

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

2554 SWEETWATER SPRINGS BOULEVARD  
SPRING VALLEY, CALIFORNIA  
BOARDROOM

**TUESDAY**  
**JANUARY 22, 2008**  
**4:00 P.M.**

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

**AGENDA**

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

**DISCUSSION ITEMS**

3. ADOPT RESOLUTION NO. 4117 TO APPROVE AN AGREEMENT WITH THE CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM TO PREFUND OTHER POST EMPLOYMENT BENEFITS (OPEB) THROUGH CALPERS; CERTIFY THE FUNDING POLICY OF THE BOARD AT 100% OF THE ANNUAL REQUIRED CONTRIBUTION; DELEGATE AUTHORITY TO REQUEST DISBURSEMENTS TO THE GENERAL MANAGER AND CHIEF FINANCIAL OFFICER; AUTHORIZE THE TRANSFER OF \$11,543,000 TO THE PERS TRUST TO FULLY FUND THE ACTUARIAL ACCRUED LIABILITY AND THE FIRST YEAR'S NORMAL COST; AND AUTHORIZE THE TRANSFER OF THE REMAINING MONEY IN THE DESIGNATED OPEB FUND TO THE GENERAL FUND TO PAY FOR THE APPROVED SIX-YEAR LABOR AGREEMENT (BEACHEM) [10 minutes]
4. DISCUSSION OF REVIEW PROCESS FOR DISTRICT'S CURRENT BANKING SERVICES (CUDLIP) [10 minutes]
5. UPDATE REPORT ON ANNUAL CUSTOMER SURVEYS (BUELNA) [10 minutes]

6. DISCUSSION OF OTAY WATER DISTRICT WEBSITE (STEVENS) [10 minutes]
7. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Mark Robak, Chair  
Larry Breitfelder

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

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

Certification of Posting

I certify that on January 18, 2008 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on January 18, 2008.

  
\_\_\_\_\_  
Susan Cruz, District Secretary



**COMMITTEE ACTION:** \_\_\_\_\_

See Attachment A.

**PURPOSE:**

To establish and fund a trust with PERS for the purpose of funding OPEB medical benefits of qualified employees.

**ANALYSIS:**

**OPEB Medical Benefits**

As a part of the District's benefit package, retirees that qualify receive various levels of medical coverage. The Board established a designated fund and periodically authorized transfers of money to the fund to ensure that the District was covering the cost to provide this benefit. Actuarial studies have also been performed periodically to validate that the fund was adequately funded. These fiscally responsible actions by the Board have placed the District in the position to now fully fund a GASB 45 compliant trust.

**Trust Implementation**

The District has numerous options when it comes to implementing a trust. The option recommended by staff is to contract with PERS to manage the trust and invest the funds. The District could manage every aspect of the trust; however, with a PERS Trust the District is able to use the PERS expertise and market influence at a nominal cost to obtain the maximum net return on investments. The PERS selection is also indirectly supported by the actuarial evaluation which will use the highest rate of return only for a PERS Trust. This rate of return is 7.75% while other trusts would be projected to earn 7.0%.

With the implementation of GASB 45, the District must identify as a liability on our financial statements, any required annual funding that is not placed in an irrevocable trust or used to pay benefits. The District must also show the entire amount as unfunded even though the District has set aside funds for this purpose. This negative impact to the financial statements can be avoided by establishing a trust and moving the District's designated funds into the trust. By doing this, the District can then show the OPEB liability as fully funded.

**Financially Conservative**

To have a fully funded OPEB Trust dramatically reduces the risk of financial difficulties that may be faced by many government agencies.

Few agencies have had the foresight and financial strength to fully fund their OPEB liability. With a fully funded PERS Trust the District's annual OPEB expense will be \$135,000. If the District had not funded its OPEB liability or if it was unwilling to implement a trust, the OPEB expense would not only include the \$135,000 for the currently earned benefits, but would also include an additional \$711,000 annual expense to "catch up" for benefits earned in the past. Avoiding this higher annual expense dramatically improves the District's financial statements and demonstrates the District's financial strength and foresight.

While the creation and funding of this trust is looked upon favorably, this does come at a cost of reduced flexibility. Under the District's current funding plan the funds have been designated by the Board; however, these funds can still be used for any purpose if the Board takes a formal action to do so. This flexibility is exactly what GASB 45 is taking exception with as the funding must be irrevocable in order to qualify. When placed in a GASB 45 compliant trust, these funds become legally committed and are irrevocably set aside to meet the OPEB obligation. The irrevocable nature of the trust is the certainty that is needed. The funds will remain in the trust until they are used to reimburse the District for medical costs paid on behalf of retirees or until there are no future benefits to pay, at which time the remaining funds can be used for other District purposes.

As a part of the PERS application process the District is asked to formally express its intention to fully fund the ongoing costs of the trust. This intent is documented in the "Certification of Funding Policy" (Attachment C) which will be sent to PERS with the signed agreement.

#### **Actuarial Evaluation**

Attached is the Actuarial Report (Attachment E) which summarizes the liability that has been incurred by the District through June 30, 2007. This is, in effect, the cost of the benefits that have been earned to date by the employees. This cost is also referred to as the Actuarial Accrued Liability (AAL). The total amount of the AAL is \$11,408,000 and if approved for transfer, this will establish the trust as a "fully funded" trust.

If the trust is approved, it will be funded by the District on an annual basis but it will also be making reimbursement payments to the District for OPEB costs paid by the District. The District will submit a request for reimbursement from the trust for all OPEB expenses incurred. One of the forms to be sent to PERS is the

delegation of authority to the General Manager and the Chief Financial Officer to make these requests (see Attachment D).

Prior to receiving the actuarial report, staff calculated an estimated AAL from numerous source documents including prior actuarial reports. This was done in order to project the amount potentially available in the OPEB designated fund to pay for increased salaries and benefits over the next six-year time period. While there were many variables at work throughout the negotiation process, staff's original estimate resulted in a projected surplus, putting the negotiated benefits target within reach. With the completion of the negotiation process and the settling of all the various options, the actuary was able to finalize the cost of the OPEB liability. This update used the latest information such as new retirees, negotiated benefits, and updated health costs. The actuary was able to put a fine point to the liability which turned out to be higher than projected by staff, leaving the negotiated benefits costing \$100,000 per year more than what was available in the designated fund. Staff's recommendation is still to fully fund the trust using the 2007 budget surplus to fund the unanticipated difference thereby avoiding any impact on rates.

#### **Financial Statement Impact**

To move the funds to PERS will result in a one-time expenditure in the income statement that will be highlighted in a footnote. This footnote will describe how the District is fully funding it's liability in an irrevocable trust. This action is certainly something that the District will highlight to interested parties as it again demonstrates foresight and financial strength. While GASB does not allow for much embellishment in the footnote, the significance of this will be understood by sophisticated users of the Financial Statements, such as the rating agencies.

#### **FISCAL IMPACT:**



The use of a PERS Trust for long-term Post Retirement Medical Benefits allows the District to obtain a higher yield on its investments and, therefore, the current funding requirement is substantially lower. Approval of the recommended actions will result in a fully funded OPEB Trust and the use of unanticipated 2007 revenues to fund the variance between staff's projection and the final actuarial estimates. With the availability of the 2007 budget surplus, this action will not raise rates above the rate model projections.

**STRATEGIC GOAL:**

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

**LEGAL IMPACT:** \_\_\_\_\_

None.



\_\_\_\_\_  
General Manager

Attachments:

- A) Committee Action Form
- B) Agreement and Election to Prefund Other Post Employment Benefits through CalPERS
- C) Certification of Funding Policy
- D) Delegation of Authority to Request Disbursements
- E) Actuarial Valuation
- F) Excerpts from "Funding Pensions & Retiree Health Care for Public Employees" Report
- G) OPEB Presentation



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Adopt Resolution No. 4117 to Authorize the General Manager to Enter into an Agreement with the California Public Employee's Retirement System (PERS) to Prefund Other Post Employment Benefits (OPEB) through CalPERS; Certify the Funding Policy of the Board at 100% of the Annual Required Contribution (ARC); Delegate Authority to Request Disbursements to the General Manager and Chief Financial Officer; Authorize the Transfer of \$11,543,000 to the PERS Trust to Fully Fund the Actuarially Accrued Liability and the First Year's Normal Cost; and Authorize the Transfer of the Remaining Money in the Designated OPEB Fund to the General Fund to Pay for the Approved Six-Year Labor Agreement
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### COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommends that the Board adopt Resolution No. 4117 to Authorize the General Manager to Enter into an Agreement with the California Public Employee's Retirement System (PERS) to Prefund Other Post Employment Benefits (OPEB) through CalPERS; Certify the Funding Policy of the Board at 100% of the Annual Required Contribution (ARC); Delegate Authority to Request Disbursements to the General Manager and Chief Financial Officer; Authorize the Transfer of \$11,543,000 to the PERS Trust to Fully Fund the Actuarially Accrued Liability and the First Year's Normal Cost; and Authorize the Transfer of the Remaining Money in the Designated OPEB Fund to the General Fund to Pay for the Approved Six-Year Labor Agreement.

### 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.

**CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")**

**AGREEMENT AND ELECTION  
OF**

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(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT  
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) \_\_\_\_\_  
(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS  
Constituent Relations Office  
CERBT (OPEB)  
P.O. Box 942709  
Sacramento, CA 94229-2709

Filing in person, deliver to: CalPERS Mailroom  
Attn: Employer Services Division  
400 Q Street  
Sacramento, CA 95814

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

### C. Actuarial Valuation and Employer Contributions

(1) Employer shall provide to the Board an actuarial valuation report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB Statement No. 43, and shall be:

- (a) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
- (b) prepared in accordance with generally accepted actuarial practice and GASB Statement Nos. 43 and 45; and,
- (c) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any actuarial valuation report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the actuarial valuation report is not suitable for use in the Board's financial statements or if Employer fails to provide a required actuarial valuation, the Board may obtain, at Employer's expense, an actuarial valuation that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such actuarial valuation by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the actuarial valuation acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) Any Employer contribution will be at least \$5000 or be equal to Employer's Annual Required Contribution as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

#### D. Administration of Accounts, Investments, Allocation of Income

- (1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.
- (2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).
- (3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.
- (4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.
- (5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.
- (6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

#### E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

#### F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits.
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15<sup>th</sup> of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

#### G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

#### H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

- (a) Employer gives written notice to the Board of its election to terminate;
- (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement:

(a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.

(b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated

with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

## I. General Provisions

### (1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives at any time.

### (2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

### (3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

#### (4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

#### (5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

#### (6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

#### (7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the \_\_\_\_\_ day of the month of \_\_\_\_\_ 2007, authorized entering into this Agreement.

Signature of the Presiding Officer: \_\_\_\_\_

Printed Name of the Presiding Officer: \_\_\_\_\_

Name of Governing Body: \_\_\_\_\_

Name of Employer: \_\_\_\_\_

Date: \_\_\_\_\_

BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
KENNETH W. MARZION  
ACTUARIAL AND EMPLOYER SERVICES BRANCH  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

<p>To be completed by CalPERS</p> <p>The effective date of this Agreement is: _____</p>
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**CERTIFICATION OF OPEB ACTUARIAL  
INFORMATION AND FUNDING POLICY**

**CERTIFICATION OF OPEB ACTUARIAL INFORMATION**

As Actuary for the plan, I certify that the valuation for Otay Water District upon which the enclosed summary of actuarial information is based, meets the following criteria:

- The valuation was prepared on the basis of the OPEB assumption model prescribed by the CalPERS Board and in effect at the time of the valuation.
- The valuation has been prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries.<sup>1</sup>
- The valuation has been prepared in accordance with generally accepted actuarial principles.
- In the case where the actuarial valuation is to be performed on a biennial cycle:
  - this valuation includes (ARC) information that covers two fiscal years
  - other actuarial information for the second fiscal year will be provided after actual benefit payments and contributions are provided by the agency.
- The valuation has been prepared in accordance with the requirements set forth in Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45.
- If employer assets to pre-fund other post-employment benefits are invested in an irrevocable OPEB trust other than the California Employers' Retiree Benefit Trust, the liabilities associated with those assets are not included in the summary of actuarial information.

I further certify that the discount rate is consistent with the anticipated level of funding pursuant to the relevant section of GASB 43, and the employer's certification.

June 30, 2007

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Valuation Date

John E. Bartel, ASA, FCA, EA, MAAA

-----  
Printed Name of Actuary and Designation



January 3, 2008

-----  
Signature

-----  
Date

<sup>1</sup>In cases where the actuary performing the work does not meet these criteria, the valuation may be acceptable if the person has equivalent qualifications that are acceptable to the CalPERS Board. Please provide the qualifications of the actuary performing the valuation.

**CERTIFICATION OF FUNDING POLICY**

As the employer, I certify that our funding policy is to contribute consistently an amount at least equal to 100% of the ARC.

Otay Water District

-----  
Name of Employer

-----  
Printed Name and Title of Person Signing the Form

-----  
Signature

Date



**DELEGATION OF AUTHORITY  
TO REQUEST DISBURSEMENTS**

**RESOLUTION  
OF THE**

\_\_\_\_\_

(GOVERNING BODY)

**OF THE**

\_\_\_\_\_

(NAME OF EMPLOYER)

The \_\_\_\_\_ delegates to the incumbents in  
(GOVERNING BODY)

the positions of \_\_\_\_\_ and  
(TITLE)

\_\_\_\_\_ authority to request on behalf  
(TITLE)

of the Employer disbursements from the Other Post Employment Prefunding

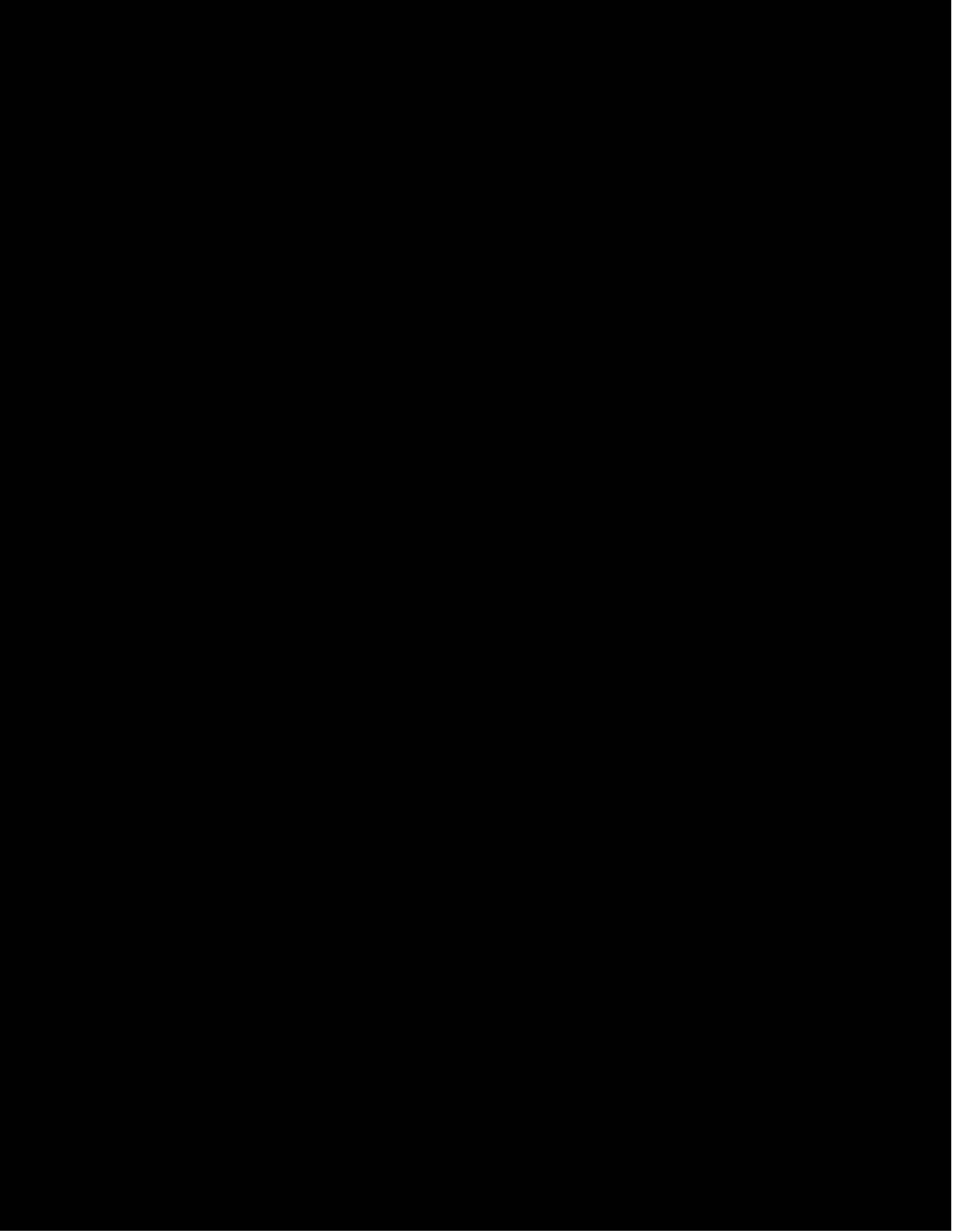
Plan and to certify as to the purpose for which the disbursed funds will be used.

By \_\_\_\_\_

Title \_\_\_\_\_

Witness \_\_\_\_\_

Date \_\_\_\_\_



## ACTUARIAL VALUATION CERTIFICATION

This report presents the June 30, 2007 actuarial valuation for the Otay Water District Retiree Healthcare Plan ("Plan"). The purpose of this valuation is to:

- determine the Plan Benefit Obligations as of June 30, 2007 pursuant to Governmental Accounting Standards Board Statement No. 45 (GASB 45), and
- calculate the Annual Required Contribution for the 2007/08 fiscal year.

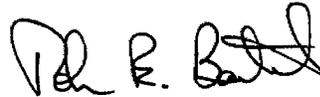
This report includes the following sections:

- Section 1 presents a summary of the June 30, 2007 valuation results.
- Section 2 provides estimated financial accounting information for the fiscal year ending June 30, 2008.
- Section 3 provides detailed results for the June 30, 2007 actuarial valuation.
- Sections 4, 5, and 6 summarize the census data, Plan provisions, funding methods, and actuarial assumptions that form the basis of the actuarial valuation.
- Section 7 includes a summary of GASB 45.

This report presents Bartel Associates' best estimate of the Otay Water District Retiree Healthcare Plan liabilities and costs in accordance with accepted actuarial principles and our understanding of GASB 45.

The undersigned is a member of the American Academy of Actuaries and meets Academy Qualification Standards to render the actuarial results and opinions in this report.

Respectfully submitted,  
Bartel Associates, LLC



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John E. Bartel, ASA, MAAA  
President

January 3, 2008

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## Actuarial and Accounting Terminology used in this Report

- AAL – Actuarial Accrued Liability
- AOC – Annual OPEB Cost
- ARC – Annual Required Contribution
- EAN – Entry Age Normal Cost Method
- GASB 45 – Governmental Accounting Standards Board Statement No. 45
- NOO – Net OPEB Obligation
- OPEB – Other (than pensions) Post Employment Benefits
- PVB – Present Value of Benefits
- UAAL – Unfunded Actuarial Accrued Liability

**SECTION 1**  
**SUMMARY**

---

The Otay Water District provides postretirement healthcare benefits to eligible employees who retire directly from the District. GASB 45 financial information for the 2007/08 fiscal year is as follows (amounts in 000's), assuming the District implements the GASB 45 accounting standard for the 2007/08 fiscal year:

■ <b>Present Value of Benefits (PVB) as of 6/30/07</b>	\$12,522
The Present Value of Benefits is a measure of the District obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.	
■ <b>Actuarial Accrued Liability (AAL) as of 6/30/07</b>	11,408
The Actuarial Accrued Liability is a measure of the District obligation for benefits earned or allocated to past service.	
■ <b>Plan Assets as of 6/30/07</b>	0
Plan Assets include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.	
■ <b>Unfunded Actuarial Accrued Liability (UAAL) as of 6/30/07</b>	11,408
The Unfunded Actuarial Accrued Liability is the excess of the AAL over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that still must be funded.	
■ <b>Annual Required Contribution (ARC) for 2007/08</b>	846
The Annual Required Contribution is the sum of the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability (or less an amortization of excess assets) determined as of the end of the fiscal year. The Normal Cost is the value of District-provided benefits expected to be earned or allocated to the fiscal year.	
■ <b>Estimated Net OPEB Obligation (NOO) as of 6/30/07</b>	0
The Net OPEB Obligation is the historical difference between the ARC and actual contributions. The Net OPEB Obligation is assumed to be zero as of June 30, 2007, the date the District implemented GASB 45.	
■ <b>Annual OPEB Cost (AOC) for 2007/08</b>	846
The Annual OPEB Cost is the expense recognized on the District's income statement for providing post-retirement healthcare benefits. The first year that the District complies with GASB 45, the AOC will equal the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and actual contributions.	
■ <b>Expected Benefit Payments for 2007/08</b>	701
Expected Benefit Payments, or the Pay-As-You-Go-Cost, are the expected District-paid retiree healthcare benefit payments for the fiscal year. (Amount shown here reflects 2008 premium rates for a full year and includes both the cash subsidy and the implied subsidy.)	

**SECTION 2**  
**ACCOUNTING INFORMATION**

---

The District's current contribution policy is to contribute the full ARC to the CalPERS California Employers' Retiree Benefit Trust Fund (CERBT) annually. In addition, the District intends to fund the full Actuarial Accrued Liability as of June 30, 2007 during the 2007/08 fiscal year. The 2007/08 ARC and AOC and the estimated June 30, 2008 NOO are as follows:

**Annual Required Contribution (ARC)**

The 2007/08 Annual Required Contribution includes the Normal Cost plus a 30-year amortization of the Unfunded AAL, both as a level percentage of payroll and determined as of the end of the fiscal year (amounts in 000's):

	<u>Cash Subsidy</u>	<u>Implied Subsidy</u>	<u>Total</u>
■ Normal Cost	\$99	\$36	\$135
■ UAAL Amortization	<u>649</u>	<u>62</u>	<u>711</u>
■ Total ARC	748	98	846
■ ARC as % of Payroll	6.8%	0.9%	7.7%

**Annual OPEB Cost (AOC)**

The AOC equals the ARC, except when the District has a NOO at the beginning of the year. In that case, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The 2007/08 AOC is determined as follows (amounts in 000's):

	<u>Cash Subsidy</u>	<u>Implied Subsidy</u>	<u>Total</u>
■ ARC	\$748	\$98	\$846
■ Interest on NOO	0	0	0
■ Amortization of NOO	<u>0</u>	<u>0</u>	<u>0</u>
■ Total AOC	748	98	846

**Estimated Net OPEB Obligation (NOO)**

The NOO is the historical difference between the ARC and actual contributions to a segregated trust. If the District contributes an amount equal to the Normal Cost (determined as of the end of the fiscal year) plus the 6/30/07 Actuarial Accrued Liability during 2007/08, the estimated June 30, 2008 NOO is (amounts in \$000's):

	<u>Cash Subsidy</u>	<u>Implied Subsidy</u>	<u>Total</u>
■ June 30, 2007 NOO <sup>1</sup>	\$0	\$0	\$0
■ AOC	748	98	846
■ Contributions (including benefit payments)	<u>(10,507)</u>	<u>(1,036)</u>	<u>(11,543)</u>
■ June 30, 2008 NOO	(9,759)	(938)	(10,697)

<sup>1</sup> Assumes the June 30, 2007 Net OPEB Obligation is zero.

### SECTION 3 ACTUARIAL VALUATION RESULTS

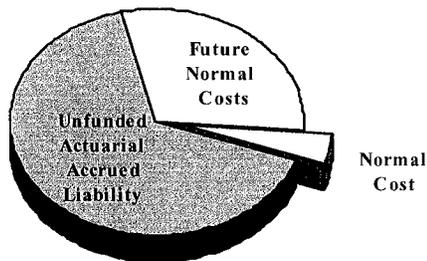
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#### Benefit Obligations

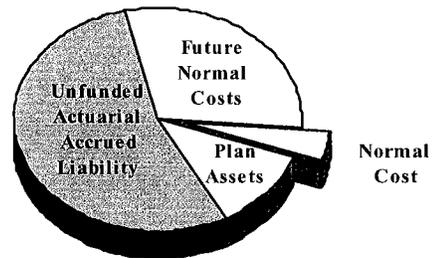
The following actuarial definitions are used in this section:

- The **Present Value of Benefits (PVB)** or Present Value of Projected Benefits is a measure of the total District obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.
- The **Actuarial Accrued Liability (AAL)** is a measure of the District obligation for benefits earned or allocated to past service.
- The **Normal Cost** is the value of District-provided benefits expected to be earned or allocated to the current fiscal year determined as of the end of the fiscal year.
- **Plan Assets** include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.

This report develops the AAL and Normal Cost using the Entry Age Normal actuarial cost method. This method is designed to produce a Normal Cost which, if all assumptions are met, will be a level percent of payroll. The following charts illustrate the components of the PVB, with the shaded area representing the unfunded AAL.



Present Value of Benefits  
(Without Plan Assets)



Present Value of Benefits  
(With Plan Assets)

**SECTION 3**  
**ACTUARIAL VALUATION RESULTS**

---

**Benefit Obligations – June 30, 2007**  
(amounts in 000's)

	<u>Cash Subsidy</u>	<u>Implied Subsidy</u>	<u>Total</u>
■ PVB			
● Actives	\$3,674	\$752	\$4,426
● Retirees	<u>7,528</u>	<u>568</u>	<u>8,096</u>
● Total	11,202	1,320	12,522
■ AAL			
● Actives	2,880	432	3,312
● Retirees	<u>7,528</u>	<u>568</u>	<u>8,096</u>
● Total	10,408	1,000	11,408
■ Assets	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	10,407	1,000	11,408
■ Expected Benefit Payments <sup>2</sup>	600	101	701

<sup>2</sup> Expected benefit payments were calculated assuming the 2008 premium rates are effective for the full 2007/08 fiscal year. Financial reporting of the District's healthcare cost for active employees should be offset by the expected payments for the retirees' implied subsidy.

**SECTION 3**  
**ACTUARIAL VALUATION RESULTS**

---

**Annual Required Contribution (ARC) – 2007/08**  
(amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$			
● Normal Cost	\$99	\$36	\$135
● UAAL Amortization <sup>3</sup>	<u>649</u>	<u>62</u>	<u>711</u>
● Total at End of Fiscal Year	748	98	846
■ Annual Payroll	10,951	10,951	10,951
■ ARC - % of Payroll			
● Normal Cost	0.9%	0.3%	1.2%
● UAAL Amortization	<u>5.9%</u>	<u>0.6%</u>	<u>6.5%</u>
● Total at End of Fiscal Year	6.8%	0.9%	7.7%

---

<sup>3</sup> 30-year amortization.

**SECTION 3**  
**ACTUARIAL VALUATION RESULTS**

---

**Benefit Obligations – June 30, 2007**  
(amounts in 000's)

	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Directors</u>	<u>Total</u>
■ PVB					
● Actives	\$727	\$3,042	\$657	\$0	\$4,426
● Retirees	<u>5,317</u>	<u>2,623</u>	<u>0</u>	<u>156</u>	<u>8,096</u>
● Total	6,044	5,665	657	156	12,522
■ AAL					
● Actives	665	2,433	213	0	3,312
● Retirees	<u>5,317</u>	<u>2,623</u>	<u>0</u>	<u>156</u>	<u>8,096</u>
● Total	5,982	5,056	213	156	11,408
■ Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	5,981	5,056	213	156	11,408
■ Expected Benefit Payments <sup>4</sup>	450	227	1	23	701

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<sup>4</sup> Includes cash and implied subsidy.

**SECTION 3**  
**ACTUARIAL VALUATION RESULTS**

---

**Annual Required Contribution (ARC) – 2007/08**  
(amounts in 000's)

	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Directors</u>	<u>Total</u>
■ ARC - \$					
● Normal Cost	\$8	\$80	\$47	\$0	\$135
● UAAL Amortization <sup>5</sup>	<u>373</u>	<u>315</u>	<u>13</u>	<u>10</u>	<u>711</u>
● Total at End of Fiscal Year	381	395	60	10	846
■ Annual Payroll	465	2,416	8,070	n/a	10,951
■ ARC - % of Payroll					
● Normal Cost	1.7%	3.3%	0.6%	n/a	1.2%
● UAAL Amortization	<u>80.2%</u>	<u>13.0%</u>	<u>0.2%</u>	<u>n/a</u>	<u>6.5%</u>
● Total at End of Fiscal Year	81.9%	16.4%	0.7%	n/a	7.7%

---

<sup>5</sup> 30-year amortization.

**Benefit Obligations – June 30, 2007**

(amounts in 000's)

	<u>Exec</u>	<u>Confid</u>	<u>Manager</u>	<u>Super</u>	<u>Admin</u>	<u>Field</u>	<u>Directors</u>	<u>Total</u>
■ PVB								
● Actives	\$266	\$174	\$766	\$439	\$922	\$1,859	\$0	\$4,426
● Retirees								<u>8,095</u>
● Total								12,521
■ AAL								
● Actives	171	111	637	350	622	1,422	0	3,312
● Retirees								<u>8,095</u>
● Total								11,407
■ Assets								<u>0</u>
■ Unfunded AAL								11,407
■ Expected Benefit Payments <sup>6</sup>								701

<sup>6</sup> Includes cash and implied subsidy.

**Annual Required Contribution (ARC) – 2007/08**

(amounts in 000's)

	<u>Exec</u>	<u>Confid</u>	<u>Manager</u>	<u>Super</u>	<u>Admin</u>	<u>Field</u>	<u>Directors</u>	<u>Total</u>
■ ARC - \$								
● Normal Cost	\$11	\$7	\$18	\$9	\$35	\$54	\$0	\$135
● UAAL Amortization <sup>7</sup>								<u>711</u>
● Total at End of Fiscal Year								846
■ Annual Payroll	1,245	1,037	1,120	803	3,319	3,426	n/a	10,951
■ ARC - % of Payroll								
● Normal Cost	0.9%	0.7%	1.6%	1.1%	1.1%	1.6%	n/a	1.2%
● UAAL Amortization								<u>6.5%</u>
● Total at End of Fiscal Year								7.7%

<sup>7</sup> 30-year amortization.

## Cash Flow Projection

(amounts in 000's)

The following table shows the projected "pay-as-you-go" benefit payments for the next 10 years as estimated from the June 30, 2007 actuarial valuation. The projection was done on a closed group basis, that is, no new hires were assumed.

<u>Fiscal Year</u>	<u>Benefit Payments</u>
2007/08 <sup>8</sup>	\$701
2008/09	752
2009/10	792
2010/11	851
2011/12	887
2012/13	894
2013/14	952
2014/15	962
2015/16	1,003
2016/17	1,043

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<sup>8</sup> Expected benefit payments were calculated assuming the 2008 premium rates are effective for the full 2007/08 fiscal year.

**SECTION 4**  
**DEMOGRAPHIC INFORMATION**

---

**Participant Statistics**  
**6/30/07**

	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Directors</u>	<u>Total</u>
<b>■ Actives<sup>9</sup></b>					
● Count <sup>10</sup>	6	29	124	5	164
● Average Age	51.5	49.6	42.5	49.6	44.3
● Average Service	29.9	18.2	4.1	5.2	7.5
● Payroll (000's) <sup>11</sup>	\$ 465	\$ 2,416	\$ 8,070	n/a	\$ 10,951
● Average Pay <sup>11</sup>	77,417	83,322	65,080	n/a	68,873
<b>■ Retirees<sup>12</sup></b>					
● Count < 65	22	14	0	0	36
● Count ≥ 65	<u>22</u>	<u>6</u>	<u>0</u>	<u>3</u>	<u>31</u>
● Total	44	20	0	3	67
● Average Age	68.1	64.1	n/a	81.5	67.5
● Average Ret Age	59.2	59.0	n/a	67.7	59.5

<sup>9</sup> General Manager included with Tier II.

<sup>10</sup> Excludes 1 Tier III part-time employee.

<sup>11</sup> Total excludes 5 active Directors elected after 1/1/95 reported with zero pay.

<sup>12</sup> Robert Griego included with Tier I.

**Participant Statistics**

6/30/07

	<u>Exec</u>	<u>Confid</u>	<u>Manager</u>	<u>Super</u>	<u>Admin</u>	<u>Field</u>	<u>Directors</u>	<u>Total</u>
<b>■ Actives</b>								
● Count	8	13	10	10	57	61	5	164
● Average Age	51.9	43.3	50.4	47.0	41.6	44.2	49.6	44.3
● Average Service	9.4	5.3	15.1	12.0	5.0	8.3	5.2	7.5
● Est 2007/08 Pay (000's) <sup>13</sup>	\$ 1,245	\$ 1,037	\$ 1,120	\$ 803	\$ 3,319	\$ 3,426	n/a	\$ 10,951
● Average Pay <sup>13</sup>	155,612	79,802	112,002	80,345	58,231	56,161	n/a	68,873
<b>■ Retirees</b>								
● Count < 65								36
● Count ≥ 65								<u>31</u>
● Total								67
● Average Age								67.5
● Average Ret Age								59.5

<sup>13</sup> Excludes 5 active Directors elected after 1/1/95 with zero reported pay.

## Healthcare Coverage

### Medical - Actives

Plan	Single	2-Party	Family	Waived	Total
EPO	46	26	38	n/a	110
Gold PPO	14	14	15	n/a	43
Silver PPO	0	0	1	n/a	1
Waived	n/a	n/a	n/a	10	10
Total	60	40	54	10	164

### Medical – Retirees Under Age 65

Plan	Single	2-Party	Family	Waived	Total
EPO	1	8	0	n/a	9
Gold PPO	10	15	1	n/a	26
Silver PPO	0	1	0	n/a	1
Waived	n/a	n/a	n/a	0	0
Total	11	24	1	0	36

### Medical - Retirees Over Age 65

Plan	Single	2-Party	Family	Waived	Total
EPO	0	0	0	n/a	0
Gold PPO	4	26	0	n/a	30
Silver PPO	0	0	0	n/a	0
Waived	n/a	n/a	n/a	1	1
Total	4	26	0	1	31

### Dental

Plan	Single	2-Party	Family	Waived	Total
Actives	61	37	66	0	164
Retirees < 65	6	16	1	13	36
Retirees ≥ 65	5	26	0	0	31

**Active Employees <sup>14</sup>**  
**Age/Service/Pay Distribution**

		Service							
Age		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	Count	1	1	-	-	-	-	-	2
	Average Pay	37,444	51,684	-	-	-	-	-	44,564
25-29	Count	7	2	-	-	-	-	-	9
	Average Pay	54,577	44,229	-	-	-	-	-	52,277
30-34	Count	5	8	4	1	-	-	-	18
	Average Pay	63,144	48,652	53,064	68,711	-	-	-	54,773
35-39	Count	5	8	10	3	-	-	-	26
	Average Pay	61,847	54,832	69,264	67,510	-	-	-	63,194
40-44	Count	5	8	7	3	5	2	-	30
	Average Pay	50,747	65,721	55,377	76,163	79,154	67,505	-	64,214
45-49	Count	3	11	6	1	2	1	3	27
	Average Pay	60,356	52,270	75,949	51,602	125,550	50,619	73,120	66,089
50-54	Count	4	8	4	-	9	3	3	31
	Average Pay	64,094	87,319	88,225	-	76,125	71,955	96,394	80,581
55-59	Count	1	2	6	-	2	-	1	12
	Average Pay	44,576	111,853	77,185	-	83,957	-	64,604	80,326
60-64	Count	2	2	1	2	2	-	-	9
	Average Pay	61,788	83,511	57,654	53,721	66,898	-	-	65,499
65 & Over	Count	-	-	-	-	-	-	-	-
	Average Pay	-	-	-	-	-	-	-	-
Total	Count	33	50	38	10	20	6	7	164
	Average Pay	57,690	63,161	68,997	65,877	81,685	66,916	81,878	66,773

<sup>14</sup> Includes 5 active Directors with zero reported pay.

**SECTION 5  
PLAN PROVISIONS**

**Benefit Summary**  
**(Effective 1/1/08)**

	<b>Tier I</b>	<b>Tier II</b>	<b>Tier III</b>	<b>Directors</b>																																				
<b>■ Medical Benefit Eligibility</b>	<ul style="list-style-type: none"> <li>• Service or Disability Retirement from the District</li> <li>• Full-time employees</li> <li>• Receiving CalPERS pension (50 &amp; 5)</li> </ul>																																							
	<p style="text-align: center;"><u>Hired &lt; 1/1/81</u></p> <ul style="list-style-type: none"> <li>• Ret 55 &amp; 5</li> </ul>	<p style="text-align: center;"><u>Hired ≥ 1/1/81 &amp; &lt; 7/1/93</u></p> <ul style="list-style-type: none"> <li>• Ret Age 55</li> <li>• Ret Age + Svc ≥ 70</li> <li>• Includes current General Manager</li> </ul>	<p style="text-align: center;"><u>Hired ≥ 7/1/93</u></p> <ul style="list-style-type: none"> <li>• Ret 55 &amp; 15</li> </ul>	<p style="text-align: center;"><u>Elected &lt; 1/1/95</u></p> <ul style="list-style-type: none"> <li>• Ret 60 &amp; 12</li> </ul>																																				
<b>■ Retiree Medical Benefit<sup>15</sup></b>	<ul style="list-style-type: none"> <li>• 100% of retiree cost for life</li> <li>• Ret &lt; 12/29/03: 100% of spouse &amp; dependent cost</li> <li>• Ret ≥ 12/29/03: 88% of spouse &amp; dependent cost</li> <li>• Dependent children coverage until age 19</li> <li>• EPO, Gold PPO, and Silver PPO available before Medicare eligibility</li> <li>• Gold and Silver PPO available after Medicare eligibility (not EPO)</li> </ul>		<ul style="list-style-type: none"> <li>• 50% of retiree-only cost until Medicare eligibility</li> <li>• Silver PPO available (not EPO or Gold PPO)</li> <li>• Not covered under District medical plan after Medicare eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Elected &lt; 1/1/95: <ul style="list-style-type: none"> <li>➢ 100% of retiree &amp; family cost for life</li> <li>➢ Gold and Silver PPO available (not EPO)</li> </ul> </li> <li>• Elected ≥ 1/1/95: None</li> </ul>																																				
<b>■ Surviving Spouse &amp; Dependents Medical Benefit</b>	<ul style="list-style-type: none"> <li>• Ret &lt; 12/29/03: 100% of spouse &amp; dependent cost</li> <li>• Ret ≥ 12/29/03: 88% of spouse &amp; dependent cost</li> <li>• Coverage for 12 months after retiree death &lt; 65</li> </ul>		<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Elected &lt; 1/1/95: 100% of spouse &amp; dependent cost for 12 months after retiree death &lt; 65</li> <li>• Elected ≥ 1/1/95: None</li> </ul>																																				
<b>■ Vesting</b>	<ul style="list-style-type: none"> <li>• Early retirement and vesting apply to disability retirees only after 1/1/08: Product of percentages:</li> </ul> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;"><u>Early Retirement</u></th> <th colspan="2" style="text-align: center;"><u>Vesting</u></th> </tr> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Pct</u></th> <th style="text-align: center;"><u>YOS</u></th> <th style="text-align: center;"><u>Pct</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">&lt;50</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">&lt;10</td> <td style="text-align: center;">0%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">70%</td> <td style="text-align: center;">10</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">51</td> <td style="text-align: center;">76%</td> <td style="text-align: center;">11</td> <td style="text-align: center;">44%</td> </tr> <tr> <td style="text-align: center;">52</td> <td style="text-align: center;">82%</td> <td style="text-align: center;">12</td> <td style="text-align: center;">58%</td> </tr> <tr> <td style="text-align: center;">53</td> <td style="text-align: center;">88%</td> <td style="text-align: center;">13</td> <td style="text-align: center;">72%</td> </tr> <tr> <td style="text-align: center;">54</td> <td style="text-align: center;">94%</td> <td style="text-align: center;">14</td> <td style="text-align: center;">86%</td> </tr> <tr> <td style="text-align: center;">55+</td> <td style="text-align: center;">100%</td> <td style="text-align: center;">15+</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table>				<u>Early Retirement</u>		<u>Vesting</u>		<u>Age</u>	<u>Pct</u>	<u>YOS</u>	<u>Pct</u>	<50	0%	<10	0%	50	70%	10	30%	51	76%	11	44%	52	82%	12	58%	53	88%	13	72%	54	94%	14	86%	55+	100%	15+	100%
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<sup>15</sup> All active employees receive a District medical and dental cash subsidy of 100% of the employee cost plus 88% of the cost for spouses and dependents.

**SECTION 5  
PLAN PROVISIONS**

	<b>Tier I</b>	<b>Tier IIa</b>	<b>Tier IIb</b>	<b>Tier III</b>	<b>Directors</b>
■ Dental Benefit Eligibility	<ul style="list-style-type: none"> <li>• Same as Medical</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Medical and</li> <li>• Ret ≥ 60</li> </ul>	<ul style="list-style-type: none"> <li>• Not covered</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Medical</li> </ul>	<ul style="list-style-type: none"> <li>• Same as Medical</li> </ul>
■ Dental Benefit	<ul style="list-style-type: none"> <li>• 100% of retiree cost for life</li> <li>• Ret &lt; 12/29/03: 100% of spouse &amp; dependent cost</li> <li>• Ret ≥ 12/29/03: 88% of spouse &amp; dependent cost</li> </ul>		<ul style="list-style-type: none"> <li>• Not covered</li> </ul>	<ul style="list-style-type: none"> <li>• Retiree pays premium</li> </ul>	<ul style="list-style-type: none"> <li>• Elected &lt; 1/1/95: 100% of retiree and family cost for life</li> <li>• Elected ≥ 1/1/95: Not covered under District dental plan</li> </ul>
■ Life Insurance	<ul style="list-style-type: none"> <li>• Ret &lt; 12/29/03</li> <li>• Retiree: \$3,000 to 70</li> <li>• Spouse: \$1,000 to 70</li> </ul>	<ul style="list-style-type: none"> <li>• Ret &lt; 12/29/03</li> <li>• Retiree: \$3,000 to 70</li> <li>• Spouse: None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

**SECTION 5  
PLAN PROVISIONS**

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**2008 SDRMA Monthly Healthcare Premiums**

Plan	Pre-Medicare			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
EPO	\$473.56	\$947.13	\$1,231.27	n/a	n/a	n/a
Gold PPO	420.94	841.89	1,094.46	332.80	665.62	1,109.37
Silver PPO	315.71	631.41	820.84	249.60	499.22	832.02
Dental	41.11	98.65	151.10	41.11	98.65	151.10

**2008 Unimerica Monthly Life Insurance Premiums**

	Single
Employee	19¢ per \$1,000
Spouse	60¢ per \$1,000

**SECTION 6**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

---

**Actuarial Methods**

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. (The EAN cost method is required by CalPERS for agencies funding with the CERBT.)

The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2007/08 fiscal year. The District Retiree Healthcare Plan was assumed not to meet the GASB 45 definition of a community-rated plan and an implied subsidy was included in the valuation since SDRMA premiums rates are dependent on the demographics of District participants. The valuation was performed assuming that the 2008 premium rates are effective for the full 2007/08 fiscal year

The Plan is assumed to be ongoing for cost purposes and the current benefit design is assumed to continue with no change other than assumed inflationary adjustments. This does not imply that an obligation to continue the Plan exists.

**Actuarial Assumptions**

■ **Discount Rate**

- 7.75%
- The District's current contribution policy is to contribute the full ARC to the CalPERS California Employers' Retiree Benefit Trust Fund (CERBT) annually. In addition, the District intends to fund the initial Actuarial Accrued Liability as of June 30, 2007 during the 2007/08 fiscal year.
- CalPERS requires a Discount Rate of 7.75% for the portion of the ARC funded with CalPERS.

■ **Inflation Rate**

- 3% per annum.
- CalPERS requires valuations use an inflation rate of 3%.

■ **Aggregate Payroll Increases**

- 3.25% per annum. (Used to amortize Unfunded AAL.)
- CalPERS requires that the aggregate payroll increase assumption be no greater than 3.25%.

■ **Salary Merit and Longevity Increases**

- CalPERS 1997-2002 Experience Study.

**SECTION 6**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

■ **Demographic Assumptions (Mortality, Withdrawal, Disability)**

- CalPERS 1997-2002 Experience Study.
- CalPERS requires that demographic assumptions be the same as those of the CalPERS pension plan unless the actuary can demonstrate that the agency has materially different experience.

■ **Retirement Age**

- CalPERS 1997-2002 Experience Study.
  - 2.7% @ 55 Expected Retirement Age: Male ≈ 60.1; Female ≈ 59.4
- CalPERS requires that demographic assumptions be the same as those of the CalPERS pension plan unless the actuary can demonstrate that the agency has materially different experience.

■ **Medical Premium Increases**

	EPO		PPOs	
	Non-Medicare <u>Eligible</u>	Medicare <u>Eligible</u>	Non-Medicare <u>Eligible</u>	Medicare <u>Eligible</u>
2009	9.70%	10.10%	10.50%	10.90%
2010	9.05%	9.40%	9.75%	10.10%
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%

- CalPERS requires that the select period be no greater than 10 years and that the ultimate trend rate be between 4% and 5%.

■ **Dental Premium Increases**

- 4% per annum.

■ **Medical Participation at Retirement**

- Actives covered: 100% for all Tiers
- Actives waived: 100% for all Tiers

■ **Dental Participation at Retirement**

- Actives Tiers I, IIa: 100%

**SECTION 6**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

---

■ **Dependents at Retirement**

- 75% of actives have spouses at retirement
- 10% have family coverage < 65
- No family coverage  $\geq$  65

■ **Spouse Age**

- Males 3 years older than females if no spouse birth date provided.

■ **Medical Plan at Retirement**

- Actives currently covered:
  - Tiers I, II:
    - Same as current active elections until Medicare eligible
    - Same as current active elections after Medicare eligible except for EPO participants
    - EPO participants move to Gold PPO after Medicare eligible
  - Tier III:
    - Silver PPO until Medicare eligible
    - Not covered under District plan after Medicare eligible
- Actives currently waived:
  - Tiers I, II: Gold PPO
  - Tier III: Silver PPO

■ **Medicare Eligible**

- 100% eligible for Medicare.
- All Medicare eligibles will elect Part B coverage.

■ **Future New Participants**

- Closed group – no future new participants assumed.

## SECTION 7 GASB OPEB SUMMARY

---

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), accounting standards for *other* (than pensions) *postemployment benefits* (OPEB). Accounting for these benefits – primarily postretirement medical – can have significant impact on state and local government financial statements. This section summarizes GASB 45.

### Background

Historically, most public sector entities have accounted for OPEB using a “pay-as-you-go” approach; very few have prefunded or even accrued for these benefits. This means OPEB costs are ignored while an employee renders service and recognized only after an employee retires. GASB argues this delayed recognition shifts “costs” from one taxpaying generation to another. The GASB position is that OPEB, like pension benefits, are a form of deferred compensation. Accordingly, GASB 45 requires recognizing OPEB (in the financial statement) *as employees render service* (and consequently earn the benefit), rather than when paid.

### Effective Dates

GASB 45 effective dates are phased in similar to GASB Statement No. 34:

- Fiscal years beginning after December 15, 2006 for GASB 34 phase 1 governments (total annual revenue of \$100 million or more)
- Fiscal years beginning after December 15, 2007 for GASB 34 phase 2 governments (total annual revenue of \$10 million to \$100 million)
- Fiscal years beginning after December 15, 2008 for GASB 34 phase 3 governments (total annual revenue less than \$10 million).

### What Benefits are OPEB?

OPEB includes most postemployment benefits, other than pensions, that employees are entitled to after leaving employment:

- Retiree medical
- Dental
- Prescription drug
- Vision
- Life insurance
- Outside group legal
- Long-term care
- Disability benefits outside a pension plan

OPEB does not include vacation, sick leave, COBRA, or ad hoc early retirement incentives, which fall under other GASB accounting statements.

### Accounting Standards

Under GASB 45, pay-as-you-go accounting is replaced with accrual accounting. This is virtually identical to GASB’s approach under Statement No. 27, with the key financial statement components being an Annual Required Contribution, an Annual OPEB Cost, and a Net OPEB Obligation.

## SECTION 7 GASB OPEB SUMMARY

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- **Annual Required Contribution (ARC):** GASB 45 doesn't require an agency to make up any shortfall (unfunded Actuarial Liability) immediately, nor does it allow an immediate credit for any excess Plan Assets. Instead, the difference is amortized over time. An agency's ARC is nothing more than the employer current Normal Cost (value of benefits being "earned" during a year), plus the amortized unfunded Actuarial Liability (or less the amortized excess Plan Assets). Simply put, ARC is the value of benefits earned during the year plus (or minus) something to move the plan toward being on track for funding. GASB 45 allows actuaries to amortize the unfunded Actuarial Liability (or excess Plan Assets) on a level dollar or level percent of payroll basis. We believe most agencies will want to use a level percent of payroll amortization because it's more consistent with the budget process and how pension contributions are usually calculated. ARC must be based on the underlying OPEB promise (as understood by the plan sponsor and employees).
- **Annual OPEB Cost (AOC):** The first year an agency complies with the new standards, the AOC equals the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and AOC.
- **Net OPEB Obligation (NOO):** An agency's NOO is the historical difference between actual contributions made and the ARC. If an agency has always contributed the ARC, the NOO equals zero. However, an agency has not "made" the contribution unless it has been set aside and cannot legally be used for any other purpose.

### Implementation Process

The implementation process will be relatively straightforward: An agency will hire an actuary to calculate the ARC. The first time an agency does this, their AOC equals their ARC. The agency then decides whether to contribute all, none, or part of the ARC into a Trust that cannot legally be used for any purpose other than paying OPEB.

If an agency always contributes the ARC, then each subsequent year's AOC equals their ARC – and the NOO is zero. The first year an agency does *not* contribute the ARC, they must establish an NOO equal to the difference between their actual contribution and the ARC. The subsequent year's AOC equals the ARC, adjusted for interest and amortization of the NOO.

### Disclosure Requirements

This may be the most important aspect of GASB 45. When disclosed, some agencies will show large OPEB unfunded liabilities, while others will show small or no unfunded liabilities. These differences *may* require an adjustment in an agency's bond rating. Plan sponsors must disclose in their financial statement footnotes:

- Basic plan information
  - Plan type
  - Benefits provided
  - Authority under which benefits were established
- Plan funding/contribution policy information:
  - Required contribution rates for active members and employers shown in dollars or as a percent of payroll

## SECTION 7 GASB OPEB SUMMARY

---

- Plan Funded Status information:
  - AOC and the dollar contributions actually made
  - If the employer has a NOO, also
    - Components of the AOC
    - NOO increase or decrease during the year
    - End of year NOO
  - 3-year history of
    - AOC
    - Percent of AOC contributed during the year
    - End of year NOO
  - Most recent year's plan Funded Status
  - Actuarial methods and assumptions used to determine the ARC, AOC, and Funded Status.

In addition, plan sponsors must provide 3 years of historical required supplementary information:

- Valuation dates
- Actuarial asset values
- Actuarial Liability
- Unfunded Actuarial Liability (excess Plan Assets)
- Plan funded ratio
- Annual covered payroll
- Ratio of unfunded Actuarial Liability (excess Plan Assets) to annual covered payroll
- Factors that significantly affect comparing the above information across the years.

### Defining the Plan

GASB 45 refers to the *substantive plan* as the basis for accounting. It may differ from the *written plan* in that it reflects the employer's cost sharing policy based on:

- Past practice or communication of intended changes to a plan's cost sharing provisions, or
- Past practice of cost increases in monetary benefits.

The substantive plan is the basis for allowing recognition of potential future plan changes. This approach requires entities to acknowledge the underlying promise, not just the written plan.

What if retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience? (This was a contentious issue during the statement drafting, with one of the seven board members dissenting from Board adoption of the final statement.) In general, GASB 45 requires recognition of the implied subsidy. However, if benefits are provided through a community rated plan (premium rates based on experience of multiple employers rather than a single employer), and the same premium is charged for active and retired participants, it is appropriate to value unadjusted premiums.

## SECTION 7 GASB OPEB SUMMARY

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### **Actuarial Assumptions and Discount Rate Requirements**

Under GASB 45, the actuary must follow current actuarial standards of practice, which generally call for explicit assumptions – meaning each individual assumption represents the actuary’s best estimate.

GASB 45 also requires basing the discount rate on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on Plan Assets for funded plans. Since the source of funds for unfunded plans is usually an agency’s investment fund, and California and most other state law restricts what investments agencies can have in their investment fund, unfunded plans will need to use a low (for example, 4% to 5%) discount rate. If an agency sets up a Trust and diversifies Trust Plan Assets, however, the discount rate might be much higher (such as 7%) depending on the Trust fund’s expected long-term investment return.

### **Transition Issues**

Typically, new accounting standards allow transition from old to new requirements. Because historical ARC calculations will rarely be available, GASB 45 takes a prospective transition approach: there is no requirement for an initial transition obligation. But if AOCs, before transition, were calculated consistently with the standard, a NOO at transition can be established at an agency’s discretion.

### **Valuation Frequency Requirements and Small Plans**

GASB 45 requires an actuarial valuation at least every two years for plans with more than 200 (active, inactive, and retired) members. Plans with fewer than 200 members will need a valuation every 3 years. In a significant departure from prior standards, though, GASB 45 allows plans with fewer than 100 members to elect a simplified measurement method not requiring an actuarial certification.

# Funding Pensions & Retiree Health Care for Public Employees

A REPORT OF THE PUBLIC EMPLOYEE POST-EMPLOYMENT  
BENEFITS COMMISSION



PUBLIC EMPLOYEE  
POST-EMPLOYMENT BENEFITS  
COMMISSION

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## Governor's Proclamation Creating the Commission Executive Order S-25-06

**WHEREAS** the State and other public entities within the State provide employees with pensions and other post-employment benefits such as health care; and

**WHEREAS** these benefits serve the public interest by attracting and retaining a workforce that protects the health and safety of the State; and

**WHEREAS** the most recent accounting reports from CalPERS and CalSTRS indicate that public employee pensions are underfunded; and

**WHEREAS** the Government Accounting Standards Board now requires the State and other public entities within the State to determine and report their liabilities for other post-employment benefits; and

**WHEREAS** only a small percentage of public entities have begun taking action to determine the full extent of their other post-employment benefits or to fund any liabilities that may exist in that regard, with the result that any such liabilities that may exist are largely unfunded; and

**WHEREAS** unfunded liabilities for other post-employment benefits are currently unknown, but the Legislative Analyst's Office estimates that they may be potentially tens of billions for the State and other public entities; and

**WHEREAS** the Legislative Analyst's Office has reported that elected officials throughout the State lack the information needed to develop strategies for addressing post-employment liabilities and urged more disclosure and planning in addressing this issue.

**NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER**, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this Order to become effective immediately:

- 1 The Public Employee Post-Employment Benefits Commission (Commission) is hereby established. It shall consist of twelve members, six of whom shall be appointed by the Governor, three of whom shall be appointed by the Speaker of the Assembly, and three of whom shall be appointed by the Senate President pro Tem. The Governor shall designate one of the members as chairperson. The members of the Commission shall serve without compensation and at the pleasure of the official who appointed them.
- 2 On January 1, 2008, the Commission shall deliver a report to the Governor and to the Legislature that:
  - a Identifies, with regard to the State of California and its counties, cities, school districts, special districts, and any other affected government bodies, the amount and extent of unfunded liabilities for other post-employment benefits;
  - b Compares and evaluates the advantages and disadvantages of various approaches for addressing unfunded post-employment benefits; and
  - c Considers the advantages to the State from other post-employment benefits, such as providing retiree health care.
  - d Proposes a plan or plans for addressing unfunded post-employment benefits.
- 3 The Commission shall be disbanded 30 days after delivery of their report unless the Commission's service is extended by further Executive Order.
- 4 The Commission shall comply with applicable open meeting laws. This Executive Order is not intended to create, and does not create, any rights or benefits, whether substantive or procedural, or enforceable at law or in equity, against the State of California or its agencies, departments, entities, officers, employees, or any other person.
- 5 State departments and agencies shall cooperate and provide support to the Commission and local agencies are encouraged to provide support for the efforts of the Commission.

**I FURTHER DIRECT** that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

**IN WITNESS WHEREOF** I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 28th day of December 2006.



ARNOLD SCHWARZENEGGER  
*Governor of California*



## Message from the Chairman

### Gerald L. Parsky

During the last 12 months, the Public Employee Post-Employment Benefits Commission (the Commission) met throughout the state and listened to nearly one hundred hours of testimony from concerned citizens, policy experts, and government officials. The Commission deliberated carefully about how best to fund post-employment benefits for our state's workforce. All of the information presented emphasized the importance to the State of California of both public employment and public employees.

It also became clear that the pension and health care components of compensation are critical to both active and retired public employees. It is devastating to individuals when health care benefits are changed after they have retired, since the cost of health services can easily deplete a retiree's income. The best way to ensure that government promises are kept is to provide prefunding for these benefits. It is equally important that this funding be made in a fiscally sound and prudent manner that will not negatively impact other government services.

Because of the volatility and unpredictability of health care costs, these benefits are just as important as are pension benefits to the state's workers and retirees. Certain health care benefits have become an integral component of retirement planning. Additionally, in many cases, these benefits are part of deferred compensation packages used to attract and retain qualified individuals for government service. The importance of these benefits in the eyes of workers and retirees cannot be overstated.

With respect to funding these critical benefits, it is important to emphasize that each public agency in California faces different funding constraints, personnel needs, and organizational purposes. A one-size-fits-all approach is neither appropriate nor practical. An understanding of that fact underlies both what the Commission addressed and what it did not. The Commission developed recommendations which are meant to facilitate compliance with the new reporting standards for OPEB benefits, to ensure the fiscal integrity of California's pension systems, and to hold all public agencies to a standard of best practices in finance, disclosure, deferred compensation structure, and budget priorities. The Commission did not pursue requests that it advocate statewide changes to retirement formulas and retirement age because those components of benefit design are bargained and determined at the local level.

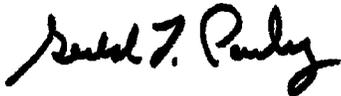
Early in our deliberations, the following three principles guided our discussions and recommendations:

1. A competitive, affordable benefits package serves the public good by enabling public employers to recruit and retain qualified public employees.
2. The costs of promised benefits should be fully identified, known, and paid for within the working career of those receiving the benefit. The processes for funding those benefits should be easily understood and actuarially sound.
3. In order to build awareness, support, and trust with taxpayers, including the employees of public agencies, the process through which benefits are adopted, modified, and/or paid for needs to be open, transparent, and defensible.

Consistent with the spirit in which this body was created by California's Republican and Democratic leaders, this bi-partisan Commission worked through differences to find common ground and reach consensus on solutions that, if followed, will benefit the state's fiscal health and promote the long-term well-being of its workforce.

Finally, we would like to commend the Governor and the Legislative Leaders for taking action on this vitally important issue for California. We especially appreciate the cooperative spirit in which they appointed a bi-partisan Commission. We are happy to report that the tone they set has continued throughout this last year. Personally, I have truly been impressed with the way in which each of the members represented their views and demonstrated a genuine desire to understand the views of others and reach common ground. It is with this spirit of bi-partisanship, cooperation, and desire to do what is right for California and its workforce that we unanimously present the following recommendations.

Sincerely,



Gerald L. Parsky  
Chairman  
Public Employee Post-Employment Benefits Commission

## Executive Summary

### A Plan to Address Pension and OPEB Obligations

This report presents a plan to address public pension and retiree health care funding issues across the state of California. The following recommendations are divided into eight groups which together constitute a plan for addressing pension and Other

Post-Employment Benefits (OPEB) obligations. For more information on the background and rationale for each recommendation, please see the Recommendations section of this report.

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#### Group 1

##### Identify and Prefund Financial Obligations

##### **Recommendation 1**

Public agencies providing OPEB benefits should adopt prefunding as their policy. As a policy, prefunding OPEB benefits is just as important as prefunding pensions. The ultimate goal of a prefunding policy should be to achieve full funding.

##### **Recommendation 2**

Each public employer shall identify its OPEB liability, adopt a prefunding plan, and make it public. If a public employer does not establish a prefunding plan, it shall clearly identify an alternative approach for addressing its OPEB liabilities and make public its reason for not prefunding.

##### **Recommendation 3**

The State of California shall establish prefunding as both a policy and budget priority, develop and make public a prefunding plan, and begin prefunding its OPEB liabilities.

##### **Recommendation 4**

Any employer considering the use of OPEB bonds should fully understand, and make public, the potential risks they bring. Such risks include: shifting costs to future generations, converting a future estimated OPEB liability into fixed indebtedness, and the uncertainty concerning continued federal cost sharing for debt service on such a bond.

Group 2  
Limit Contribution  
Volatility and Use  
Smoothing Methods  
Judiciously

**Recommendation 5**

Public retirement systems which consider contribution rate volatility to be a problem should consider the use of longer asset smoothing periods to lessen that volatility.

**Recommendation 6**

A retirement system which has adopted an asset smoothing method should resist efforts to alter that method for short-term gain, including, but not limited to, contribution rate reductions and benefit increases.

**Recommendation 7**

Generally, employer contributions should not fall to zero. An employer should be permitted to have a full or partial contribution holiday only when its retirement plan is substantially overfunded. As used here, "substantially overfunded" means that the existing surplus is used to pay for all or part of the normal cost only after that surplus is amortized over a 30 year period, the longest amortization period allowed by GASB. In particular, employer contributions should fall to zero ("full contribution holiday") only in the rare situation that the surplus is so great that it could be expected to fund a full 30 years of normal costs.

**Recommendation 8**

An employer whose pension account is overfunded and who has an OPEB liability should, as its first priority, use that surplus to address its OPEB liability. This should be done either by (1) transferring such surplus directly to OPEB funding in a manner which complies with federal and state law, or (2) using the budgetary savings from any contribution holiday (determined in accordance with Recommendation 7) to make additional contributions to OPEB funding.

Group 3  
Increase Transparency  
and Accountability

**Recommendation 9**

Legislation should be enacted directing the State Controller's Office to develop a simple and inexpensive procedure to regularly collect and report OPEB data from California public agencies. In order to minimize reporting requirements for public agencies, all the data collected for this report should be contained in the GASB 45 actuarial valuation report periodically required of each public agency and in the agency's GASB 45 footnote. Reporting should be mandatory for those agencies which provide OPEB benefits.

**Recommendation 10**

The State Controller's Office should publish the annual report of public pensions, which is required by current law, within 12 months of the receipt of data but in no case longer than 18 months after the end of the fiscal year.

### **Recommendation 11**

With the exception of school districts and county offices of education, legislation should be enacted to amend Government Code Section 7507 to provide for more clarity in its cost reporting requirements and for clear accountability within a public agency adopting new benefit levels. Specifically, where that section now calls for the determination of “future annual costs”, it should be clarified to include “normal cost and any additional accrued liability”. Concerning increased accountability, language should be added which requires that the person holding the position with the responsibilities of a chief executive officer within the affected agency acknowledge in writing the actuary’s cost determination for the new benefit. School districts and county offices of education shall comply with disclosure requirements pursuant to AB1200 (Chapter 1213, Statutes of 1991) and AB 2756 (Chapter 52, Statutes of 2004).

### **Recommendation 12**

With the exception of school districts and county offices of education, legislation should be enacted to amend Government Code Section 7507 so that it also applies to the granting or changing of OPEB benefits. As with pension benefits, this statutory change would require that the future costs of the proposed benefit change be determined by an actuary and be made public at least two weeks prior to adoption. School districts and county offices of education shall comply with disclosure requirements pursuant to AB1200 (Chapter 1213, Statutes of 1991) and AB 2756 (Chapter 52, Statutes of 2004).

### **Recommendation 13**

With the exception of school districts and county offices of education, legislation should be enacted to amend Government Code Section 7507 to require that pension and/or OPEB benefit changes be subject to the public notice requirements found in that section and be presented with an actuary available to answer any questions or to provide additional information, as needed. The presentation and report should be in language easily understood by the layperson, and such information should not be placed on the consent calendar. School districts and county offices of education shall comply with disclosure requirements pursuant to AB1200 (Chapter 1213, Statutes of 1991) and AB 2756 (Chapter 52, Statutes of 2004).

## **Group 4 Improve Plan Design and Communication with Employees**

### **Recommendation 14**

An employer making a contribution to retiree health care should make that contribution proportionate to the number of years of employment and should reward longer careers. This recommendation should be implemented through collective bargaining and should be applied to newly hired employees. The use of proportionate credit to earn the employer contribution for retiree health care should apply only to service retirement.

### **Recommendation 15**

An employer providing retiree health care should make that benefit dependent upon the employee retiring within a set time after separation from the job.

### **Recommendation 16**

Public sector employers should provide tax-advantaged supplemental savings plans (e.g. 457, 401(k), 403(b), etc.) to their employees on an “opt out” basis. Public employers and their employees should jointly determine the details of any plan offered, including: whether to use a “hard” or “soft” opt out, the minimum contribution amount, and any default investment selection for employee contributions. Employers should also develop an ongoing program to educate employees about their savings options.

### **Recommendation 17**

Public employers should provide regular explanations to their employees concerning the advantages of their defined benefit (pension and OPEB) plans, the role of compounded interest in their personal savings programs, and the advantage of contributing to savings on a pre-tax basis. Employees who participate in Social Security should be educated that this is a supplemental program only and not a retirement plan. This information should be communicated at regular intervals throughout an employee’s career.

### **Recommendation 18**

Public employers should provide clear explanations to employees concerning current eligibility rules for retiree health care and the terms under which retiree health care is earned. Employers should also clearly explain to their employees the conditions under which health benefits for retirees are to be funded and paid. This information should be communicated at regular intervals throughout an employee’s career and through plan documents and collective bargaining agreements.

### **Recommendation 19**

Public employers should provide timely notification to both active and retired employees when proposing a change in retiree health care benefits. This notification should be provided in a time frame that reasonably allows affected employees and retirees to understand the impact of the benefit change, to review other options available to them, and to comment to the employer on the proposed changes.

### **Recommendation 20**

CalPERS should periodically inform its contracting agencies about the option of allowing permanent part-time employees access to the PEMHCA health care system. The amount of the employer contribution, if any, should be collectively bargained.

**Group 5**  
Provide  
Independent  
Analysis

**Recommendation 21**

Public employers should evaluate participation in alternate arrangements, including joint power authorities (JPA) and regional health care risk pools, as a means of providing retirees with access to health care coverage.

**Recommendation 22**

Legislation should be enacted to create a California actuarial advisory panel at the state level. The purpose of the advisory panel would be to provide the California Legislature, the Governor's office, public retirement systems, public agencies, and other interested parties with impartial and independent information on pensions, OPEB benefits, and best practices.

Such a panel would encourage greater transparency and understanding of actuarial methodology and assumptions used by public retirement systems and would gather and provide information concerning best actuarial practices. Individuals appointed to the advisory panel should have the requisite technical and educational skills to carry out their duties.

**Recommendation 23**

All public pension plans should have periodic performance audits performed by an independent auditor.

**Group 6**  
Strengthen  
Governance and  
Enhance  
Transparency

**Recommendation 24**

A retirement board should not provide incentives for an employer to enhance benefits, and benefit improvements by the employer should not be contingent upon a quid pro quo by the retirement board.

**Recommendation 25**

Retirement systems and public agencies should be open and transparent concerning the elements included in final compensation. All public retirement systems in California should have in place safeguards against pension spiking.

**Recommendation 26**

Legislation should be enacted which would do the following:

1. Make it a crime to make a fraudulent claim for a retirement or disability benefit or to keep a payment made on the basis of a fraudulent claim;
2. Require that workers' compensation insurers and the Director of EDD provide CalPERS investigators with information they deem necessary when investigating someone concerning the application for, or the receipt of, CalPERS benefits.

**Recommendation 27**

The granting of a disability retirement should be based solely on medical information and should not consider personnel, disciplinary, or other ancillary issues.

**Recommendation 28**

Boards overseeing pension or OPEB trust funds should evaluate not only reported actuarial liabilities and assets but also the underlying assumptions including discount rates, investment returns, mortality, health care inflation, and whether plans are open or closed systems. Boards should understand the sensitivity to changes in these assumptions, as well as the difference between actuarial values and market values. The authorities responsible for appointing members to public retirement boards should seek out individuals with expertise in the areas of public finance, investments, and public administration. In addition, the trustees of public retirement systems, as well as the trustees of OPEB trusts, should receive continuous training related to the understanding and fulfillment of their fiduciary responsibilities, actuarial methodology and assumptions, and conflict of interest requirements.

**Recommendation 29**

Boards which govern pension and/or OPEB trusts should have very strong conflict of interest policies and should adhere to those policies. All trustees should annually attest in writing that they understand and are in compliance with the conflict of interest policy.

**Recommendation 30**

Boards overseeing pension and/or OPEB trust funds should meet or exceed the transparency governance requirements they place on companies or on investment managers of plan assets.

**Recommendation 31**

Public retirement boards of trustees should establish a separate audit committee, made up of trustees, to oversee and participate in the opening, processing, and closing of the annual audit report to the full board.

**Recommendation 32**

Health plan sponsors should identify individuals who are Medicare-eligible and inform them of the need to enroll in Medicare in a timely manner. Employers should provide those individuals with information on penalties which result from delayed enrollment in Medicare.

**Recommendation 33**

Employers should provide incentives to individuals to enroll in Medicare and possibly a Medicare supplement plan once they become eligible for Medicare.

Group 7  
Coordinate with  
Medicare

## Group 8 Advocate Federal Tax Law Changes

### Recommendation 34

At the request of numerous local agencies, the Commission agreed to consider several proposed tax changes. Because the Commission can play a unique role in communicating these issues to the IRS, the Commission will write a letter to the IRS recommending the following:

- **Investment of Assets Used to Fund Retiree Health Benefits:** The IRS should modify Revenue Ruling 81-100 to allow the commingling for investment purposes of the funds held to pay public employee OPEB obligations with retirement system funds, subject to appropriate safeguards. Those safeguards should require that OPEB funds must be held in trust solely for the benefit of retirees and beneficiaries and that investments and income must be properly accounted for and allocated.
- **Collectively Bargained Retiree Health Benefits:** The IRS should interpret the law in the same manner for retiree health benefits as it does for pensions, and not tax health benefits which are collectively bargained, even if they are not fully insured. The IRS also should not tax retiree health benefits that provide higher premium subsidies to retirees with longer service, whether or not those benefits are collectively bargained.
- **Saving For Retirement: Redeposits and Service Purchase:** The IRS should not change its current rules concerning pick ups and should not change its rules allowing pre-tax redeposits and the pre-tax purchase of service credit, particularly since there has been no change in the governing law.
- **Definition of "Government Agency" for Retirement Systems:** The IRS, DOL, and PBGC should open their process for defining "government agency" by holding public hearings and inviting government agencies and retirement systems to participate in these sessions to provide critical information before any decisions are made which could adversely affect many public employees.
- **Health Benefits: Retirees, Step Children, Domestic Partners, and All Others Covered by the Retiree Health Plan:** The IRS should not tax the health care benefits provided to everyone covered by a health care plan simply because the plan provides coverage for retirees' step children and domestic partners who are not tax dependents of the retirees.

# OPEB

# Other Post Employment Benefits

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# OPEB - Definition

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- ❑ Benefits paid by the employer to qualified retired employees (Not including pension benefits)
- ❑ Otay's medical and dental benefits are an OPEB benefit.
- ❑ OPEB Liability
- ❑ Actuary's Role

# Accounting for Pensions

## History

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- Pension Funding –
  - 1974 ERISA required companies to calculate the funding status.
  - 1986 FASB puts out SFAS 87 which standardizes accounting for pensions
  
- Medical and Dental Pension Funding -
  - 1998 FASB puts out SFAS 132 which standardizes accounting for medical pensions
  - 2004 GASB implements GASB #45 to standardize reporting of medical pensions

# Otay's OPEB History

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- ❑ 1999 First actuarial study
- ❑ 2000 Board approved an OPEB policy & set aside \$4,000,000 (partial funding)
- ❑ 2004 GASB 45 issued with focus on irrevocable trusts
- ❑ 2004 Updated actuarial study and the Board set aside \$12,100,000 (fully funded)
- ❑ 2007 District identifies savings with modified medical plans, PERS Trust
- ❑ 2007 District offers expanded compensation and benefits with savings
- ❑ 2007 Governor Approves AB 554
- ❑ 2008 Recommend implementation of PERS Trust to obtain savings

# Benefits of the PERS Trust

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- Greater returns make \$5M in current funds available for other District purposes
  - District Rate     5.00% (Short term)
  - Trust Rate        7.00% (Long term & Equity Markets)
  - PERS Rate         7.75% (Long term & Equity Markets)
- Meets GASB 45 trust criteria
- Financial Statements will reflect the FULLY FUNDED status
- Demonstrates the District's strong financial position, planning, and management - Bond Markets

# Cause for Celebration

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- ❑ Board actions have placed the District in the favorable position to FULLY FUND the District's liability
- ❑ Placing the funds in a PERS Trust will save the District over \$5,000,000
- ❑ The District's Fully Funded status puts the District in a very competitive position. The District will not be financially hindered by future funding requirements.

# Medical Pension Actuarial Results

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## Actuarial Accrued Liability (AAL)

□ AAL	\$11,408,000
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## Annual "Required" Contribution (ARC)

□ Normal Cost	\$135,000
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## Without Funding the AAL the ARC Increases

□ Normal Cost	\$135,000
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□ UAAL Amortization	<u>\$711,000</u>
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	\$846,000
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# Governor's Benefits Commission

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## □ **Governor Schwarzenegger Quote**

"...these benefits serve the public interest by attracting and retaining a workforce that protects the health and safety of the State..."

## □ **Commission Chairman Quote**

"The results of this survey should serve as a wake-up call about the importance of planning ahead and implementing prudent fiscal policies now. For the good of the state's fiscal health and the well being of our workforce, action must be taken."

□ Identified Pension underfunding at \$63.5 Billion

□ Identified Medical underfunding at \$118 Billion

# Recommendations of the Governor's Benefits Commission

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1. Identify and Prefund Financial Obligations
2. Limit Contribution Volatility and Use Smoothing Methods Judiciously
3. Increase Transparency and Accountability
4. Improve Plan Design and Communication with Employees
5. Provide Independent Analysis
6. Strengthen Governance and Enhance Transparency
7. Coordinate with Medicare
8. Advocate Federal Tax Law Changes the best interest of all Californians.

# Staff Recommendation

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- Approve Resolution No. 4117
  - Authorize the agreement with PERS to prefund the OPEB Trust
  - Set the funding policy at 100% of the ARC
  - Delegate authority to request disbursements to the GM and CFO
  - Authorize the transfer of \$11,543,000 to PERS
  - Authorize the transfer of the remaining designated funds to the GF to pay for negotiated benefits

# AGENDA ITEM 4



## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2008
SUBMITTED BY:	James Cudlip, <i>James Cudlip</i> Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:	Joseph R. Beachem, Chief Financial Officer (Chief)		
APPROVED BY:	German Alvarez, <i>GA</i> Assistant General Manager (Asst. GM):		
SUBJECT:	Banking Services Review		

### GENERAL MANAGER'S RECOMMENDATION:

Information report only. No action required.

### COMMITTEE ACTION: \_\_\_\_\_

See Attachment A.

### PURPOSE:

In response to a recent Board request, this report provides information on the process developed by the Finance Department to review the District's current banking services, the results developed from completing that review, and recommendations for making this review a recurring business practice on a regularly scheduled basis.

### SUMMARY:

Based on Board input, staff developed a formal process for reviewing pricing, services, and staff satisfaction with current banking financial services. It was concluded that the services currently provided by Union Bank of California are properly priced and meet the ongoing needs of the District. No change is recommended at this time.

**BACKGROUND:**

In January 2006, the Board approved staff's recommendation to change banks from California Bank & Trust (CB&T), to Union Bank of California (UBOC). The District had been using CB&T's bank services for seven years and it was determined that a formal review of banking services was appropriate. Proposals from several banks were received and UBOC was selected. The outcome of this change was both to improve the overall financial services available to the District, and also provide significant savings in total annual fees.

Recently the Board requested that staff review the current banking relationship to determine if the District is still receiving the best available financial package of fees and services, as well as whether District staff were satisfied with the ongoing service and responsiveness of the bank. The Board also expressed interest in developing a procedure to allow periodic review of these services.

To comply with the Board's recommendation, a review process was developed consisting of the following elements: 1) current services provided; 2) a financial industry review of new or additional services available; and 3) a comparative review of fees with other government agencies. If the results of this review indicated a need for significant change in banking fees or services, staff would then initiate a formal Request for Proposals from the banking community, similar to the procurement actions which were completed approximately two years ago. 4) At a minimum, staff will conduct a formal Request for Pricing from the banking community every five years.

Current UBOC banking services consist of five major areas: 1) general checking, savings, and manual deposits related to the District's operating and payroll accounts; 2) lockbox services for customer payments (approximately 32,000 per month); 3) processing of credit card payments (approximately 4,000 per month); 4) custodial services for investment securities; and 5) trustee services for the District's four bond issuances.

**ANALYSIS:**

**CURRENT SERVICES PROVIDED:** District staff who deal with the bank on a repetitive basis were asked if they had any problems or issues with the bank, and if they were satisfied with current banking services. This included Customer Services Section, Payroll, Accounts Payable, and Investments personnel. Responses

were positive. With the number of monthly transactions involved it will never be 100% free of mistakes, but problems or mistakes tend to be infrequent, minor in scope, and the bank has been quick to respond to all inquiries. Staff are very happy with the financial services provided and the personnel contacts involved at UBOC.

NEW OR ADDITIONAL SERVICES AVAILABLE: Finance Department staff are active in keeping current and knowledgeable of financial industry services. Actions include: 1) discussions with the District's outside auditors; 2) membership in professional financial organizations (GFOA, CMTA, CSMFO, AICPA); 3) attendance at financial seminars; 4) discussions with peers in the surrounding water districts, other government agencies, and other business entities. Staff are unaware of any necessary additional financial goods or services that are not also available from UBOC.

CURRENT FEES: The current banking contract includes five year fixed pricing on all services provided. During the bid review process staff noted that UBOC's pricing was very aggressive, resulting in the lowest total fees overall. Telephone calls were made to another agency that recently completed bidding for financial services and a comparison of current market pricing was obtained. While there may be slight differences in pricing for specific, individual line items or services, UBOC's total pricing was still lower than other banks reviewed for the total package of services utilized by the District.

ADDITIONAL CONSIDERATIONS:

Banking services are interwoven throughout many of the financial processes of the District and require significant effort to change. Any change creates a disruption for customers and vendors in changing their payments to the District. Customers who utilize on-line bill payment services must proactively change their programs to reflect a new lockbox address, or their payments will continue to go to the old address. Credit card payments and vendors who send electronic payments to the District must also change their programs to reflect new bank account numbers, or the payments will continue to go to the old account. It typically takes several months and hundreds of hours of staff work to change all banking services.

Outside auditors and national financial credit rating agencies consider the stability of a business entity's banking relationship as a positive factor in their overall analysis and

review. The magnitude of change, as described above, is such that a change of banks is considered a required item for explanation and review prior to rendering a favorable opinion of the entity's business operations.

**Conclusions:**

Changing banks results in major operational changes that should only be initiated if there are problems with current services, or a potential for substantial financial savings. Neither situation currently exists, so staff recommends continuing with Union Bank of California at this time.

It is an excellent business practice to complete an evaluation of existing financial services such as this on a periodic basis. It is therefore recommended that staff conduct this financial services review every 2-3 years, to assure the District continues to receive the best services for the best price.

**FISCAL IMPACT:**

None. The recommendation for no change in banking services will maintain current operations and financial projections.

**STRATEGIC OUTLOOK:**

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

**LEGAL IMPACT:** \_\_\_\_\_

None.

  
\_\_\_\_\_  
General Manager

Attachments:

- A: Committee Action Form
- B: Copy of Banking Services Review Presentation Slides



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Banking Services Review
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### COMMITTEE ACTION:

Information item only.

### NOTE:

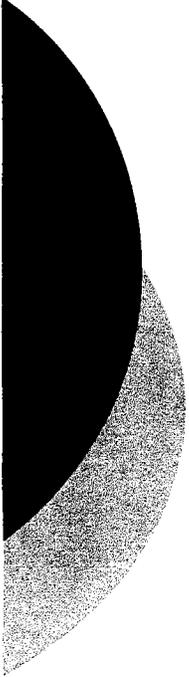
The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

# **BANKING SERVICES REVIEW**

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## **▪ Board Request**

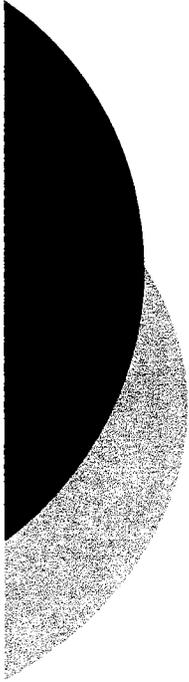
- Develop a formal process for the periodic review of banking fees and services.
- Complete the review and report staff findings & recommendations.



# **BANKING SERVICES REVIEW**

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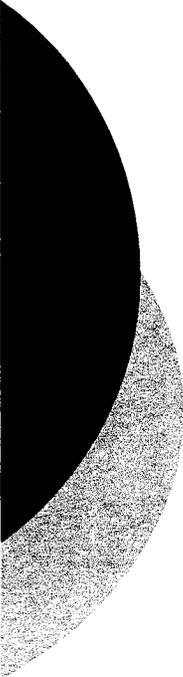
- **Review Process**
  - Staff interviews of current services provided.
  - Financial industry review of all services available.
  - Comparative review of service fees.



# **BANKING SERVICES REVIEW**

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- **Additional Considerations**
  - Magnitude of change.
  - Staff time and disruption of current processes.
  - Audit & credit rating impacts.

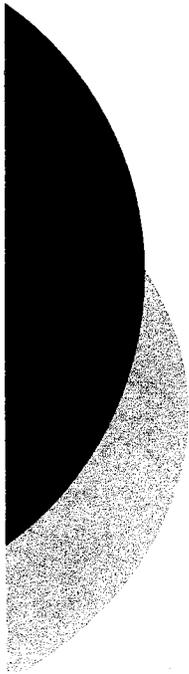


# **BANKING SERVICES REVIEW**

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## **- Analysis Results**

- Staff are happy with current services.
- No new or additional services are contemplated at this time.
- Total fees are lower than other banks & fixed for 3 more years.



# **BANKING SERVICES REVIEW**

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## **▪ Recommendations**

- No changes needed.
- Continue with UBOC at this time.
- Conduct this review every 2 – 3 years.
- Full Request for Pricing from the banking community every 5 years.



# AGENDA ITEM 5

## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 6, 2008
SUBMITTED BY:	Armando Buelna, <i>AB</i> Communications Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:			
SUBJECT:	Customer Service, Satisfaction and Awareness, and Call Center Surveys		

**GENERAL MANAGER'S RECOMMENDATION:**

This is an informational item.

**COMMITTEE ACTION:** \_\_\_\_\_

See Attachment A.

**PURPOSE:**

To provide an update to the Board of Directors regarding the selection of a consultant to conduct the annual Customer Service, Satisfaction, and Awareness, and Call Center Surveys.

**BACKGROUND:**

The Strategic Performance Plan calls for implementing a standardized potable and recycled water customer survey. It also emphasizes enhancing quality control in Finance Customer Service to ensure outstanding Call Center interaction with customers. To accomplish these Strategic Plan objectives, staff recommends retaining Rea & Parker Research to conduct the Customer Service, Satisfaction, and Awareness, and Call Center Surveys.

In accordance with district procedures, staff solicited bid proposals from six research firms to conduct the surveys. Two responses to the Invitation to Bid were received. Proposals were received from Rea & Parker Research, and Claritas Inc.

Upon review of the proposals, staff selected Rea & Parker Research. Staff supports retaining Rea & Parker Research based on their expertise, the timeliness, professionalism, their level of personalize service, as well as staff's positive experience working with this firm on the 2005 and 2006 surveys. Claritas' proposal was vague and staff was unable to gauge their qualifications, technical expertise, history with water agencies





## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Customer Services Survey
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### COMMITTEE ACTION:

This item was presented to the Finance, Administration, and Communications Committee on January 17, 2008 and the committee recommended referring this matter as written to the full board of directors for consideration.

### Note:

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

**Otay Water District  
2008 Customer Service  
and Residential  
Customer Satisfaction/  
Awareness Surveys**



**OTAYWATERDISTRICT**



Proposal to

**Mr. Armando Buelna  
Communications Officer  
Otay Water District  
2554 Sweetwater Springs  
Blvd.  
Spring Valley, CA 91978**

Prepared by

**Rea & Parker Research  
P.O. Box 421079  
San Diego, CA 92142-1079**

**858-279-5070**

**[www.rea-parker.com](http://www.rea-parker.com)**

December 21, 2007

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December 21, 2007

Mr. Armando Buelna  
Communications Officer  
Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA

Re: Otay Water District Survey Research Proposal  
Survey I: General Residential Customer Survey  
Survey II: Customer Service Survey

Dear Mr. Buelna:

Rea & Parker Research is a survey/market research and economic consulting firm based in San Diego, California, with facilities in Los Angeles and Orange County. It was founded by its present owners, Louis M. Rea, Ph.D., and Richard A. Parker, Ph.D., in 1984 and has grown into a well-respected, financially stable, and substantial research organization with clients throughout the State of California and the Southwest who will attest to the firm's ability to deliver a very high quality product to its clients, with practical recommendations and valuable, actionable findings.

Dr. Parker and Dr. Rea are professors in the School of Public Administration and Urban Studies at San Diego State University. Dr. Rea has also been Director of the School for 23 years. Dr. Parker and Dr. Rea are co-authors of a highly successful book, *Designing and Conducting Survey Research: A Comprehensive Guide*, published by Jossey-Bass Publishers of San Francisco in 1992, with a second edition published in 1997, and a third edition in 2005.

Drs. Parker and Rea have extensive experience in public and urban affairs regarding the collection of primary demographic, attitudinal, and market-related data through survey research and focus group analysis, particularly regarding transportation research and water research. Water related surveys have been conducted for the Otay Water District (baseline 2005 customer satisfaction survey and 2007 customer satisfaction survey/2007 baseline customer service survey), the San Diego County Water Authority (2000, 2003, 2004, 2005, and 2007 public opinion polls, 2003 and 2005 member agency surveys, and 2005 economic climate survey), the City of San Diego Water Department (2004 customer satisfaction survey), North County Co-Permittees Watershed survey (2004), and the San Diego County unincorporated watershed surveys (2004), among others that are detailed in the proposal.

Rea & Parker Research has a significant history of success in deriving marketing data from ethnic minority groups. Further, Dr. Parker and Dr. Rea and are highly regarded economic consultants, particularly in the areas of fiscal impact analysis, urban economic development, and site specific commercial, retail, and residential evaluation.

Mr. Armando Buelna  
Otay Water District  
page 2

Rea & Parker Research possesses significant expertise in issues pertaining to transportation and growth, along with vast experience in survey research and analysis, focus group research, data collection, and sampling design, all of which are detailed in the Proposal enclosed with this letter of interest.

Rea & Parker Research proposes to:

- design sampling plans and survey instruments,
- coordinate all field data-collection activities
- edit, code, weight, expand, and analyze survey data
- prepare written report of findings
- prepare graphical presentations of the data
- provide final computerized data files
- present the survey findings in person, using a PowerPoint slide presentation

Rea & Parker Research is pleased to respond to this Request for Proposals and to submit this Proposal and Statement of Qualifications in an effort to be selected as the consultant for the Otay Water District 2008 Customer Surveys.

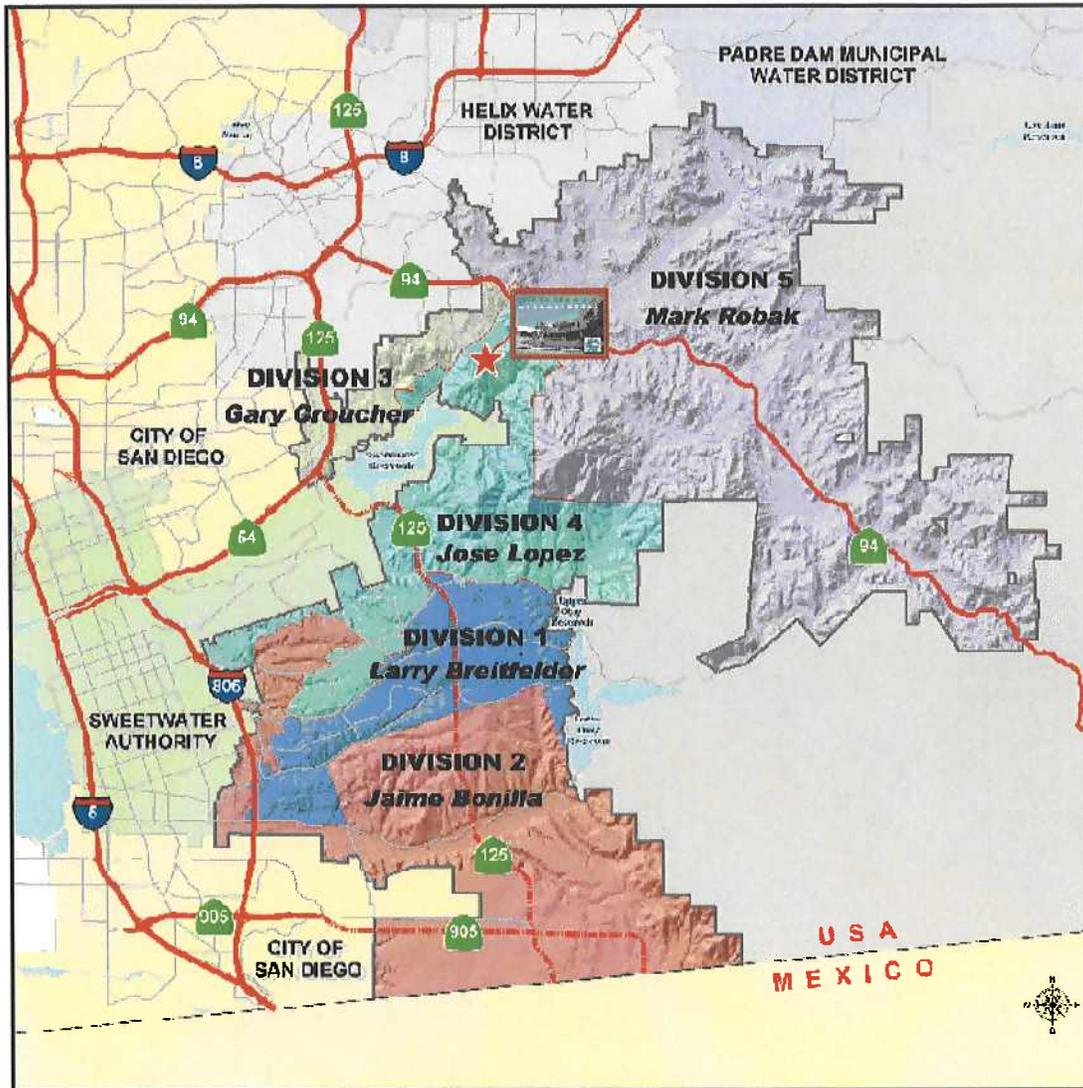
Rea & Parker Research is committed to keeping the lines of communication open as the project moves forward. To that end, Rea & Parker Research will provide the Otay Water District Project Manager with frequent progress reports. By using key senior staff members to implement the tasks described above, Rea & Parker Research promises to provide consistent and efficient consulting services to its clients in general, and to Otay Water District, in particular, for this project.

We thank you for the opportunity to propose our services and sincerely hope that our response to your Request for Proposals meets with your satisfaction and approval.

Sincerely,

Richard A. Parker, Ph.D.  
President

## PROJECT OBJECTIVES



In 1956, the Otay Water District was authorized by the State Legislature and gained its entitlement to imported water. Today, the District serves the water and/or sewer needs of approximately 190,000 people, covering 125.5 square miles of southern San Diego County, by purchasing their water from the Metropolitan Water District of Southern California through the San Diego County Water Authority. The District takes delivery of the water through several connections to large pipelines owned and operated by the San Diego County Water Authority. Since its inception, the Otay Water District has also collected and reclaimed wastewater generated within the Jamacha drainage basin and pumped the reclaimed water south to the Salt Creek basin where it is used for irrigation and other non-potable uses.

The Otay Water District wishes to conduct statistically reliable customer satisfaction and customer awareness telephone surveys among residential customers. The purpose of the surveys is twofold – first, to update baseline measurements of customer satisfaction (among those who have called for customer service help and among the general residential customer base with residency within the District of a minimum of one year) and second to provide information concerning customer awareness of and reaction to the communications, utility rates and costs, conservation activity, field service and overall opinions of quality and reliability.

The Otay Water District requests that consultants propose to conduct two distinct surveys, as follows:

**Survey I: 300 randomly selected residential customers of the Otay Water District will be randomly sample surveyed.**

The primary areas of interest are:

- Overall customer satisfaction
- Awareness of rates
- Awareness of formal/written communications
- Awareness of conservation activities/programs
- Awareness of water recycling activities
- Attitudes toward conservation
- Concerns about water supply
- Quality of water supply
- Reliability of water supply
- Awareness of sewer operations
- Demographic measures
- Areas of interest concerning water or district issues (open end)
- Other areas as may occur in planning discussions

**Survey II: 300 randomly selected customers of Otay Water District who have contacted the District for information and/or customer service during the most recent 6 months.**

The primary areas of interest are:

- Call Center interaction—specifics and outcomes of these interactions
- Courtesy of staff
- Clarity and accuracy of responses from staff
- Level of knowledge displayed by Call Center staff
- Experience with field staff
- Quality of service received
- Overall satisfaction with service received
- Use of online services
- Quality of online services
- Demographic measures

**Richard A. Parker, Ph.D., Professor, School of Public Affairs—San Diego State University and Louis M. Rea, Ph.D., Professor, School of Public Affairs—San Diego State University are pleased to respond to the Otay Water District Request for Proposals to be the consultant selected to perform both of the surveys, including the overall development,**

implementation, data tabulation, analysis, written report, and presentation of the knowledge, attitudes, and behaviors of the subject population, as more fully described in the Scope of Services section of this proposal that follows Qualifications and Related Experience.

This proposal applies to both surveys, with distinctions made, where appropriate throughout the proposal, and, in particular, with regard to the cost and price component of the proposal.

## **QUALIFICATIONS AND RELATED EXPERIENCE**

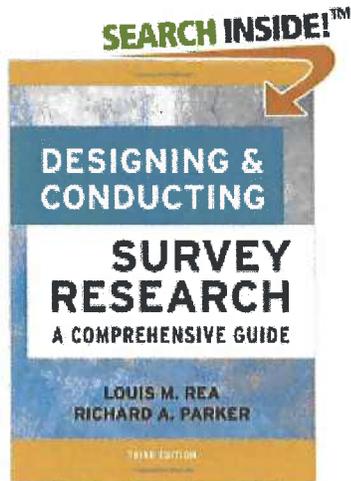
**RICHARD A. PARKER, Ph.D. and LOUIS M. REA, Ph.D.  
(Rea & Parker Research and San Diego State University)**

### **Qualifications**

Rea & Parker Research is a survey and market research and economic consulting firm based in San Diego, California, with facilities in Los Angeles and Orange County. Rea & Parker Research has been a significant research firm in public transportation for many years. It was founded by its present owners, Louis M. Rea, Ph.D., and Richard A. Parker, Ph.D., in 1984 and has grown into a well-respected, financially stable, and substantial research organization with clients throughout the State of California and the Southwest who will attest to the firm's ability to deliver a quality product within the originally designated budget and in accordance with the contracted time schedule.

Dr. Parker and Dr. Rea are professors in the School of Public Affairs at San Diego State University. Dr. Parker and Dr. Rea are co-authors of a highly successful book, *Designing and Conducting Survey Research: A Comprehensive Guide*, published by Jossey-Bass Publishers in 1992, with a second edition published in 1997, and a third edition in 2005.

Drs. Parker and Rea have extensive experience in public and urban affairs regarding the collection of primary demographic, attitudinal, and market-related data through survey research and focus group analysis. **Rea & Parker Research has conducted San Diego region water related awareness and satisfaction surveys for the Otay Water District, San Diego County Water Authority, Imperial Irrigation District, San Diego County, City of San Diego, City of Oceanside, Sweetwater Authority, and San Luis Rey Indian Water Authority—all of which are detailed in the attached letter of transmittal and list of clients and projects that follow.**



Rea & Parker Research has a significant history of success in deriving marketing data from ethnic minority groups. Further, they are highly regarded economic consultants, particularly in the areas of fiscal impact analysis, urban economic development, and site specific commercial, retail, and residential evaluation. Rea & Parker Research has conducted surveys and market research for a significant list of clients, including:

- State of California--Senate Rules Committee
- State of California--Senate Special Committee on Border Issues
- State of California--Office of the Auditor General
- State of California--Office of the Attorney General
- California Department of Transportation (CALTRANS)
- San Diego County Sheriffs Department
- San Diego County Water Authority
- Otay Water District
- San Diego Gas & Electric
- Imperial Irrigation District
- County of San Diego
- County of Orange
- City of San Diego
- City of San Diego Housing Commission
- City of Escondido
- City of Carlsbad
- City of Oceanside
- City of Poway
- City of Davis
- City of St. Helena
- City of Dana Point
- Los Angeles County Metropolitan Transportation Authority
- Southern California Regional Rail Authority (Metrolink)
- Orange County Transportation Authority
- Bay Area Rapid Transit
- Metropolitan Transit Development Board (San Diego Transit)

- Riverside Transit Authority
- Southern California Association of Governments
- SANDAG
- Sweetwater Authority
- Santa Clarita Transit
- Alhambra Community Transit
- Culver City Bus Lines
- Commerce Transit
- Pasadena ARTS
- Cerritos-On-Wheels (COW)
- Santa Monica Big Blue Bus
- Los Angeles Commuter Express
- Torrance Transit
- Carson Circuit
- El Monte Trolley
- Foothill Transit
- San Diego County Taxpayers Association
- San Diego County Law Library
- City Heights Community Development Corporation (City of San Diego)
- Centre City Development Corporation (City of San Diego)
- North Park Main Street Association (San Diego)
- San Luis Rey Indian Water Authority
- La Jolla Band of Mission Indians
- Viejas Enterprises
- Foxwoods Development/Pauma Casino
- Wallace, Roberts and Todd--Planners and Architects (San Francisco)
- Westec Services, Inc. (Salt Lake City)
- Joint Labor/Management Committee-Retail Food Industry
- San Diego/Imperial Counties Labor Council AFL-CIO
- Sweetwater Authority
- PRC Engineering
- RECON, Incorporated
- Christiansen and Wallace
- Stevens Planning Group
- Brian Mooney and Associates--Urban Planners
- Ault, Deuprey, Jones, Danielsen, & Gorman--Attorneys at Law
- Higgs, Fletcher & Mack--Attorneys at Law
- O'Neill, Huxtable & Abelson--Attorneys at Law
- Seyfarth Shaw--Attorneys at Law

**Richard A. Parker, Ph.D. is a professor in the School of Public Affairs at San Diego State University where he teaches graduate and undergraduate courses in statistics, survey research, urban economic development, finance, and real estate.** Dr. Parker possesses extensive analytical experience in statistical survey research, market analysis, land use, real estate development and valuation, and transportation issues. He will serve as the co-Project Director.

Dr. Parker has been a consultant to both the public and private sectors for almost 30 years. He has specialized in sample survey research for various governmental agencies and market research for retail, commercial, residential, and recreational development. Particular emphasis has been

placed upon market research conducted in the field of transportation, with a myriad of rider/on-board surveys, intercept surveys, telephone surveys, and focus group projects having been performed for several transportation agencies. Dr. Parker has further established his reputation with regard to fiscal impact studies, urban redevelopment, and environmental impact/socioeconomic and demographic analyses. Dr. Parker has also been involved on a consultative basis with a number of issues concerning economic and population growth impacts in Southern California and has published a variety of articles, monographs, and books on these subjects. He has further participated in various panel discussions, delivered expert testimony to legislatures and courts, and appeared on several radio and television programs on behalf of his clients.

Dr. Parker is a graduate of Brown University, the University of California at Berkeley, and UCLA. He possesses degrees in Business Administration from those institutions (B.S., MBA, and Ph.D.) plus a further graduate degree in City Planning (MCP) from San Diego State University.

**Louis M. Rea, Ph.D. is Vice-President of Rea & Parker Research and professor of City Planning in the School of Public Affairs at San Diego State University. Dr. Rea teaches graduate courses in statistical analysis, transportation planning, survey research, and urban/fiscal problems.** He has published a variety of articles, participated in panel discussions, and delivered numerous papers at professional conferences throughout the United States. He has extensive experience as a researcher and consultant in California and particularly in San Diego and the Los Angeles area for the past 30 years. Dr. Rea will be Co-Project Director for this study.

Dr. Rea has conducted and supervised numerous projects in the areas of transportation research and transit planning, including on-board bus/train surveys, ride checks, intercept surveys, and focus groups. He has also conducted Internet and telephone surveys in numerous consulting and research assignments for municipal jurisdictions and private businesses throughout Southern California. Dr. Rea has prepared environmental impact reports and market analyses for various commercial/recreational developments and has analyzed the feasibility of assessment districts and direct benefit financing. Dr. Rea has also prepared demographic and economic profiles and projections for various projects.

Dr. Rea is a graduate of Colgate University in New York, where he earned a BA. He received a Master of Regional Planning (MRP) and Ph.D in Social Science. from Syracuse University in Regional Planning.

Complete resumes are attached at the end of this proposal.

### **Selected Sample Survey Research Projects of Rea & Parker Research—references at end of section**

#### **Otay Water District**

- 2007 residential customer satisfaction/awareness (n=300) and customer service surveys (n=200). Emphasis upon customer satisfaction, conservation measures, customer service needs, communications.

- 2005 customer satisfaction survey of 350 residential customers concerning behavior, opinion, customer service, desalination, water reclamation, and conservation practices.

### **San Diego County Water Authority**

- 2007 San Diego County Water Authority Public Opinion Survey: 700 respondents concerning behavior, opinion, future needs assessment issues, desalination, water reclamation, fluoridation, and conservation practices.
- 2005 San Diego County Water Authority Public Opinion Survey: 725 respondents concerning behavior, opinion, future needs assessment issues, desalination, water reclamation, and conservation practices.
- 2005 Member Agency Survey: On-line survey of general managers, division managers, operating heads regarding SDCWA policies and programs
- 2005 Survey of 400 San Diego County public works contractors to identify issues pertaining to project labor agreements and other public works contracting issues, including satisfaction with working in association with SDCWA.
- 2004 Member Agency Survey was prepared, administered and analyzed regarding customer satisfaction. Project included a total revision of the instrument that had been used for many previous years in order to successfully discern possibilities for improved service by the Water Authority to its member agencies
- 2004 San Diego County Water Authority Telephone Public Opinion Survey: 710 respondents concerning behavior, opinion, future needs assessment issues, desalination, water reclamation, and conservation practices.
- 2004 Engineering Department Employee Satisfaction Survey: Survey of Engineering Department staff about employee satisfaction issues—compensation, benefits, advancement, working conditions, feedback, and others.
- 2003 San Diego County Water Authority Telephone Public Opinion Survey conducted among 600 telephone respondents in order to assess knowledge, behavior, opinions, and willingness to pay regarding water issues, including reliability.

### **City of San Diego Water Department**

- Conducted 400 person survey of City Water Department customers regarding satisfaction, recycling, and water conservation.

### **San Diego County**

- Public awareness survey of 1300 County residents regarding water quality and watershed protection, including level of knowledge, behavior, and opinion

components.

#### **North County Co-Permittees**

- Public awareness survey of 800 Carlsbad and San Luis Rey watershed residents, including level of knowledge, behavior, and opinion components.

#### **Imperial Irrigation District**

- Developed statistical models to predict daily power consumption based upon a variety of factors, including temperature, humidity, cloud cover, precipitation, vapor pressure, season, day of the week, and many more.

#### **State of California (Senate Rules Committee, Senate Select Committee on Border Issues, and Office of the Auditor General)**

- Analysis of fiscal impact of undocumented immigrants on public services in San Diego County, including criminal justice system, education, and public health. Further identified estimated number of undocumented residents and their contributions to State and local tax revenues. Also included in the analysis were federal revenues, false documentation issues, and macro economic impacts. Study included substantial primary data gathering techniques, including direct interviews with undocumented immigrant workers and INS returnees. Prepared, administered, and analyzed sample surveys of undocumented immigrants in San Diego County for purposes of determining employment characteristics, revenue generation, demographics, and migration patterns. Research included extensive face-to-face interviews and structured roundtable discussions.

#### **City of Carlsbad**

- Prepared, implemented, and analyzed citywide sample telephone survey of 600 respondents concerning future urban commercial development in this fast growing Northern San Diego County city. Extensive analysis of underlying values through conjoint analytical techniques was featured.

#### **County of Orange**

- Prepared, implemented, and analyzed 1,040 person telephone survey of unincorporated area (North Tustin) in order to assess level of service satisfaction issues and potential annexation/sphere of influence adjustments.

#### **City of San Diego**

- Prepared, implemented, and analyzed 400 person telephone survey of residents of three low income San Diego communities concerning issues such as crime, economic development, city services, and the success of the City's "Weed and Seed Program."
- Prepared, administered, and analyzed sample survey of San Diego County

residents for purposes of assessing utilization and demand factors for Mission Bay Park in San Diego. This survey of 850 persons served to inform the revision of the Park's Master Plan.

- Analysis of market for existing condominium developments in downtown San Diego. Detailed analysis included extensive survey and corresponding statistical and qualitative analysis including recommendations for future market composition.
- Consultant for the revitalization of an older commercial retail area in mid-city San Diego seeking to rejuvenate its retail base. Three surveys and a series of key participant discussions were performed in conjunction with this effort--existing retailers, potential retailers, and residents of the area--plus corresponding statistical and qualitative analysis. Final report included a recommended retail structure for the community that would be realistic, implementable, and sensitive to the diversity of ethnicity in this community.
- Conducted 600 person telephone survey in mid-city for purposes of establishing need for community court in the area populated by myriad low-income minority and immigrant groups. Also in-person interviews/surveys of 100 local business owners.
- Conducted 400 person customer satisfaction survey for City Water Department, with emphasis, in particular, on water recycling.

#### **San Diego County**

- Public awareness survey of 1300 County residents regarding water quality and watershed protection, including level of knowledge, behavior, and opinion components.
- Prepared, implemented, and analyzed 8 intercept surveys of law library users concerning classes offered, benefits, opportunities for improvement.
- Evaluated the San Diego Community Planning Process as viewed by planning group participants and informed parties (developed questionnaire, analyzed data, and prepared a final report).
- Two 600 person surveys for Office of Emergency Preparedness to gauge before and after publicity campaign knowledge and state of preparedness for emergencies or catastrophic disaster in county.

#### **San Diego County Sheriff's Department**

- Established sampling methodology for analysis by station (11) of workload and availability for calls for service among Sheriffs patrol deputies. Over 3,000 samples drawn and analyzed to establish manpower needs.
- Sample of Communications Center 911 and administrative calls to determine optimal workload shifts and total personnel required.

- Utilized scientific sample to analyzed time savings applicable to the conversion of arrest data to laptop computers from manual entry. Final report included specific determination of manpower hours saved and recommendations for software and operational policy changes in order to maximize technological advantages.

### **Orange County Transportation Authority**

- Marketing program consultant including two 600 person surveys among Latino and senior residents of Orange County and 12 focus groups to identify market-enhancing opportunities for transit service.
- Conducted CenterLine Customer Profile for the Orange County Transportation Authority involving intercept surveys of 8,800 potential urban light rail users and 1,500 telephone survey interviews. Final analysis assessed likely ridership, preferred destinations, trip purposes, demographic and psychographic profiles of potential light Metro Rail ridership.
- Conducted 2,000 person rider/on-board bus survey for the Orange County Transportation Authority regarding monthly, weekly, and daily bus pass sales. Prepared questionnaire, administered survey, analyzed data in order to assess potential for expanding bus pass sales.
- Prepared Multi-Cultural Market Assessment Study for transportation services in Orange County. Formulated baseline data and marketing strategies for long- and short-term transportation related issues facing Orange County's diverse multi-cultural communities, with particular emphasis upon Hispanic and Vietnamese communities. Administered three different statistical surveys including intercept and rider/on-board formats, each in English, Spanish, and Vietnamese.
- Conducted Vietnamese ridership study, including in-person intercept survey, telephone sample survey, and focus group among Vietnamese community leaders regarding current bus service and future transit needs in the Vietnamese areas of Orange County.
- Sample survey of 400 bicycle commuters.
- Conducted 5 day intercept counts of passengers boarding and alighting Metrolink and Amtrak trains at Oceanside, San Clemente, San Juan Capistrano, Laguna Niguel/Mission Viejo, Tustin, Irvine, Santa Ana, Orange, Anaheim, Fullerton, Anaheim Hills, Norwalk, and Commerce rail stations, including detailed statistical analysis and analytical report.

### **Los Angeles County Metropolitan Transportation Authority (MTA)**

- Rider/on-board 2002 Bus survey for Los Angeles County Metropolitan Transportation Authority, including 40,000 rider/on-board surveys, 2,500 follow-up telephone interviews, and 10 focus groups. Includes additional surveys for **Alhambra Community Transit, Culver City Bus Lines,**

**Commerce Transit, Pasadena ARTS, Cerritos-On-Wheels (COW), Santa Monica Big Blue Bus, Los Angeles Commuter Express, Santa Clarita Transit, Torrance Transit, Carson Circuit, El Monte Trolley, and Foothill Transit.**

- Rider/on-board 2002 Rail survey for Los Angeles County Metropolitan Transportation Authority, including 15,000 rider/on-board surveys, 1,000 follow-up telephone interviews, and 3 focus groups.

**Southern California Regional Rail Authority (Metrolink)**

- Obtained precise counts of passenger boardings and alightings at each station for each train in the Metrolink train system and conducted a 3,500 person rider/on-board sample survey regarding customer satisfaction for the Southern California Regional Rail Authority (Metrolink). Analysis included comparative data analysis of trends from the 1997 rider/on-board survey (also conducted by Rea & Parker Research) and from 1995.
- Computerized, analyzed, prepared final report, and presented findings for 6000 rider/on-board rail passenger surveys for the Southern California Regional Rail Authority (Metrolink) regarding customer satisfaction. Analysis included comparative data analysis of trends from previous rider/on-board surveys.
- Determined the requisite two-stage sample for Federal Transportation Agency requirements for annual passenger and mileage calculations.

**San Diego Association of Governments (SANDAG)**

- Consultant to All Congregations Together (ACT) -- a non-profit community organization that provides transportation service for individuals with special needs in Southeast San Diego. The purpose of the consulting assignment was to identify transportation issues and problems that were hampering the mobility of local residents. Rea & Parker Research organized and supervised intercept surveys at various locations in the area and conducted focus groups. Regarding the focus groups, Rea & Parker Research designed discussion guides, trained residents to conduct focus groups, assisted in that facilitation, and analyzed focus group data.

**California Department of Transportation**

- On-Line Survey and focus groups with CALTRANS engineers concerning internal job issues.

**Riverside Transit Agency**

- On-board customer satisfaction survey, passenger count, and ride check of 100% of system—weekdays and weekends

**Southern California Association of Governments**

- 800 person survey and 6 focus groups to determine desired route for high-speed rail from Northern California between Los Angeles and San Diego
- 5,000 respondent cross-border transportation survey at 3 Imperial County border checkpoints—24 hours (weekends and weekdays)

#### **University of California-Berkeley**

- Panel based survey of participants in pilot study of commute by rail with pooled rental car available at work location and rail station.
- Survey of riders of Metrolink between Riverside and Los Angeles re: location of new station and potential bus connection routes

#### **North Park Main Street Association**

- Conducted two intercept surveys--business owners and shoppers in San Diego Main Street National Historic Preservation Area in order to determine shopping needs and level of improvement or decline in area since the implementation of the Main Street program.

#### **City of Davis**

- Prepared, administered, and analyzed sample survey of 833 residents of Davis, California for purposes of assessing utilization, demand, and tax allocation factors for City of Davis Department of Parks and Recreation in concert with the preparation of the Master Plan.

#### **City of St. Helena**

- Prepared, administered, and analyzed sample survey of City of St. Helena, California residents for purposes of General Plan revisions.

#### **City of Poway**

- Prepared, administered, and statistically analyzed a mail survey of 800 Poway businesses regarding their needs and opinions concerning Poway's business climate and future opportunities. Final report included detailed analysis and exposition, including recommendations where appropriate.
- Prepared, administered, and statistically analyzed a mail survey of 6,000 Poway households concerning their opinions regarding a variety of issues of importance to the City for future planning. Final report included fully tabulated results with accompanying statistical reports.

#### **City of Dana Point**

- Prepared recreation and parks needs assessment survey for administration to general public.

### **City of Oceanside**

- Public awareness survey of 800 Carlsbad and San Luis Rey watershed residents, including level of knowledge, behavior, and opinion components.

### **Sweetwater Authority**

- Public awareness survey of 400 residents of the water agency, including level of knowledge, behavior, and opinion components.

### **Imperial Irrigation District**

- Statistical modeling of power demand
- Instructed employees of Energy Supply and Trading division in statistical techniques

### **San Luis Rey Indian Water Authority**

- Prepared and supervised administration of detailed census and opinion survey of 2,500 members of five Indian tribes. Particular emphasis was given to issues of importance to the tribes' members such as job opportunities, education, cultural issues, economic development opportunities and transportation access issues. Focus group sessions with each tribe were utilized to complement the survey findings. Final report included both census data and fully tabulated and statistically analyzed summary of the opinions of reservation residents.

### **City of Escondido**

- Prepared, administered, and statistically analyzed telephone survey of 425 residents concerning library facilities.

### **Stoorza, Ziegus & Metzger — Public Relations**

- Conducted city-wide (San Diego) survey of voter opinion (850 participants) concerning the initiative to change the name of Dr. Martin Luther King, Jr. Way to Market Street and related issues.

### **MNA Consulting, Inc.**

- Prepared, administered, and analyzed sample survey of City of Poway, California citizens in order to assess demand factors for new public library facility.

### **San Diego Housing Commission**

- In accordance with the City of San Diego SRO Preservation Ordinance, a survey/inventory of all existing guest rooms in the City of San Diego was performed in order to retroactively identify rooms that qualified as single room occupancy hotel rooms as of December 1985, December 1987 and May 1988.

The purpose of this survey was to identify a baseline number of such units for presentation purposes. Prepared survey instrument, SRO identification methodologies, computerization formats, statistical analyses, and final report with room-by-room breakdown.

#### **San Diego County Department of Planning and Land Use**

- Evaluated the San Diego Community Planning Process as viewed by planning group participants and informed parties (developed questionnaire, analyzed data, and prepared a final report).

#### **San Diego County Law Library**

- Prepared and implemented 5 specific survey research projects among law library course attendees, librarians, and non-attendees.

#### **Stevens Planning Group, Inc.**

- Conducted economic/marketing analysis of proposed 2500-acre resort development in East San Diego County. Analysis included examination of comparable projects plus administration of surveys to target Services groups of potential users of proposed resort activities. Surveys were tabulated and statistically analyzed and then combined with reconnaissance of comparable projects in formal report to client.

#### **Higgs, Fletcher & Mack**

- Analyzed and testified as expert witness regarding statistical survey concerning appraisal of commercial real estate subject to condemnation.

#### **Seyfarth Shaw**

- Testified as expert witness regarding adequacy of statistical survey sampling of employees in class action lawsuit

**References:**

Mr. John Liarakos, Media Relations  
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4677 Overland Ave.  
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6050 Santo Road  
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Mr. Dennis Wahl  
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Suite 1170  
San Diego, CA 92101  
Tel. 619-234-4110

## SCOPE OF SERVICES

As indicated in the previous section, the Scope of Services that is presented below outlines the methodology to be used for both surveys. Where there is a difference between them, this difference is elaborated.

### **TASK 1: FINALIZE PROJECT WORK PROGRAM AND DEVELOP MANAGEMENT PLAN**

#### **Subtask 1.1: Kickoff Meeting with the OTAY WATER DISTRICT Project Team**

Rea & Parker Research will meet with the Otay Water District Project Manager and other Otay Water District team members to: 1) review project objectives; 2) review the preliminary work program and make revisions recommended by the Otay Water District; 3) clarify and address any outstanding technical issues; 4) establish formal lines of communication between the Otay Water District and Rea & Parker Research; 5) determine content and format of routine progress reports; and 6) discussion of draft survey questions submitted by the Authority.

At this initial project (kick-off) meeting Rea & Parker Research will be interested in discussing the final use of the data in order to ensure that it is collected to achieve the overall objectives of the Otay Water District.

One of the primary purposes of the initial meeting is to guarantee that all parties fully understand all decisions and analyses that will be undertaken using the final data. Rea & Parker Research then will suggest which charts, tables, and analytical documentation would contribute to making these decisions and analyses and will design the specifics of the research process accordingly. This approach ensures that Otay Water District will receive from Rea & Parker Research actionable findings and recommendations that address all research objectives.

There will be at least 5 meetings between Rea & Parker Research and Otay Water District, of which this is to be the first. Subsequent meetings will include submittal of resulting draft questions for both surveys prepared by Rea & Parker Research and preliminary review of findings for each as a prelude to final report writing.

*Subtask 1.1 Deliverable: (1) Conduct project kick-off meeting and provide written summary for Otay Water District Project Manager review within three days of the meeting*

#### **Subtask 1.2: Complete formal work plan within 5 days of initial meeting**

Within 5 calendar days of the initial project meeting, Rea & Parker Research will make agreed upon changes to the work program (tasks, subtasks, and deliverables) and submit to Otay Water District Project Manager for review.

*Subtask 1.2 Deliverables: (1) Final work program (project objectives tasks, subtasks, and deliverables)*



### **Subtask 1.3: Review Background Materials**

As detailed in the qualifications section of this proposal, Rea & Parker Research is extensively familiar with public and private market research, market segmentation, customer satisfaction, and attitude and awareness analyses, and, in particular, within the water utilities industry.

Rea & Parker Research will bring to bear upon the tasks at hand this knowledge and practical experience, beginning with a detailed review of the previous customer satisfaction and public awareness study/studies.

*Subtask 1.3 Deliverable: (1) Technical Memorandum outlining key ideas and understanding of the project derived from these background materials.*

### **Subtask 1.4: Sampling Plan for Customer Satisfaction/Public Awareness/Public Opinion Research**

It has been initially suggested by the Otay Water District that one random sample telephone survey with an overall sample size of 300 qualified residents of the district (age 18 or older/suggestion: also screen for one year residence within district)—simply referred to as “qualified residents” for the balance of this proposal) be conducted (**margin of error +/- 5.7% @ 95% confidence**), the objective of which will be to determine public awareness and public opinions of water issues. A second sample survey is to be conducted with an overall sample size of 300 is to be conducted among customers who have contacted the Otay Water District within the past 6 months. Assuming approximately 15% of customers have been in contact with the District in this timeframe (based upon previous survey data) this 300 person sample would represent a **margin of error of +/- 5.6%**. These samples will be randomly drawn from clean,

current, and comprehensive lists of all Otay Water District customers and customers who have contacted the District within the most recent 6 months. These lists will be provided to Rea & Parker Research by the Otay Water District.

*Subtask 1.4 Deliverable: Within 7 days of the execution of an Agreement and Project Kick-Off between Rea & Parker Research and Otay Water District, formal sampling plans will be prepared by Rea & Parker Research.*

## **TASK 2: DESIGN SURVEY INSTRUMENTS**

### **Subtask 2.1: Design Survey Instrument for Qualified Residents**



Richard Parker and Louis Rea have strong professional and academic-related backgrounds in survey design, including the publication of a very successful textbook on the subject, *Designing and Conducting Survey Research* (authors: Richard Parker and Louis Rea), in 1992, 1997, and 2005.

Rea & Parker Research will work with Otay Water District staff in preparing the survey instruments. Rea & Parker Research is very conversant in all forms of survey instruments, including reasons for success and drawbacks. Rea & Parker Research will utilize this knowledge working with Otay Water District staff to prepare instruments that will facilitate computerization and will capitalize upon the key elements and findings from the baseline survey. The questionnaire will include questions sufficient to compare the results of the baseline survey with the current ones while simultaneously improving upon the previous survey in terms of information derived. To the maximum feasible extent, Rea & Parker Research will identify the methods necessary to measure changes from the baseline survey and to identify the causes of such changes.

Otay Water District and Rea & Parker Research are seeking to gain information from qualified district residents in order to specifically identify knowledge and opinions concerning:

**Survey I: 300 customers of the Otay Water District will be randomly sample surveyed.**

**The primary areas of interest are:**

- **Overall customer satisfaction**
- **Awareness of rates**
- **Awareness of formal/written communications**
- **Awareness of conservation activities/programs**
- **Awareness of water recycling activities**
- **Attitudes toward conservation**
- **Concerns about water supply**
- **Quality of water supply**
- **Reliability of supply**
- **Awareness of sewer operations**
- **Demographic measures**
- **Areas of interest concerning water or district issues (open end)**
- **Other areas as may occur in planning discussions**



**Survey II: 300 randomly selected customers of Otay Water District who have contacted the District for information and/or customer service during the most recent 6 months.**

**The primary areas of interest are:**

- **Specific Instances and Outcomes of Call Center interaction**
- **Courtesy of staff**
- **Clarity and accuracy of responses from staff**
- **Level of knowledge displayed by Call Center staff**
- **Experience with field staff**
- **Quality of service received**
- **Overall satisfaction with service received**
- **Use of online services**
- **Quality of online services**
- **Demographic measures**

- **Other areas that may occur in planning discussions, including the possibility of:**



- **Knowledge about sources of water**
- **Environmental considerations**
- **Statewide water issues**
- **Major sources, uses and users of water in San Diego County**
- **Drinking water safety issues**
- **Desalination**
- **Willingness to pay**



Rea & Parker Research will prepare draft questionnaires, according to the above criteria, that will entail approximately 10-12 minutes of interview time and submit them to the Otay Water District Project Manager for tentative approval.

A minimum of five meetings and/or conferences will be held among Rea & Parker Research and Otay Water District, including the Kick-Off meeting, in order to finalize the survey instrument, procedures, and final report format and guidelines.

*Subtask 2.1 Deliverable (1) Draft copies of Otay Water District preliminary telephone surveys within 21 days of execution of Agreement*

**Subtask 2.2: Pre-Test Survey Instrument and Procedures and Recommend Changes**

Rea & Parker Research will prepare draft questionnaires according to the above criteria and submit them to Otay Water District staff for tentative approval. Once each draft survey instrument

is approved, Rea & Parker Research will pre-test the survey instruments in the field among qualified customers. Rea & Parker Research will translate the surveys into Spanish and conduct additional pretests. The minimum sample sizes for the pretests are to be 20.

During the pre-testing phase of the project, Rea & Parker Research will ensure that the survey instruments and data collection procedures gather statistically valid knowledge, behavioral, and demographic data. The questionnaire design process and pre-test will seek to eliminate difficult levels of wording, non-specific and vague words and phrases, multi-purpose questions, inappropriate emphasis, and biasing words and phrases.

As part of this phase, Rea & Parker Research will 1) refine interview procedures and logistics; 2) highlight potential changes to question wording, sequencing, and formatting. Rea & Parker Research will make recommendations to improve the survey instrument or procedures based upon the results of the pre-test; 3) analyze survey length and respondent willingness to participate; 4) compare alternative approaches to gathering specific data needs; and 5) identify unexpected responses and respondent behavior. The ultimate objective is a clear, comprehensive, and realistically implementable survey instrument.

An Otay Water District representative will be able to attend the pretest session in order to help assess the achievement of these objectives if the District so chooses. In the alternative, Rea & Parker Research will also have the capability to provide access to the pretest by Otay Water District personnel from a remote location.

Rea & Parker Research uses the CATI (Computer Aided Telephone Interviewing) system for telephone interviewing (Sawtooth WinCATI, CI3). Telephone survey research facilities for Rea & Parker Research consist of 30 interviewing stations, equipped with a state-of-the-art CATI system. CATI increases interviewing accuracy, quality, and performance. CATI selects and dials telephone numbers from a randomly drawn sample of telephone numbers, tracks and tallies outcomes, captures response data, processes complex question skip patterns automatically, schedules and tracks call-back appointments, and screens invalid response codes.

*Subtask 2.2 Deliverable: (1) Rea & Parker Research will provide a technical memorandum documenting results of pre-test and recommending changes, if appropriate.*

### **TASK 3: CONDUCT TELEPHONE SURVEYS AMONG QUALIFIED CUSTOMERS**

#### **Subtask 3.1: Select Representative Sample of Residents**

Rea & Parker Research will use random statistical sampling methods to obtain final samples of at least 300 qualified residents/customers in the Otay Water District region using random telephone numbers that have been cleaned and made current for the general survey (Survey I) and 300 qualified customers for the customer service survey (Survey II).

*Subtask 3.1 Deliverable: (1) Technical memorandum detailing methods used to select telephone samples and validating that samples are representative of customer base.*

### **Subtask 3.2: Conduct the Telephone Surveys**



Once the final telephone survey instruments have been tested and approved, Rea & Parker Research will complete a minimum of 300 telephone surveys among qualified customers of the District and another 300 telephone surveys among customers who have contacted the District in past 6 months. Both of these surveys will be completed within a period not to exceed one month after survey approval by the Otay Water District.

Responses will be input directly into the computer data base, and these data be provided in frequency distributions to the Otay Water District Project Manager and staff by Rea & Parker Research.

Interviewers are selected for each project from a pool of approximately 50 experienced interviewers. Each interviewer is trained in proper techniques, obtaining respondent participation, accurately recording responses, and is further trained in the importance of confidentiality. A minimum of four callback attempts is made in the case of a busy signal, an unanswered phone, or an answering machine. These callbacks are made on different days and at different times to maximize the chance of reaching an eligible respondent. All telephone interviews are conducted with a supervisor present at all times. Interviews are normally conducted from 4:00 to 9:00 p.m. on weekdays, and from 12:00 to 5:00 p.m. on Saturdays and Sundays.

Rea & Parker Research employs bilingual (Spanish/English) and (Vietnamese/English) interviewers because of the significant proportion of Latinos and Vietnamese residing within California. Bilingual Tagalog, Chinese, Mung, and Korean interviewers are also employed, as necessary.

Quality control procedures are employed throughout the interviewing and data reduction phases. Custom data entry screens are created that filter valid code ranges and accommodate automatic skip and fill patterns. Interviews in progress are selectively and unobtrusively monitored by supervisors using a special digital telephone system. Ten percent of completed interviews that are not directly monitored are selected for verification by recontacting the respondents. As with the pretest, Rea & Parker Research will have the capability to allow Otay Water District personnel to monitor calls, at the Otay Water District discretion, from a remote location.

- Subtask 3.2 Deliverables:*
- (1) *“Raw” frequencies from the telephone survey*
  - (2) *Final report on disposition of all call attempts and sample characteristics*

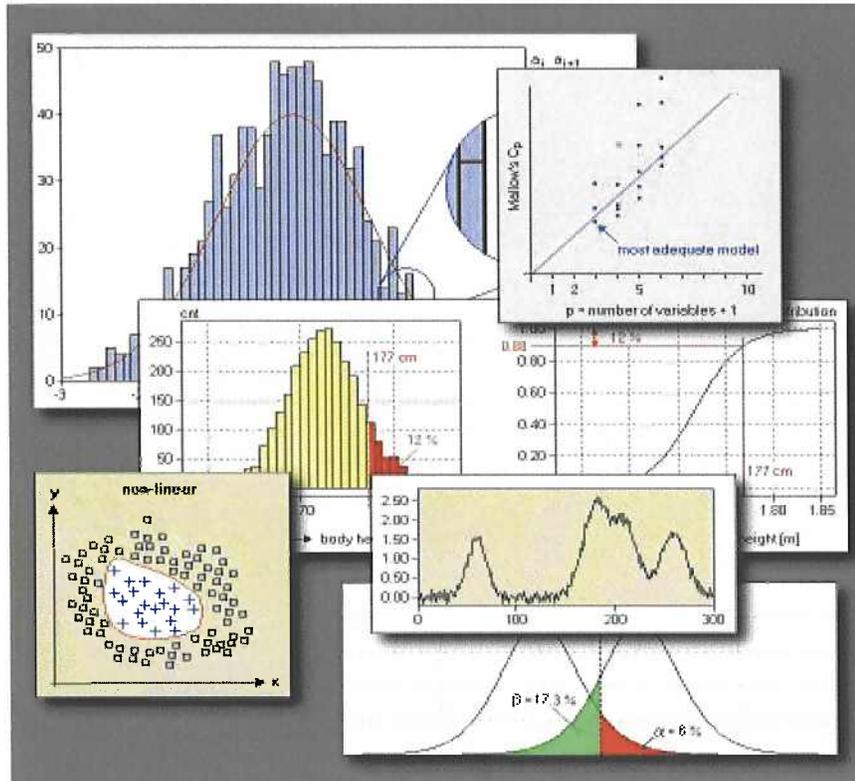
**TASK 4: CODE, ANALYZE, AND WEIGHT SURVEY DATA**

**Subtask 4.1: Code all numeric and string survey data**

Survey questions will be pre-coded into pre-defined categories for ease of data input and will be post-coded into these or other numerically defined categories when responses require such additional consideration. Survey data will be statistically compiled for analysis by the Statistical Package for the Social Sciences (SPSS) software. Each survey will be entered as its own individual record after it is thoroughly checked for inconsistent entries and omissions of key survey questions. For the purposes of this study, a valid survey will be one that is defined as “completed”—suggested to be at least 90% complete (with the exception of screened/filtered questions) and including all questions identified by Otay Water District and Rea & Parker Research as critical to the study. The data will be input in such a manner as to assure Otay Water District that invalid responses will be identified and corrected. Rea & Parker Research will provide to Otay Water District a detailed list of all codes and coding instructions in addition to the survey data in the electronic formats discussed above.

Rea & Parker Research will code all categorical data using numeric coding to facilitate subsequent analyses using SPSS. Rea & Parker Research will code any (non-address) open-ended responses to a given question into a discrete set of categories. Rea & Parker Research will input address and other alphabetic (string) data in a readable format.

- Subtask 4.1 Deliverables:*
- (1) *Preliminary set of frequencies.*



#### Subtask 4.2: Weight/Expand Survey Data

The data collected as part of the surveys may be expanded to the universe from which the samples were drawn, depending upon the ultimate sample population distribution and analytical requirements agreed upon by Rea & Parker Research and Otay Water District. The weights will consist of a determination of the proportionate sample size per characteristic chosen for weighting, divided by the actual sample size achieved per characteristic and will be applied to the unweighted data in SPSS.

*Subtask 4.2 Deliverable:* (1) *Technical memorandum documenting data expansion methods used to create sample weights including the actual sample weights that were developed*

#### Subtask 4.3: Analyze Data from Telephone Surveys

Rea & Parker Research will analyze the data compiled during the telephone surveys. Rea & Parker Research will consider the appropriateness of regression analysis, factor analysis, various statistical significance procedures (Chi-Square, Independent Samples t-test, Analysis of Variance), and measures of association to model these determinants and draw defensible, policy-oriented conclusions about the knowledge, opinions, and behaviors of District residents.

Initial analysis of the data will be completed within 20 working days of survey interview completion. Analysis will continue throughout report preparation as additional issues arise from the reporting process itself or from questions/requests from the Otay Water District.

*Subtask 4.3 Deliverable: (1) Technical memorandum documenting methods used to analyze the survey data within 20 working days of completion of interviews.*

## **TASK 5: PREPARE FINAL REPORTS OF FINDINGS**

### **Subtask 5.1: Prepare Final Reports Summarizing Opinions, Satisfaction, Water-Related Behavior, Demographics, and Other Characteristics**

Commencing simultaneously with data analysis, Rea & Parker Research will begin preparation of the final reports concerning the telephone surveys that will combine, contrast, and compare such information as demographics, awareness, behavior, and opinions for the samples of qualified customers. The data are to be weighted and presented in the form of frequency distributions and graphical depictions of the data. Crosstabulations, factor analyses, regression and correlation will be used for statistical analyses. Key issues and characteristics that require attention AND that can significantly enhance Otay Water District policies will be identified through the use of the above referenced techniques. "Stand-alone" executive summaries will also be included. Spanish language interviews will be separately tabulated and combined into the overall data presentations, including copies of both the Spanish and English language versions of the surveys.

The analysis will include not only basic crosstabulations but also segmentation analysis that will identify, with specificity, those groups that represent the greatest deviations from the norm. The reports will include color graphical presentations of the findings. A tabulation of the outcome of all calls made during the course of both surveys (number of refusals, business and disconnected numbers, numbers that were busy or not answered after four attempts and language and age problems) shall be part of the overall report to the Otay Water District.

Initially, draft reports for each survey will be prepared and submitted for review. The draft reports will include all components of the final reports including full methodological section, description of survey administration, and an elaboration of analytical techniques utilized and findings resultant therefrom. The project team will review the draft reports and will suggest edits to Rea & Parker Research.

Rea & Parker Research will incorporate the suggestions and produce final reports that will include the color graphical components. Rea & Parker Research will provide ten (10) bound, "hard" copies of the report and frequency tables to the Otay Water District, and electronic copies of the reports and data, using Microsoft Word/Excel and SPSS for Windows formats.

*Subtask 5.1 Deliverable: (1) Ten copies of the completed research report and frequency tables plus 1 electronic copy*

### **Subtask 5.2: Delivery of Data Sets and Key Crosstabulations**

Once the data sets have been coded, weighted, and verified, Rea & Parker Research will recommend banner points to be used in preparing crosstabulations in SPSS format. Rea & Parker Research will provide data dictionaries and glossaries, coding handbooks, field configurations, and file layouts for the data set. The District may also request several data printouts, with various questions crosstabulated by other items

- Subtask 5.2 Deliverable:*
- (1) *SPSS case file containing telephone survey results*
  - (2) *Ten sets of data and "several" agreed upon crosstabulations of survey questions*

**Subtask 5.3: Presentation of Survey Findings**

Richard A. Parker, Ph.D. and Louis M. Rea, Ph.D. will be available to personally make formal presentations of the findings and recommendations from the surveys to the Otay Water District board, management, and other interested parties using PowerPoint visual presentation aids and written handout materials derived from the PowerPoint slides.

- Subtask 5.3 Deliverables:*
- (1) *PowerPoint presentation aids in electronic and "hard copy" formats*
  - (2) *In-person presentations by Dr. Richard A. Parker and Dr. Louis M. Rea*

<b>PROPOSED PROJECT SCHEDULE</b>
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<b>Task/Subtask</b>	<b>Commencement Date</b>	<b>Completion Date</b>
<b>1. Kick-Off Meeting</b>	<b>Week 1</b>	<b>Week 1</b>
<b>Formal Work Plan</b>	<b>Week 1</b>	<b>Week 1</b>
<b>Review Background Materials</b>	<b>Week 1</b>	<b>Week 1</b>
<b>Sampling Plans</b>	<b>Week 1</b>	<b>Week 1</b>
<b>2. Design Surveys (incl. approval)</b>	<b>Week 1</b>	<b>Week 3</b>
<b>Pretest Surveys</b>	<b>Week 4</b>	<b>Week 4</b>
<b>3. Select Telephone Samples</b>	<b>Week 3</b>	<b>Week 4</b>
<b>Conduct Telephone Surveys</b>	<b>Week 4</b>	<b>Week 8</b>
<b>4. Code Survey Data</b>	<b>Week 5</b>	<b>Week 9</b>
<b>Weight Survey Data</b>	<b>Week 9</b>	<b>Week 9</b>
<b>Analyze Survey Data</b>	<b>Week 9</b>	<b>Week 11</b>
<b>5. Draft Reports</b>	<b>Week 9</b>	<b>Week 12</b>
<b>Final Reports</b>	<b>Week 13</b>	<b>Week 14</b>
<b>Presentations</b>	<b>Week 15</b>	<b>Week 16</b>

## COMMITMENT FROM REA & PARKER RESEARCH

Rea & Parker Research is committed to keeping the lines of communication open as the project moves forward. To that end, Rea & Parker Research will provide the Otay Water District Project Manager with frequent progress reports. By using key senior staff members to implement the tasks described above, Rea & Parker Research promises to provide consistent and efficient consulting services to its clients in general, and to the Otay Water District, in particular, for this project.

## COST AND PRICE PROPOSAL

Rea & Parker Research proposes to perform all tasks described in the Scope of Work (questionnaire design, sample design, data input, analysis, presentation of findings and various consultations) for each survey for full, fixed prices of **\$15,000 for Survey I** (general) and **\$15,000 for Survey II** (customer service). This price includes 10-12 minute telephone surveys with interviews of 300 qualified residential customers and 300 customer service contacts of the Otay Water District (+/-5.7% @ 95% confidence and +/- 5.6% @ 95% confidence, respectively), including Spanish version.

## **Richard A. Parker, Ph.D.**

### **Education**

Ph.D.	University of California, Los Angeles (Los Angeles, California)
M.B.A.	University of California, Berkeley (Berkeley, California)
M.C.P.	San Diego State University (San Diego, California)
B.S.	Brown University (Providence, Rhode Island)
	University of California, Berkeley (Berkeley, California) (Phi Beta Kappa, Cum Laude)

### **Selected Related Professional Experience**

1985- Professor, School of Public Affairs, San Diego State University, San Diego, California.

1982- President/Project Director, Rea & Parker Research

### **San Diego County Water Authority and City of San Diego Public Opinion Surveys**

- Prepared, implemented, and analyzed 2003, 2004, 2005, and 2006 Public Awareness Survey of 600 telephone respondents in 2003 and 710 in 2004 and 725 in 2005 concerning behavior, opinion, rate tolerance, future needs assessment issues, desalination, water reclamation, conservation practices.
- Prepared, implemented, and analyzed survey of General Managers and Department Heads of 23 member agencies about satisfaction, effectiveness, usefulness of services and programs provided by Water Authority in 2003 and 2005
- Prepared, implemented, and analyzed employee satisfaction survey of Engineering Department.
- Prepared, implemented, and analyzed 400 respondent survey among San Diego County contractors regarding project labor agreements and public works contracting.

### **City of Oceanside/North County Co-permittees—Water Pollution Awareness Survey**

- Prepared implemented, and analyzed telephonic survey of 803 residents of Northern San Diego County concerning awareness, behavior, and opinions about water runoff pollution.

### **San Diego County--Water Pollution Awareness Survey**

- Prepared, implemented, and analyzed 1,305 person telephonic survey of unincorporated area residents concerning awareness, behavior, and opinions about water runoff pollution.

### **Otay Water District—Customer Satisfaction and Awareness Surveys**

- Prepared, implemented and analyzed customer awareness surveys in 2006 and 2007 concerning water conservation and recycling.
- Prepared, implemented and analyzed customer service satisfaction survey in 2007.

### **Los Angeles County Metropolitan Transportation Authority: 2002 On-Board and Telephone Bus Survey**

- Satisfaction, travel patterns, fare media, and demographics of 35,000 bus riders on LACMTA buses and those of 12 municipal transit operators within Los Angeles County (**Alhambra Community Transit, Culver City Bus Lines, Commerce Transit, Pasadena ARTS, Cerritos-On-Wheels (COW), Santa Monica Big Blue Bus, Los Angeles Commuter Express, Santa Clarita Transit, Torrance Transit, Carson Circuit, El Monte Trolley, and Foothill Transit**).

- Detailed follow-up telephone survey of 2,500 weekday riders of MTA and 12 municipal operators expanding upon demographics, satisfaction, problem occurrence, importance/concern, travel behavior, use of MTA website, customer service, and marketing media and messages.

**Los Angeles County Metropolitan Transportation Authority: 2002 On-Board and Telephone Rail Survey**

- **Satisfaction, travel patterns, fare media, and demographics for 15,000 urban rail users**
- Detailed follow-up telephone survey of 1,000 weekday and weekend riders of Metro Rail expanding upon demographics, satisfaction, problem occurrence, importance/concern, travel behavior, use of MTA website, customer service, and marketing media and messages.

**Orange County Transportation Authority**

- Two 600-person telephone surveys among Latino and senior residents of Orange County, including media usage, television programs watched, community cable programming information, and so forth in a quantitative mode that permits tracking and trend analysis over time. Detailed analysis using crosstabulations, analyses of variance, correlations, and regression, and factor analysis were undertaken as a part of the segmentation effort.
- Conducted the CenterLine Customer Profile for the **Orange County Transportation Authority** involving intercept surveys of 8,800 potential urban light rail users, 1,500 telephone survey interviews, and 12 focus group/roundtables. Final analysis assessed likely ridership, preferred destinations, trip purposes, public support, demographic and psychographic profiles of potential light rail ridership. Followed-up by detailed 18-minute telephone interviews of randomly selected residents of central Orange County and western Riverside and San Bernardino Counties. Detailed analysis using crosstabulations, analyses of variance, correlations, and regression, and factor analysis were undertaken as a part of the segmentation effort.
- Conducted 2,000 person rider/on-board bus survey for the **Orange County Transportation Authority** regarding monthly, weekly, and daily bus pass sales. Prepared questionnaire, administered survey, analyzed data in order to assess potential for expanding bus pass sales.
- Prepared Multi-Cultural Market Assessment Study for transportation services in Orange County. Formulated baseline data and marketing strategies for long- and short-term transportation related issues facing Orange County's diverse multi-cultural communities, with particular emphasis upon Hispanic and Vietnamese communities. Administered three different statistical surveys including intercept and rider/on-board formats, each in English, Spanish, and Vietnamese.
- Conducted Vietnamese ridership study, including in-person intercept survey, telephone sample survey, and focus group among Vietnamese community leaders regarding current bus service and future transit needs in the Vietnamese areas of Orange County.

**City of Carlsbad Development Scenario Survey**

- Prepared, implemented, and analyzed citywide sample telephone survey of 600 respondents concerning future urban commercial development in this fast growing Northern San Diego County city. Extensive analysis of underlying values through various development scenarios and conjoint analytical techniques was featured.

**State of California (Senate Rules Committee, Senate Select Committee on Border Issues, and Office of the Auditor General)**

- Analysis of fiscal impact of undocumented immigrants on public services in San Diego County and California, including criminal justice system, education, and public health. Study included substantial primary data gathering techniques,

including direct interviews with undocumented immigrant workers and INS returnees. Prepared, administered, and analyzed sample surveys of undocumented immigrants in San Diego County for purposes of determining employment characteristics, revenue generation, demographics, and migration patterns.

**County of San Diego**

- Prepared, implemented, and analyzed 8 intercept surveys of law library users concerning classes offered, benefits, opportunities for improvement
- Prepared, implemented and analyzed two 600 person surveys of County residents concerning emergency preparedness before and after public information campaign

**City of San Diego**

- Prepared, implemented, and analyzed 400 person telephone survey of residents of three low income San Diego communities concerning issues such as crime, economic development, city services, and the success of the City's "Weed and Seed Program."
- Prepared, administered, and analyzed sample survey of San Diego County residents for purposes of assessing utilization and demand factors for Mission Bay Park in San Diego. This survey of 850 persons served to inform the revision of the Park's Master Plan.
- Analysis of market for existing condominium developments in downtown San Diego. Detailed analysis included extensive survey and corresponding statistical and qualitative analysis including recommendations for future market composition.
- Consultant for the revitalization of an older commercial retail area in mid-city San Diego seeking to rejuvenate its retail base. Three surveys and a series of key participant discussions were performed in conjunction with this effort--existing retailers, potential retailers, and residents of the area--plus corresponding statistical and qualitative analysis. Final report included a recommended retail structure for the community that would be realistic, implementable, and sensitive to the diversity of ethnicity in this community.
- Conducted 600 person telephone survey in mid-city for purposes of establishing need for community court in the area populated by myriad low-income minority and immigrant groups. Also in-person interviews/surveys of 100 local business owners.
- Conducted 400 person survey of City Water Department customers regarding satisfaction, recycling, and water conservation.

**San Diego County Sheriffs Department**

- Established sampling methodology for analysis by station (11) of workload and availability for calls for service among Sheriffs patrol deputies. Over 3,000 samples drawn and analyzed to establish manpower needs.

**Riverside Transit Agency**

- 10,000 on-board surveys of Riverside Transit Agency and contractor operated bus lines regarding origin-destination, transfer pattern, and satisfaction. Also included counts.

**County of Orange**

- Prepared, implemented, and analyzed 1,040 person telephone survey of unincorporated area (North Tustin) in order to assess level of service satisfaction issues and potential annexation/sphere of influence adjustments

#### **San Luis Rey Indian Water Authority**

- Prepared and supervised administration of detailed census and opinion survey of 2,500 members of five Indian tribes. Particular emphasis was given to issues of importance to the tribes' members such as job opportunities, education, cultural issues, economic development opportunities and transportation access issues. Focus group sessions with each tribe were utilized to complement the survey findings. Final report included both census data and fully tabulated and statistically analyzed summary of the opinions of reservation residents.

#### **City of Poway, California**

- Prepared, administered, and statistically analyzed a mail survey of 800 Poway businesses regarding their needs and opinions concerning Poway's business climate and future opportunities. Final report included detailed analysis and exposition, including recommendations where appropriate.
- Prepared, administered, and statistically analyzed a mail survey of 6,000 Poway households concerning their opinions regarding a variety of issues of importance to the City for future planning. Final report included fully tabulated results with accompanying statistical reports

#### **North Park Main Street Association**

- Conducted two intercept surveys--business owners and shoppers in San Diego Main Street National Historic Preservation Area in order to determine shopping needs and level of improvement or decline in area since the implementation of the Main Street program.

#### **City of Dana Point, California**

- Prepared recreation and parks needs assessment survey for administration to general public.

#### **City of Davis**

- Prepared, administered, and analyzed sample survey of 833 residents of Davis, California for purposes of assessing utilization, demand, and tax allocation factors for City of Davis Department of Parks and Recreation in concert with the preparation of the Master Plan.

#### **City of St. Helena**

- Prepared, administered, and analyzed 400 respondent sample survey of City of St. Helena, California residents for purposes of General Plan revisions.

#### **Southern California Regional Rail Authority (Metrolink)**

- Conducted a 3,500 person rider/on-board sample survey on 7 Metrolink lines regarding customer satisfaction, importance, problem occurrences, travel behavior, marketing strategies, and demographics. Also undertaken were precise counts of passenger boardings and alightings at each station for each train in the Metrolink train system.
- Conducted a 6,000 person rider/on-board sample survey on 6 Metrolink lines regarding customer satisfaction, importance, problem occurrences, travel behavior, marketing strategies, and demographics.

#### **California Department of Transportation**

- Conducted focus groups and web-based survey of CALTRANS engineers regarding job satisfaction and staff morale.
- Eight surveys among pilot study riders of combined commuter train/rental car system of commuting.

#### **Southern California Association of Governments**

- 5,200 survey participants in cross border origin-destination, trip purpose study at

3 Imperial County border crossings, including passenger vehicles, pedestrians, and commercial trucks northbound and southbound. Also included complete cross-border counts.

- 800 person survey and 6 focus groups to determine desired route for high-speed rail from Northern California between Los Angeles and San Diego.

#### **University of California PATH/SANDAG**

- Six Month panel for focus groups and surveys at start and end concerning new transit plan that utilizes rental cars at either end of transit trip.

#### **City of Escondido**

- Prepared, administered, and statistically analyzed telephone survey of 425 residents concerning library facilities.

#### **Seyfarth & Shaw—Attorneys at Law**

- Expert witness in lawsuit that involved sampling and survey issues regarding class action employment dispute

### **Selected Publications**

#### Books

Designing and Conducting Survey Research: A Comprehensive Guide (with Louis M. Rea, Ph.D., 1992 (2<sup>nd</sup> edition 1997—3<sup>rd</sup> edition 2005). Jossey-Bass, Inc., Publishers, San Francisco.

The Economics of Environmental Restrictions on the Use of Urban Land, Institute of Urban and Regional Development, University of California, Berkeley, California (with Leonard Merewitz, Ph.D.), 1973, 79 pp.

#### Articles

"Water Supply for Urban Southern California: An Historical and Legal Perspective," Glendale University Law Review, Vol. 8, Nos. 1-2, 1988.

### **Selected Public Testimony/Formal Speeches**

Panelist, "San Diego Clean Water Summit," San Diego, CA July, 2005

"Fiscal and Economic Impact of Multiple Species Conservation Program." Speech delivered at San Diego Association of Governments Board of Directors meeting, September, 1995.

Panelist, "Criminal Justice Impact of Undocumented Immigration," at Criminal Justice Research Association, San Diego, California, October 15, 1993.

"Undocumented Immigrants in San Diego County." Testimony before California State Senate Special Committee on Border Issues, Sacramento, California, August 5, 1992.

"Undocumented Immigrants in San Diego County." Testimony before California State Joint Legislative Audit Committee, Sacramento, California, August 11, 1992.

"Undocumented Immigrants in San Diego County." Testimony before California State Assembly, Sacramento, California, October, 1992.

Various radio and television appearances (Roger Hedgecock, These Days-KPBS, KNX-Los Angeles, Univision, KFMB-TV, KSO-San Francisco, among others).

## LOUIS M. REA

### EDUCATION

- Ph.D. Economics, Public Management (Social Science), The Maxwell School, Syracuse University, 1975
- M.R.P. Masters in Regional Planning, The Maxwell School, Syracuse University, 1973
- B.A. Economics, Colgate University, Hamilton, New York 1971  
(Phi Beta Kappa, Cum Laude, Honors in Economics)

### PROFESSIONAL EMPLOYMENT

**Vice President and Principal Consultant:**      *Rea and Parker Research, Inc., 1984-present.*

- Provide professional consulting services to client agencies (both public and private) seeking research data and studies for executive decision making. Provide services in the areas of economic impact, market research, program evaluation, customer satisfaction, and public policy (including transportation, land use, housing, immigration, and tourism.)
- Conduct studies in the following areas: economic and fiscal impact analysis, program evaluation, survey research and focus group analysis, and demographic, attitudinal, and market research.

**Visiting Professor:**      *University of California, San Diego, Graduate School of International Relations and Pacific Studies, 2006-present.*

**Professor:**      *School of Public Administration and Urban Studies (SPAUS), San Diego State University, 1983-present.* (Coordinator: Master of Public Administration Program, 2006-present.)

**Director:**      *School of Public Administration and Urban Studies (SPAUS), San Diego State University, 1983-2006.*

- Responsible for the management and direction of the School of Public Administration and Urban Studies, consisting of 60 employees, including 50 full-time and part-time faculty, and 10 support and research staff.
- Responsible for managing the School's resources valued at approximately \$4.0 million, consisting of funds in the areas of personnel, supplies and services, computer hardware, scholarships, endowments, and SDSU Foundation accounts.
- Provide supervision of all personnel matters, including recruitment and hiring of full and part-time faculty as well as staff positions; oversee reappointment, tenure, and promotion process; and schedule School classes.

**Director:**     *School of Public Administration and Urban Studies (SPAUS), San Diego State University, 1983-2006.* (Continued)

- Prepare and implement School's academic strategic plan, business plan, student learning goals and objectives, and faculty hiring priorities.
- Serve as School's primary community contact and representative including liaison with federal, state, and local agencies, other university campuses, private sector organizations, and universities in Mexico.
- Coordinate community forums by facilitating discussion and debate on public policy issues, such as Immigration, the Patriot Act, Social Security, and Assisted Suicide.
- Responsible for fundraising and development including endowments nearing \$1 million.

**Associate Professor:**     *School of Public Administration and Urban Studies, San Diego State University, 1979-1983* (Coordinator: Master of City Planning Program, 1980-1983.)

**Assistant Professor:**     *School of Public Administration and Urban Studies, San Diego State University, 1975-1979* (Master of City Planning Program)

**GENERAL EXPERTISE**

- market research
- survey research
- program evaluations
- focus group analysis
- fiscal/community impact
- demographic/economic analysis
- government relations/public policy analysis
- statistical analysis

**INSTRUCTIONAL EXPERTISE**

- Seminar in Urban and Regional Planning Analysis (graduate)
- Program Design and Evaluation (graduate)
- Seminar in Urban Transportation Planning (graduate)
- Quantitative Techniques in Urban Planning (graduate)
- Methods of Analysis in Public and Urban Affairs (graduate)
- Seminar in Urban and Fiscal Issues (graduate)
- Principles of Survey Research (graduate)
- Introduction to Urban Planning (undergraduate)
- Applied Planning Research, and Program Evaluation in Criminal Justice Administration (undergraduate)

## **PUBLICATIONS** (other publications available upon request)

### **Book**

- **Designing and Conducting Survey Research: A Comprehensive Guide:** Jossey-Bass, Inc., San Francisco, 1992 (with Richard A. Parker) – 2<sup>nd</sup> edition, 1997; 3<sup>rd</sup> edition, 2005.

### **Selected Projects (PRINCIPAL CONSULTANT, 1984 - present)**

- **Otay Water District:** Responsible for survey research and analysis associated with the District's customer base to evaluate the effectiveness of the customer services division. A second survey provided an overall customer opinion and awareness study, (2006-2007).
- **San Diego County Water Authority:** Responsible for a countywide survey and associated analysis to determine public opinion and resident perception regarding major issues associated with water use, including conservation and recycling, (2006-2007).
- **San Diego County Office of Emergency Services:** Served as Principal Investigator in conducting two countywide surveys to determine level of preparedness of residents for responding to potential disasters and emergencies (2006-2007).
- **Riverside Transit Authority (RTA):** Performed survey and demographic research and customer satisfaction study. Conducted extensive on-board bus survey of entire Riverside County bus system, including a rider count and time check (2006-2007).
- **CALTRANS and University of California, Berkeley:** Principal Investigator on a project that determined the feasibility of combining bus transit and rental cars to facilitate the travel needs of commuters in San Diego. Supervised the interviewing process involving travel diaries and telephone surveys, and conducted focus groups (with Dr. Sherry Ryan and SANDAG, 2004-2005).
- **All Congregations Together (ACT):** Served as consultant to ACT – a non-profit San Diego Community organization that provides transportation service for individuals with special needs; Designed survey instruments and trained survey interviewers; also trained focus group facilitators and analyzed survey and focus group data (2004-2005).
- **San Diego County Law Library:** Conducted formal evaluation (through surveys and interviews) of short courses provided by the Law Library. These courses are intended to train self-represented litigants in the courtroom process as well as train them to conduct legal research (2004).
- **San Diego City Attorney's Office:** Conducted a sample survey of residents and a sample survey of businesses in Mid City. The purpose of these surveys was to determine the level of interest for a community court in the Mid City area (2002-2003).

- **CALTRANS:** This project is a study of job satisfaction among senior transportation engineers in CALTRANS. Conducted and analyzed two focus groups (Irvine and Sacramento) as well as supervised a web-based sample survey (2001-2002).
- **Los Angeles County Metropolitan Transportation Authority**
  - Conducted 30,000 person on-board bus survey and telephone survey of bus riders to determine transit patterns and attitudes toward the bus service; similar on-board surveys conducted for 13 municipal bus systems throughout Los Angeles County; conducted eight focus groups throughout Los Angeles County for purposes of informing the survey instruments (2001-2002).
  - Conducted 15,000 person on-board rail survey of the Red, Blue, and Green Lines in Los Angeles and telephone survey of rail riders; conducted eight focus groups throughout Los Angeles County for purposes of informing the survey instruments (2001-2002).
- **San Diego County Taxpayers Association** (1990-2002)
  - Prepared economic and financial analysis of San Diego County Multiple Species Conservation Program for presentation to Planning Commission, City Council, and Board of Supervisors.
  - Prepared analysis of economic effects of proposed San Diego development impact fee program. Study included both academic, theoretical analysis and practical fiscal impact considerations.
  - Prepared fiscal impact analysis regarding the establishment of the USS Midway aircraft carrier museum on San Diego Bay.
  - Prepared Economic Impact Analysis of proposed all-cargo airport at Brown Field, including job creation and related industrial/commercial/visitor development.
  - Prepared analysis of San Diego mayoral candidates' economic platforms for purposes of public information during campaign.
  - Prepared economic Impact of super center retail development upon California jobs, health and welfare expenditures, and general economic conditions. Prepared written analysis and critique of Planned Growth and Taxpayer Relief Initiative for consideration before San Diego City Council.
- **Southern California Regional Rail Authority (METROLINK):** Conducted, analyzed, prepared final report, and presented findings for 6,000 on-board rail passenger surveys regarding customer satisfaction; analysis included comparative data analysis of trends from previous on-board surveys (2000).
- **Orange County Transportation Authority**
  - Prepared Multi-Cultural Market Assessment Study for transportation services in Orange County. Formulated baseline data and marketing strategies for long and short-term transportation related issues facing Orange County's diverse multi-cultural communities, with particular emphasis upon Hispanic and Vietnamese communities. Conducted 13 focus groups in ethnic communities and administered statistical surveys in English, Spanish, and Vietnamese (1994).
  - Conducted public participation portion of Orange County Bus Improvement Project (BUSLINK). Prepared report based upon 12 focus group discussions with bus users and non-users, employee transportation coordinators, real estate developers, senior citizens, students, transportation advocates, Orange County employers and members of ethnic

minority communities throughout the County. Final report summarized the perceptions of focus group participants concerning potential improvements to the bus system (1994).

- **State of California (Senate Rules Committee):** Analyzed costs and benefits of undocumented immigrants in San Diego County. This report was an expansion upon and verification of the previous report sponsored by the California Office of the Auditor General including federal revenues, false documentation issues, and macro-economic impacts (1993).
- **State of California (Office of the Auditor General):** Analyzed the fiscal impact of undocumented immigrants on public services in San Diego County, including criminal justice systems, education, and public health. Further identified estimated number of undocumented residents and their contributions to State and local tax revenues. Study included substantial primary data gathering techniques, including direct interviews with undocumented immigrant workers and INS returnees (1992).
- **San Diego Housing Commission:** In accordance with the City of San Diego SRO Preservation Ordinance (November 1987), conducted a survey/inventory of all existing guest rooms in the City of San Diego in order to retroactively identify rooms which qualify as single room occupancy hotel rooms as of December 1987 and May 1988 in order to assess current status vis-à-vis the baseline. Prepared survey instrument, SRO identification methodologies, computerization formats, statistical analyses, and final report with room-by-room breakdown (1989).
- **San Luis Rey Indian Water Authority:** Prepared and supervised administration of detailed census and opinion survey of members of five Indian tribes. Particular emphasis was given to issues of importance to the tribes' members such as job opportunities, education, cultural issues, and economic development opportunities. Final report included both census data and fully tabulated and statistically analyzed summary of the opinions of reservation residents (1988).
- **City Heights Community Development Corporation, San Diego, California:** Analyzed alternatives for the revitalization of an older commercial retail area in mid-city San Diego seeking to rejuvenate its retail base. Three surveys were performed in conjunction with this effort – existing retailers, potential retailer, and residents of the area – as well as corresponding statistical analysis. The final report included a recommended retail structure of the community (1984).

#### **OTHER ADMINISTRATIVE ROLES AND RESPONSIBILITIES**

- Director, Institute of Public and Urban Affairs (research arm of the School of Public Administration and Urban Studies, 1983-2006).
- Coordinator, School's Working Adult Programs through the College of Extended Studies, 1988- present.
- Co-Program Coordinator, Master's Program in Transborder Governance and Public Administration (joint international program between SDSU and The Autonomous University of Baja California, 2002-2006).
- Graduate Advisor and Coordinator, Master of Public Administration Program  
Program Producer, assisted in the organization and production of the Current Issues Forums of San Diego in the College of Professional Studies and Fine Arts, 2003-2006.



## MEMORANDUM

TO: Marketing Research Vendors

FROM: Armando Buelna, Communications Officer

SUBJ: Invitation to Bid - Survey Research

File No.

Date 12/4/07

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The Otay Water District (the district) wishes to conduct two statistically reliable telephone surveys of residential customers. The purpose of the surveys will be to build upon baseline data from surveys conducted in 2005 and 2006.

Survey I - N=300, to be selected from a random sample of customers. The primary areas of interest are:

- Overall customer satisfaction
- Awareness of rates
- Awareness of formal/written communications
- Awareness of conservation activities/programs
- Awareness of water recycling activities
- Concerns about water supply
- Reliability of service
- Reliability of supply
- Awareness of sewer operations
- Demographic measures

Survey II - N=300, selected from customers who have contacted the district within the last 6 months. Areas of interest include:

- Specific Call Center interaction
- Courtesy of staff
- Clarity and accuracy of responses from staff
- Knowledge of Call Center staff
- Experience with field staff
- Quality of service received
- Overall satisfaction with service received
- Use of online services
- Quality of online services

The successful vendor will be responsible for questionnaire development, fieldwork, data tabulation, and presentation of topline results.

The vendor should expect to consult with the district regularly on the questionnaire development and be prepared to provide up to three site presentations of the results.

Bids should include costs for all services and fieldwork (including translating surveys into Spanish and conducting some of the survey to Spanish speaking customers) and any and all miscellaneous expenses.

The district would like 10 copies of both the data and the report.

The district may also request several data printouts with various questions cross-tabbed by other items.

The district can provide names, telephone numbers, zip codes of survey respondents. All data and questionnaires should be returned to the district upon completion of the survey.

Please submit your proposals by December 21<sup>st</sup>, 2007, via mail or e-mail to:

**Armando Buelna, Communications Officer**  
**Otay Water District**  
**2554 Sweetwater Springs Blvd.**  
**Spring Valley, CA 91978**  
**[abuelna@otaywater.gov](mailto:abuelna@otaywater.gov)**

Questions about this project may be directed to [abuelna@otaywater.gov](mailto:abuelna@otaywater.gov) or (619) 670-2256.

## Customer Survey Proposal Highlights (Telephone Survey)

	Name Principals	Cost	Sample/ Error Rate	Water Agency/ Other Local Exp.	Length of Survey	Mtgs. w/ Otay	Other Comments
a	<b>Rea and Parker Research</b> Richard Parker, P.D. Douglas Coe, MA	\$15,000	N=300 +/- 5.6%	Yes. CWA, Sweetwater Authority, SD County, Oceanside etc.	10 to 12 minutes	5 – Kick-Off Finalize Survey Final Reports	Knowledge of the district. Excellent reputation. Estimate four months, or sixteen weeks, to complete.
		\$15,000	N=300 +/- 5.6%				
b	<b>Claritas</b>	\$46,800	N=300 +/- 5.6%	Not stated in proposal.	No more than 13 minutes	3 meetings.	Their proposal was vague. Estimate eight weeks to complete.
			N=300 +/- 5.6%				

Luth Research  
1365 Fourth Avenue  
San Diego, CA 92101

Claritas Inc.  
5375 Mira Sorrento Place, #400  
San Diego, CA 92121

CIC Research Inc.  
8361 Hornblend Street, Ste G.  
San Diego, CA 92109

Flagship Research  
2840 Executive Square, #850  
La Jolla, CA 92037

Directions Research  
7676 Hazard Center Dr. #1300  
San Diego, CA 92108

Rea and Parker Research  
P. O. Box 421079  
San Diego, CA 92124

**6. DISCUSSION OF OTAY WATER DISTRICT  
WEBSITE (STEVENS) [10 minutes]**

**Presentation only - No Report**