be pumped from Northern California or the Colorado River.

<

Comments Share:

"Our goal internally is to find ways to minimize those costs, but at the end of the day, the costs that you see are the costs that we truly need to recover to meet our obligations financially," Bailey said.

San Diego is hardly alone in failing to control water rates, which are likely to continue rising to cover higher costs related to drought, construction projects, employee pensions, environmental restrictions and other items.

The combination of factors means typical residents in the Ramona Municipal Water District pay far more than they would in other parts of the county. That doesn't surprise Ramona real estate agent Thad Clendenen.

"You talk to people who live in other areas and for almost everyone, their water rates are lower," he said. "There is not a real good feeling in town when you bring up the Ramona water district."

David Barnum, a top official at the Ramona water district, said prices are driven by the district's elevation, which requires pumping water uphill about 1,000 feet from Poway. Pumping costs add about $8 to a typical residential bill. The district has about 9,500 customers.

Ramona relies entirely on imported water, which is generally a more expensive source than wells or large rain-fed reservoirs. Lakeside has groundwater wells and San Diego collects runoff in several lakes.

Barnum also linked Ramona's rates to its large service area, which covers about 75 square miles. By comparison, the Lakeside district covers just 14 square miles.

Instead of having 10 homes per acre like some urban water districts, "Here in Ramona, you may have acres in between houses," Barnum said. "There is a lot more pipe in the ground."

Ramona easily lead the region in water conservation between 2009 and 2010, when district customers cut back nearly 22 percent. Going back five years, sales have plummeted by about 50 percent as farm water use shriveled and conservation initiatives took hold.

"The overhead has to be applied to the base," Barnum said.

The Rainbow Municipal Water District in Fallbrook is second to Ramona in what typical residential customers pay. General Manager Dave Seymour attributed the ranking to the agency's capital projects and efforts to avoid debt.

"We are in the process of completing about $30 million in mandated reservoir upgrades and all of that has to come directly from water rates and charges," he said, adding that many districts would finance similar investments over two decades.

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http://www.signonsandiego.com/news/2011/feb/23/water-rates

Check the box to include the list of links referenced in the article.

SAN DIEGO COUNTY WATER RATES: HIGH TODAY, HIGHER TOMORROW

INTRODUCTION
Most of San Diego's water must be transported to the County from distant sources, a fact that significantly drives up water rates. Only about 20% of our water comes from local sources with the balance transported from the Colorado River (50%) and northern California (30%).

The 2010/2011 San Diego County Grand Jury (Grand Jury) sought to understand this vast water supply system and the inherent pricing pressures that produce water rate increases.

INVESTIGATION
Water rates continue to increase throughout southern California's water distribution system; the Grand Jury studied major reasons for water rate increases by the 24-member water agencies (retailers) of the San Diego County Water Authority (CWA). No investigation of our region's water rates would be complete without understanding our primary source of wholesale water, and the fundamental pricing power that the Metropolitan Water District (MET) wields on our local water rates.

As local media reported water rate increases in the summer of 2010, complaints flowed into the Grand Jury. In addressing the complaints, the Grand Jury interviewed complainants, reviewed a multitude of materials and conducted informational interviews with water officials from both wholesale and retail agencies. The Grand Jury also reviewed official documents, conducted physical site tours, reviewed related websites and attended public meetings.

The Grand Jury investigated the contributing factors associated with the rate hikes. The Grand Jury's attention was focused on the following questions:

- What does the overall distribution system look like?
- How many agencies touch our water and tack on costs?
- Why do water rates increase despite increased conservation?
- What will be the new 'normal' for water rates in the future?
- When will water rates level off?

DISCUSSION
Billions of dollars have been spent on California's vast water distribution system, and billions more are planned. As water continues to be imported, the costs of capital improvements needed for the distribution system will be reflected in increased rates.

The CWA is the San Diego county water wholesaler. CWA manages supply relationships with MET and sells wholesale water to CWA member agencies. These retailers then deliver water to our homes and businesses. The board of directors of CWA is comprised of representatives of these 24 retailers. Today, CWA relies on MET to supply 53% of its water; it is projected to decline to 29% by 2020.

During the 1990 drought, CWA was fully dependent on water deliveries from MET. Citing the drought, MET reduced the amount of water delivered to CWA by one-third. Related mandatory conservation and increased costs during this period forced many local farmers out of business. San Diego County was dependent on MET, but MET couldn't deliver.

After these drastic cuts, CWA embarked on a mission to lessen its dependence by diversifying the County's water supply. In the process, CWA embarked upon a Capital Improvement Program (CIP) to build reservoirs and upgrade its current storage infrastructure. This diversification plan did not come without a cost: CWA will spend nearly $3.8 billion over the period of 1989-2030. Further rate increases may result from these expenditures.

CWA's strategy is to change the relationship with MET from a sole supplier to a supplier and transport partner. The transport comes from the conveyance of CWA-controlled water from sources such as the Imperial Irrigation District through MET's system to CWA facilities.

CWA is MET's largest customer, but is under-represented on MET's board of directors. This disproportionate representation on MET's board suggests that MET will continue to levy a hefty fee to convey CWA water, regardless of source, since CWA has little influence on that decision.

MET was sued by CWA June 11, 2010. The lawsuit claims that MET adopted rates and charges on April 13, 2010 that will overcharge CWA by $30M annually, and that the overage uniquely mischaracterizes certain water supply costs as water transportation costs, thus stabilizing other MET members at CWA expense.

CWA's ongoing investment in a diversification program has been successful in securing supplies from the Imperial Irrigation District. There have been efforts in recycling, desalination, ground water exploration and development to diversify San Diego County's water supply and distance CWA from MET. MET's loss of water sales, along with the state's 20% conservation target, means a significant loss of revenue to MET.

MET is not immune to pricing pressures of its own; as a result, the price increases will flow directly down to ratepayers. Some examples are:

- Substantial reductions in MET's lowest cost supplies from the Colorado River as a result of MET's loss of past Arizona and Nevada surplus water now being used by a growing population in those states.
- Substantial increases in MET's higher water cost from the State Water Project as a result of court rulings limiting the amount of water which may be delivered

through its facilities because of environmental concerns such as river smelt protection.

- State-mandated water conservation targets of 20%.
- MET can restructure water rates such that CIP and various reserves are not funded through water rates. For instance, some CIP have 40-year life spans that could be funded by borrowing.
- CWA, the largest customer, is buying less water from MET.

The CWA board recently approved an ordinance, effective January 1, 2011, to increase treated water rates by 11.3%. Of the increase, 45.5% is a pass-through from MET, 47% represents its CIP, and the balance is for operations and other expenses. The CIP includes over $1.5 billion in contracts and subcontracts to administer and finish its infrastructure building vision.

Water conservation adds costs to our rates in a perverse cause-and-effect relationship. By conserving water, ratepayers will pay more per gallon used. Additional revenue reductions will result from implementation of California's Water Conservation Act of 2009 due to its requirement to conserve 20% by 2020. By conserving water, the CIP debt must be spread over fewer gallons of water, thus increasing the per-gallon price of water.

CWA wholesale water rates increased by 11.3% to local retailers this year, but the Grand Jury found that less than 11.3% has been passed on to ratepayers. Local water retailers' capital reserves have been absorbing as much of CWA's pass-through markup as their distribution costs, capital improvements, financing, operations, and political will can accommodate. This is unsustainable. Retailers do not have enough cash reserves to absorb these cost increases for long. Customers in the County will eventually get the bill for these continuing costs.

In 1996, California voters passed Proposition 218, requiring sellers to meet strict noticing procedures to inform ratepayers before instituting an increase in water rates. A sampling of these Prop 218 notices by the Grand Jury shows how water professionals are informing the public. The notices produced a blizzard of data including laboratory chemistry, engineering logic, charts and graphs, all in technical language not easily understood by the average citizen. While the notices are professionally produced, the mailers seem to hinder rather than help ratepayers' fundamental understanding of the reasons and impending financial impact of water rate increases.

The Grand Jury found that CWA and its retailers have a public relations challenge. They must communicate effectively with a public who is weary of continued rate increases.

Is there good news for San Diego water users on the horizon? As imported water rates increase, technologies such as reclamation and desalination become economically more viable. Each of these technologies cost more to produce than buying imported water; however, as rates rise, the differences become negligible. San Diego County could finally be in an enviable water supply position, with more than 70 miles of coastline and access to literally an ocean of water. Even these technologies will require CIP infrastructure support. Desalination, reclamation, and ground water recovery are each unique technologies requiring specialized processing and testing prior to releasing water they generate into the delivery system.

These technologies are expected to provide San Diego County a diversified water source free from MET control which will potentially provide a plateau in water rates as these systems come online. CWA has reduced dependence from MET since 1990 from 90% to 53% and new local CIP projects are under construction or planned. As imported water rates continue to increase, local sources of water will become a much more significant factor.

County water ratepayers will continue to look for the payback from CWA's diversification program when new local sources of water produce the majority of our water needs that will stabilize rates for our region into the future.

FACTS AND FINDINGS

Fact: San Diego County began importing water in 1940.

Fact: CWA was organized in 1944 to support wholesale distribution of imported water in San Diego County.

Fact: Today imported water comprises 79% of our water supply, of which 53% is purchased from MET.

Fact: The County Water Authority is its largest customer yet is under-represented on the Metropolitan Water District's Board of Directors. Only four of the 24 members are from San Diego County.

Fact: The estimated annual impact of MET conveyance charges to CWA ratepayers, which are considered by CWA to be excessive, is:

- 2011: $30M
- 2013: $39.6M
- 2015: $45.6M
- 2019: $74.4M
- 2021: $230.4M

Fact: In June 2010, CWA filed a lawsuit against MET challenging high conveyance fees.

Fact: CWA is sensitive to member agencies' needs, and is aggressively representing their member agencies' pricing concerns to MET.

Fact: California instituted a 20% mandated water conservation requirement to be reached by 2020.

Fact: Conserving water increases the cost per unit.

Fact: San Diego County is a semi-arid environment without enough rainfall in most years to support the County's population.

Fact: CWA has a plan to diversify sources of water for San Diego County which relies less on MET for imported water.

Fact: CWA's FY2010/2011 budget includes 47% for CIP and debt service, 46% for water purchases and treatment and 7% for its operating departments.

Fact: CWA's $3.8 billion CIP (1989-2030) includes the Twin Oaks Valley water treatment plant, Olivenhain Dam and Reservoir, Lake Hodges Projects and San Vicente Pipeline.

Fact: San Diego county retailers received an 11.3% increase in 2010 from wholesaler CWA effective January 1, 2011.

Finding 01: CWA is under represented on MET's board of directors.

Finding 02: CWA member agencies have not communicated clearly to their customers about the reasons for water rate increases.

Finding 03: Water rates will undoubtedly continue to increase because of a combination of expanding needs in the region, debt from CIP and conservation measures.

RECOMMENDATIONS

The 2010/2011 San Diego County Grand Jury recommends that the San Diego County Water Authority:

11-61: **Evaluate and improve public outreach efforts to educate the ratepayers about efforts to diversify and stabilize rates in the future.**

11-62: **Aggressively explore and advocate for fair representation on the board of the Metropolitan Water District.**

11-63: **Establish a digital outreach and communication program that incorporates social media on County Water Authority and member agency websites that enhances their ability to reach and educate ratepayers.**

11-64: **Consider an economic reward for conservation measures taken by ratepayers.**

11-65: **Increase the investment in diverse technologies such as desalination and reclamation. It is imperative to bring these sources online in anticipation of higher rates in San Diego County.**

REQUIREMENTS AND INSTRUCTIONS

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

(a) As to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

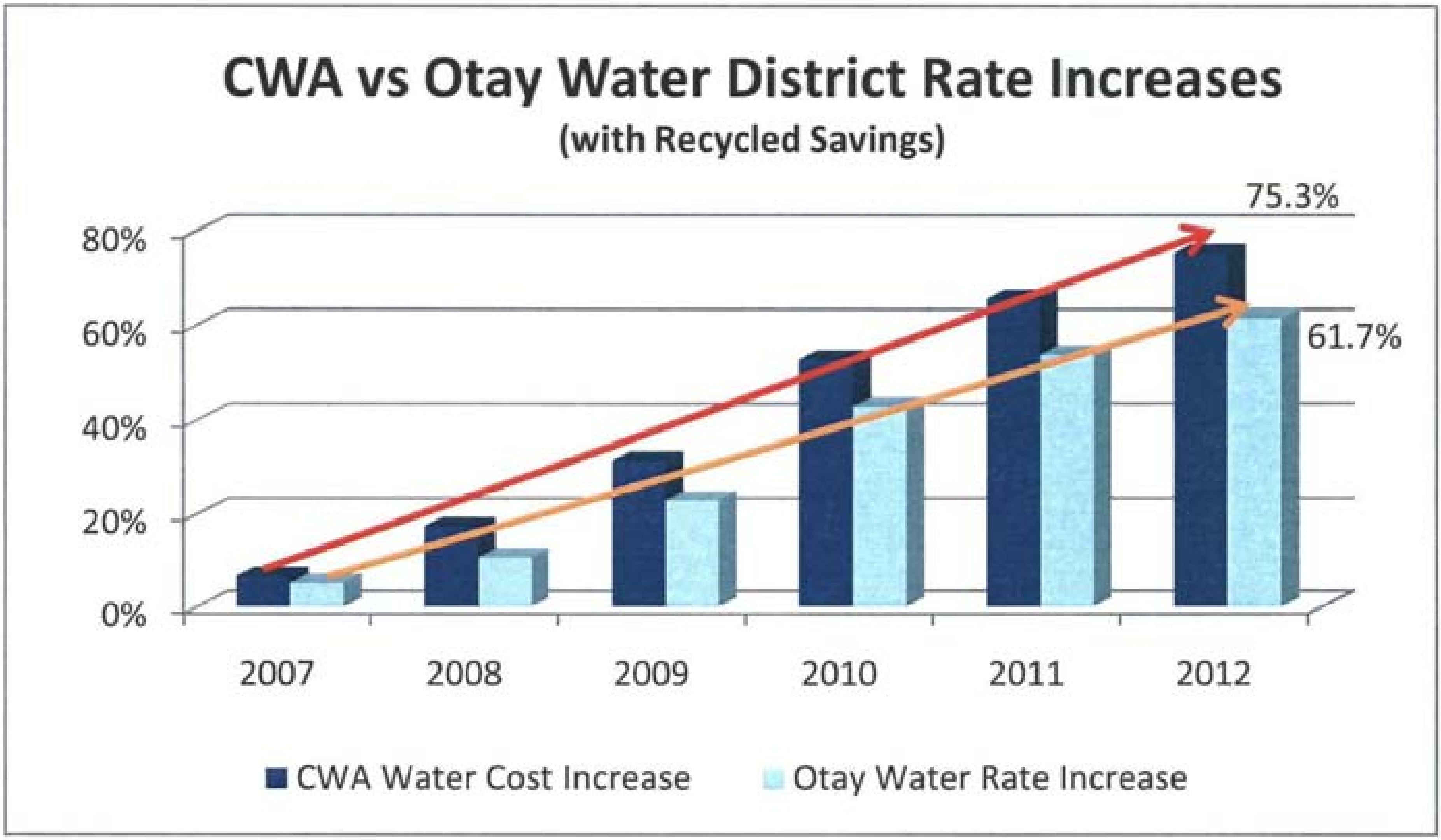
(b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:

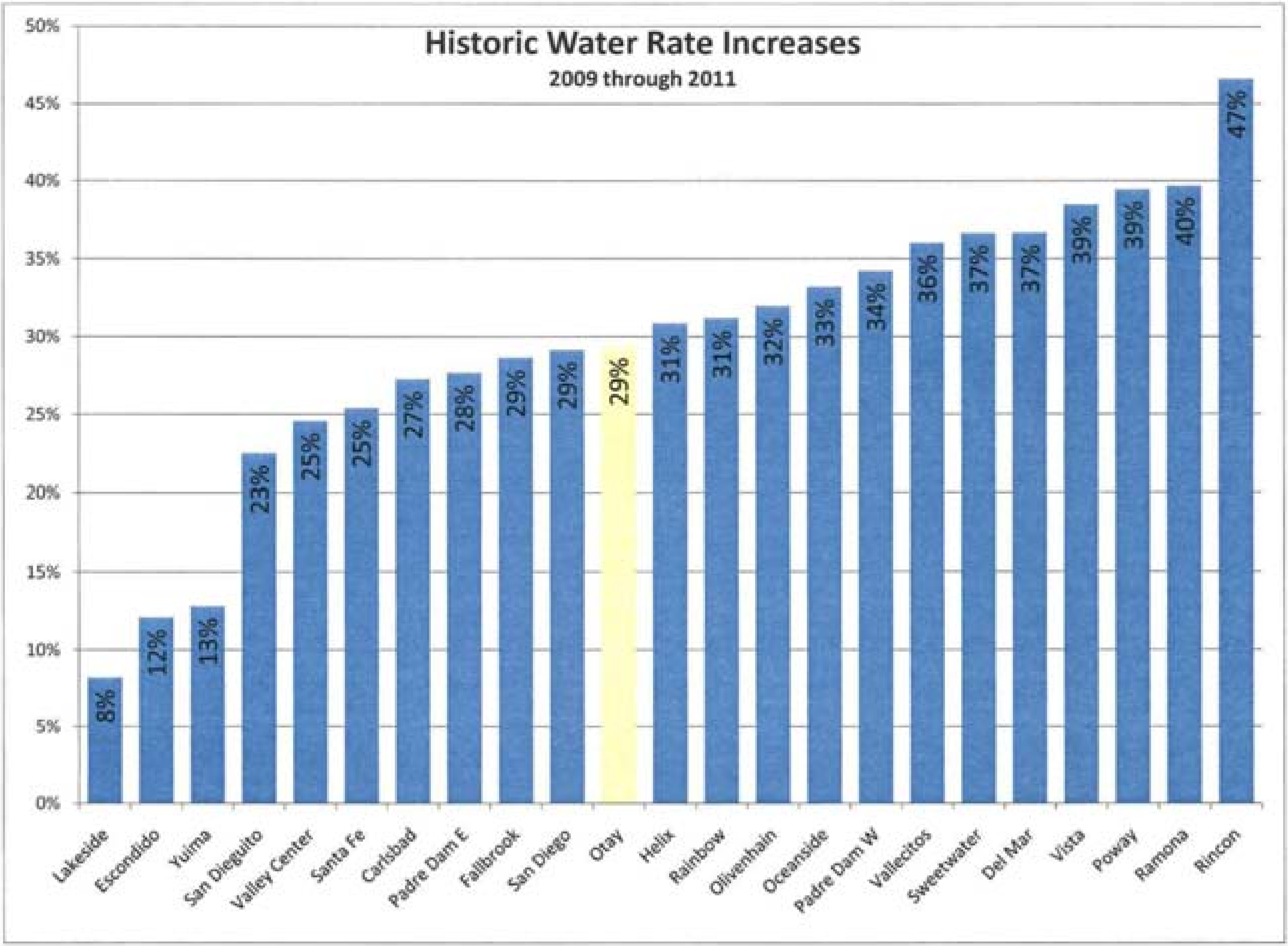
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

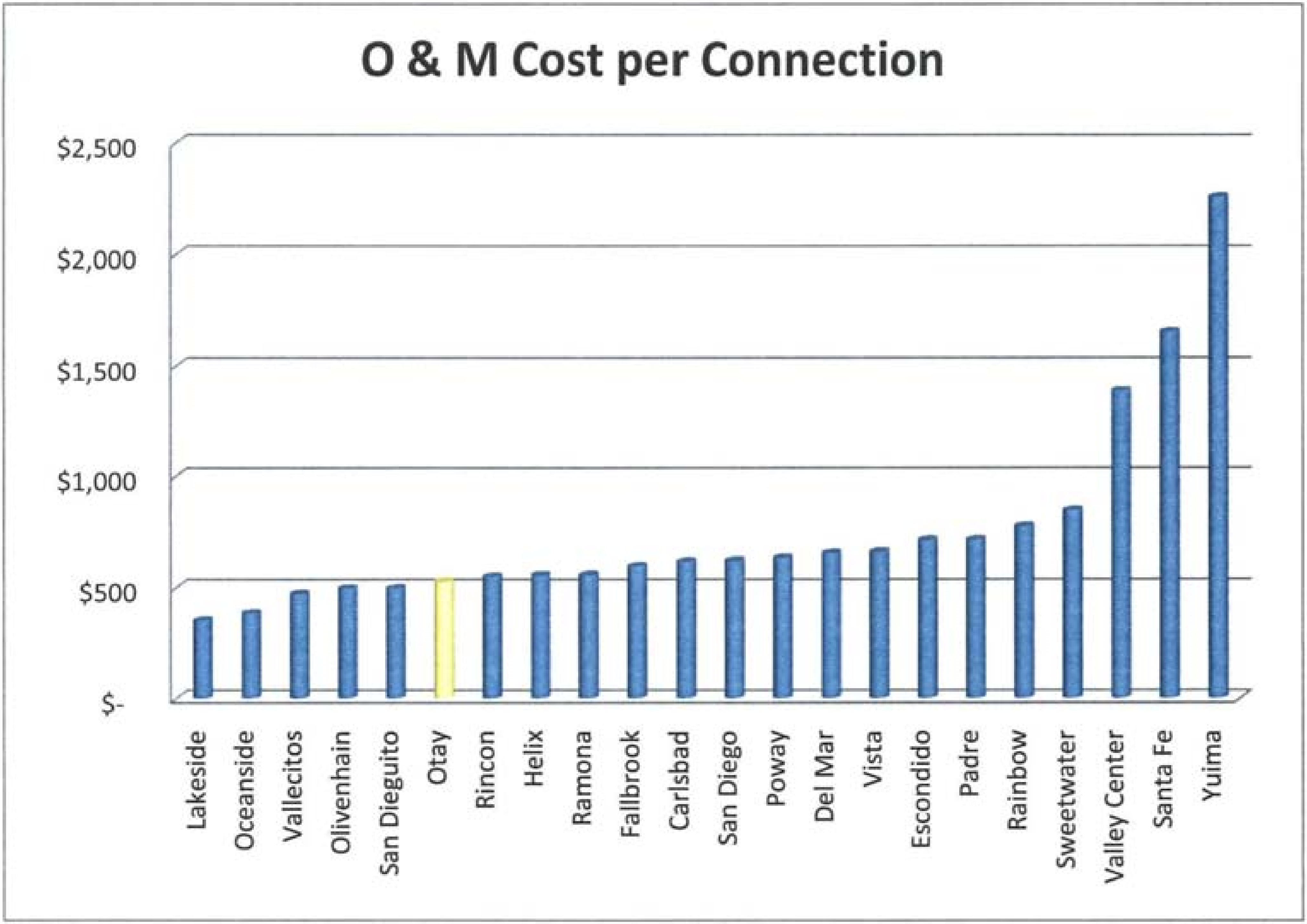
Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code §933.05 are required from the:

Responding Agency	Recommendations	Date
San Diego County Water Authority	**11-61 through 11-65**	**8/29/11**

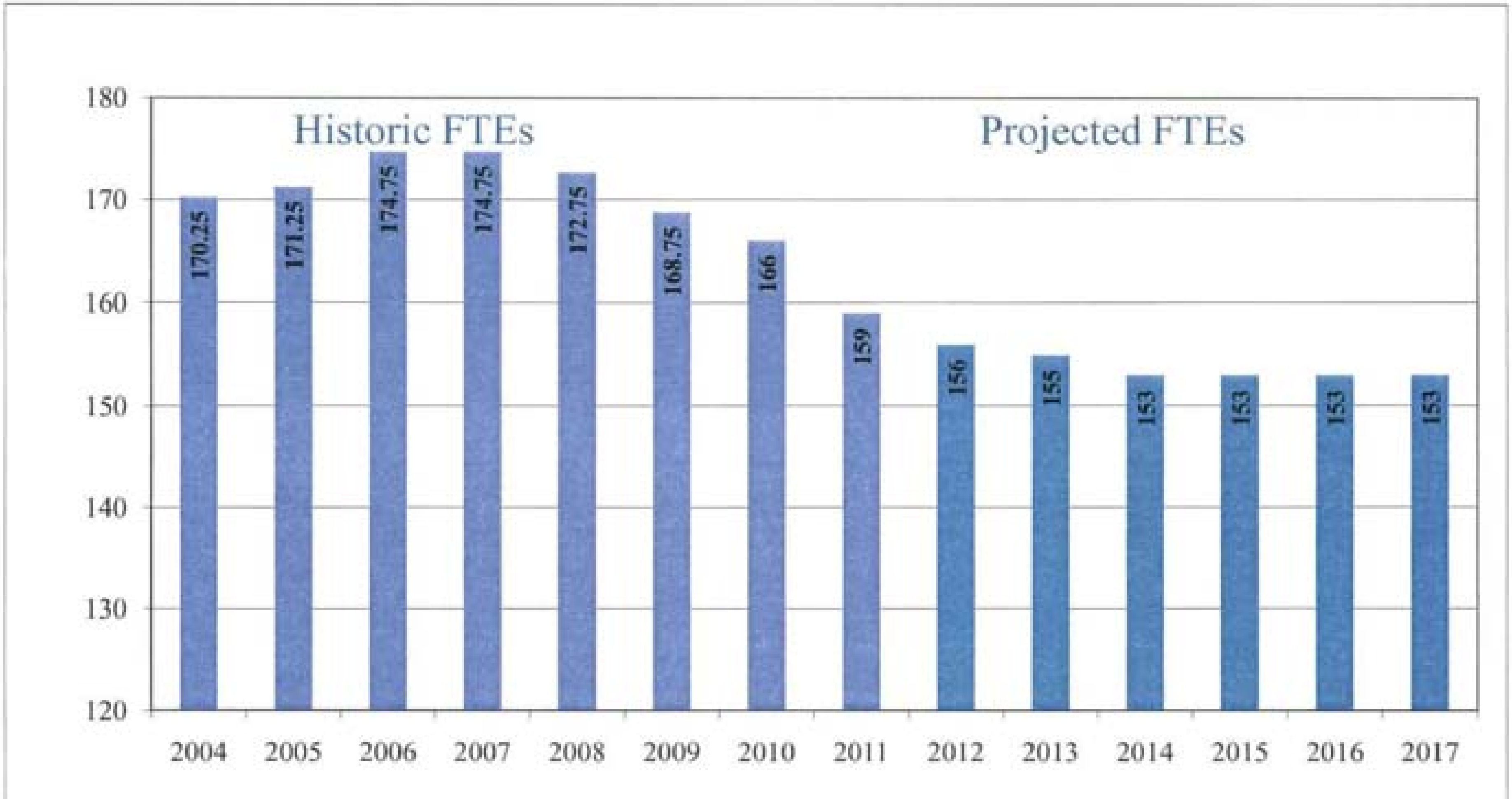

CWA vs Otay Water District Rate Increases
(with Recycled Savings)
75.3%
61.7%
80%
60%
40%
20%
0%
2007
2008
2009
2010
2011
2012
CWA Water Cost Increase
Otay Water Rate Increase



Historic Water Rate Increases
2009 through 2011
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
8%
12%
13%
23%
25%
25%
27%
28%
29%
29%
29%
31%
31%
32%
33%
34%
36%
37%
37%
39%
39%
40%
47%
Lakeside
Escondido
Yuima
San Dieguito
Valley Center
Santa Fe
Carlsbad
Padre Dam E
Fallbrook
San Diego
Otay
Helix
Rainbow
Olivenhain
Oceanside
Padre Dam W
Vallecitos
Sweetwater
Del Mar
Vista
Poway
Ramona
Rincon


O & M Cost per Connection
$2,500
$2,000
$1,500
$1,000
$500
$-
Lakeside
Oceanside
Vallecitos
Olivenhain
San Dieguito
Otay
Rincon
Helix
Ramona
Fallbrook
Carlsbad
San Diego
Poway
Del Mar
Vista
Escondido
Padre
Rainbow
Sweetwater
Valley Center
Santa Fe
Yuima

Staffing Reduction



Efficiency Savings

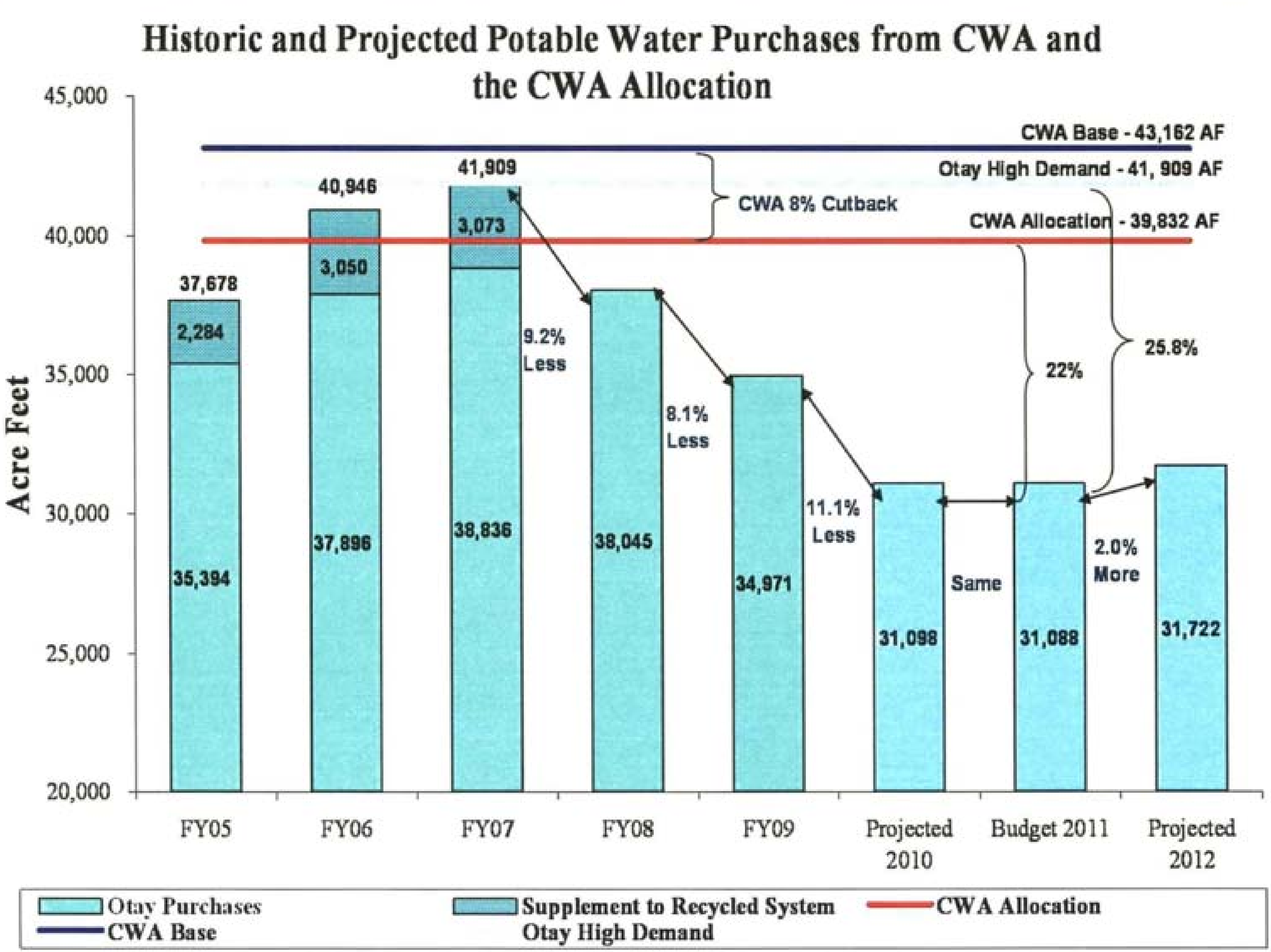
Total Position Salary Savings by Year

FY	Dept	Position	FY08 Total Salary & Benefits	*FY09 $$ Total Salary & Benefits	*FY10 $$ Total Salary & Benefits	*2011 $$ Total Salary & Benefits	*2012 $$ Total Salary & Benefits	Grand Total through FY2012	
2008	Finance	Sr. Customer Service Rep **	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
2008	Engineering	Chief, Development Services	(230,954)	(241,348)	(252,209)	(263,558)	(278,054)		
2008	Engineering	Assistant Civil Engineer	(126,154)	(131,831)	(137,762)	(143,962)	(151,880)		
2008	Engineering	Engineering Tech	(95,965)	(100,283)	(104,796)	(109,512)	(115,535)		
			(361,678)	(377,954)	(394,961)	(412,735)	(435,436)	(1,982,764)	Net 2 positions
2009	Operations	Sr. Utility Equip Operator		(98,845)	(103,293)	(107,941)	(113,878)		
2009	Engineering	Associate Civil Engineer		(161,007)	(168,253)	(175,825)	(185,495)		
2009	Engineering	Assistant Civil Engineer		(126,154)	(131,831)	(137,763)	(145,340)		
2009	Engineering	Construction Inspector I		(83,759)	(87,528)	(91,467)	(96,498)		
				(469,765)	(490,905)	(512,996)	(541,211)	(2,014,877)	Net 4 positions
				(847,719)					
2010	Finance	Secretary **			[illegible]	[illegible]	[illegible]		
2010	Engineering	Sr. Civil Engineer			(182,672)	(190,892)	(201,391)		
2010	Engineering	Construction Inspector II			(101,810)	(106,391)	(112,243)		
2010	Engineering	Construction Inspector I			(83,759)	(87,528)	(92,342)		
					(347,301)	(362,929)	(382,890)	(1,093,120)	Net 2.75 positions
					(1,233,167)				
2011	Admin	Warehouse Delivery Worker				(90,586)	(95,568)		
2011	Admin	Facilities Maintenance Asst				(70,977)	(74,881)		
2011	Finance	Customer Service Rep II				(92,293)	(97,369)		
2011	Finance	Customer Service Field Rep I				(78,251)	(82,555)		
2011	Finance	Customer Service Field Rep II				(86,272)	(91,017)		
2011	Operations	Utility Crew Leader				(115,614)	(121,973)		
2011	Operations	Laboratory Technician II				(110,107)	(116,163)		
						(644,100)	(679,526)	(1,323,626)	Net 7 positions
						(1,932,760)			
2012	Finance	Accountant					(133,865)		
2012	Finance	Customer Service Field Rep I					(86,289)		
2012	Finance	Customer Service Supervisor					(154,964)		
							(375,118)	(375,118)	Net 3 positions
Grand Total						FY12 Total	$(2,414,181)	$(6,789,505)	Total Net 18.75 positions

* Net Labor Savings and prior year Total Salary and Benefits include the effect of an average 4.5% annual increase in salary costs due to

Cost of Living and Merit increases.

** Positions noted in [illegible] are those that have been added rather than deleted in that year. For example in FY08 Finance added a Sr. Customer Service Representative position.


Historic and Projected Potable Water Purchases from CWA and the CWA Allocation
CWA Base - 43,162 AF
Otay High Demand - 41, 909 AF
CWA 8% Cutback
CWA Allocation - 39,832 AF
45,000
40,000
35,000
30,000
25,000
20,000
Acre Feet
37,678
2,284
35,394
40,946
3,050
37,896
41,909
3,073
38,836
9.2% Less
38,045
8.1% Less
34,971
11.1% Less
31,098
Same
31,088
22%
25.8%
2.0% More
31,722
FY05
FY06
FY07
FY08
FY09
Projected 2010
Budget 2011
Projected 2012
Otay Purchases
Supplement to Recycled System
CWA Allocation
CWA Base
Otay High Demand

SIGN ON SAN DIEGO

Recycled-water facility tops fiscal plans for Otay district

By Amy Oakes
STAFF WRITER

June 6, 2005

SPRING VALLEY – The Otay Water District will spend most of its capital improvement funds in the coming fiscal year on its recycled-water facility.

The district's fiscal 2005-06 budget calls for nearly $30 million of the $36 million in capital improvement funds to be used for the project. The district is laying six miles of 30-inch pipeline and building a 12 million-gallon storage tank and pump station north of Main Street in Chula Vista.

< The facility will supply recycled water to the growing communities in eastern Chula Vista. The water can be used in parks, sports fields and landscaped areas.

"These are big projects for Otay," said Mark Watton, the district's general manager. "They are the premier."

The district can fund such projects because it has a healthy budget. It has revenue to support operations and fees from growth to fund future projects. On May 23, the district's board approved an $88 million budget for the next fiscal year.

Watton said the operations portion of the budget, about $52 million, will be offset by revenue. Revenue is projected to be $220,000 more than expenses.

That money can be used for unplanned expenses throughout the year or be folded into the district's reserves, Watton said. The district has about $100 million in reserves, with most of that earmarked for future projects, Watton said.

The district serves 173,000 people in the southeastern part of the county. The 125.5-square-mile service area encompasses eastern Chula Vista, southern El Cajon and La Mesa, Jamul, Spring Valley, Bonita and the San Diego neighborhood of Otay Mesa.

Watton said the board opted to approve the budget at a workshop rather than wait until its June general meeting. The board had adopted a strategic plan before the workshop, and that was incorporated into the proposed budget.

"Usually, there's a lot more questions," Watton said. "They (the board) had a good understanding of what the staff wanted to do."

The budget is a 15 percent increase over the current year's spending plan. The district needs to spend more because of higher water prices charged by wholesalers, the need for more water, higher energy costs and an expansion of the recycled-water system.

In November, the board approved a 3.9 percent rate increase for customers, which will take effect in January. The increase will partially offset the San Diego County Water Authority's 9.7 percent rate increase.

The district has been able to absorb the authority's rate increases with costs savings and revenue.

Watton said the district did benefit from the city of San Diego's troubles and its decision to delay some maintenance projects. The recycled-water pipeline project was estimated to cost the district $19 million. The district ended up awarding a contract for $14.7 million, Watton said.

"Contractors are out there desperately looking for work," Watton said. "We are the (beneficiaries) of that."

▪Amy Oakes: (619) 498-6633; amy.oakes@uniontrib.com

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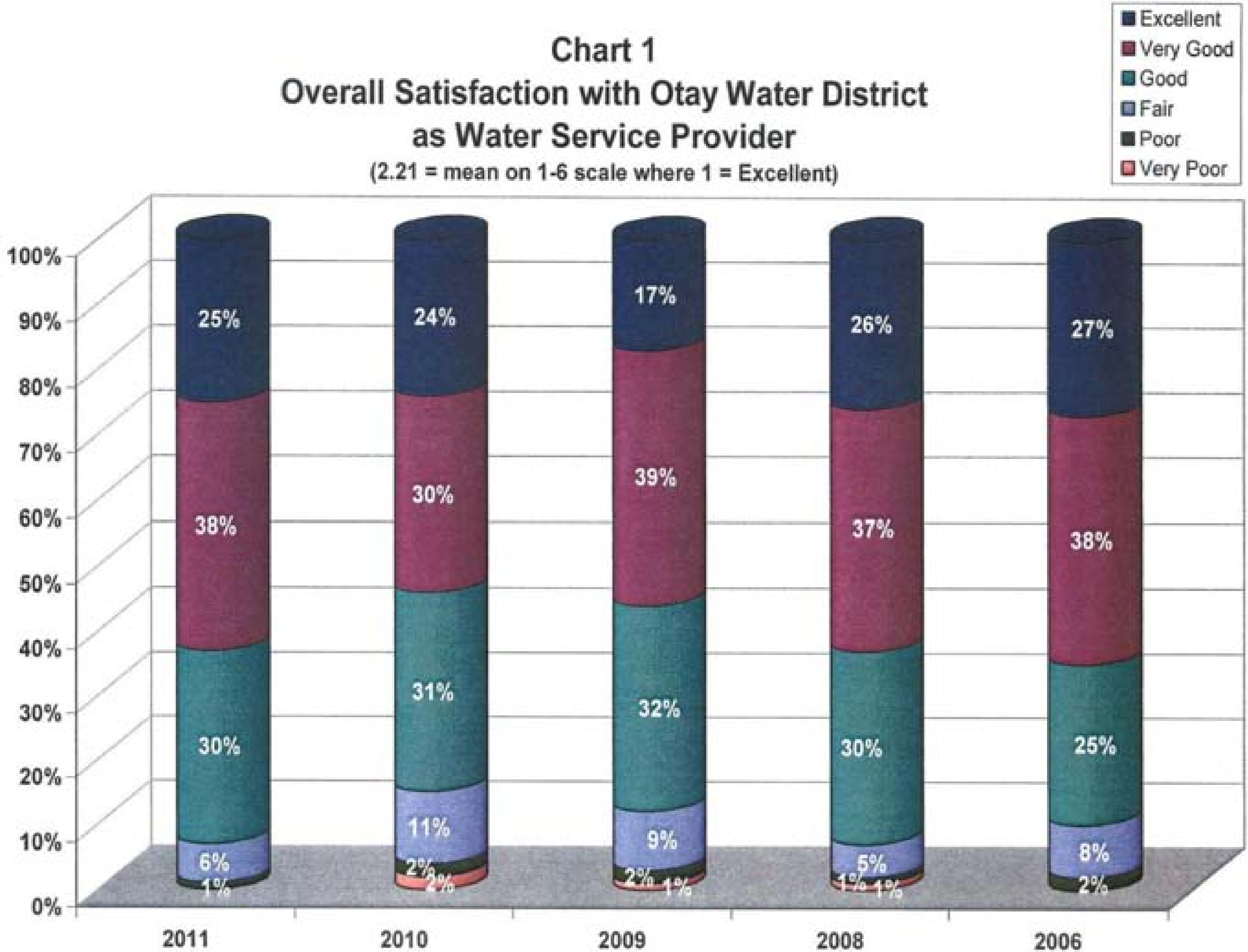
Chart 1
Overall Satisfaction with Otay Water District
as Water Service Provider
(2.21 = mean on 1-6 scale where 1 = Excellent)
Excellent
Very Good
Good
Fair
Poor
Very Poor
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2011
2010
2009
2008
2006
25%
38%
30%
6%
1%
24%
30%
31%
11%
2%
2%
17%
39%
32%
9%
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26%
37%
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5%
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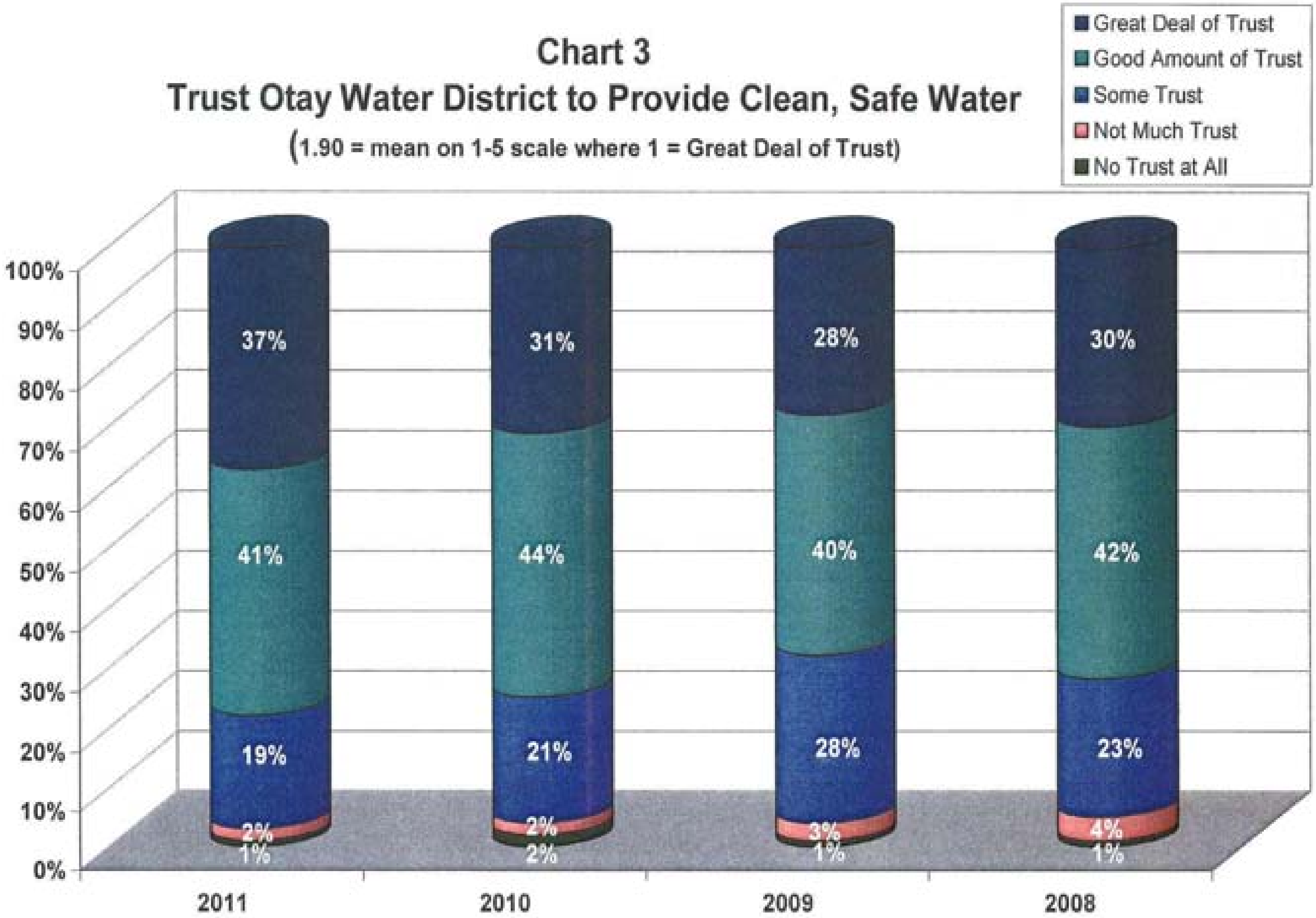
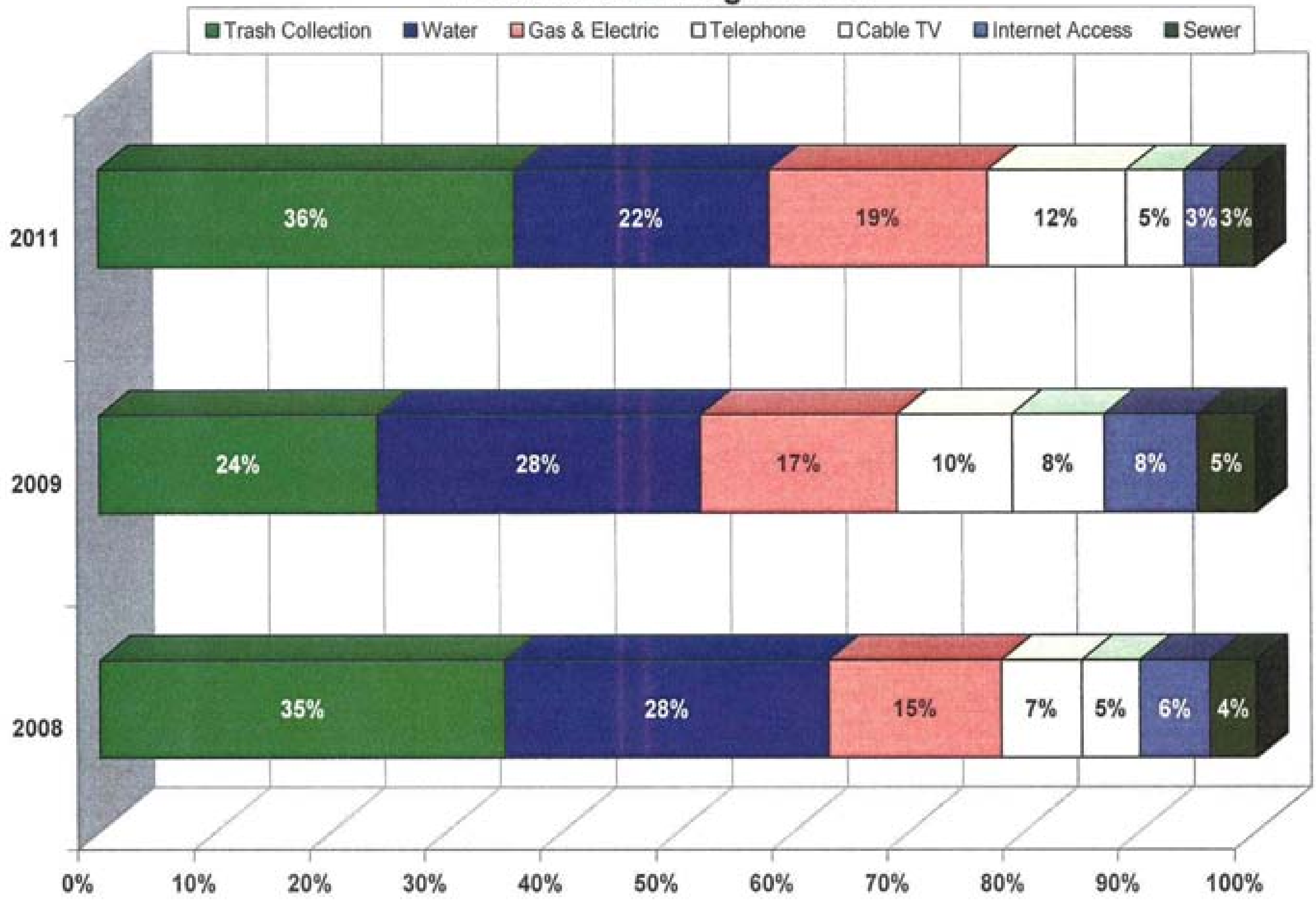
1%
27%
38%
25%
8%
2%



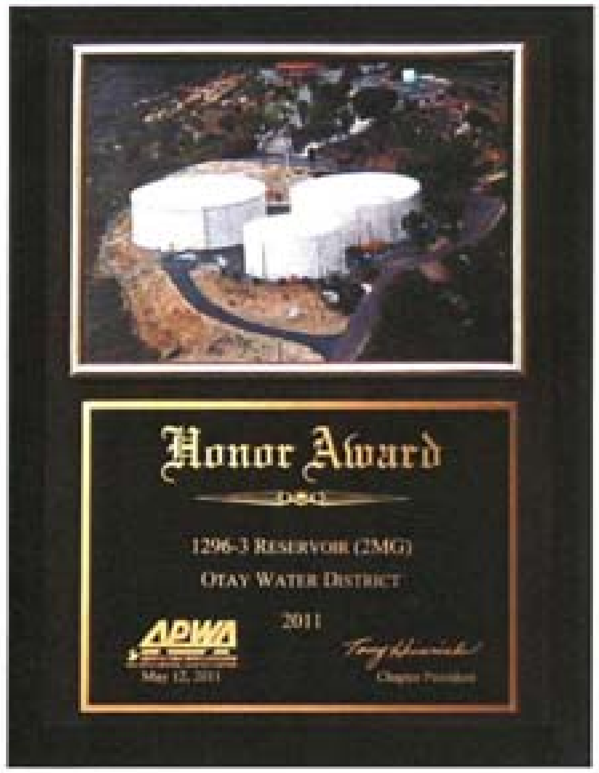
In 2006 and 2005, respondents were asked about their confidence in Otay Water District to prevent contamination of water supply. In 2006, 29% had "not much" or "no" confidence. In 2005, that percentage was 22%. It should also be noted that there was only one clearly positive option in those surveys, skipping from "great deal of confidence" to "some confidence."

Chart 38
Best Value Among Utilities



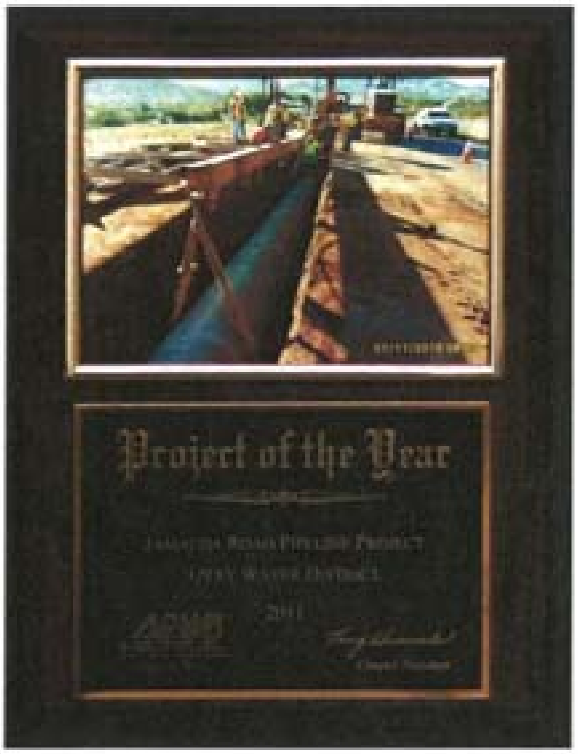
2011 Awards

The American Public Works Association (APWA), San Diego-Imperial Counties Chapter, gave its 2011 Honor Award to the Otay Water District's 1296-3 (2 million gallon) water reservoir. The 1296 Reservoir complex serves portions of the Jamul community in San Diego's East County.



The San Diego Section of the American Society of Civil Engineers presented its 2011Award of Excellence to the Otay Water District for the 1296-3 Reservoir.

2011 Awards

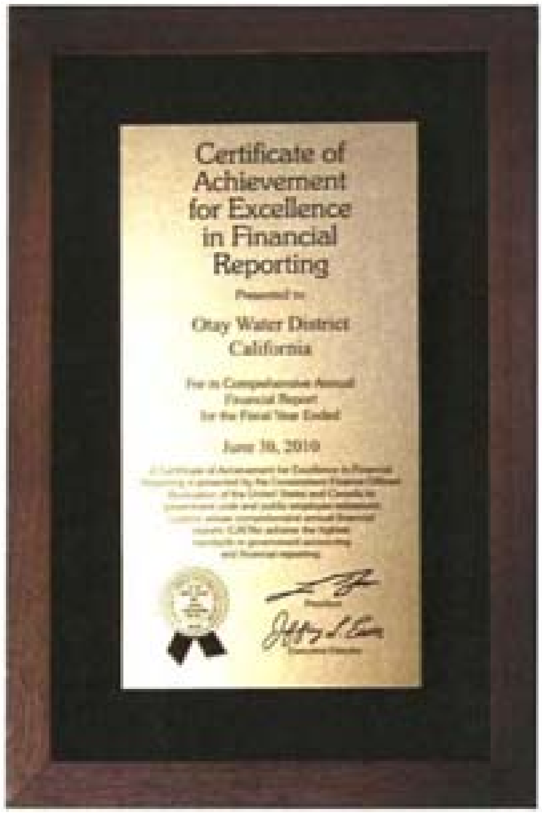


The American Public Works Association (APWA) , San Diego-Imperial Counties Chapter, awarded the Otay Water District's Jamacha Pipeline Project its Project of the Year Award for 2011. One of the most challenging in the District's 55-year history, it was completed on schedule and more than $1 million under budget.

The San Diego Section of the American Society of Civil Engineers gave its Award of Excellence to the Otay Water District and Lee & Ro Inc. for the Jamacha Pipeline Project.

The Jamacha Road Pipeline Project was one element of the East County Regional Treated Water Improvement Program.

2010 Awards



The Otay Water District was the recipient of the Government Finance Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting in 2011 for its comprehensive annual financial report (CAFR).

The CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential uses and user groups the read the CAFR.

GFOA is a nonprofit professional association serving approximately 17,500 government financial professionals.

The Otay Water District was selected by the Irrigation Association's Awards and Honors Committee to be a recipient of its 2010 National Water and Energy Conservation Award.

The annual awards program honors organizations throughout the country that are committed to promoting efficient irrigation and long-term sustainability of water resources for future generations. The award recognized the District for its significant achievement in the conservation of water and energy related to irrigation procedures, equipment, methods and techniques.

Awards

The Public Works Association (APWA) presented Otay Water District and Infrastructure Engineering Corporation the *2010 Project of the Year Award for the 640-1 and 640-2 (10 MG) Reservoirs.*

The two 10-million gallon capacity reservoirs are part of the East County Regional Treated Water Improvement Program

The Public Works Association (APWA) presented Otay Water District the *2010 the Honor Award for the 850-4 (2.2 MG) Reservoir.* The 850-4 Reservoir serves the unincorporated La Presa community in San Diego's East County.

2011 Awards

The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
Otay Water District, California

Executive Director

Date May 16, 2011

The Award of Financial Reporting Achievement was presented by the Government Finance Officers Association to the Otay Water District for excellence in Financial Reporting. It is presented to those governmental units whose annual financial reports are judge to adhere to program standards and represents the highest award in government Financial reporting.

Awards

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Excellence in Capital Budgeting for Fiscal Year 2009-2010.*

The Construction Management Association of America (CMAA) presented Otay Water District and Valley Construction Management the 2010 *Project Achievement*

The 1296-3 Reservoir is located in Jamul, California

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a *Distinguished Budget Presentation Award* to Otay Water District, California for its annual budget for the fiscal year beginning July 1, 2009.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, a financial plan, and as a communications device.

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Excellence in Operating Budgeting for Fiscal Year 2009-2010.*

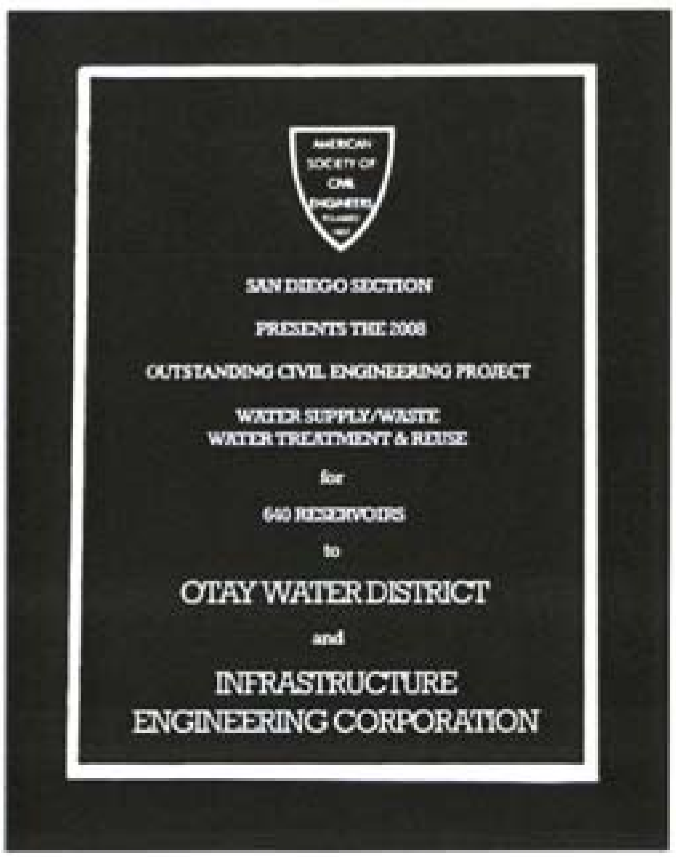
Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a *Distinguished Budget Presentation Award* to Otay Water District, California for its annual budget for the fiscal year beginning July 1, 2008.

The GFOA is a nonprofit professional association serving 17,600 government finance professionals throughout North America. The Distinguished Budget Presentation Awards program is the only national award in governmental budgeting.

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Excellence in Operating Budgeting for Fiscal Year 2008-2009.*

Awards



The American Society of Civil Engineers (ASCE) presented Otay Water District and Infrastructure Engineering Corporation the *2008 Outstanding Civil Engineering Project for Water Supply/Waste Water Treatment & Reuse for the 640 Reservoirs.*

Awards

The Construction Management Association of America (CMAA) presented Otay Water District the *2008 Client of the Year Award.*

The Otay Water District's Information Technology and Strategic Planning Department was awarded the Center for Digital Government's Best of California, *Excellence in IT Operations Support and Service*, Award for 2008.

The Otay Water District's Information Technology and Strategic Planning Department was awarded the Municipal Information Systems Association of California's (MISAC) *Excellence in IT Practices* Award.

The Construction Management Association of America (CMAA) presented Otay Water District the *2009 Project Achievement Award for the* outstanding achievement in the practice of construction management.

Awards

The California Highway Patrol presented the Otay Water District a *Certificate of Achievement* for its motor vehicle carrier safety compliance inspection program, which has achieved consecutive satisfactory compliance ratings.

This is a meritorious achievement and recognizes the commitment to highway safety demonstrated by the District personnel.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Otay Water District, California for its annual budget for the fiscal year beginning July 1, 2007.

This award is the highest form of recognition in governmental budgeting. Receiving the award represents a significant accomplishment by a governmental entity, its financial staff, and its management.

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for Excellence in Operating Budgeting for Fiscal Year 2007 - 2008.

FINANCIAL AWARDS

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Meritorious in Public Communications for Fiscal Year 2007 -2008.*

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Excellence in Capital Budgeting for Fiscal Year 2007- 2008.*

FINANCIAL AWARDS

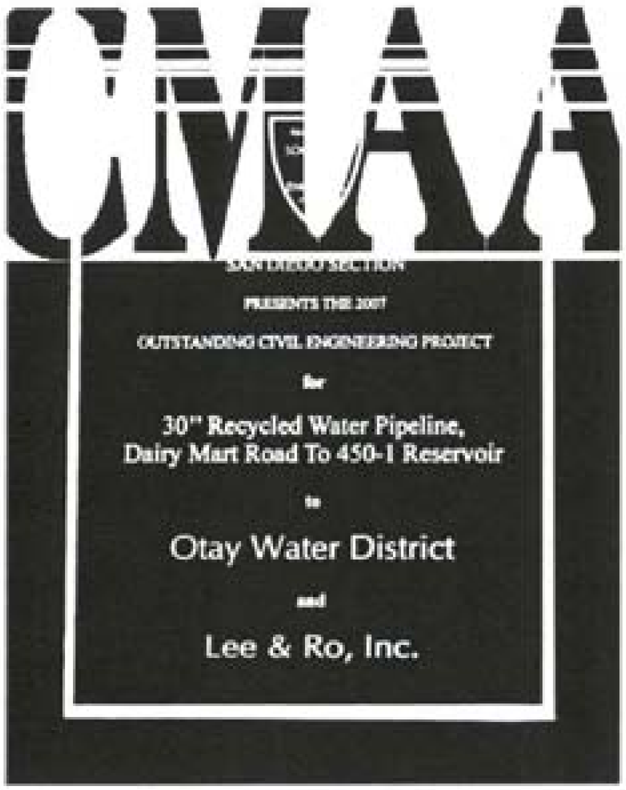
The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award for *Meritorious in Budget Innovations for Fiscal Year 2007-2008.*

AWARDS

The San Diego Taxpayers Association awarded the Otay Water District's Supply Link project with its *2007 Golden Watchdog Award.*

The Supply Link project redirects millions of gallons of recycled water that was released each day into the ocean, and instead uses it to irrigate golf courses, freeway landscapes, and parks in eastern Chula Vista.

AWARDS



The American Society of Civil Engineers (ASCE) presented Otay Water District and Lee & Ro, Inc. the *2007 Outstanding Civil Engineering Project* for 30" Recycled Water Pipeline, Dairy Mart Road to 450-1 Reservoir.

CMAA

The Construction Management Association of America (CMAA) presented Otay Water District the *2008 Project Achievement Award for the Recycled Water Pipeline* to recognize outstanding achievement in the practice of construction management.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a *Distinguished Budget Presentation Award* to Otay Water District for its annual budget for the fiscal year beginning July 1, 2006.

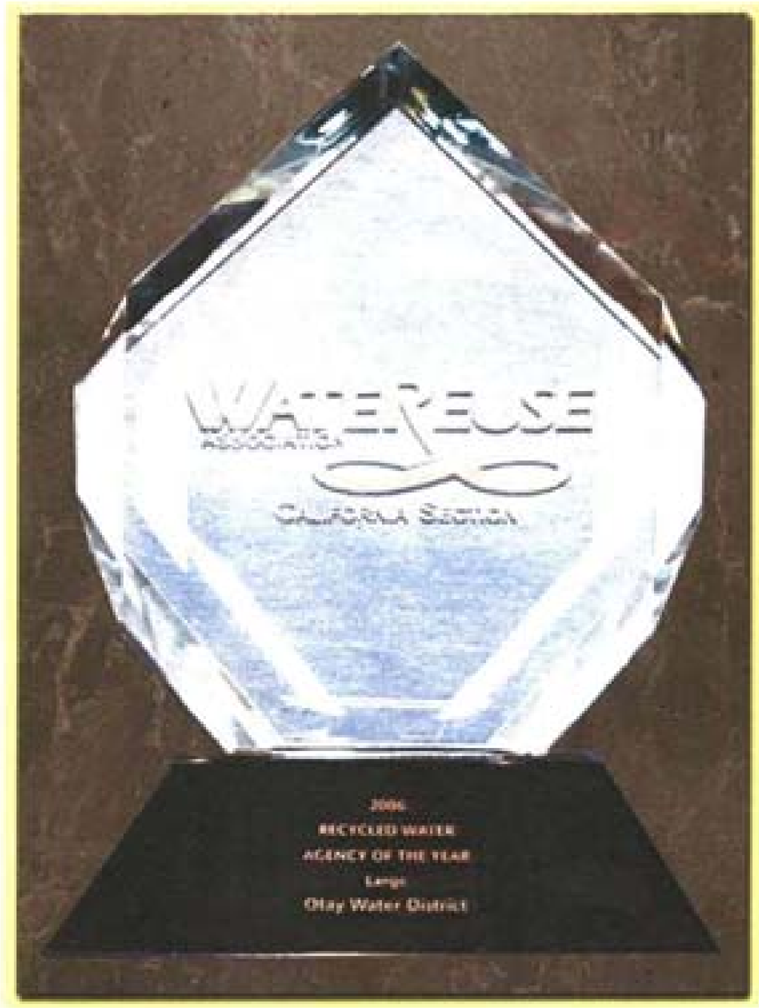
The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award *Excellence in Operating Budgeting for Fiscal Year 2006 - 07.*

FINANCIAL AWARDS

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award *Excellence in Public Communications Budgeting for Fiscal Year 2006 - 07.*

The California Society of Municipal Finance Officers (CSMFO) presented Otay Water District the Certificate of Award *Excellence in Capital Budgeting for Fiscal Year 2006 - 07.*

AWARDS



The Otay Water District was named the *Recycled Water Agency of the Year for 2006* by the WateReuse Association of California. This prestigious award recognized the District's commitment to recycled water use, its extensive recycled water network, and the Supply Link Project that connected to the City of San Diego's South Bay Water Reclamation Plant.

FINANCIAL AWARDS

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Otay Water District

California

For the Fiscal Year Beginning

July 1, 2005

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Otay Water District for its annual budget for the fiscal year beginning July 1, 2005.

California Society of Municipal Finance Officers

Certificate of Award

For

Excellence in Public Communications

Fiscal Year 2005-2006

Otay Water District

February 23, 2006

AWARD


2005
Flex your POWER
Demand Response Award
Otay Water District
A California Leader in Saving Energy

FINANCE AWARDS

Operating & Capital Budget

Distinguished Budget Presentation Award Fiscal Year 2010-11 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2009-10 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2008-09 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2007-08 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2006-07 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2005-06 – Received from GFOA
Distinguished Budget Presentation Award Fiscal Year 2004-05 – Received from GFOA

Excellence in Operating Budgeting Award Fiscal Year 2010-11 – Received from CSMFO
Excellence in Operating Budgeting Award Fiscal Year 2009-10 – Received from CSMFO
Excellence in Operating Budgeting Award Fiscal Year 2008-09 – Received from CSMFO
Excellence in Operating Budgeting Award Fiscal Year 2007-08 – Received from CSMFO
Excellence in Operating Budgeting Award Fiscal Year 2006-07 – Received from CSMFO

Meritorious in Public Communications Fiscal Year 2007-08 – Received from CSMFO
Excellence in Public Communications Fiscal Year 2006-07 – Received from CSMFO
Excellence in Public Communications Fiscal Year 2005-06 – Received from CSMFO

Meritorious in Innovation in Budgeting Fiscal Year 2007-08 – Received from CSMFO
Meritorious in Innovation in Budgeting Fiscal Year 2005-06 – Received from CSMFO

CIP Budget

Excellence in Capital Budgeting Award Fiscal Year 2010-11 – Received from CSMFO
Excellence in Capital Budgeting Award Fiscal Year 2009-10 – Received from CSMFO
Excellence in Capital Budgeting Award Fiscal Year 2008-09 – Received from CSMFO
Excellence in Capital Budgeting Award Fiscal Year 2007-08 – Received from CSMFO
Excellence in Capital Budgeting Award Fiscal Year 2006-07 – Received from CSMFO
Excellence in Capital Budgeting Award Fiscal Year 2005-06 – Received from CSMFO

CAFR

Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2010 – Received from GFOA
Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2009 – Received from GFOA
Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2008 – Received from GFOA
Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2007 – Received from GFOA
Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2006 – Received from GFOA

Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2005 – Received from GFOA
Certificate of Achievement for Excellence in Financial Reporting Fiscal Year ended June 30, 2004 – Received from GFOA

CAFR, continued

Outstanding Financial Reporting for the year Ended June 30, 2005 - Received from CSMFO
Outstanding Financial Reporting for the year ended June 30, 2004 - Received from CSMFO

Debt Policy

Debt Policy Certificate of Excellence Award received from Association of Public Treasurer's of United States & Canada (APT-US&C) received in December 2006.

Investment Policy

Investment Policy Certificate of Excellence Award (Received from Association of Public Treasurer's of United States & Canada (APT-US&C) received in August 2006.

OTAY WATER DISTRICT ESTABLISHED 1956
...Dedicated to Community Service
2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91977-7299
TELEPHONE: 670-2222, AREA CODE 619

FOR IMMEDIATE RELEASE **May 25, 2010**

For More Information, Contact:
Armando Buelna
(619) 670-2256 Office
(619) 987-6360 Mobile
abuelna@otaywater.gov

Otay Water District Nationally Recognized for Financial Reporting

District Receives Award for Sixth Year

Spring Valley, CA – The Otay Water District announced today it has received the Certificate of Achievement for Excellence in Financial Reporting for its 2009 comprehensive annual financial report (CAFR). The District has now received the award from the Government Finance Officers Association of the United States and Canada (GFOA) for the sixth year in a row. This certificate is the only national award for public sector financial reporting.

"The Certificate of Achievement for Excellence in Financial Reporting is the highest form of recognition in the area of government accounting and financial reporting, and its attainment represents a significant accomplishment by a government agency and its management," stated Stephen Gauthier, spokesperson for GFOA.

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate the District's financial story and motivate customers and user groups to read the CAFR.

The GFOA is a nonprofit professional association serving 17,600 government finance professionals throughout North America. The 2009 report can be viewed or downloaded by highlighting the Home tab, then clicking on Publications, located in the upper left hand corner of this screen.

###

...Dedicated to Community Service
2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91977-7299
TELEPHONE: 670-2222, AREA CODE 619

FOR IMMEDIATE RELEASE

Contact:
Armando Buelna
Otay Water District
619-987-6360 mobile
abuelna@otaywater.gov

November 25, 2008

Otay Water District Receives Bond Rating Upgrade

Upgrade reflects commitment to economic and management fundamentals

SPRING VALLEY, CA – The credit rating agency Standard and Poor's has upgraded the bond rating of the Otay Water District from AA- to AA. This higher rating reflects the increased credit worthiness of the district, and means it will pay less interest on bonds it will issue for capital improvement projects.

The bond ratings for public agencies are based on a variety of factors, including the health of the local economy, stability of an agency's customer base, financial strength, management, and operational efficiency. While considering the downturn in the local economy, Standard and Poor's, nevertheless, upgraded the district's bond rating: a testament to the district's ability to manage its assets through difficult economic conditions. Agencies that demonstrate strong financial metrics, good economic fundamentals, and solid management receive upgrades from Standard and Poor's.

"This is the second credit rating upgrade we have received in just the last nineteen months," said Gary Coucher, President of the Board of Directors. "This upgrade further reflects the district's strong management and our commitment to business fundamentals on behalf of our customers."

The upgrade will help keep the district's water rates extremely competitive. For a typical customer, the district's water rates are the sixth lowest in San Diego County.

"The combined affect of these rating upgrades will save the Otay Water District's customers millions of dollars on the costs to build needed water infrastructure," added Croucher.

The Otay Water District was founded in 1956 to serve as a public water utility. The district distributes water to more than 191,500 ratepayers within approximately 125 square miles of southeastern San Diego County including the communities of Jamul, La Presa, Rancho San Diego, Spring Valley, eastern Chula Vista, and east Otay Mesa.

# # #

INVESCO UNIT TRUSTS

Investment Grade Income Trust, 10-20 Year Series 4 (IGLM4)

Delivering quality research driven fixed income products for more than three decades.

A taxable fixed income unit trust

Objective

The trust seeks to provide a high level of current income and to preserve capital.

The trust invests in a portfolio of corporate bonds and taxable municipal bonds maturing approximately 10-20 years from the date of deposit, including Build America Bonds and Qualified School Construction Bonds, Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds (collectively "Qualified Bonds").

Trust specifics

Series information | As of the close of business on the deposit date

Public offering price	$1004.92
Par value	$870.58
Average weighted maturity	18 years
Minimum credit rating of underlying securities[†]	BBB-/Baa3
Sales charge	3.90%
Payment	**Monthly**
Estimated current return[1]	5.55%
Estimated long-term return[1]	5.03%
Initial interest distribution	$3.09
Subsequent interest distributions[2]	$4.64
Estimated net annual income	$55.79

[†] Reflects the minimum credit quality of underlying securities in the portfolio as rated by S&P and Moody's, when available. Not all bonds are rated by both services. Although the bonds in the portfolio are rated at or above the minimum credit quality as of date of deposit, each bond's rating may change after its inclusion in the trust.

Monthly CUSIP	46136E-16-6
Wrap CUSIP	46136E-17-4
Symbol	IGLM4
NASDAQ Symbol	VKGFUX
Deposit date	06/15/11
Distribution date monthly	25th of each month beginning 07/25/11
Record date monthly	10th of each month beginning 07/10/11

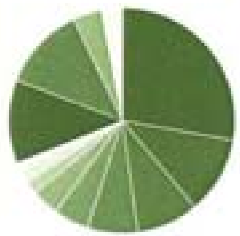
Breakpoint information

Transaction amount*	Sales charges	Est. Current Return[1]	Est. Long-Term Return[1]
Fewer than 100 units	3.90%	5.55%	5.03%
100 - 249 units	3.50	5.57	5.06
250 - 499 units	3.30	5.59	5.08
500 - 999 units	3.00	5.60	5.11
1,000 - 2,999 units	2.80	5.61	5.13
3,000 - 4,999 units	2.30	5.64	5.18
5,000 or more units	1.60	5.68	5.24
Wrap fee	0.60	5.74	5.34

* The breakpoint discounts are also applied on a dollar basis using a breakpoint equivalent of $1,000 per unit and are applied on whichever basis is more favorable to the investor.

Portfolio diversification (% of par value)

As of the opening of business on the deposit date



Invesco Van Kampen helped pioneer the tax-exempt unit trust in 1976. Since then, we have consistently offered fixed income trusts and now boasts a large family of tax-exempt and taxable income trusts.

Over 4,700 fixed income unit trusts have deposited—with over $40 billion in initial deposits.

Why consider the Investment Grade Income Trust, 10-20 Year Series?

Take advantage of a portfolio of taxable bonds through a convenient and efficient way of purchasing a professionally selected and diversified portfolio of quality bonds.

- A defined and diversified portfolio of quality corporates and taxable municipals
- Low minimum investment of approximately $1,000
- Suitable for tax sheltered vehicles like IRAs
- Yields may be higher than U.S. treasury bonds with comparable maturities[3]
- Provides diversification of taxable bonds

Diversification does not guarantee a profit or eliminate the risk of loss.

[1] These estimates are calculated as of the close of business on the deposit date and will vary thereafter. Estimated current return shows the estimated interest distributions you are scheduled to receive each year divided by the unit price. Estimated long term return shows the estimated return over the estimated life of the trust. We base this estimate on an average of the bond yields over their estimated life. This estimate also reflects the sales charge and estimated expenses. The average yield for the portfolio is derived by weighting each bond's yield by its value and estimated life. Unlike estimated current return, estimated long term return accounts for maturities, discounts and premiums of the bonds. These estimates show a comparison rather than a prediction of returns. No return calculation can predict your actual return. Your actual return may vary from these estimates. Current estimates are available at www.invesco.com/unittrust.

[2] The amount is based on estimated cash flows per Unit, and the amount will vary with changes in expenses, interest rates and the maturity, call or sale of bonds.

[3] Unlike Treasury bonds, the bonds the trust invests in are not guaranteed by the U.S. government as to the timely payment of principal and interest, and therefore are subject to greater risk.

Invesco 11 Greenway Plaza, Suite 2500 Houston, TX 77046-1188, www.invesco.com

See other side.

Portfolio holdings

Securities (% of par value as of the opening of business on the date of deposit)	Credit Ratings S&P	Credit Ratings Moody's	Interest Rate (%)	Maturity	Redemption Feature	
Municipal bonds—69%						
Michigan, Board of Trustees of Oakland University General Revenue Bonds, Taxable Build America Bonds	NR	A1	6.40%	03/01/2024	2019 @ 100	
California, Las Virgenes Unified School District, Taxable General Obligation Bonds, Election of 2006, Series C-1, Qualified School Construction Bonds	AA-	Aa2	5.536%	08/01/2025		(2022 @ 100 S.F.)
Nevada, Clark County Sales and Excise Tax Revenue Improvement Bonds, Streets and Highway Projects, Series C, Taxable Build America Bonds	AA	Aa2	5.80%	07/01/2026	2020 @ 100	
Florida, Lee Memorial Health System Hospital Revenue Bonds, Series A, Build America Bonds	A	A2	7.281%	04/01/2027		(2025 @ 100 S.F.)
Michigan, Belding Area Schools, Unlimited Tax School Building and Site General Obligation Bonds, Series A, Qualified School Construction Bonds	AA-	NR	6.70%	05/01/2027	2020 @ 100	(2026 @ 100 S.F.)
California, San Francisco City and County, San Francisco General Hospital Improvement General Obligation Bonds, Series C, Taxable Build America Bonds	AA	Aa2	5.93%	06/15/2028		
California Community College Financing Authority Revenue Bonds, West Valley-Mission Community College District, Series A-1, Taxable Build America Bonds	AA-	Aa3	8.253%	08/01/2028	2019 @ 100	(2025 @ 100 S.F.)
New Jersey Transportation Trust Fund Authority, Transportation System Revenue Bonds, Series C, Taxable Build America Bonds	A+	A1	6.104%	12/15/2028	2020 @ 100	(2024 @ 100 S.F.)
California, Walnut Energy Center Authority Revenue Refunding Bonds, Series B	A+	A1	6.23%	01/01/2029		(2024 @ 100 S.F.)
Illinois, Community College District Number 525 Taxable General Obligation Bonds, Joliet Junior College, Series B, Build America Bonds	AA	NR	7.00%	01/01/2029	2019 @ 100	(2028 @ 100 S.F.)
Florida, Miami-Dade County Capital Asset Acquisition, Taxable Special Obligation Revenue Bonds, Series B, Build America Bonds (Assured Guaranty Insured)	AA+	Aa3	6.72%	04/01/2029	2019 @ 100	(2023 @ 100 S.F.)
California, Regents of the University of California Medical Center Pooled Revenue Bonds, Series F, Taxable Build America Bonds	AA-	Aa2	6.458%	05/15/2029		(2021 @ 100 S.F.)
Illinois, Champaign County Community Unit School District Number 4 General Obligation Bonds, Alternate Revenue Source, Series B, Taxable Build America Bonds	AA	NR	6.05%	06/01/2029	2019 @ 100	(2028 @ 100 S.F.)
California, Los Angeles Unified School District General Obligation Bonds, Series KRY, Taxable Build America Bonds	AA-	Aa2	5.755%	07/01/2029		(2026 @ 100 S.F.)
Florida, Department of Environmental Protection, Florida Forever Revenue Bonds, Series B, Taxable Build America Bonds	AA-	Aa3	7.045%	07/01/2029	2019 @ 100	(2025 @ 100 S.F.)
Florida, Miami-Dade County, Transit System Sales Surtax Revenue Bonds, Series B, Taxable Build America Bonds	AA	Aa3	6.71%	07/01/2029	2019 @ 100	(2022 @ 100 S.F.)
Illinois, Chicago Board of Education, Unlimited Tax General Obligation Bonds, Dedicated Revenues, Series C, Taxable Qualified School Construction Bonds	AA-	Aa2	6.319%	11/01/2029		
Illinois, City of Chicago Second Lien Water Revenue Bonds, Taxable Project Series C, Qualified Energy Conservation Bonds	AA-	Aa3	6.642%	11/01/2029		(2026 @ 100 S.F.)
Florida, Miami-Dade County Capital Asset Acquisition Taxable Special Obligation Revenue Bonds, Series B, Build America Bonds	A+	Aa3	6.543%	04/01/2030	2020 @ 100	(2026 @ 100 S.F.)
California, San Francisco Unified School District General Obligation Bonds, Proposition A, Election of 2006, Series D, Taxable Build America Bonds	AA-	Aa2	5.735%	06/15/2030		(2024 @ 100 S.F.)
California, Otay Water District Financing Authority, Water Revenue Bonds, Series B, Taxable Build America Bonds	AA	NR	6.377%	09/01/2030		(2025 @ 100 S.F.)
California, State Various Purpose General Obligation Bonds, Taxable Build America Bonds	A-	A1	7.70%	11/01/2030	2020 @ 100	
New York, Metropolitan Transportation Authority, Transportation Revenue Bonds, Series C-1, Taxable Build America Bonds	A	A2	6.587%	11/15/2030		(2027 @ 100 S.F.)
New York, Metropolitan Transportation Authority, Transportation Revenue Bonds, Series E, Taxable Build America Bonds	A	A2	6.734%	11/15/2030		(2026 @ 100 S.F.)
Colorado, Grand Junction Certificates of Participation, Taxable Series B, Build America Bonds	A+	NR	7.50%	12/01/2030	2020 @ 100	(2029 @ 100 S.F.)
California, Regents of University of California General Revenue Bonds, Series R, Build America Bonds	AA	Aa1	6.27%	05/15/2031	2019 @ 100	(2024 @ 100 S.F.)
New York, City of New York General Obligation Bonds, Fiscal 2011 - Subseries F-1, Build America Bonds	AA	Aa2	6.646%	12/01/2031	2020 @ 100	(2026 @ 100 S.F.)
Corporate bonds - 31%						
Target Corporation	A+	A2	7.00%	07/15/2031		
ConocoPhillips	A	A1	7.00%	03/30/2029		
Morgan Stanley	A	A2	6.25%	08/09/2026		
Merrill Lynch & Company	A	A2	6.75%	06/01/2028		
General Electric Capital Corporation	AA+	Aa2	6.75%	03/15/2032		
Telefonica Europe B.V.	A-	Baa1	8.25%	09/15/2030		
BellSouth Corporation	A-	A2	6.875%	10/15/2031		

"NR" indicates that the rating agency did not rate that particular issue.
"S.F." indicates a sinking fund is established with respect to an issue of bonds.
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An investment in the trust should be made with an understanding of the risks associated therewith, such as the inability of the issuer or an insurer to pay the principal of or interest on a bond when due, volatile interest rates, early call provisions and changes to the tax status of the bonds. In particular, Qualified Bonds may be redeemed approximately three years after issuance to the extent an issuer has unexpended bond sale proceeds.

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Should the issuer of a Build America Bond or Qualified Bond fail to continue to meet the applicable requirements imposed on the bonds as provided by the American Recovery & Reinvestment Act of 2009, it is possible that such issuer may not receive federal cash subsidy payments, impairing the issuer's ability to make scheduled interest payments.

The trust may concentrate in bonds of a particular type of issuer. This makes the trust less diversified and subject to greater risk than a more diversified portfolio.

The trust is more susceptible to political, economic, regulatory, or other factors affecting issuers of California municipal securities than an investment that does not limit its investments to such issuers.

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Small businesses face declining employee loyalty

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Small business job growth has slowed, and now a new study suggests that small business employees aren't feeling as much loyalty to their employers.

Employee loyalty in small businesses has dropped from 62 percent in 2008, to 44 percent last year, according to MetLife's 9th Annual Study of Employee Benefits Trends, released Monday.

That's significantly lower than the 50 percent employee loyalty rate at large businesses, according to Jeffrey Tulloch, vice president of U.S. business at MetLife.

Additionally, 34 percent of small business employees surveyed would like to work for a different employer.

The survey found that the quality of employee benefits is a major indicator of loyalty. Some 72 percent of small business employees who are very satisfied with their benefits feel a very strong sense of loyalty to their employer, while 50 percent of small business employees who are not very satisfied with their benefits want to be working elsewhere.

"The study is a reality check for smaller employers who may still be viewing their workforce through rose-colored glasses," said Tulloch. "Economic recovery will not only present opportunities for employers but also for top performers. One area small businesses may overlook is whether their benefits programs are designed as strategically as they could be."

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Survey: Workers strive to get most out of benefits

Small business poll: 58% say the worst is over

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HARD TIMES

Understanding and coping with the economic slowdown by Mary Ann Milbourn

Private industry pay hikes top government's

August 1st, 2011, 1:00 am · 19 Comments · **posted by** Mary Ann Milbourn

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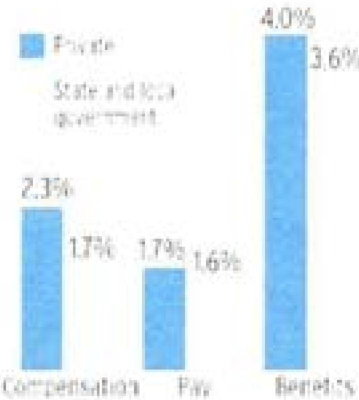
Increases in private industry wages and benefits outstripped those in state and local government in June for the fifth quarter in a row as budget cuts hit public employees, the U.S. Bureau of Labor Statistics reports.

In June, total private industry compensation — pay and benefits — increased 2.3% over the previous 12 months. State and local government compensation rose 1.7% over the same time. State and local government cut 305,000 jobs nationwide from June 2010 to this June.

Increases in just benefits provided by private employers — previously a major plus for those on government payrolls — also topped those for public employees. Benefits in the private sector rose 4% while those in state and local government were up 3%. (Pay typically makes up 70% of compensation and benefits 30%.) (Click on chart to enlarge.)

Private v. government compensation

The year-over-year percentage increase in total pay and benefits for private workers outpaced state and local government compensation in June.



Source: Bureau of Labor Statistics
MOLLY ZISK / The Register

Wages and benefits were up overall for both groups of workers this June compared to a year ago. In June 2010, private sector compensation grew at a 1.9% annualized pace as businesses continued to hunker down after the recession. State and local workers saw their total compensation increase 1.7% during that period.

The last time state and local government compensation topped private industry's was in March 2010, when year-over-year private worker pay and benefits rose 1.6% while public employees' saw a 2% increase.

State and local government have cut 305,000 jobs nationwide since June 2010.

Compensation increases by occupation ranged from 1.8% for the service industry to 2.7% for production, transportation and material moving work.

Leisure and hospitality workers — a major sector in Orange County — saw their pay and benefits rise 1.1% while manufacturing grew 3.3%.

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Manager of small water district makes $299,005

Compensation package is second-highest among 16 independent water providers surveyed in S.D. County

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Linden Burzell — John Gastaldo

Written by Mike Lee /h5>

10:08 p.m., Oct. 9, 2010
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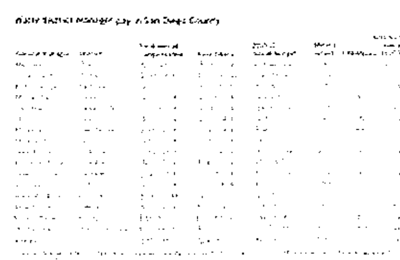
Serving customers at 350 meters, the Yuima Municipal Water District is among the smallest public water agencies in San Diego County.

It also offers one of the richest compensation plans in the region to its general manager, who runs a staff of eight employees in North County's Pauma Valley.

Linden Burzell has held Yuima's



Click the chart to enlarge

top post since 2004 and this year will be paid $299,005 in salary and benefits to manage a $6.9 million budget. That's slightly more than Jim Sandoval gets for salary and benefits as city manager of Chula Vista, where he manages 972 employees and a $326 million budget serving 210,000 residents.

Burzell's compensation package is the second-highest among the 16 independent water providers surveyed by The Watchdog as part of an ongoing examination of public administrator pay.

"I can only tell you that I get up every day trying to figure out a way to earn it," said Burzell, 63. "I look to my board of directors to tell me what they want and what they think they are getting. ... They need to look at what I bring to the table and what the district needs to achieve, and they have to look at how well they think I have discharged the duties that they have assigned to me."

At $301,506, Otay Water District chief Mark Watton has the largest overall pay and benefits package among the surveyed districts, along with the most paid time off. He is entitled to up to 71 days a year, or about a quarter of the work year.

Watton runs one of the region's largest water agencies, which handles more than 53,000 accounts with a total budget of $105 million. Based in Spring Valley, it covers an urbanized swath of southeastern San Diego County.

Water district leaders said their salaries are reasonable for the amount of work they do and the critical nature of their jobs. They know that residents are chafing under rapidly rising water rates, and they feel the pressure from ratepayers who blame the cost of water on them.

Rick Rhoads of Rancho San Diego is among those steamed about the salaries. He looked into compensation in the Otay district after getting what he considered an oversized water bill this summer. He filed a public records request to see the district managers' salaries.

"It was kind of a shock to me," Rhoads said. "That seems to be double what they should get."

He has lobbied his neighbors to oppose more rate increases until the district's salary structure is reduced to "a reasonable level."

Watton said he and his employees are running the equivalent of a large business and are controlling costs while providing a reliable flow of water. He said the district staff has shrunk and he has outsourced some work.

"The real question is how efficiently are we operating and how does the district deliver the services," Watton said. "I have to think we do a pretty good job."

Concerns about salaries also have emerged in Pauma Valley, where retired airline pilot Ron Peterman in 2006 helped the Rancho Estates Mutual Water Co. break away from relying on the Yuima district for

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First-year costs of water agency benefit revealed

administrative and engineering services. He has let the Yuima board know that.

"We said, 'Your costs are too high,' " said Peterman, a board member of the mutual company. "They are elected to watch the till for the taxpayers, but they are not fulfilling their obligations."

Bill Knutson, president of the Yuima board, doesn't make any apologies for Burzell's pay package, which includes a base salary of $203,885 and more than $75,000 in retirement contributions paid by the district.

"I suppose if you looked at the number of customers we serve, you'd say, 'Oh, gee. He's really overcompensated,' " Knutson said. "If you are just getting a GM to serve the customers you have, then you probably wouldn't need the level of the guy that we have.

"But there are a lot of new things in the water business," he said. "We need more than just a manager who keeps the books."

Burzell's duties include advocating for the district on several fronts, including agricultural water programs offered by wholesale agencies, the potential for a new pipeline and efforts to reintroduce endangered steelhead into North County — a move that could affect water deliveries.

Burzell's roots in the water industry run deep. His father spent decades in various local positions, including general manager of the San Diego County Water Authority — the region's wholesale water consortium.

The younger Burzell worked for decades in private industry — everything from commercial aquaculture in Hawaii to business development in the Far East — before settling into the Yuima district, first as an interim manager, then in a permanent role. Ninetyseven percent of his water is delivered to farmers.

"There is a lot of multitasking and a lot of things that ratepayers are able to ask of me and the board is able to ask of me because of the experience I have — 31 years of experience in the private sector," Burzell said.

He said he saves the district money by doing lots of environmental analyses and legal work himself. Burzell also said the basic demands on a general manager are similar no matter the size of the agency.

"If I had 55,000 customers, I'd need a whole lot more meter readers," he said. "I wouldn't need more general managers."

Robert Cook, general manager of the Lakeside Water District, said public resentment of his salary is the product of the recession combined with the spiraling cost of water countywide.

"I don't think if you were to do this (compensation) survey five years ago — when the private sector was extremely profitable and people were highly compensated — there would be the resonance it is having right now," he said.

Cook was one of two general managers in the county who reported receiving a bonus this year. In his case, it was $20,040. He said he hadn't received a raise in about six years and the addon was to reward him for several cost-saving moves.

Gary Arant, general manager of the Valley Center Municipal Water District, reported a bonus of $8,000 granted this year by his board members.

"That was the recognition of a job well done in their minds," Arant said. "Hopefully the ratepayers feel that way, too."

Staff writer Lily Leung contributed to this report.

Water district manager pay in San Diego County

General manager	District	Total annual compensation [1]	Base salary	2010-11 overall budget	Meters served	Employees	Acre-feet [2] sold in FY2010
Mark Watton	Otay	$301,505.63	$215,213.00	$105,441,900	53,407	159	33,503
Linden Burzell	Yuima	$299,005.49	$203,884.56	$6,866,620	350	9	5,311
Keith Lewinger	Fallbrook	$279,922.17	$192,212.80	$35,263,366	9,065	70	12,380
Michael Bardin	Santa Fe	$277,260.00	$191,500.00	$34,605,721	7,300	48	11,147
Gary Arant	Valley Center	$273,733.00	$194,670.00	$41,875,596	10,559	75	27,900
Dennis Lamb	Vallecitos	$272,381.66	$191,354.00	$95,877,000	20,400	109	16,308
Mark Rogers [3]	Sweetwater	$265,245.00	$208,104.00	$54,216,300	32,560	145	19,982
Mark Weston	Helix	$256,123.00	$199,720.00	$67,004,500	55,529	169	33,211
Doug Wilson	Padre Dam	$254,045.98	$190,740.00	$93,137,544	24,813	156	11,856
Kimberly Thorner	Olivenhain	$253,172.00	$190,382.00	$70,594,000	27,111	79	21,157
Dave Seymour	Rainbow	$250,828.00	$188,370.00	$60,681,850	7,797	56	21,156
Roy Coox	Vista	$237,239.00	$200,096.00	$38,665,010	27,896	102	18,273
Ralph McIntosh	Ramona	$236,003.44	$171,433.60	$27,958,328	9,500	53.5	6,550
Robert Cook	Lakeside	$227,048.00	$155,004.00	$7,662,191	6,850	13	3,847
Richard Williamson	Borrego	$209,903.32	$185,000.00	$4,175,084	2,125	16	3,004
Mitchell Dion	Rincon del Diablo	$203,290.00	$170,201.00	$17,729,000	8,015	20.5	9,560
Average		$255,981.61	$190,492.81	$47,609,628	18,955	80	15,947

[1] Includes base pay, deferred compensation, retirement contributions, health/life insurance premiums, Medicare payments, phone allowance and auto allowance. Excludes bonuses. [2] An acre foot is one acre covered by a foot of water. [3] Retired Sept. 30.

FY 2011 Budget Report by Department

1200 - General Manager

Account No	Title	Budget	Expenditure	Encumbrances	Pct
5212	Travel	8,000.00	1,320.11	0.00	17 %
11-1211-5212		8,000.00	1,320.11	0.00	17 %

FY 2012 Budget Report by Department

1200 - General Manager

Account No	Title	Budget	Expenditure	Encumbrances	Pct
⊟ 5212	Travel	6,000.00	0.00	0.00	0 %
11-1211-5212		6,000.00	0.00	0.00	0 %

MARK W. WATTON
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
(619) 670-2210
FAX (619) 660-0829

Mark Watton is the General Manager of the Otay Water District. His duties include responsibility for the day-to-day operations of the District and overseeing a $100 million annual budget and 156 employees.

Mr. Watton is well known in the water industry serving on elected and appointed boards covering every aspect of water management for local government and at the regional and state levels. He served on the Otay Water District's board of directors for eighteen years, including four terms as its president. He is a past chairman and vice chairman of the San Diego County Water Authority's (SDCWA) board of directors, and served on the board of directors of the Metropolitan Water District of Southern California. Mr. Watton was a Governor Pete Wilson appointment to the Colorado River Board of California, and is a former president of the Water Agencies Association of San Diego.

Mr. Watton currently represents the Otay Water District on the SDCWA serving as the chairman of the Imported Water Committee. He also serves on SDCWA's Water Planning Committee.

As a chairman of the board for SDCWA in 1995, Mr. Watton initiated the San Diego-Imperial Irrigation District water transfer agreement. The water transfer will provide 200,000 acre-feet of water a year through water conservation measures in Imperial Valley. The transfer is the cornerstone of the Colorado River Quantification Settlement Agreement (QSA), which increases access to highly reliable supplies of Colorado River water. The Agreement has also been critical to the region's efforts to diversify its water supply and reduced the severity of the recent drought to San Diegans. Mr. Watton's other former chairmanships include serving as chairman of the Colorado River Programs Ad Hoc Committee and the QSA Implementation Ad Hoc Committee.

The Otay Water District is a public agency distributing water to more than 206,500 residents within approximately 125.5 square miles of southeastern San Diego County, including Spring Valley, La Presa, Rancho San Diego, Jamul, eastern Chula Vista and Otay Mesa.

SurSan Diego County Water Authority Member Agencies

Summary of Residential and Commercial Irrigation Restrictions*

August 1, 2010

Member Agency	Mandatory or Voluntary	Prohibited Hours	Days/Week Irrigation Permitted	Assigned Watering Days	Sprinkler Station Time Limit	Exemptions
Carlsbad MWD (760) 438-2722	Mandatory	10 a.m. to 6 p.m.	3 Year Round	*Odd addresses*: Sun, Tues, Thur *Even addresses*: Sat, Mon, Wed *Apartments, condos, businesses*: Mon, Wed, Fri	10 Minutes	Assigned watering days do not apply to commercial growers or nurseries. Sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers.
Del Mar, City of (858) 755-9313	Voluntary	9 a.m. to 4 p.m.	Not Specified	Not Specified	Not Specified	Not Specified
Escondido, City of (760) 839-4658	Mandatory	10 a.m. to 6 p.m.	3 in June-Oct & 1 in Nov-May	Customers will determine which day(s) to water	10 Minutes	Sprinkler time limit does not apply to systems that use micro-emission devices with a flow rate equal to or less than 2 gallons per hour, or to stream rotor sprinklers. New plantings including grass may be watered as needed until established.
Fallbrook PUD (760) 728-1125	Mandatory	10 a.m. to 6 p.m.	3 Year Round	*Odd addresses*: Mon, Wed, Fri *Even addresses*: Tue, Thur, Sat	10 Minutes	Assigned watering days do not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers. During extreme Santa Ana conditions, one additional day of watering is allowed.
Helix WD (619) 466-0585	Mandatory	10 a.m. to 6 p.m.	3 in June-Oct & 2 in Nov-May	Customers will determine which days to water	10 Minutes	Assigned watering days do not apply to commercial growers or nurseries. Sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers.
Lakeside WD (619) 443-3805	Mandatory	10 a.m. to 6 p.m.	3 Year Round	Customers will determine which days to water	10 Minutes	Assigned watering days do not apply to commercial growers or nurseries. Sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers.
Oceanside, City of (760) 435-5800	Mandatory	10 a.m. to 6 p.m.	3 Year Round	Customers will determine which days to water	10 Minutes	Assigned watering days do not apply to commercial growers or nurseries. Sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers.
Olivenhain MWD (760) 753-6466	Voluntary	8 a.m. to 6 p.m. Suggested	Not Specified	Not Specified	Not Specified	Nurseries and commercial growers may water any time with a hand-held hose with a positive shut-off nozzle, bucket, or drip/micro-irrigation system. Irrigation of nursery propagation beds is permitted any time. Watering of livestock is permitted at any time
Otay WD (619) 670-2222	Voluntary	10 a.m. to 6 p.m. Suggested	3 Year Round Suggested	Customers are encouraged to water no more than three days per week.	15 Minutes Suggested	New plantings and newly seeded areas are exempt for 30 days. Nurseries and commercial growers may water any time with a hand-held hose with a positive shut-off nozzle, bucket, or drip/micro-irrigation system. Irrigation of nursery propagation beds is permitted any time. Suggested sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, stream and rotating sprinkler nozzles.
Padre Dam MWD (619) 448-3111	Mandatory	10 a.m. to 6 p.m.	3 in July-Nov & 2 in Dec-Mar	Customers will determine which days to water	10 Minutes	Assigned watering days do not apply to commercial growers or nurseries. Sprinkler time limit does not apply to water-efficient irrigation devices, including weather-based controllers, drip/micro-irrigation, and stream rotor sprinklers.
Poway, City of (858) 668-1215	Mandatory	10 a.m. to 6 p.m.	3 Year Round	*Odd addresses*: Sun, Tues, Thur *Even addresses*: Sat, Mon, Wed *Apartments, condos, businesses*: Mon, Wed, Fri	10 Minutes	Nurseries and commercial growers may water any time with a hand-held hose with a positive shut-off nozzle, bucket, or drip/micro-irrigation system. Irrigation of nursery propagation beds is permitted any time. Sprinkler time limit does not apply to drip, micro-irrigation, or stream rotor systems.

*Most ordinances require use of a hand-held hose with a positive shut-off nozzle or bucket when watering areas without an irrigation system. For more detailed and up-to-date information, refer to individual member agency ordinances.

San Diego County Water Authority Member Agencies

Summary of Residential and Commercial Water Use Restrictions*

August 1, 2010

Member Agency	Implementation Status	Mandatory or Voluntary Restrictions	Irrigation Restrictions			Water Features Restricted or Prohibited	New Meter Restrictions	Time Limit to Repair Leaks	Stop Washing Paved Surfaces	Stop Runoff from Inefficient Irrigation	Use a Hose with a Positive Shutoff Nozzle	Serve Water Only on Request in Restaurants	Offer Hotel Guests Option to Not Launder Linens Daily
			Prohibited Hours	No of Days/Week Irrigation Permitted	Sprinkler Time Limit*								
Carlsbad MWD (760) 438-2722	Level 2	Mandatory	10 a.m. - 6 p.m.	3 in June-Oct.	10 Minutes	Yes	No	72 Hours	Yes	Yes	Yes	Yes	Yes
Del Mar, City of (858) 755-9313	Stage 2	Voluntary	9 a.m. - 4 p.m.	Not Specified	Not Specified	Yes	No	Promptly	Yes	Yes	Yes	Yes	Not Specified
Escondido, City of (760) 839-4658	Level 2	Mandatory	10 a.m. - 6 p.m.	3 in June-Oct. & 1 in Nov-May	10 Minutes	No	No	Reasonable	Yes	Yes	Yes	Yes	Yes
Fallbrook PUD (760) 728-1125	Level 2	Mandatory	10 a.m. - 6 p.m.	3 Year Round	10 Minutes	Yes	Yes	72 Hours	Yes	Yes	Yes	Yes	Yes
Helix WD (619) 466-0585	Level 2	Mandatory	10 a.m. - 6 p.m.	3 in June-Oct. & 2 in Nov-May	10 Minutes	Yes	No	72 Hours	Yes	Yes	Yes	Yes	Yes
Lakeside WD (619) 443-3805	Level 2	Mandatory	10 a.m. - 5 p.m.	3 Year Round	10 Minutes	Yes	Yes	72 Hours	Yes	Yes	Yes	Yes	Yes
Oceanside, City of (760) 435-5800	Level 2	Mandatory	10 a.m. - 6 p.m.	3 Year Round	10 Minutes	No	No	72 Hours	Yes	Yes	Yes	Yes	Yes
Olivenhain MWD (760) 753-6466	Level 1	Voluntary	8 a.m. - 6 p.m. Suggested	Not Specified	Not Specified	No	No	5 Days	Yes	Yes	Yes	Not Specified	Not Specified
Otay WD (619) 670-2222	Level 1	Voluntary	10 a.m. - 6 p.m. Suggested	3 Year Round Suggested	15 Minutes Suggested	No	No	48 Hours	Yes	Yes	Yes	Yes	Yes
Padre Dam MWD (619) 448-3111	Level 2	Mandatory	10 a.m. - 6 p.m.	3 in Apr-Nov. & 2 in Dec-Mar	10 Minutes	Yes	No	72 Hours	Yes	Yes	Yes	Yes	Yes
Poway, City of (858) 668-1215	Level 2	Mandatory	10 a.m. - 6 p.m.	3 Year Round	10 Minutes	Yes	No	72 Hours	Yes	Yes	Yes	Yes	Yes
Rainbow MWD (760) 728-1178	Level 2	Mandatory	10 a.m. - 6 p.m.	3 Year Round	10 Minutes	Yes	Yes	72 Hours	Yes	Yes	Yes	Yes	Yes
Ramona MWD (760) 789-1330	Level 1	Voluntary	10 a.m. - 6 p.m. Suggested	3 Year Round Suggested	15 Minutes Suggested	No	No	5 Days	Yes	Yes	Yes	Yes	Yes
Rincon Del Diablo MWD (760) 745-5522	Level 2	Mandatory	9 a.m. - 7 p.m.	3 Year Round	Not Specified	No	Under Certain Conditions	72 Hours	Yes	Yes	Not Specified	Not Specified	Not Specified
San Diego, City of (619) 515-3500	Level 2	Mandatory	10 a.m. - 4 p.m. in Nov-May	3 Year Round	7 Minutes in Nov-May	Yes	No	72 Hours	Yes	Yes	Yes	Yes	Yes
San Dieguito WD (760) 633-2650	Level 2	Mandatory	8 a.m. - 6 p.m.	3 Year Round	10 Minutes	Yes	Yes	72 Hours	Yes	Yes	Yes	Yes	Yes

*Most ordinances require use of a hand-held hose with a positive shut-off nozzle or bucket when watering areas without an irrigation system. For more detailed and up-to-date information, refer to individual member agency ordinances.

ATTACHMENT H

OTAY WATER DISTRICT
RETIREE HEALTHCARE PLAN

June 30, 2011 GASB 45 Actuarial Valuation
Preliminary Results

Bartel Associates, LLC
Revised May 5, 2011

CONTENTS

BENEFIT SUMMARY

Current Plan	Tier I	Tier II	Tier III	Retired Directors
■ Medical Benefit Eligibility	• Retire directly from District under CalPERS (age 50 and 5 years of service or disability) • Full-time employees			
	<u>Hired < 1/1/81</u> • Ret 55 & 5	Hired ≥ 1/1/81 <u>Hired < 7/1/93</u> • Ret Age 55 and • Ret Age + Svc ≥ 70 • Includes General Manager	<u>Hired ≥ 7/1/93</u> • Ret 55 & 15	<u>Elected < 1/1/95</u> • Ret 60 & 12 • Elected ≥ 1/1/95 not covered

BENEFIT SUMMARY

Current Plan	Tier I	Tier II	Tier III	Retired Directors
■ Medical Benefit	• 100% of retiree premium for life • Ret < 12/29/03: 100% spouse premium for life & 100% eligible dependent premium • Ret ≥12/29/03: 88% of spouse premium for life & 88% eligible dependent premium		• 50% of retiree premium to age 65 • Can cover spouse by paying the full premium to retiree age 65 • Can cover eligible dependents by paying the full premium to retiree Medicare eligibility • Not covered under District medical plan after retiree Medicare eligibility	• 100% of family premium for life
■ Medical Plan	• EPO, PPO, and HMO available before Medicare eligibility • Only PPO available after Medicare eligibility		• Only PPO available before Medicare eligibility • No coverage after Medicare eligibility	• EPO, PPO, and HMO available before Medicare • Only PPO available after Medicare eligibility

BENEFIT SUMMARY

Current Plan	Tier I	Tier II	Tier III	Retired Directors
■ Dental & Life Insurance Eligibility	• Same as Medical	• Same as Medical but must retire ≥ 60	• Not covered under District dental plan	• Same as Medical
■ Dental Benefit	• 100% of retiree premium for life • Ret < 12/29/03: 100% spouse premium for life & 100% eligible dependent premium • Ret ≥12/29/03: 88% of spouse premium for life & 88% eligible dependent premium		• Not covered under District dental plan	• 100% of family premium for life
■ Surviving Medical & Dental Benefit	• Ret < 12/29/03: 100% of spouse & eligible dependent premium • Ret ≥ 12/29/03: 88% of spouse & eligible dependent premium • Spouse and dependent benefit of 88% of premium for 12 months after retiree death but not past age 65 • Spouse and dependents can participate after 12 months of coverage until spouse age 65 or dependent age 19 by paying full premium		• Not covered under District medical plan	• 100% of spouse & eligible dependent premium • Coverage for 12 months after retiree death but not past age 65

BENEFIT SUMMARY

Current Plan	Tier I	Tier II	Tier III	Retired Directors
■ Disability Retirement	• Early retirement adjustment for disability retirements ≥ 1/1/08: Age — Percent <50 — 0% 50 — 70% 51 — 76% 52 — 82% 53 — 88% 54 — 94% ≥55 — 100%		• Ret 50 &10 • Same as medical benefit	• None
■ Life Insurance	• Ret < 12/29/03 • Retiree: $3,000 to age 70 • Spouse: $1,000 to retiree age 70	• Ret < 12/29/03 • Retiree: $3,000 to age 70 • Spouse: None	• Not covered under District life insurance plan	• Not covered under District life insurance plan
■ Pay-As-You-Go Costs	2009/10 $597,631 CAFR 2008/09 608,069 CAFR			

Benefit Summary

Tier III Alt	Executives	Managers	Supervisors & Confidential	Represented
■ Eligibility	• 55 & 10/15 years of District service	• 55 & 10/15 years of District service	• 55 & 10/15/20 years of District service	• 55 & 10/15/20/25 years of District service
■ Medical Benefit	• 100% of retiree premium for life • 88% of spouse premium for life • 88% of eligible dependent premium			
■ Medical Plan	• EPO, PPO, and HMO available before Medicare eligibility • Only PPO available after Medicare eligibility			
■ Dental Benefit	• 100% of retiree premium for life • 88% of spouse premium for life • 88% of eligible dependent premium			
■ Survivor Medical & Dental Benefit	• 88% of spouse premium for life • Spouse can cover eligible dependents to age 19 by paying the full premium			
■ Disability Retirement	• Ret 50 &10 • Same as medical benefit			
■ Life Insurance	• Not covered under District life insurance plan			

Benefit Summary

Scenario	Benefit Study
■ Alternative Benefits for Future Retirees	• Current plan with 88% medical and dental surviving spouse benefit for life rather than 12 months for Tier I & Tier II • Current plan with age 55 dental eligibility for Tier II • Current plan for Directors • Tier III Alternative for Tier III

Participant Statistics
June 30, 2011

Participants	Tier I	Tier II	Tier III	Directors	Total
■ **Actives**					
• Count	3	22	125	n/a	150
• Average Age	52.6	53.5	45.1	n/a	46.5
• Average District Service	31.5	23.1	7.4	n/a	10.2
• Average PERS Service	32.1	25.4	10.1	n/a	12.8
• Average PERS Pay	$83,793	$102,151	$76,951	n/a	$80,784
• Total PERS Pay (000's)	251	2,247	9,619	n/a	12,118
■ **Retirees**					
➢ Count < 65	18	13	1	0	32
➢ Count ≥ 65	23	12	0	2	37
➢ Total	41	25	1	2	69
• Average Age	69.7	66.1	64.3	83.4	68.7
• Average Retirement Age	58.2	58.5	57.9	63.9	58.5

Participant Statistics
June 30, 2009

Participants	Tier I	Tier II	Tier III	Directors	Total
■ **Actives**					
• Count	3	25	127	n/a	155
• Average Age	50.6	51.5	43.1	n/a	44.6
• Average District Service	29.5	21.0	5.5	n/a	8.4
• Average Base Pay	$80,527	$96,210	$72,688	n/a	$76,634
• Total Base Pay (000's)	242	2,405	9,231	n/a	11,878
■ **Retirees**					
➢ Count < 65	22	13	0	0	35
➢ Count ≥ 65	23	9	0	2	34
➢ Total	45	22	0	2	69
• Average Age	68.3	65.2	n/a	81.4	67.7
• Average Retirement Age	58.9	58.7	n/a	63.9	59.0

Active Participant Reconciliation
June 30, 2011

Active Participants	Tier I	Tier II	Tier III	Directors	Total
■ June 30, 2009	3	25	127	0	155
• Terminations	0	(1)	(4)	0	(5)
• Retirees	0	(2)	0	0	(2)
• New Hires	0	0	2	0	2
■ June 30, 2011	3	22	125	0	150

Retiree Participant Reconciliation
June 30, 2011

Retired Participants	Tier I	Tier II	Tier III	Directors	Total
■ June 30, 2009	45	22	0	2	69
• Deaths	(2)	0	0	0	(2)
• New Retirees	0	2	0	0	2
• Contract Employees	(2)	1	1	0	0
■ June 30, 2011	41	25	1	2	69

DATA SUMMARY

Active Participant Groups
June 30, 2011

Active Participants	Tier I	Tier II	Tier III	Directors	Total
Executives	0	3	5	0	8
Managers	0	4	5	0	9
Supervisors & Confidential[1]	2	4	19	0	25
Represented[2]	1	11	96	0	108
Total	3	22	125	0	150

[1] Includes 12 Supervisors, 10 Confidential employees, and 3 Confidential Management employees.
[2] Includes 54 Administrative employees and 54 Field employees.

ASSETS

District Funding Policy

District Funding Policy
• Fund full ARC with CERBT. • Additional contribution of $5 million for 2007/08. • Pay cash and implied subsidy benefit payments in addition to ARC from District funds until funding percentage reaches 100% and then pay cash and implied subsidy benefit payments from CERBT thereafter. • Funding percentage is Actuarial Value of Assets (AVA) divided by Actuarial Accrued Liability (AAL). • ARC UAAL amortization period is the remaining years of the initial 30-year period from GASB 45 implementation for 2007/08 (26 years for 2011/12).

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2009/10 CERBT	2009/10 District	2009/10 Total	Projected 2010/11[3] CERBT	Projected 2010/11[3] District	Projected 2010/11[3] Total
■ **Market Value Beg of Year**	$5,228	$ 0	$5,228	$6,372	$ 0	$6,372
• Contributions	345	689	1,034	289	719	1,008
• Investment Earnings	805	0	805	1,490	0	1,490
• Benefit Payments	0	(689)	(689)	-	(719)	(719)
• Administrative Expenses	(6)	0	(6)	(2)	0	(2)
■ **Market Value End of Year**	6,372	0	6,372	8,149	0	8,149

■ **MVA Est Net Return**	15.1%			22.9%		
■ **CERBT Net Return**	15.9%			27.1%[4]		

[3] Reflects actual CERBT assets on 12/31/10, expected 2010/11 contributions ($289,000 ARC plus expected benefit payments), expected 2010/11 benefit payments of $719,000 ($620,000 cash subsidy plus $99,000 implied subsidy), and expected net earnings at an annual rate of 7.75% for the period 12/31/10 through 6/30/11.

[4] Published CERBT return of 24.0% for 7/1/10 through 2/28/11 and expected return of 7.75% from 3/1/11 through 6/30/11.

Actuarial Value of Plan Assets

(Amounts in 000's)

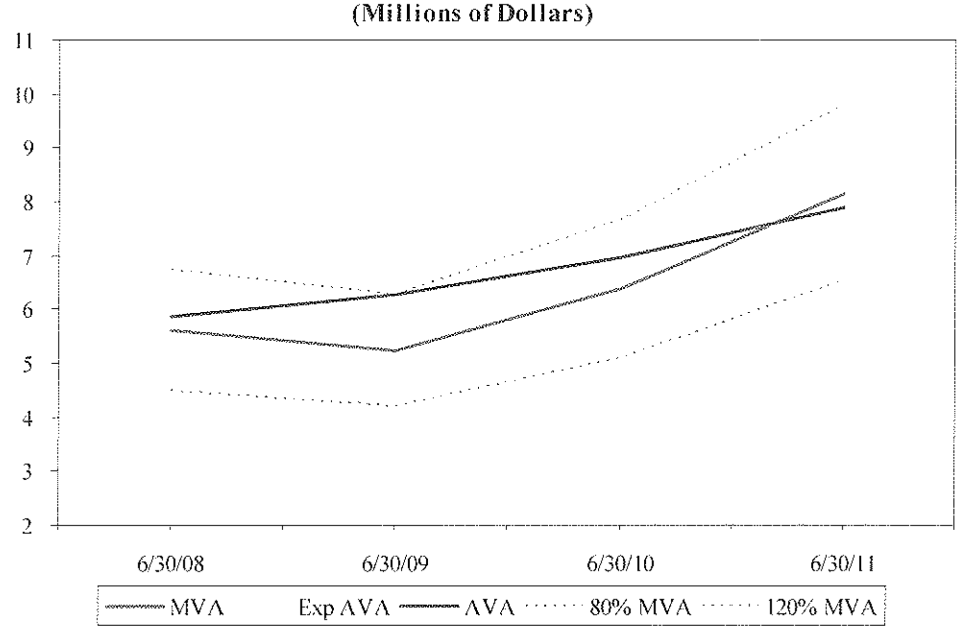
Actuarial Value of Assets	2009/10	Projected 2010/11	Projected 2011/12
■ **Actuarial Value at Beginning of Year**	$ 6,273	$ 6,962	$ 7,870
• Contributions	1,034	1,008	1,249
• Expected Net Earnings	491	550	544
• Estimated Benefit Payments	(689)	(719)	(756)
■ **Expected AVA at End of Year**	7,109	7,801	8,907
■ Market Value at End of Year	6,372	8,149	9,206
■ MVA - Expected AVA	(737)	348	299
■ 1/5 of (MVA - Expected AVA)	(147)	69	60
■ Preliminary AVA	6,962	7,870	8,967
■ Maximum AVA (80% of MVA)	5,098	6,519	7,364
■ Minimum AVA (120% of MVA)	7,647	9,779	10,047
■ **Actuarial Value at End Year**	6,962	7,870	8,967

Historical Plan Assets

(Amounts in 000's)

Plan Assets	Market Value	Actuarial Value	AVA/MV
6/30/11 Projected	$ 8,149	$ 7,870	97%
6/30/10	6,372	6,962	109%
6/30/09	5,228	6,273	120%
6/30/08	5,611	5,861	104%
6/30/07	0	0	n/a

Actuarial Value of Assets
(Millions of Dollars)



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Valuation Date	• June 30, 2009 • 2009/10 & 2010/11 ARCs • ARC calculated as of beginning of the year with interest to end of year	• June 30, 2011 • 2011/12 & 2012/13 ARCs • ARC calculated as of beginning of the year with interest to end of year
■ Discount Rate	• 7.75% - Pre-funded with CalPERS CERBT	• 7.25% - Pre-funded with CalPERS CERBT Fund #1 • CalPERS allows a maximum 7.61% discount rate • 7.25% includes a margin of conservatism
■ Mortality, Termination, Disability	• CalPERS 1997-2002 Experience Study	• CalPERS 1997-2007 Experience Study

ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ CalPERS Service	• District service plus ½ years between age 30 and District hire date	• CalPERS Service provided by District
■ Medical Trend	(see tables below)	(see tables below)
■ Dental Trend	• 4.0% annually	• Same

Medical Trend — June 30, 2009 Valuation (Increase from Prior Year):

Year	EPO & HMO Non Med Eligible	EPO & HMO Med Eligible	PPO Non Med Eligible	PPO Med Eligible
2011	8.40%	8.70%	9.00%	9.30%
2012	7.75%	8.00%	8.25%	8.50%
2013	7.10%	7.30%	7.50%	7.70%
2014	6.45%	6.60%	6.75%	6.90%
2015	5.80%	5.90%	6.00%	6.10%
2016	5.15%	5.20%	5.25%	5.30%
2017+	4.50%	4.50%	4.50%	4.50%

Medical Trend — June 30, 2011 Valuation (Increase from Prior Year, All Plans):

Year	Non Med Eligible	Med Eligible
2011	Premiums	
2012	9.50%	10.00%
2013	9.00%	9.40%
2014	8.50%	8.90%
2015	8.00%	8.30%
2016	7.50%	7.80%
2017	7.00%	7.20%
2018	6.50%	6.70%
2019	6.00%	6.10%
2020	5.50%	5.60%
2021+	5.00%	5.00%

Actuarial Assumptions Highlights

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Service Retirement	• CalPERS 1997-2002 Experience Study PERS Benefit 2.7%@55 Service Based No Exp Ret Age 60 M Exp Ret Age 59 F	• CalPERS 1997-2007 Experience Study PERS Benefit 2.7%@55 Service Based Yes CalPERS Hire Age 34 Exp Ret Age 58
■ Medical Participation at Retirement	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 100% ➢ Tier III – 75%	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 100% ➢ Tier III – 75% (100% for alternative benefit study)
■ Dental Participation at Retirement	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 80% ➢ Tier III – n/a	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 80% ➢ Tier III – n/a (80% for alternative benefit study)

Results

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Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	Actual 6/30/09	Actual 6/30/11	Projected 6/30/12
■ Discount Rate	7.75%	7.25%	7.25%
■ Present Value of Benefits			
• Actives	$ 3,372	$ 5,167	$ 5,528
• Retirees	7,442	9,101	8,990
• Total	10,814	14,268	14,518
■ Actuarial Accrued Liability			
• Actives	2,628	4,248	4,687
• Retirees	7,442	9,101	8,991
• Total	10,070	13,349	13,678
■ Actuarial Value of Assets	6,273	7,870	8,967
■ Unfunded Actuarial Accrued Liability	3,797	5,479	4,711
■ AVA Funded Percent	62%	59%	66%
■ Normal Cost	100	144	148
■ Pay-As-You-Go Cost	711	756	795

Estimated Actuarial Gains & Losses

Actuarial Gains & Losses (000's)	NC%	AAL	(AVA)	UAAL
■ 6/30/09 Actual	0.84%	$ 10,070	$ (6,273)	$ 3,797
■ 6/30/11 Expected	0.84%	10,370	(5,965)	4,405
■ Experience Losses (Gains):				
• Actual versus expected payroll	0.02%			
• Demographic & other	(0.01%)	137	0	137
• Actual versus expected premiums	(0.01%)	13	-	13
• Contribution loss (gain)	-	-	(1,557)	(1,557)
• Investment loss (gain)	-	-	(348)	(348)
■ Assumption Changes:				
• Medical trend	0.11%	1,257	-	1,257
• CalPERS demographic assumptions	0.15%	934	-	934
• Dental claims cost	0.00%	(10)	-	(10)
• CalPERS service	(0.03%)	20	-	20
• Discount rate	0.12%	651	-	651
■ Plan Clarifications:				
• Tier I & II surviving spouse coverage	0.00%	4	-	4
• Tier III spouse coverage	(0.03%)	(27)	-	(27)
■ Total Changes	0.32%	2,979	(1,905)	1,074
■ 6/30/11 Actual	1.16%	13,349	(7,870)	5,479

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	6/30/09 Valuation 2009/10	6/30/09 Valuation 2010/11	6/30/11 Valuation 2011/12	6/30/11 Valuation 2012/13
■ Discount Rate	7.75%	7.75%	7.25%	7.25%
■ ARC - $				
• Normal Cost	$ 100	$ 103	$ 144	$ 148
• UAAL Amortization	245	186	349	307
• ARC	345	289	493	456
■ Projected Payroll	11,878	12,264	12,429[5]	12,833
■ ARC - %				
• Normal Cost	0.8%	0.8%	1.2%	1.2%
• UAAL Amortization	2.1%	1.5%	2.8%	2.4%
• ARC	2.9%	2.3%	4.0%	3.6%
■ UAAL Amortization Years	28	Various	26	25

[5] Reported 3/13/11 payroll increased for 9.5 months to 1/1/12, the middle of the 2011/12 fiscal year, using the aggregate pay increase assumption of 3.25%.

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	Cash Subsidy	Implied Subsidy	Total Payment
2011/12	$ 665	$ 91	$ 756
2012/13	709	86	795
2013/14	771	97	868
2014/15	821	97	918
2015/16	872	104	976
2016/17	921	111	1,032
2017/18	978	110	1,088
2018/19	1,029	119	1,148
2019/20	1,064	116	1,180
2020/21	1,127	110	1,237

Actual Obligations

June 30, 2011 - 7.25% Discount Rate

(Amounts in 000's)

Actuarial Obligations	Cash Subsidy	Implied Subsidy	Total
■ **Present Value of Benefits**			
• Actives	$ 4,532	$ 635	$ 5,167
• Retirees	8,634	467	9,101
• Total	13,166	1,102	14,268
■ **Actuarial Accrued Liability**			
• Actives	3,750	498	4,248
• Retirees	8,634	467	9,101
• Total	12,384	965	13,349
■ **Actuarial Value of Assets**[6]	7,301	569	7,870
■ **Unfunded Actuarial Accrued Liability**	5,083	396	5,479
■ **Normal Cost**	124	20	144
■ **Pay-As-You-Go Cost**	665	91	756

[6] Allocated in proportion to the Actuarial Accrued Liability for this illustration.

RESULTS

Annual Required Contribution (ARC)

2011/12 Fiscal Year - 7.25% Discount Rate

(Amounts in 000's)

Annual Required Contribution	Cash Subsidy	Implied Subsidy	Total
■ **ARC - $**			
• Normal Cost	$ 124	$ 20	$ 144
• UAAL Amortization	324	25	349
• ARC	448	45	493
■ **Projected Payroll**	12,429	12,429	12,429
■ **ARC - %**			
• Normal Cost	1.0%	0.2%	1.2%
• UAAL Amortization	2.6%	0.2%	2.8%
• ARC	3.6%	0.4%	4.0%

Actuarial Obligations

June 30, 2011 - 7.25% Discount Rate

(Amounts in 000's)

Actuarial Obligations	Tier I	Tier II	Tier III	Directors	Total
■ **PVB**					
• Actives	$ 612	$ 3,876	$ 679	$ -	$ 5,167
• Retirees	5,243	3,582	176	100	9,101
• Total	5,855	7,458	855	100	14,268
■ **AAL**					
• Actives	578	3,339	331	-	4,248
• Retirees	5,243	3,582	176	100	9,101
• Total	5,821	6,921	507	100	13,349
■ **AVA**[7]	3,432	4,080	299	59	7,870
■ **UAAL**	2,389	2,841	208	41	5,479
■ **Normal Cost**	6	104	34	n/a	144
■ **PayGo Cost**	436	290	15	15	756

[7] Allocated in proportion to the Actuarial Accrued Liability for this illustration.

Annual Required Contribution (ARC)

2011/12 Fiscal Year - 7.25% Discount Rate

(Amounts in 000's)

Annual Required Contribution	Tier I	Tier II	Tier III	Directors	Total
■ **ARC - $**					
• Normal Cost	$ 6	$ 104	$ 34	$ -	$ 144
• UAAL Amortization	152	181	13	3	349
• ARC	158	285	47	3	493
■ **Projected Payroll**	257	2,305	9,866	n/a	12,429
■ **ARC - %**					
• Normal Cost	2.5%	4.5%	0.3%	n/a	1.2%
• UAAL Amortization	59.1%	7.9%	0.1%	n/a	2.8%
• ARC	61.6%	12.4%	0.5%	n/a	4.0%

Per Participant Obligations

June 30, 2011 - 7.25% Discount Rate

(Amounts in 000's)

Obligations	Tier I	Tier II	Tier III	Directors	Total
■ Actives	3	22	125	n/a	150
• **PVB/Active**	**204**	**176**	**5**	n/a	**34**
• **AAL/Active**	**193**	**152**	**3**	n/a	**28**
• **NC/Active**	**2.0**	**4.7**	**0.3**	n/a	**1.0**
• AAL/PVB	94%	86%	49%	n/a	82%
• Ave Age	52.6	53.5	45.1	n/a	46.5
• Ave Svc	31.5	23.1	7.4	n/a	10.2
• Ave Hire Age	21.1	30.4	37.7	n/a	36.3
■ Retirees	41	25	1	2	69
• **AAL/Retiree**	**128**	**143**	**176**	**50**	**132**
• PayGo/Retiree	11	12	15	8	11
• AAL/PayGo	12.0	12.4	11.7	6.7	12.1
• Ave Age	69.7	66.1	64.3	83.4	68.7

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Actuarial Obligations

June 30, 2011 - 7.25% Discount Rate

(Amounts in 000's)

Obligations	Executive	Manager	Sup/Conf	Rep	Retirees	Total
■ PVB						
• Actives	$ 591	$ 745	$ 1,192	$ 2,639		$ 5,167
• Retirees					9,101	9,101
• Total						14,268
■ AAL						
• Actives	429	669	1,039	2,111		4,248
• Retirees					9,101	9,101
• Total						13,349
■ AVA[8]						7,870
■ UAAL						5,479
■ Normal Cost	26	17	23	78		144

[8] Allocated in proportion to the Actuarial Accrued Liability.

RESULTS

Annual Required Contribution (ARC)

2011/12 Fiscal Year - 7.25% Discount Rate

(Amounts in 000's)

Annual Required Contribution	Executive	Manager	Sup/Conf	Rep	Total
■ ARC - $					
• Normal Cost	$ 26	$ 17	$ 23	$ 78	$ 144
• UAAL Amortization					349
• ARC					493
■ Projected Payroll	1,441	1,154	2,339	7,495	12,429
■ ARC - %					
• Normal Cost	1.8%	1.5%	1.0%	1.0%	1.2%
• UAAL Amortization					2.8%
• ARC					4.0%

Estimated Net OPEB Obligation (NOO) Projection

(Amounts in 000's)

Estimated Net OPEB Obligation (Asset)	CAFR 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13
■ Discount Rate	7.75%	7.75%	7.25%	7.25%
■ NOO (Asset) at Beginning of Year	$(6,205)	$(6,783)	$ (7,383)	$ (8,204)
■ Annual OPEB Cost				
• Annual Required Contribution	345	289	493	456
• Interest on NOO	(481)	(526)	(535)	(595)
• NOO Adjustment	591	646	470	535
• Annual OPEB Cost	455	409	428	396
■ Contributions				
• Cash Benefit Payments Outside Trust	(598)	(620)	(665)	(709)
• Implied Subsidy Benefit Payments	(91)	(99)	(91)	(86)
• Trust Funding	(345)	(289)	(493)	(456)
• Total Contributions	(1,034)	(1,008)	(1,249)	(1,251)
■ NOO (Asset) at End of Year	(6,783)	(7,383)	(8,204)	(9,059)
■ NOO Amortization Years	15	15	26	25
■ NOO Amortization Factor	10.50	10.50	15.69	15.33

Funding Projection

(Amounts in 000's)

Fiscal Year Ending	Begin Year NOO	ARC	Annual OPEB Cost (AOC)	Contribution Benefit Pmts	Contribution Pre-Funding	Contribution Total Contrib	Payroll	Contrib % of Payroll	AVA Funded %
2012	$(7,383)	$493	$428	$(756)	$(493)	$(1,249)	$12,429	10.1%	59%
2013	(8,204)	456	396	(795)	(456)	(1,251)	12,833	9.7%	66%
2014	(9,059)	414	363	(868)	(414)	(1,282)	13,250	9.7%	72%
2015	(9,979)	365	326	(917)	(365)	(1,282)	13,681	9.4%	79%
2016	(10,935)	309	288	(976)	(309)	(1,285)	14,125	9.1%	86%
2017	(11,932)	246	249	(1,032)	(246)	(1,278)	14,584	8.8%	93%
2018	(12,961)	174	208	0	(174)	(174)	15,058	1.2%	100%
2019	(12,927)	180	248	0	(180)	(180)	15,548	1.2%	100%
2020	(12,859)	186	291	0	(186)	(186)	16,053	1.2%	100%
2021	(12,753)	192	339	0	(192)	(192)	16,575	1.2%	100%

2011/12 Medical Benefit Implied Subsidy Transfer Illustration[9]

(Amounts in 000's)

Before GASB 45	Actives	Retirees	Total
Total Premium[10]	$ 2,017	$ 626	$ 2,643
Employee Contribution[11]	0	(22)	(22)
District Contribution	2,017	604	2,621

After GASB 45	Actives	Retirees	Total
Total Premium	$ 2,017	$ 626	$ 2,643
Employee Contribution	0	(22)	(22)
Implied Subsidy Transfer	(91)	91	-
District Contribution	1,926	695	2,621

[9] Illustration includes medical benefit only. No implied subsidy valued for dental and life insurance benefits.
[10] Estimated premium based on the 6/30/11 participant data, 2011 medical premiums, and 2012 expected medical premiums.
[11] Assumes District pays full active participant premium.

Discount Rate Sensitivity

June 30, 2011

(Amounts in 000's)

Discount Rate	7.25%	7.61%[12]
Present Value of Benefits	$14,268	$13,712
Funded Status		
• Actuarial Accrued Liability	13,349	12,875
• Assets	7,870	7,870
• Unfunded AAL	5,479	5,005
Projected Payroll	12,429	12,429
ARC 2011/12		
• Normal Cost	144	135
• UAAL Amortization	349	331
• ARC	493	466
• ARC % of Payroll	4.0%	3.7%

[12] 7.61% is the highest discount rate allowed by CalPERS for agencies funding the full ARC with CERBT Fund #1.

Current Plan – Tiers I & II

7.25% Discount Rate

(Amounts in 000's)

	Exec	Mgr	Sup/Conf	Rep	Retirees	Total
■ **Eligibility**	5 Years	5 Years	5 Years	5 Years		
■ **Count**	3	4	6	12	66	91
• Average Age	51.3	56.6	50.3	54.4	68.3	
• Average Svc	20.7	27.9	27.1	25.0		
■ **PVB**	$ 568	$ 724	$ 1,087	$ 2,110	$ 8,824	$ 13,313
■ **Funded Status**						
• AAL	413	658	988	1,858	8,824	12,742
• Assets	0	0	0	0	7,512	7,512
• Unfunded AAL	413	658	988	1,858	1,312	5,230
■ **Projected Pay**	559	537	581	885	-	2,562
■ **Ave Proj Pay**	186	134	97	74	-	103
■ **2011/12 ARC**						
• Normal Cost	25	16	17	52	-	110
• UAAL Amort	26	42	63	118	84	333
• ARC	51	58	80	170	84	443
• ARC%	9.1%	10.8%	13.8%	19.2%	-	17.3%

Alternative Plan – Tiers I & II

7.25% Discount Rate

(Amounts in 000's)

	Exec	Mgr	Sup/Conf	Rep	Retirees	Total
■ **Eligibility**	5 Years	5 Years	5 Years	5 Years		
■ **Count**	3	4	6	12	66	91
• Average Age	51.3	56.6	50.3	54.4	68.3	
• Average Svc	20.7	27.9	27.1	25.0		
■ **PVB**	$ 642	$ 807	$ 1,227	$ 2,364	$ 8,824	$ 13,864
■ **Funded Status**						
• AAL	467	734	1,115	2,080	8,824	13,219
• Assets	0	0	0	0	7,512	7,512
• Unfunded AAL	467	734	1,115	2,080	1,312	5,707
■ **Projected Pay**	559	537	581	885	-	2,563
■ **Ave Proj Pay**	186	134	97	74	-	103
■ **2011/12 ARC**						
• Normal Cost	29	18	19	58	-	124
• UAAL Amort	[illegible]	47	71	133	84	364
• ARC	59	65	90	190	84	488
• ARC%	10.5%	12.1%	15.6%	21.5%	-	19.0%

Current Plan – Tier III

7.25% Discount Rate

(Amounts in 000's)

	Exec	Mgr	Sup/Conf	Rep	Retirees	Total
■ **Eligibility**	15 Years	15 Years	15 Years	15 Years		
■ **Count**	5	5	19	96	1	126
• Average Age	58.7	51.0	43.6	44.4	64.3	
• Average Svc	20.1	19.1	9.8	8.8		
■ **PVB**	$ 24	$ 21	$ 106	$ 529	$ 176	$ 855
■ **Funded Status**						
• AAL	16	11	51	253	176	507
• Assets	6	4	19	94	176	299
• Unfunded AAL	10	7	32	159	0	208
■ **Projected Pay**	882	616	1,759	6,609	-	9,866
■ **Ave Proj Pay**	176	123	93	69	-	79
■ **2011/12 ARC**						
• Normal Cost	1	1	6	27	-	35
• UAAL Amort	1	1	2	10	0	14
• ARC	2	2	8	37	0	48
• ARC%	0.2%	0.3%	0.5%	0.6%	-	0.5%

Alternative Plan – Tier III

7.25% Discount Rate

(Amounts in 000's)

	Exec	Mgr	Sup/Conf	Rep	Retirees	Total
■ **Eligibility**	10 Years	10 Years	10 Years	10 Years		
■ **Count**	5	5	19	96	1	126
• Average Age	58.7	51.0	43.6	44.4	64.3	
• Average Svc	20.1	19.1	9.8	8.8		
■ **PVB**	$ 985	$ 630	$ 2,114	$ 10,783	$ 176	$ 14,688
■ **Funded Status**						
• AAL	719	290	995	4,991	176	7,171
• Assets	6	4	19	94	176	299
• Unfunded AAL	713	286	976	4,897	0	6,872
■ **Projected Pay**	882	616	1,759	6,609	-	9,866
■ **Ave Proj Pay**	176	123	93	69	-	79
■ **2011/12 ARC**						
• Normal Cost	59	41	125	644	-	870
• UAAL Amort	45	18	62	312	0	438
• ARC	104	59	188	955	0	1,308
• ARC%	11.8%	9.6%	10.7%	14.5%	-	13.3%

Alternative Plan – Tier III - Executives

7.25% Discount Rate

(Amounts in 000's)

Eligibility	10 Years	15 Years
Count	5	5
PVB	$ 985	$ 791
Funded Status		
• AAL	719	591
• Assets	6	6
• Unfunded AAL	713	586
Projected Pay	882	882
Ave Proj Pay	176	176
2011/12 ARC		
• Normal Cost	59	44
• UAAL Amort	45	37
• ARC	104	81
• ARC%	11.8%	9.2%

BENEFIT STUDY RESULTS

Alternative Plan – Tier III - Managers

7.25% Discount Rate

(Amounts in 000's)

Eligibility	10 Years	15 Years
Count	5	5
PVB	$ 630	$ 588
Funded Status		
• AAL	290	259
• Assets	4	4
• Unfunded AAL	286	255
Projected Pay	616	616
Ave Proj Pay	123	123
2011/12 ARC		
• Normal Cost	41	39
• UAAL Amort	18	16
• ARC	59	55
• ARC%	9.6%	8.9%

Alternative Plan – Tier III – Supervisor & Confidential

7.25% Discount Rate

(Amounts in 000's)

■ Eligibility	10 Years	15 Years	20 Years
■ Count	19	19	19
■ PVB	$ 2,114	$ 1,879	$ 1,519
■ Funded Status			
• AAL	995	901	751
• Assets	19	19	19
• Unfunded AAL	976	882	732
■ Projected Pay	1,759	1,759	1,759
■ Ave Proj Pay	93	93	93
■ 2011/12 ARC			
• Normal Cost	125	109	85
• UAAL Amort	62	56	47
• ARC	188	166	131
• ARC%	10.7%	9.4%	7.5%

Alternative Plan – Tier III – Represented

7.25% Discount Rate

(Amounts in 000's)

■ Eligibility	10 Years	15 Years	20 Years	25 Years
■ Count	96	96	96	96
■ PVB	$ 10,783	$ 9,411	$ 7,288	$ 5,068
■ Funded Status				
• AAL	4,991	4,417	3,447	2,440
• Assets	94	94	94	94
• Unfunded AAL	4,897	4,323	3,353	2,346
■ Projected Pay	6,609	6,609	6,609	6,609
■ Ave Proj Pay	69	69	69	69
■ 2011/12 ARC				
• Normal Cost	644	539	400	267
• UAAL Amort	312	275	214	149
• ARC	955	815	614	417
• ARC%	14.5%	12.3%	9.3%	6.3%

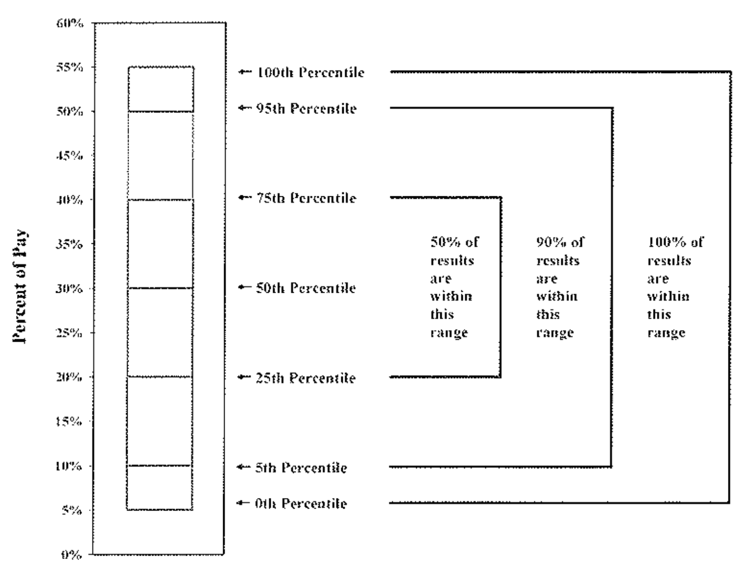
Alternative Plan 2011/12 ARC Increase

7.25% Discount Rate

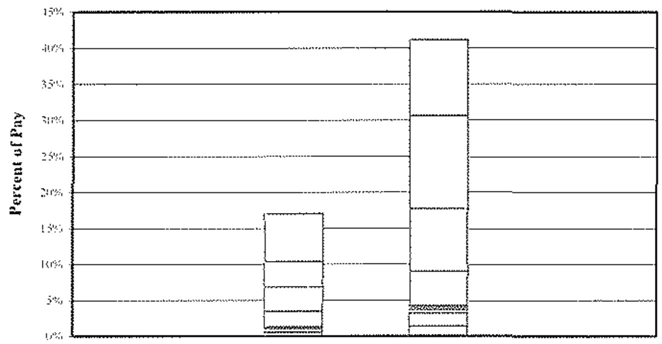
(Amounts in 000's)

Tier	Exec	Mgr	Sup/Conf	Rep	Total
■ Tiers I & II	$ 8	$ 7	$ 10	$ 20	$ 45
■ Tier III					
• 10-Yr Eligibility	102	57	180	918	-
• 15-Yr Eligibility	79	53	158	778	-
• 20-Yr Eligibility	-	-	123	577	-
• 25-Yr Eligibility	-	-	-	380	-

GASB 45
Retiree Medical Benefits Comparison
Sample Percentile Graph



GASB 45
Retiree Medical Benefits Comparison
Normal Cost & Annual Required Contribution

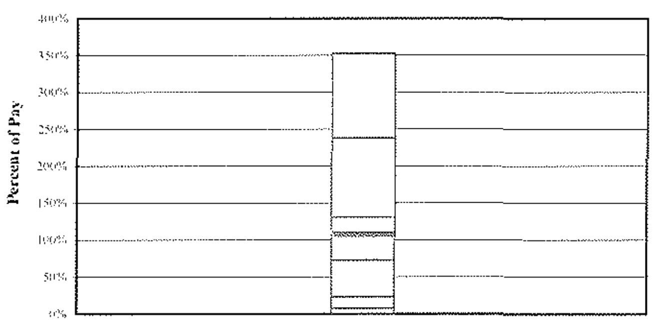


	Miscellaneous NC	Miscellaneous ARC
95th Percentile	10.4%	30.7%
75th Percentile	6.9%	17.8%
50th Percentile	3.5%	9.0%
25th Percentile	1.3%	3.3%
5th Percentile	0.6%	1.4%
Percent of Pay	1.2%	4.0%
Percentile	22%	31%

Discount Rate = 7.25%, Amortization Period = 26 Years

BARTEL ASSOCIATES GASB 45 DATABASE

GASB 45
Retiree Medical Benefits Comparison
Actuarial Accrued Liability



	Miscellaneous
95th Percentile	238%
75th Percentile	131%
50th Percentile	73%
25th Percentile	23%
5th Percentile	8%
Percent of Pay	107.4%
Percentile	64.6%

Discount Rate = 7.25%

OTHER ISSUES

- Next Steps
  - Final valuation results
    - Wait for plan changes and 6/30/11 assets?
  - CERBT actuarial forms
- New CERBT funds available for 6/30/11 valuation
- GASB Preliminary Views
- Timing
  - Present preliminary results May 4, 2011

OTHER ISSUES

- CERBT Funds for 6/30/11 Valuation:

Asset Class	CERBT #1	CERBT #2	CERBT #3
Equity	66.0%	50.1%	31.6%
Fixed Income	18.0%	23.9%	42.4%
Inflation Linked Bonds	5.0%	15.0%	15.0%
REITs	8.0%	8.0%	8.0%
Commodities	3.0%	3.0%	3.0%
Maximum Discount Rate	7.61%	7.06%	6.39%

Other Issues

- GASB
  - Pension Accounting:
    - Preliminary Views issued in June 2010
    - Exposure draft expected in June 2011 and final statement expected in June 2012
  - OPEB Accounting:
    - GASB will consider OPEB changes in fall 2011
    - Exposure draft expected in June 2012 and final statement expected in May 2013
  - Major issues:
    - Unfunded liability on balance sheet
    - Discount rate if funding less than ARC
    - Amortization of active AAL changes over future working lifetime
    - Immediate recognition for retiree AAL changes
    - Deferral of investment gains/losses within 15% of expected return and immediate recognition of accumulated deferred investment gains/losses outside 15% corridor
    - Entry age normal cost method

Exhibits

2010 Healthcare Monthly Premiums

Healthcare Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
EPO	$509.66	$1,019.33	$1,325.13	n/a	n/a	n/a
EPO (OOS)	583.99	1,167.98	1,518.37	n/a	n/a	n/a
PPO	437.71	875.43	1,138.07	$346.07	$692.14	$1,153.56
PPO (OOS)	501.54	1,003.10	1,304.02	346.07	692.14	1,153.56
HMO	489.60	980.22	1,273.98	n/a	n/a	n/a
Dental (self-insured)	41.11	98.65	151.10	41.11	98.65	151.10

2010 Life Insurance Monthly Premiums

Participant	Premium
Employee	19¢ per $1,000
Spouse	60¢ per $1,000

2011 Healthcare Monthly Premiums

Healthcare Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
EPO	$559.08	$1,118.18	$1,453.64	n/a	n/a	n/a
EPO (OOS)	640.62	1,281.24	1,665.61	n/a	n/a	n/a
PPO	480.16	960.32	1,248.43	$384.48	$768.96	$1,203.08
PPO (OOS)	550.18	1,100.37	1,430.47	384.48	768.96	1,203.08
HMO	540.46	1,082.05	1,406.32	n/a	n/a	n/a
Dental (self-insured)	41.11	98.65	151.10	41.11	98.65	151.10

2011 Life Insurance Monthly Premiums

Participant	Premium
Employee	19¢ per $1,000
Spouse	60¢ per $1,000

Monthly Premium Increases
2010 to 2011

Healthcare Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
EPO	9.7%	9.7%	9.7%	n/a	n/a	n/a
EPO (OOS)	9.7%	9.7%	9.7%	n/a	n/a	n/a
PPO	9.7%	9.7%	9.7%	11.1%	11.1%	4.3%
PPO (OOS)	9.7%	9.7%	9.7%	11.1%	11.1%	4.3%
HMO	10.4%	10.4%	10.4%	n/a	n/a	n/a
Dental (self-insured)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Medical Plan Participation
Non-Waived Participants

Medical Plan	Actives	Retirees < 65	Retirees ≥ 65
EPO	63%	41%	n/a
PPO	15%	56%	100%
HMO	22%	3%	n/a
Total	100%	100%	100%

Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
EPO	15	24	50	-	89
PPO	6	6	9	-	21
HMO	10	7	14	-	31
Waived[13]	-	-	-	9	9
Total	31	37	73	9	150

Election %	22%	26%	52%		
Waived %				6%	

[13] 2 are spouses of covered employees.

Retiree Medical Coverage
Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
EPO	4	9	0	-	13
PPO	5	13	0	-	18
HMO	1	0	0	-	1
Waived	-	-	-	0	0
Total	10	22	0	0	32

Election %	31%	69%	0%		
Waived %				0%	

Retiree Medical Coverage
Over Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
EPO	n/a	n/a	n/a	-	n/a
PPO	7	29	0	-	36
HMO	n/a	n/a	n/a	-	n/a
Waived	-	-	-	1	1
Total	7	29	0	1	37

Election %	19%	81%	0%		
Waived %				3%	

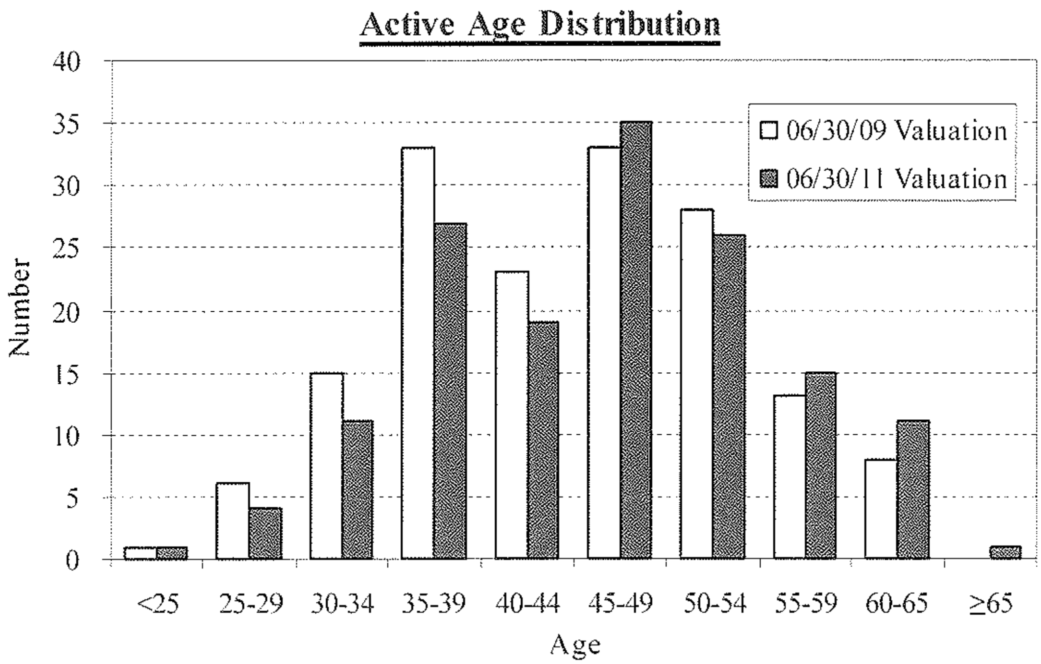
Dental Coverage

Participant Group	Single	2-Party	Family	Waived	Total
Actives	35	40	75	0	150
Retirees < 65	6	14	0	12	32
Retirees ≥ 65	7	26	0	4	37

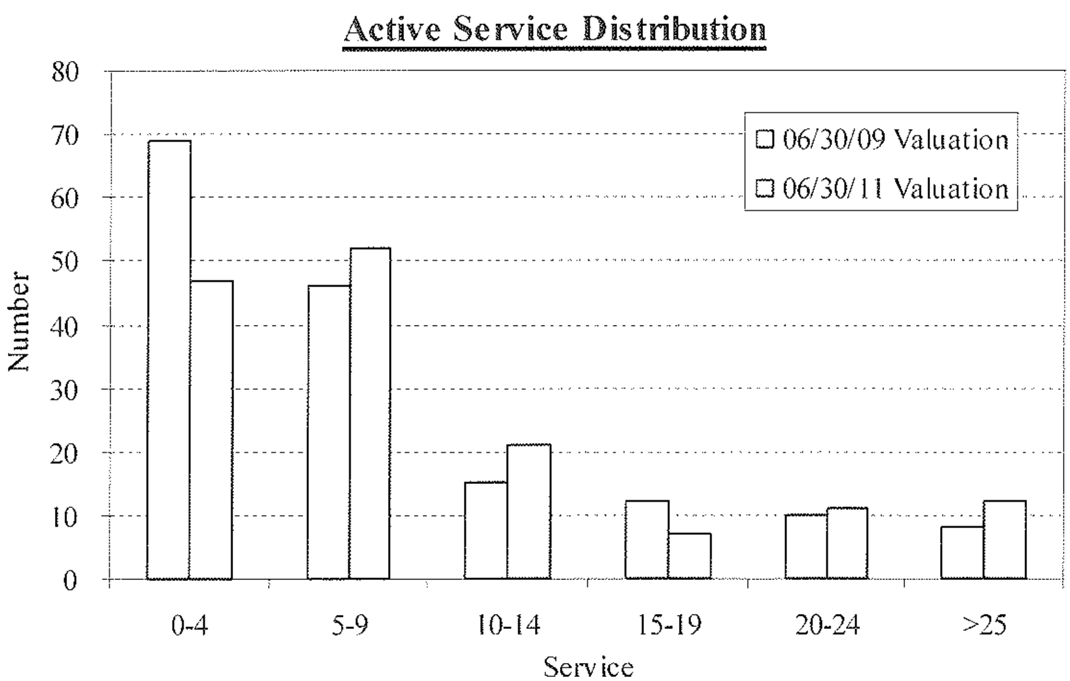
Actives by Age and Service

	District Service							
Age	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	Total
< 25		1						1
25-29		2	2					4
30-34		8	3					11
35-39		10	10	5	2			27
40-44		5	8	5	1			19
45-49	1	8	10	6	3	4	3	35
50-54		6	9	2		4	5	26
55-59		3	6	1		2	3	15
60-64		2	4	2	1	1	1	11
≥ 65		1						1
Total	1	46	52	21	7	11	12	150

Participant Statistics



Participant Statistics

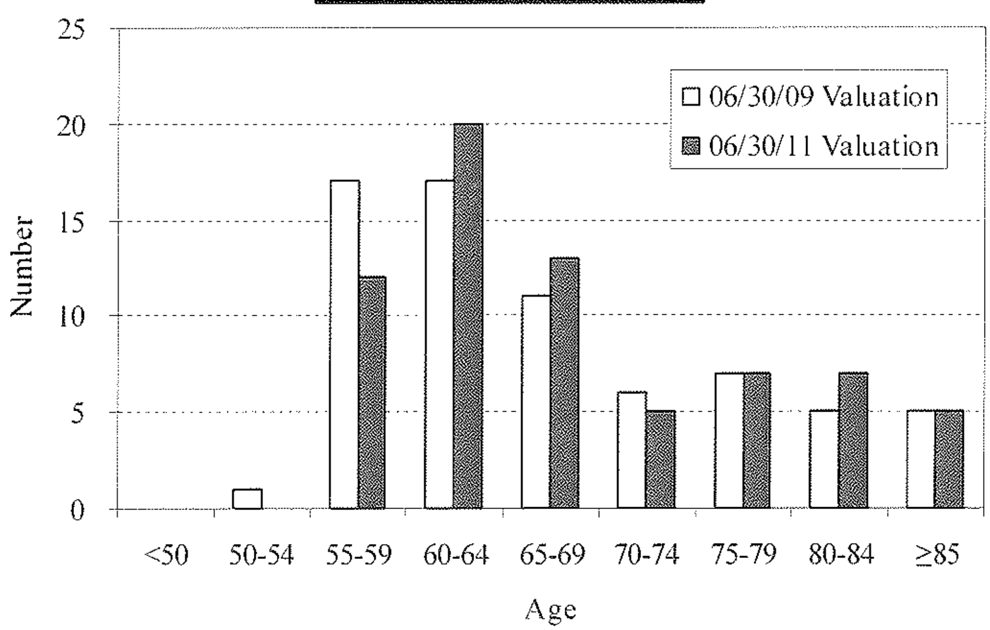


Retiree Healthcare Coverage by Age Group

Age	Single	2-Party	Family	Waived	Total
Under 50					0
50-54					0
55-59	4	8			12
60-64	6	14			20
65-69	4	9			13
70-74		5			5
75-79		7			7
80-84	3	4			7
Over 85		4		1	5
Total	17	51	0	1	69

Average Age	66.4	69.1	n/a	87.6	68.7
< 65 Election %	31%	69%	0%		
≥ 65 Election %	19%	81%	0%		
Total Election %	25%	75%	0%		
Waived %				1%	

Retiree Age Distribution



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Valuation Date	• June 30, 2009 • 2009/10 & 2010/11 ARCs • ARC calculated as of beginning of the year with interest to end of year	• June 30, 2011 • 2011/12 & 2012/13 ARCs • ARC calculated as of beginning of the year with interest to end of year
■ Discount Rate	• 7.75% - Pre-funded with CalPERS CERBT	• 7.25% - Pre-funded with CalPERS CERBT Fund #1 • CalPERS allows a maximum 7.61% discount rate • 7.25% includes a margin of conservatism
■ General Inflation	• 3% annually • Basis for aggregate payroll and discount rate assumptions	• Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Aggregate Payroll Increases	• 3.25% annually • Inflation plus 0.25% • For Normal Cost calculation and UAAL amortization	• Same
■ Merit Payroll Increases	• CalPERS 1997-2002 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation	• CalPERS 1997-2007 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation
■ Mortality, Termination, Disability	• CalPERS 1997-2002 Experience Study	• CalPERS 1997-2007 Experience Study

Actuarial Assumptions

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Medical Trend		

June 30, 2009 Valuation — Increase from Prior Year

Year	EPO & HMO Non Med Eligible	EPO & HMO Med Eligible	PPO Non Med Eligible	PPO Med Eligible
2011	8.40%	8.70%	9.00%	9.30%
2012	7.75%	8.00%	8.25%	8.50%
2013	7.10%	7.30%	7.50%	7.70%
2014	6.45%	6.60%	6.75%	6.90%
2015	5.80%	5.90%	6.00%	6.10%
2016	5.15%	5.20%	5.25%	5.30%
2017+	4.50%	4.50%	4.50%	4.50%

June 30, 2011 Valuation — Increase from Prior Year

Year	All Plans Non Med Eligible	All Plans Med Eligible
2011	Premiums	
2012	9.50%	10.00%
2013	9.00%	9.40%
2014	8.50%	8.90%
2015	8.00%	8.30%
2016	7.50%	7.80%
2017	7.00%	7.20%
2018	6.50%	6.70%
2019	6.00%	6.10%
2020	5.50%	5.60%
2021+	5.00%	5.00%

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Dental Trend	• 4.0% annually	• Same

Actuarial Assumptions

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Dental Claims Cost	• Premium x 2008/09 loss ratio ➢ Employee – 93% ➢ Spouse – 71% ➢ Child – 71%	• Premium x 2009/10 loss ratio ➢ Employee – 90% ➢ Spouse – 71% ➢ Child – 71%
■ CalPERS Service	• District service plus ½ years between age 30 and District hire date	• CalPERS Service provided by District
■ Service Retirement	• CalPERS 1997-2002 Experience Study PERS Benefit 2.7%@55 Service Based No Exp Ret Age 60 M Exp Ret Age 59 F	• CalPERS 1997-2007 Experience Study PERS Benefit 2.7%@55 Service Based Yes CalPERS Hire Age 34 Exp Ret Age 58

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Medical Participation at Retirement	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 100% ➢ Tier III – 75%	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 100% ➢ Tier III – 75% (100% for alternative benefit study)
■ Dental Participation at Retirement	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 80% ➢ Tier III – n/a	• Actives currently covered and waived: ➢ Tiers I, II, Directors - 80% ➢ Tier III – n/a (80% for alternative benefit study)

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Medical Plan at Retirement	• Actives currently covered: ➢ Tiers I & II: - Same as current elections until Medicare eligible - PPO after Medicare eligible ➢ Tier III - PPO until Medicare eligible • Waived actives - PPO	• Actives currently covered: ➢ Tiers I & II and alternative benefit study: - Same as current elections until Medicare eligible - PPO after Medicare eligible ➢ Tier III - PPO until Medicare eligible • Waived actives - PPO
■ Medicare Eligible	• 100% eligible for Medicare at age 65 • All Medicare eligibles will elect Part B coverage	• Same

Actuarial Assumptions

Assumption	June 30, 2009 Valuation	June 30, 2011 Valuation
■ Marital Status at Retirement	• Currently covered - based on current coverage election • Currently waived - 80% married	• Same
■ Spouse Age	• Actives - males 3 years older than females • Retirees - males 3 years older than females if spouse birth date not provided	• Same
■ Coverage Election at Retirement	• Spouse & surviving spouse - 100% if assumed married • 10% have family coverage until age 65 if assumed married	• Same

Actuarial Methods

Method	June 30, 2010 Valuation
■ Cost Method	• Entry Age Normal • Normal Cost is a level percentage of payroll
■ Actuarial Value of Assets	• Investment gains and losses spread over 5-years • Not less than 80% nor more than 120% of market value
■ Amortization Method	• Level percent of payroll
■ Amortization Period	• 30-year fixed (closed) period for initial UAAL as of 6/30/07 for 2007/08 ARC • 26-year fixed (closed) period for UAAL as of 6/30/11 for 2011/12 ARC • Amortization period decreases by one year each fiscal year • When amortization period reaches 15 years, new gains and losses will be amortized over a rolling (open) 15-year period and plan and assumption changes will be amortized over fixed (closed) 20-year period.

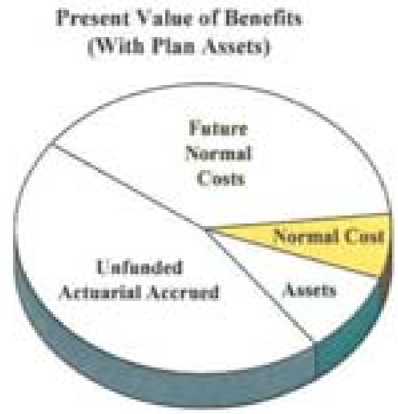
ACTUARIAL METHODS

Method	June 30, 2010 Valuation
■ Life Insurance	• Valuation includes the discounted value and cost for retiree life insurance premiums
■ Implied Subsidy	• Employer cost for allowing non-Medicare eligible retirees to participate at active rates • Valuation includes an implied subsidy for medical but not dental or life insurance
■ Future New Entrants	• Valuation Results – Closed group, no new hires • Projections – Simplified open group projection: ➢ Actives - Total pay increased in accordance with aggregate payroll assumption ➢ Retirees - no additional retirees from new hires over 10-year projection period

GASB 45 SUMMARY

■ GASB 45 Accrual Accounting	• Project future employer-provided benefit cash flows for current active employees and current retirees • Discount projected cash flow to valuation date using discount rate (assumed return on assets used to pay benefits) and other actuarial assumptions to determine present value of projected future benefits (PVB) • Allocate PVB to past, current, and future periods using the actuarial cost method • Actuarial cost method used for this valuation is the Entry Age Normal Cost method which determines Normal Cost as a level percentage of payroll (same method used by CalPERS) • Normal Cost is amount allocated to current fiscal year • Actuarial Accrued Liability (AAL) is amount allocated to prior service with employer • Unfunded AAL (UAAL) is AAL less plan assets pre-funded in a segregated and restricted trust
■ PayGo Cost	• Cash subsidy is the pay-as-you-go employer benefit payments for retirees • Implied subsidy is the difference between the actual cost of retiree benefits and retiree premiums subsidized by active employee premiums

Present Value of Benefits



■ Annual Required Contribution (ARC)	• "Required contribution" for the current period including: ➢ Normal Cost ➢ Amortization of: - Initial UAAL - AAL for plan, assumption, and method changes - Experience gains/losses (difference between expected and actual) - Contribution gains/losses (difference between ARC and contributions) • ARC in excess of pay-as-you-go costs not required to be funded
■ Net OPEB Obligation (NOO)	• Net OPEB Obligation is the accumulated amounts expensed but not funded • Net OPEB Asset if amounts funded exceed those expensed
■ Annual OPEB Cost (AOC)	• Expense for the current period including: ➢ ARC ➢ Interest on NOO ➢ Adjustment of NOO • NOO adjustment prevents double counting of expense since ARCs include an amortization of prior contribution gains/losses previously expensed


Board of Directors Meeting
August 10, 2011
ESTABLISHED 1956
OTAY
WATER DISTRICT

Agenda

Other Post-Employment Benefits (OPEB)
Chronology and 2011 Retiree Health Actuarial Study

Proposal for Represented Employees:
- Increase Employees' Contribution to CalPERS Retirement
- Amend Retiree Health Benefits for Represented Employees

Employee Retiree Health Benefits

Tier I (Hired prior to 1/1/81)*

- **Age 55 and 5 years of continuous service**
- **100% employee premium, 88% dependent premium for retiree's life**
- **health and dental coverage**
- If retiree predeceases spouse under Medicare-eligible age, spouse may stay on plan at 88% District-cost until Medicare-eligible; if beyond Medicare, spouse may elect COBRA for 36 months

Tier II (Hired 1/1/81-6/30/93)*

- **Age 55 & continuous service ≥ 70, health coverage**
- **Age 60 & continuous service ≥ 70, health and dental coverage**
- **100% employee premium, 88% dependent premium for retiree life**
- If retiree predeceases spouse under Medicare-eligible age, spouse may stay on plan at 88% District-cost until Medicare-eligible; if beyond Medicare, spouse may elect COBRA for 36 months

Tier III (Hired on or after 7/1/93)

- **Age 55 and 15 years of continuous service**
- **$157.86 monthly or the minimum required by the District-selected health plan (lowest cost) until Medicare-eligible**
- **No District-paid dependent coverage (Dependents may remain on the plan at employee expense until employee is Medicare-eligible)**

****Retirees who retired prior to 12/29/03 are not required to pay 12% of dependent premium.***

Note: In all cases, dependent children may remain on the plan until age 19 at current District contribution level at which point they may continue on the plan per Health Care Reform at the retiree's own expense until age 26.

Retirees may select any plan prior to Medicare. Once employee reaches Medicare eligibility, they are required to enroll in Medicare Part A and B at their own expense. Retirees on Medicare are enrolled in the PPO plan, where Medicare is primary and the PPO plan becomes secondary.

OPEB Chronology

Prior to 1981

- OPEB benefits were established for District employees and were funded via the annual operating budget.

January 1981

- Tier II was created with a similar OPEB benefit with longer eligibility criteria.

July 1993

- Tier III was created with no OPEB benefits.

1999

- Actuarial study shows a $6.6 million liability.

OPEB Chronology

June 2000

- Board approved Policy 35 governing the medical reserve fund.
- Board also funded the reserve with $4 million.

July 2003

- Actuarial study shows liability of $16.0 million. Significant assumption changes cause the majority of the increase (rate of return, medical costs).

May 2004

- Board approved funding the reserve an additional $12.4 million.

June 2005

- Board directs staff to look at the establishment of a trust.

OPEB Chronology

March 2008

- Board approves the CERBT trust and funds it with $5.0 million.
- Actuarial study shows the liability reduced to $11.4 million (including the new Tier III benefits) due to the greater return on the trust and the management of the medical program.
- These actions free up $5.5 million to cover costs associated with a 6 year labor contract including moderate OPEB benefits for Tier III.
- $6.4 million remains in the Otay fund to pay for OPEB benefits.

February 2010

- Actuarial study shows a liability of $10.1 million. Fully funded with CERBT holding $6.2 million and Otay holding $3.9 million.

OPEB Chronology

May 2011

- Actuarial study shows liability of $13.3 million. 73% funded with the District holding $1.9 million and the trust holding $7.9 million.
- Increase due to CERBT assumption changes on return and medical costs.

July 2011

- Board approves the enhancement of the OPEB benefit for the Unrepresented Employees in exchange for the employees paying 7% of salary toward their pension.
- This action brings the liability to $15.2 million and the funding level to 64.4%. This change being effectively cost-neutral to the District as the employees will be reducing the District's cost of their pensions by an equal amount.

Key Assumption Changes in the 2011 Actuarial Study

As of the June 30, 2009 the District's liability was:

- $10.1 Million

All governments affected in a similar fashion by the California Employers' Retiree Benefit Trust (CERBT) assumption changes. CERBT key assumption changes:

- $1.3 Million - Medical trends
- $0.9 Million - Demographic assumptions
- $0.7 Million - Future earnings estimates

As of June 30, 2011 the District Liability is now projected to be:

- $13.3 Million

73% funded after assumption changes:

- Funding level clearly indicates the District's commitment to financial health.

Tier III Represented Benefits

Tier III prior to 2007

- Age 55 and 15 years of continuous service.
- Ability to buy retiree health coverage at retiree's full cost and stay on the District's plan until Medicare-eligible.

Tier III after 2007 / Current

- Age 55 and 15 years of continuous service.
- $157.86 monthly, or the minimum required by the District-selected health plan (lowest cost) until Medicare-eligible.

2011/2012 Already Negotiated Cost of Living Adjustments

07/01/2011

3.5% Cost of Living Adjustment (COLA)

07/01/2012

3.5% Cost of Living Adjustment (COLA)

06/30/2013

Memorandum of Understanding Expires

Proposal for Represented Employees

- Represented Employees (107):
  - o Field Bargaining Unit (54)
  - o Admin Bargaining Unit (53)
  - o Tier I/II (12), Tier III (95)
- Allow the Represented Employees to use the scheduled COLAs to increase Represented Employees' contributions to the CalPERS pension plan and an additional 0.75% for the employer portion of CalPERS in exchange for enhanced Retiree Health Benefits, and
- Amend retiree health coverage to level Retiree Health Benefits for all Tiers of Represented Employees.

Represented Employees Eligible to Retire with 20 Years of Service at Age 55

	Tier I	Tier II	Tier III
Now		3	
2011		2	
2012		2	
2013			
2014			
2015	1		
2016			1
2017		1	
2018		2	1
2019			1
2020		1	4 (1)*
2021			2 (1)*
2022			5 (3)*
2023			6 (2)*
2024			5 (2)*
2025			6
2026			15 (4)*

	Tier I	Tier II	Tier III
2027			14 (3)*
2028			13 (1)*
2029			6 (1)*
2030			3 (1)*
2031			2
2032			2
2033			2
2034			1
2035			1
2036			2
2037			1
2038			1
2039			
2040			
2041			
2042			1
Total	**2**	**11**	**95**

*Note: Based on input related to our Succession Plan, employees listed in parenthesis have indicated that they will be retiring before eligibility for the Retiree Health Benefit.

Proposal for Represented Employees

COLA Percentage	Effective Date	Employee portion of Employer PERS Contribution	Employee PERS Contribution From	Employee PERS Contribution To	TOTAL
3.5 %	8/15/2011	0.75%	1%	4.5%	5.25%
3.5%	7/1/2012	0.75%	4.5%	8%	8.75%

Proposal for Represented Employees

Proposed benefit – Tier I/II employees

Add to current benefit:

- Dental coverage at age 55 (Tier II currently does not receive dental until age 60).
- Survivor benefit for life for spouse.

Proposed benefit – Tier III employees

Replace existing benefit with a similar benefit to existing Tier I/II:

- Age 55 and 20 years of continuous service.
- 100% of employee premium, 88% of dependent premium for life (including survivor benefit for life).
- Health and dental coverage.

Proposal for Represented Employees

Cost vs. Benefit

Annual Required Contribution (ARC) Of Retiree Health for All Represented Employees:

$599,500

Reduction in District Contribution to CalPERS due to Employees Contributing Additional Funds to CalPERS:

$628,200

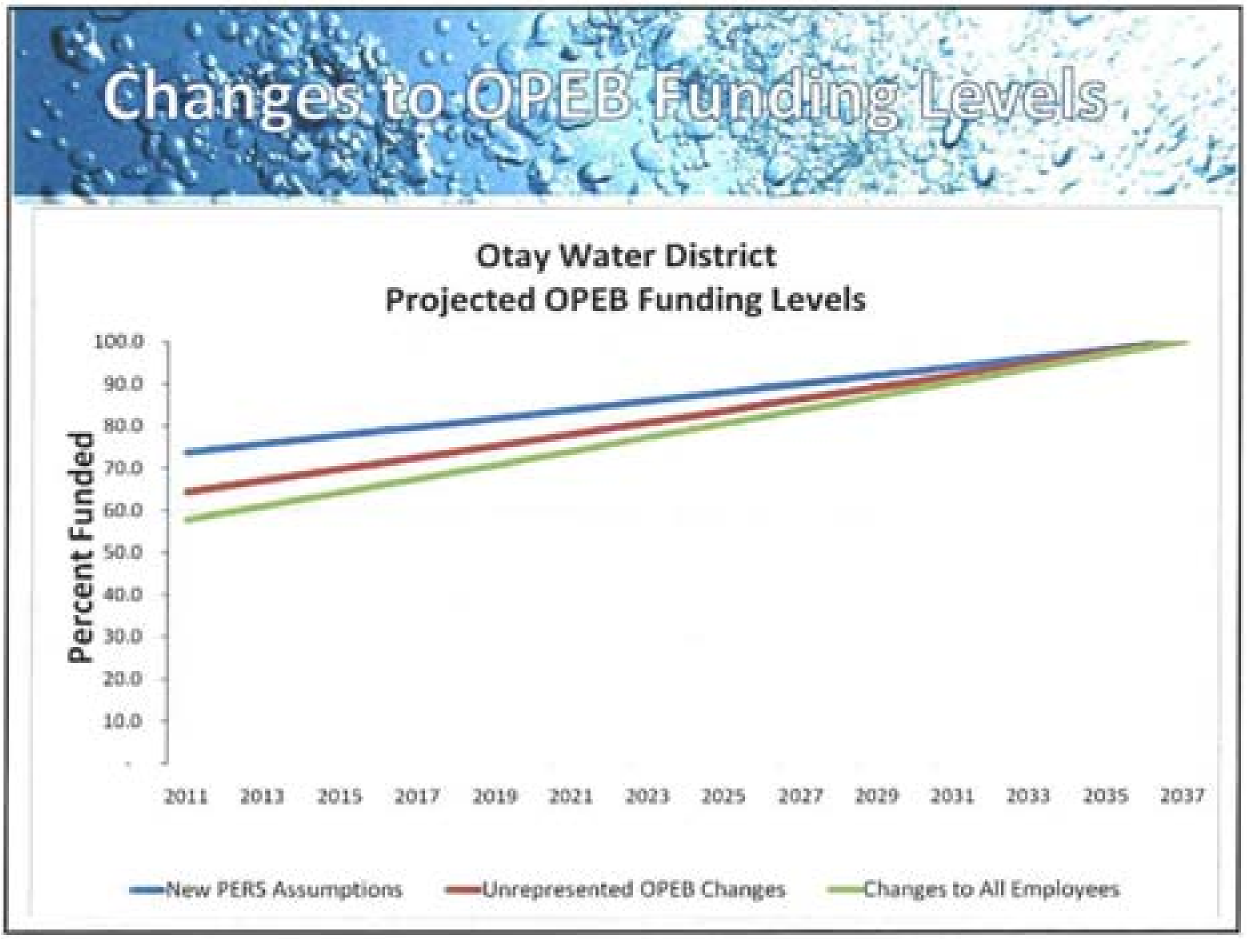
Total Annual Savings to the District

$28,700

OVERALL ANNUAL SAVINGS

Annual Savings for Represented & Unrepresented Employees

	Savings	Cost		
	PERS Contribution	OPEB ARC Increase	Annual Savings	Cumulative Savings
Year 1 (FY 2012)	476,800	915,900	(439,100)	(439,100)
Year 5 (FY 2016)	990,300	915,900	74,400	(141,500)
Year 10 (FY 2021)	990,300	915,900	74,400	230,500
Year 15 (FY 2026)	990,300	915,900	74,400	602,500
Year 20 (FY 2031)	990,300	915,900	74,400	974,500
Year 25 (FY 2036)	990,300	915,900	74,400	1,346,500
Year 30 (FY 2041)	990,300	575,900	414,400	3,078,500
Year 35 (FY 2046)	990,300	575,900	414,400	5,150,500


Changes to OPEB Funding Levels
Otay Water District
Projected OPEB Funding Levels
Percent Funded
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
2011 2013 2015 2017 2019 2021 2023 2025 2027 2029 2031 2033 2035 2037
New PERS Assumptions
Unrepresented OPEB Changes
Changes to All Employees

Advantages to Support Enhancing Retiree Health for Represented Employees

- Employees would be contributing the full employee portion of the CalPERS Pension, 8% plus an additional 0.75% of the employer portion.
- Employees will fund their Post-Retirement Health Care, taking care of their own post-retirement needs.
- Savings to the District long-term, while providing a post-retirement benefit for employees.
- Provide a leveled benefit for all Tiers of Represented Employees.

General Manager's Recommendation

- That the Board adopt Resolution #4185 to increase the Represented Employees' contribution to the CalPERS Pension Plan by 7%, and Resolution #4186 to amend the MOU with the OWD Employees' Association regarding Retiree Health Benefits and an additional 0.75% CalPERS Contribution, in exchange for enhanced Retiree Health Benefits.


Questions?
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