

OTAY WATER DISTRICT
ENGINEERING, OPERATIONS & WATER RESOURCES COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
Board Room

Monday
February 25, 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

INFORMATION / ACTION ITEMS

3. FISCAL YEAR 2008 MID-YEAR STRATEGIC PLAN AND PERFORMANCE MEASURES REPORT (STEVENS) [10 minutes]
4. AWARD OF A PROFESSIONAL SERVICES CONTRACT TO RBF CONSULTING FOR THE SEWER SYSTEM INSPECTION AND ASSESSMENT PROJECT AND TO AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH RBF IN AN AMOUNT NOT TO EXCEED \$121,185 DURING FISCAL YEARS 2008 AND 2009 (RIPPERGER) [10 minutes]
5. 2ND QUARTER CIP UPDATE (RIPPERGER) [10 minutes]
6. AWARD OF A PROFESSIONAL ENVIRONMENTAL CONSULTING SERVICES CONTRACT TO RECON FOR THE PREPARATION OF THE OTAY WATER DISTRICT SUBAREA PLAN AND TO AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH RECON IN AN AMOUNT NOT TO EXCEED \$270,853 [RIPPERGER/COBURN-BOYD] [5 minutes]
7. AUTHORIZATION FOR EXECUTION OF AN AGREEMENT FOR OTAY BI-NATIONAL DESALINATION FEASIBILITY STUDY UPDATE WITH CAMP

DRESSER & MCKEE, INC. IN AN AMOUNT NOT TO EXCEED \$94,552
(POSADA) [5 minutes]

8. FOLLOW-UP ANALYSIS REGARDING APPROVAL OF AN AGREEMENT WITH THE CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM TO PRE-FUND 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 ADOPT RESOLUTION NO. 4117 AND OTHER POST EMPLOYMENT BENEFITS (OPEB) FOLLOW-UP ANALYSIS (BEACHEM) [10 minutes]

9. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Jose Lopez, Chair
Gary Croucher

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 that 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 February 21, 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 February 21, 2008.



Connie Rathbone, Assistant District Secretary



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008
SUBMITTED BY:	Geoffrey Stevens, Chief Information Technology and Strategic Planning	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	FY 2008 Mid-Year Strategic Plan and Performance Measures Report		

GENERAL MANAGER'S RECOMMENDATION:

No recommendation. This is an informational item only.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To provide a fiscal mid-year report on the District's Strategic Performance Plan.

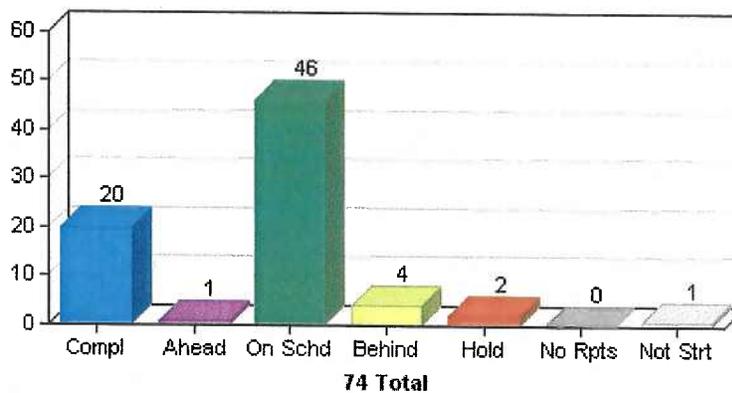
ANALYSIS:

Overall, results for both strategic plan objectives and performance measures for the mid-year report for FY08 are generally positive with the District achieving its high-level targets for both strategic plan objectives (90% complete or on track) and performance measures (75% on target). These objectives and measures can be broken down from various perspectives. This information is also available electronically on the Board Extranet. Results in detail are as follow:

Strategic Plan Objectives- Changing to Meet Future Needs

Strategic plan objectives are designed to ensure we are making the appropriate high-level changes necessary to move the agency in the planned direction to meet new challenges and opportunities. Overall performance of strategic plan objectives is positive with 67 of 71 objectives (94%) on track. One new item will commence in the 3rd quarter FY08 and two items are on hold and are thus excluded from the calculation.

FY08 Mid-Year Strategic Plan Objectives

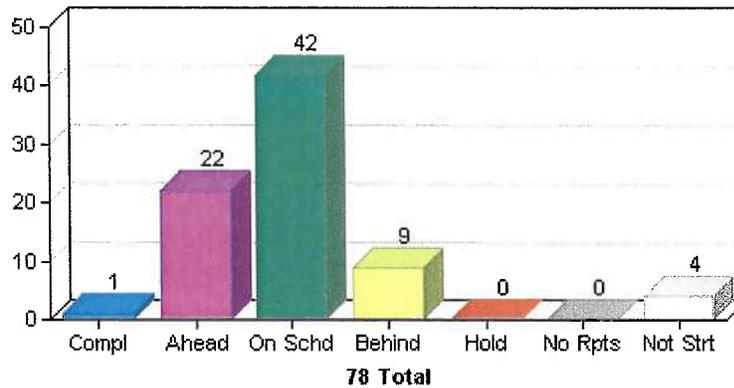


94% Complete, Ahead or On Target

Performance Measures - Monitoring Day-To-Day Performance

Performance measures are designed to track the day-to-day performance of the District. Sometimes referred as a "dash board", these items attempt to measure the effectiveness and efficiency of daily operations. The overall goal is that 75% of these measures be rated "on target". District results in this area are also positive with 87% of items (65 of 74) achieving the desired level, or better.

FY08 Mid-Year Performance Measures



65/74 or 87% on Target

Balanced Scorecard - External View

The Balanced Scorecard methodology is designed to ensure that a company is performing consistently on a wide range of measures necessary to ensure both short-term and long-term improvements. From this perspective the results are also positive. In seven of the eight categories, the District is on or ahead of schedule or target. In the one area where we are behind (Financial Perspective - Objectives) is due to detailed financial analysis of overhead and financial controls which is taking slightly longer than expected. These items are projected to be completed in FY08.

BALANCED SCORECARD

Balanced Scorecard

FY 2008 Qtr 2 All Departments

FY 2008 • Qtr 2 • All Departments



Green = meets or exceeds/ Red = does not meet

Departmental Perspective - Internal View of Performance

The departmental perspective, that is breaking down performance objectives and measures by the responsible internal departments, is also positive. The only items not on target are the detailed financial analysis mentioned above and as noted these will be completed in FY08.

Departmental Perspective

Department View

FY 2008 Qtr 2 All Scorecard Areas

FY 2008 • Qtr 2 • All Scorecard Areas

Departments	Objectives	Measures
1-Administrative Services	■ Objectives	■ Measures
2-Engineering & Planning	■ Objectives	■ Measures
3-Finance	■ Objectives	■ Measures
4-Information Technology	■ Objectives	■ Measures
5-Operations	■ Objectives	■ Measures

Green = meets or exceeds/ Red = does not meet

Next Steps

The District will be completing the FY06-FY08 plan at the end of this fiscal year. We will be presenting for the Boards consideration a completely revised strategic plan for FY09-FY11 in late March 2008 as the first step in the FY09 Budget process.

FISCAL IMPACT: _____

None at this time.

STRATEGIC GOAL:

Strategic Plan and Performance Measure reporting is a critical element in providing performance reporting to the Board and staff.

LEGAL IMPACT: _____

None

A handwritten signature in blue ink, appearing to read 'M. L. Waters', is written over a horizontal line.

General Manager

Strategic Plan Objectives Report; Performance Measures Report.



ATTACHMENT A

SUBJECT/PROJECT:	FY 2008 Mid Year Strategic Plan and Performance Measures Report
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COMMITTEE ACTION:

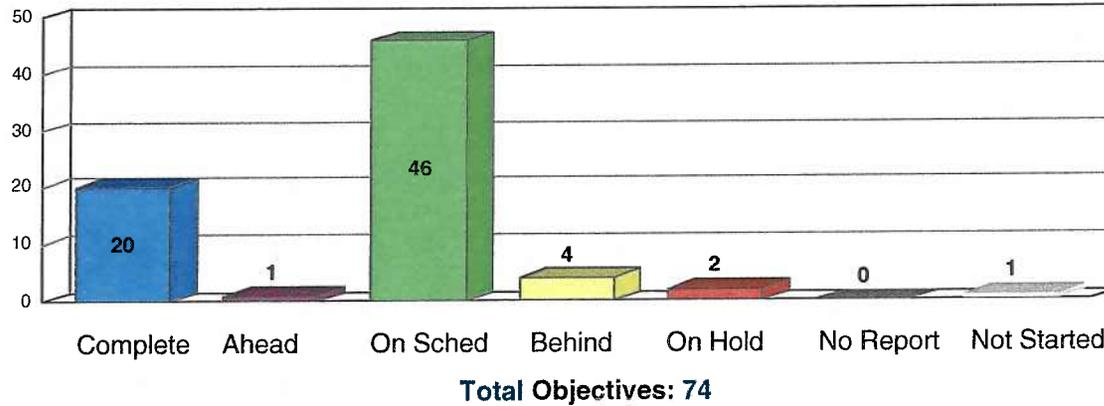
The Administration and Finance Committees and the Engineering and Operations Committee met in February and reviewed this item. Based upon this discussion, the Committees recommend that the Board receive that attached information.

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.

Objectives:

FY: 2008 Quarter: 2



Legend

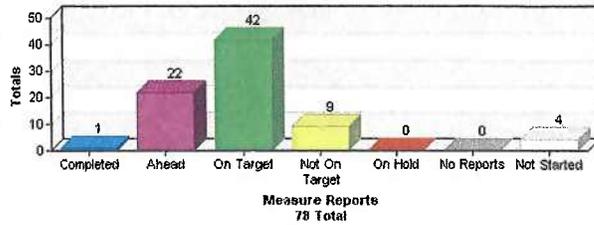
- Completed
- Ahead of Schedule
- On Schedule
- Behind Schedule
- On Hold
- No Reports
- Not Scheduled to Start Yet

ID	Objective	Lead	Status
1.1.2.6	Implement summary billing	ALCANTARA, C	On Schedule
3.4.9.3	Process Improvement Goals and Innovation- Finance	BEACHEM, J	On Schedule
3.4.7.2	Develop comprehensive management reporting	BELL, R	On Schedule
1.1.1.1	Implement a standardized Potable and Recycled Water Customer Survey	BUELNA, A	On Schedule
1.2.1.4	Expand partnerships with City of Chula Vista officials, developers, and community leaders	BUELNA, A	On Schedule
1.2.3.4	Develop quarterly articles for Star News and Union Tribune feature	BUELNA, A	On Schedule
1.2.4.1	Identify and promote opportunities for bi-national cooperation and understanding	BUELNA, A	On Schedule
2.3.1.3	Streamline business process by implementing a flat rate for service installation	CHARLES, D	On Schedule
1.1.2.7	Automating access to Public Services information through the District's website	CHARLES, D	On Schedule
3.3.3.1	Obtain Official Approval for Otay's Natural Community Conservation Plan	COBURN-BOYD, L	On Schedule
1.3.1.2	Promote the District's success in relevant areas by publishing white papers, applying for awards, and speaking at State and national conferences	CRUZ, S	On Schedule
2.3.1.2	Assess and develop guidelines for life-cycle and activity-based costing in conjunction with IMS	CUDLIP, J	On Schedule
3.3.1.1	Document and report planned maintenance ratios and activities	HENDERSON, D	On Schedule
1.1.1.5	Evaluate & respond to customer concerns affected by facility improvements	HENDERSON, D	On Schedule
1.1.1.2	Implement a Customer Comment Tracking Program	HENDERSON, E	On Schedule
1.1.1.3	Expand a Quality Control/Audit program to ensure quality customer service	HENDERSON, E	On Schedule
1.1.1.4	Implement an independent Customer Follow-up Program	HENDERSON, E	On Schedule
1.1.3.1	Provide secure and protected use of OIS information to employees on a 24-hour and mobile basis	JENKINS, W	On Schedule

ID	Objective	Lead	Status
1.1.2.1	Enhance the District's Web Page and its links	JENKINS, W	On Schedule
3.1.3.4	Implement a Business Resumption Plan (BRP)	JENKINS, W	On Schedule
3.4.3.2	Update the District's records management program	JENKINS, W	On Schedule
1.2.2.2	Promote acceptance of recycled water use in other geographic areas within the District's sphere of influence: North District, Rancho San Diego, and Resort Parcel-Village 13 by Otay Lakes	PEASLEY, J	On Schedule
2.1.1.4	Implement a long term planning process that results in a sound financial plan	PEASLEY, J	On Schedule
3.4.7.3	Utilize the District's management reporting	PORRAS, P	On Schedule
1.1.3.2	Evaluate OIS information as meeting customer service	PORRAS, P	On Schedule
3.4.3.4	Review, improve and document Operations practice for staff training	PORRAS, P	On Schedule
3.4.1.2	Utilize the integrated OIS	PORRAS, P	On Schedule
3.4.9.5	Process Improvement Goals and Innovation- Operations	PORRAS, P	On Schedule
4.3.5.2	Attend industry courses and seminars	PORRAS, P	On Schedule
4.3.5.1	Elevate awareness of opportunities for Operations employees to achieve higher certification	PORRAS, P	On Schedule
3.4.9.2	Process Improvement Goals and Innovation- Engineering	POSADA, R	On Schedule
3.3.2.1	Implement construction feedback loop	RIPPERGER, R	On Schedule
3.4.3.3	Integrate Engineering Document Management with Records Management	RIPPERGER, R	On Schedule
3.1.1.6	Improve existing and obtain additional inter-agency connections	RIPPERGER, R	On Schedule
1.2.3.3	Promote the District's innovative water supply strategies	RIPPERGER, R	On Schedule
3.4.4.3	Facility location-USA Markouts, facility verification. GPS an acquisition of facilities that are not in the system	RUSH, G	On Schedule
3.4.4.4	Implement IMS in Survey Division	RUSH, G	On Schedule
3.4.9.1	Process Improvement Goals and Innovation-Administrative Services	SARNO JR., R	On Schedule
3.1.1.9	Operate the system to meet demands 24/7	STALKER, G	On Schedule
3.1.1.10	Meet all of the health-related water standards in the US National Primary Drinking Water Regulations	STALKER, G	On Schedule
3.4.4.2	Maximize the districts use of mobile, GIS and GPS technologies including route planning for maintenance crews and meter readers and locations based services	STEVENS, G	On Schedule
3.4.1.1	Fully integrate the Otay Information systems (OIS)	STEVENS, G	On Schedule
3.4.9.4	Process Improvement Goals and Innovation- Information Technology	STEVENS, G	On Schedule
1.1.2.4	Implement automated notification procedure for planned or emergency maintenance, outages or boil-water notices	STEVENS, G	On Schedule
4.1.1.1	Create a Long-Term Staffing Plan	WILLIAMSON, K	On Schedule
4.5.2.1	Establish a repeatable Employee Survey Program	WILLIAMSON, K	On Schedule
3.4.6.2	Develop comprehensive budget policies and guidelines	BELL, R	Behind Schedule
2.2.2.6	Refine the overhead and direct charging policies	BELL, R	Behind Schedule
2.3.1.1	Develop standard and flat fee methodology for key district services	CUDLIP, J	Behind Schedule

ID	Objective	Lead	Status
2.2.2.1	Evaluate key business processes to ensure adequate financial controls	CUDLIP, J	 Behind Schedule
3.4.4.5	Conversion of District's meters to AMR	HENDERSON, D	 Ahead of Schedule
1.1.2.2	Evaluate and Implement the Interactive Voice Response (IVR) System	ALCANTARA, C	 Complete
2.1.1.2	Explore adopting a Conservation-based Rate Plan gradually increasing the fixed rate percentage	BEACHEM, J	 Complete
2.2.2.5	Evaluate program budgeting	BELL, R	 Complete
3.4.7.1	Improve the District's financial reporting	BELL, R	 Complete
1.2.2.5	Expand outreach to elected local officials and community leaders to discuss the benefits of recycled water	BUELNA, A	 Complete
3.4.1.3	Develop contractors list to prepare "Service Installation Request" to help Otay OPS forces	CHARLES, D	 Complete
3.4.6.1	Update the District's Investment Policy	CUDLIP, J	 Complete
2.2.2.3	Perform routine financial audits	CUDLIP, J	 Complete
2.2.2.8	Implement a Contract Management Tool (Eden's)	DOBRAWA, S	 Complete
1.2.2.4	Develop additional educational materials on beneficial uses of recycled water and best proactive case studies	GRANGER, W	 Complete
1.1.2.3	Improve customer access to their account information via the Web	HENDERSON, E	 Complete
1.1.2.5	Evaluate expanded use of multilingual communication program	HENDERSON, E	 Complete
3.1.3.3	Perform cyber-security tests	JENKINS, W	 Complete
1.1.1.6	Communicate with customers prior to facility improvements	PORRAS, P	 Complete
3.2.2.3	Reduce the amount of potable water augmentation and increase the recycled water productivity	STALKER, G	 Complete
3.3.1.2	Quantify the condition of the District's collection and distribution system	STALKER, G	 Complete
3.4.5.4	Ensure that significant contracts receive legal review	STEVENS, G	 Complete
4.2.2.1	Promote the value of the District's compensation and benefits plan	WILLIAMSON, K	 Complete
4.2.2.2	Perform a comprehensive Compensation Study	WILLIAMSON, K	 Complete
4.2.2.3	Negotiate successor Memorandum of Understanding in FY 2008	WILLIAMSON, K	 Complete
2.1.1.1	Implement a long-term financing plan to support the District's Master Plan	BEACHEM, J	 On Hold
4.1.2.1	Develop a Long-Term Facility and Space Plan	DOBRAWA, S	 On Hold
4.3.4.1	Develop and implement a training needs assessment and implement appropriate recommendations.	WILLIAMSON, K	 Not Scheduled

Measures: All Departments



Legend

- Completed
- Ahead of Target
- On Target
- Not on Target
- On Hold
- No Reports
- Not Scheduled to Start Yet

Page 1 of 1		2008	Qtr 2	All Departments	ALL
Id#	Title	Target	Result	Leads	Status
View 1.1.100	Garden Awareness	50.00	48	GRANGER, WILLIAM	
View 1.1.101	Customer Satisfaction	90.00	90	BUELNA, ARMANDO	
View 1.1.102	Industry Papers and Publications	5.00	.66	CRUZ, SUSAN	
View 1.1.103	Public Relation Plan Execution	90.00	100	BUELNA, ARMANDO	
View 1.2.104	Blanket Order Activity	15.00	16.2	DOBRAWA, STEPHEN	
View 1.2.105	Inventory Accuracy	97.00	0	DOBRAWA, STEPHEN	
View 1.2.106	Total Water Saved	100.00	101	GRANGER, WILLIAM	
View 1.4.107	Training Hours per Employee (QualServe)	26.90	18.66	WILLIAMSON, KELLI	
View 1.4.109	Turnover Rate	10.00	1.85	WILLIAMSON, KELLI	
View 1.4.110	Time to Fill	90.00	100	WILLIAMSON, KELLI	
View 1.4.111	Safety Training Program	1.00	1.11	GERBER, JAMES	
View 1.4.113	Employee Health & Safety Severity Rate (QualServe)	54.50	145.85	GERBER, JAMES	
View 1.4.114	Service Connections per FTE	218.00	276.85	WILLIAMSON, KELLI	
View 2.1.200	Recycled Water Supply versus Demand	0.00	0.0	PEASLEY, JAMES	
View 2.2.201	Grant Funds	0.50	57.9	PEASLEY, JAMES	
View 2.2.203	Plan Check	90.00	100	CHARLES, DAVID	
View 2.2.204	CIP Projects Expenditures vs Budget	75.00	117	RIPPERGER, RONALD	
View 2.3.205	Project Constructability Review	100.00	100	RIPPERGER, RONALD	
View 2.3.206	Project Construction Budget	90.00	100	RIPPERGER, RONALD	
View 2.3.207	Actual Recycled Water Demand versus Projected Demand	90.00	105.2	PEASLEY, JAMES	
View 2.3.208	North District Alternative Water Supply	100.00	110.0	PEASLEY, JAMES	
View 2.3.209	South District Alternative Water Supply	100.00	120.0	PEASLEY, JAMES	
View 2.3.210	Sewer Collection Disposal Capacity	100.00	172.4	PEASLEY, JAMES	
View 2.3.211	Facility Maps	1.00	.59	RUSH, GARY	
View 2.3.212	Facility Surveying	1.00	.40	RUSH, GARY	
View 2.3.213	Mark out Accuracy	99.75	100	RUSH, GARY	
View 2.3.214	Catholic Protection Program	90.00	100	RIPPERGER, RONALD	
View 2.3.215	Project Closeout Time	90.00	0	RIPPERGER, RONALD	
View 2.3.216	Construction Change Order Rate	4.00	0	RIPPERGER, RONALD	
View 2.3.217	APCO Compliance	95.00	100	COBURN-BOYD, LISA	
View 2.3.218	Construction Inspection Productivity Index	90.00	100	RIPPERGER, RONALD	
View 2.3.220	Construction Claims Rate	5.00	0	RIPPERGER, RONALD	
View 3.1.300	Alternative Payments	20.00	21.46	MENDEZ-SCHOMER, ALICIA	
View 3.1.301	Customer Service Cost per Account (QualServe)	25.90	52.66	BELL, RITA	
View 3.1.302	Meter Reading Accuracy	99.90	99.99	HENDERSON, ELAINE	
View 3.1.303	Answer Rate	97.00	95.12	MENDEZ-SCHOMER, ALICIA	
View 3.1.304	Write-offs	0.05	.04	HENDERSON, ELAINE	
View 3.2.305	Debt Coverage Ratio (QualServe)	0.20	.11	CUDLIP, JAMES	
View 3.2.306	Reserve Level	100.00	100.0	CUDLIP, JAMES	
View 3.2.307	Billing Accuracy (QualServe)	9.30	15	HENDERSON, ELAINE	
View 3.2.308	Water Rate Ranking	50.00	33	BELL, RITA	
View 3.2.309	Sewer Rate Ranking	50.00	46.7	BELL, RITA	

View	3.2.310	Return on Investment	100.00	99.8	CUDLIP, JAMES	
View	3.2.311	Overtime Percentage	100.00	116	BELL, RITA	
View	3.3.314	O&M Cost per Account (QualServe)	387.00	472.66	BELL, RITA	
View	3.3.315	AMR Program	75.00	85	HENDERSON, ELAINE	
View	3.3.316	Distribution System Water Loss (QualServe)	5.00	2.33	BELL, RITA	
View	3.3.317	System Renewal/Replacement Rate (QualServe)	4.45	0	BELL, RITA	
View	4.1.400	Web Site Hits	20000.00	22228	JENKINS, WILLIAM	
View	4.3.401	Network Availability	99.00	99	JENKINS, WILLIAM	
View	4.3.402	IT Help Request	90.00	91	JENKINS, WILLIAM	
View	4.3.403	Percentage of Strategic Plan Goals on Track	90.00	90	STEVENS, GEOFFREY	
View	4.3.404	GIS Update Frequency	90.00	91.6	ZHAO, MING	
View	4.4.405	Organizational Best Practices Index (QualServe)	68.50	28	STEVENS, GEOFFREY	
View	5.1.500	Technical Quality Complaint Rate (QualServe)	8.00	5.09	VACLAVEK, JOANNE	
View	5.1.501	Potable Water Supplement	5.00	0	OLDS, LARRY	
View	5.1.503	Valve Exercising Program	381.00	462	VACLAVEK, JACOB	
View	5.2.504	O&M Cost per MGP (QualServe)	3096.00	2124	STALKER, GARY	
View	5.2.505	Planned Drinking Water Maintenance Ratio in Cost (QualServe)	63.50	66.5	HENDERSON, DONALD	
View	5.2.506	Planned Wastewater Maintenance Ratio in Cost (QualServe)	75.00	77	KREINBRING, DALE	
View	5.2.525	Direct Cost of Treatment per MG (QualServe)	2450.00	1017	STALKER, GARY	
View	5.3.507	AMR Program	800.00	2394	KEERAN, TIMOTHY	
View	5.3.508	AMR Ramar Replacement Program	1139.00	100	KEERAN, TIMOTHY	
View	5.3.509	Unplanned Disruptions (QualServe)	0.70	0.79	VACLAVEK, JACOB	
View	5.3.510	Drinking Water Compliance Rate (QualServe)	100.00	100	STALKER, GARY	
View	5.3.511	Recycled Water Production	90.00	57	KREINBRING, DALE	
View	5.3.512	Planned Drinking Water Maintenance Ratio In Hours (QualServe)	70.00	65.7	HENDERSON, DONALD	
View	5.3.513	Collection System Integrity (QualServe)	3.80	0.0	KREINBRING, DALE	
View	5.3.514	Planned Wastewater Maintenance Ratio in Hours (QualServe)	75.00	75	KREINBRING, DALE	
View	5.3.515	Sewer Overflow Rate (QualServe)	2.47	0	KREINBRING, DALE	
View	5.3.515	Sewer Overflow Rate (QualServe)	2.47	0	KREINBRING, DALE	
View	5.3.516	Pump Efficiency Testing	100.00	100.00	ANDERSON, DONALD	
View	5.3.517	Automatic Control Valve Testing	100.00	100.00	ANDERSON, DONALD	
View	5.3.518	Main Flushing Program	200.00	215	VACLAVEK, JACOB	
View	5.3.519	Water Distribution System Integrity (QualServe)	16.90	7.99	VACLAVEK, JACOB	
View	5.3.520	Recycled Water System Integrity	16.90	0	OLDS, LARRY	
View	5.3.521	Air Vac Update Program	90.00	148	ACUMA, RICHARD	

AGENDA ITEM 4



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008
SUBMITTED BY:	Ron Ripperger <i>[Signature]</i> Engineering Manager	PROJECT/ SUBPROJECT:	P1210 DIV. NO. 3, 025000 4,5
APPROVED BY: (Chief)	Rod Posada <i>[Signature]</i> Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>[Signature]</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of a Professional Services Contract to RBF Consulting for the Sanitary Sewer CCTV Inspection and Condition Assessment Project		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board award a professional services contract to RBF Consulting (RBF) for the Sewer System Inspection & Assessment Project, and authorize the General Manager to execute an agreement with RBF in an amount not to exceed \$121,185 during Fiscal Years 2008 and 2009.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

That the Board authorizes the General Manager to enter into a professional services agreement with RBF for the Sewer System Inspection and Assessment Project. The contract amount is not to exceed \$121,185 for providing inspection and condition assessment services.

ANALYSIS:

In 2006, District staff completed a Sewer Model Calibration Capacity Analysis and System Assessment to determine capacity

issues and closed circuit television inspection (CCTV) prioritization as part of the Sewer System Management Plan (SSMP).

As such, the District requires the services of a professional engineering consulting firm to assist with the field evaluation of the District's existing system by performing Sanitary Sewer CCTV Inspection and Condition Assessment. This service will be performed on pipelines identified as priority (1) and (2) in the previous study (See Exhibit A). The program will require televised inspection of sewer lines, investigation and analysis of the existing sewer system, rehabilitation recommendations for operational improvements of the District's pipelines and manholes. The rehabilitation priority list created will be used by the District to develop and initiate an annual "Rehabilitation and Replacement Program."

The agreement with RBF will include a variety of tasks that will assist staff in effectively managing the SSMP. Their scope of services is as follows:

- Review District provided data, identify properties requiring access permission and public relations and confirm inspection, condition assessment, and rating system.
- Provide the necessary traffic control and acquire the proper permits.
- Manhole locating, raising (if necessary), and inspection.
- CCTV televising of sewer pipelines. Red flag critical conditions for immediate response.
- Review inspection data and compile condition assessment of sewer system.
- Provide final report and digital video files.

The project was advertised on the District's website and other publications, including the Union Tribune and San Diego Daily Transcript. Three firms submitted a letter of interest and a statement of qualifications. On December 21, 2007, the District issued a formal Request for Proposal (RFP) to the three consulting firms, who submitted a letter of interest, and who specialize in sewer system CCTV inspection and assessment. On January 15, 2008, three proposals were received from the following firms:

- RBF Consulting
- PBS&J
- Boyle Engineering Corporation

In accordance with the District's Policy 21, staff evaluated and scored all written proposals. RBF received the highest rating based on their written proposal. The overall evaluation summary

sheet indicates how each firm was scored (see Attachment B). RBF received the highest overall score based on their experience, proposed method to accomplish the work, and their ability to complete projects on schedule.

It is anticipated that RBF's scope of services will take six (6) months to complete. RBF has worked successfully for the District in the past and is readily available to provide the services required.

FISCAL IMPACT:

RFB

The SSMP is an on-going maintenance effort in the District. As such, this expenditure is funded in the Operating Budget. Based on a review of the budget, the Project Manager has determined that the Operating Budget will be sufficient to fund the Sanitary Sewer CCTV Inspection and Condition Assessment Project. The project amount of \$150,000 was budgeted for in the Fiscal Year 2008 Operating Budget.

STRATEGIC GOAL:

This project supports the District's Mission Statement, "To provide safe, reliable water, recycled water, and wastewater services to our community in an innovative, cost efficient, water wise, and environmentally responsible manner," as well as the General Manager's vision, "...prepared for the future..." by guaranteeing that the District will always be able to meet future water supply obligations and plan, design, and construct new facilities.

LEGAL IMPACT:

None.



General Manager

P:\WORKING\CIP P1210 (SSMP)\Staff Reports\BD 3-05-08, Award of Prof Svcs Contract for Sewer CCTV, (RR).doc

RR:jf

Attachments: Attachment A
Attachment B



ATTACHMENT A

SUBJECT/PROJECT: P1210-025000	Award of a Professional Services Contract to RBF Consulting for the Sanitary Sewer CCTV Inspection and Condition Assessment Project
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 25, 2008. The Committee supported Staff's recommendation.

NOTE:

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



ATTACHMENT B

SUBJECT/PROJECT: P1210-025000	Award of a Professional Services Contract to RBF Consulting for the Sanitary Sewer CCTV Inspection and Condition Assessment Project
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ATTACHMENT B

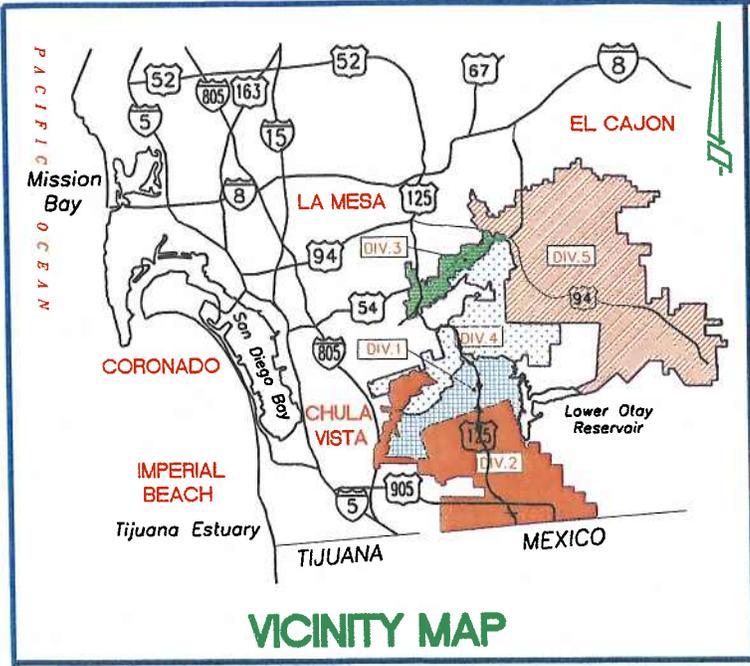
PROPOSAL RANKING

SANITARY SEWER CCTV INSPECTION AND CONDITION ASSESSMENT (P1210-025000)

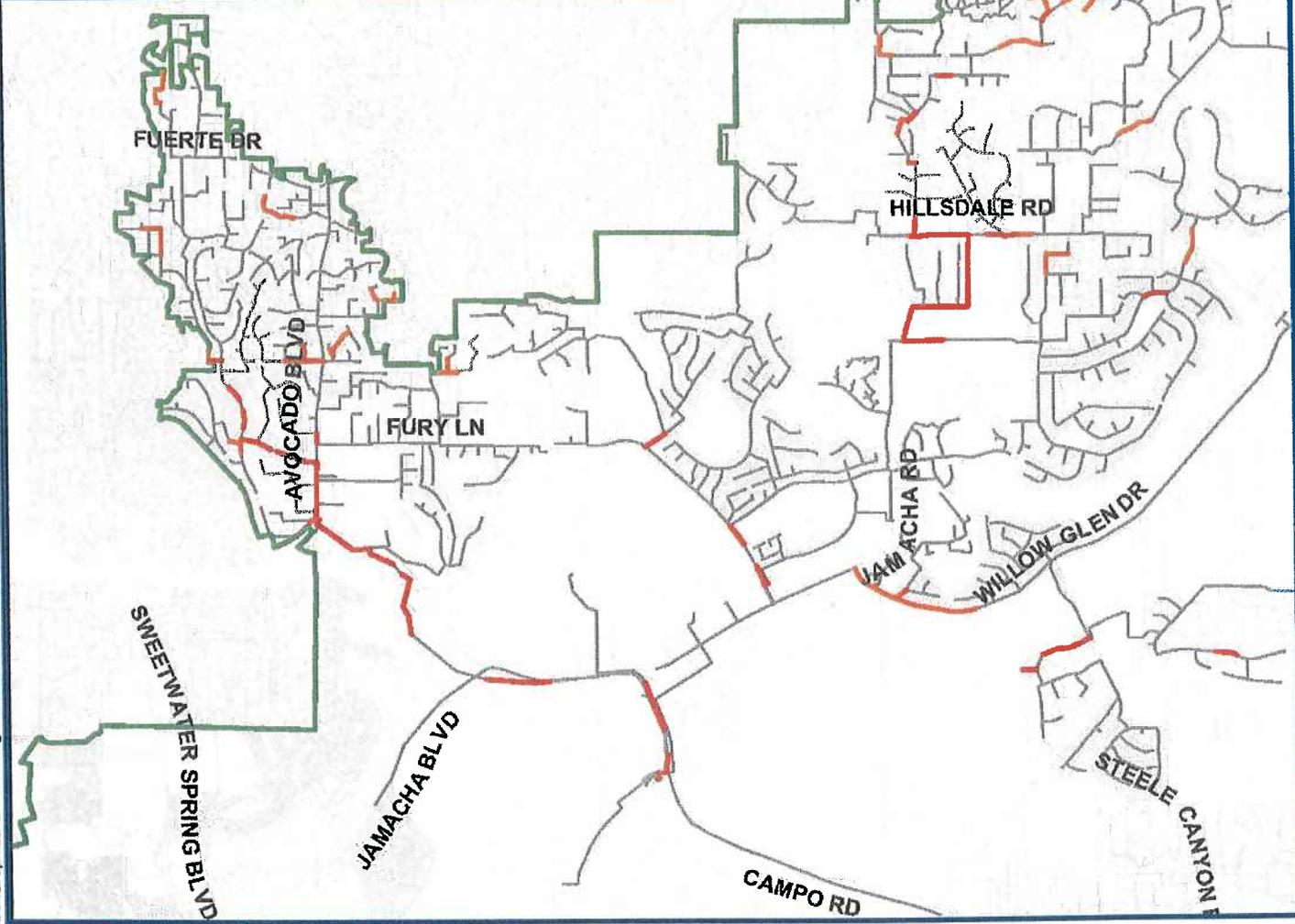
		WRITTEN								TOTAL SCORE	AVERAGE SCORE	REFERENCES
Consultant	Reviewer:	Qualifications, experience of Consultant's assigned personnel	Experience relevant to type of project being considered	Proposed method to accomplish work	Knowledge of jurisdictional agencies, local area environmental concerns, and regulatory requirements	Proposed Fee	Completeness, addressed requested information	Ability to complete projects on schedule	Consultant's commitment to EBE, DBE, MBE, SBE			
		15	15	10	10	20	15	10	5	100		✓
Boyle Engineering Corporation	Ron Ripperger	14	14	10	9	18	14	10	4	93	86.8	
	Daniel Kay	13	14	8	10	18	12	8	4	87		
	Gary Stalker	10	9	7	8	18	10	8	4	74		
	Jerry Munoz	13	15	10	10	18	13	10	4	93		
	David Charles	14	14	8	8	18	13	8	4	87		
PBS&J	Ron Ripperger	13	13	8	8	18	10	10	5	85	88.6	
	Daniel Kay	14	14	9	8	18	13	9	5	90		
	Gary Stalker	12	12	8	8	18	13	8	5	84		
	Jerry Munoz	15	13	10	10	18	15	10	5	96		
	David Charles	13	14	8	8	18	14	8	5	88		
RBF Consulting	Ron Ripperger	13	14	8	9	20	13	10	5	92	91.8	✓
	Daniel Kay	13	14	8	9	20	13	8	5	90		
	Gary Stalker	13	12	9	8	20	13	8	5	88		
	Jerry Munoz	15	15	10	10	20	15	10	5	100		
	David Charles	13	13	8	8	20	14	8	5	89		

Consultant	Proposed Fee	% Higher	Lowest Bid	
RBF	\$121,185	Lowest Bid	0-10%	19
PBS&J	\$138,655	14%	11-20%	18
BOYLE	\$142,729	18%	21-30%	17

PM Signature: *D. D. H.*
 Engineering Manager: *Ronald H. Pujar*



**SEWER CCTV
PRIORITY**



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OTAY WATER DISTRICT

SANITARY SEWER CCTV INSPECTION
& CONDITION ASSESSMENT
LOCATION MAP

P1210-025000

EXHIBIT A



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008
SUBMITTED BY:	Ron Ripperger <i>[Signature]</i> Engineering Manager	PROJECT:	P2210 DIV.NO. ALL
APPROVED BY: (Chief)	Rod Posada <i>[Signature]</i> Chief, Engineering		
APPROVED BY: (Asst GM)	Manny Magaña <i>[Signature]</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Informational Item - Second Quarter FY 2008 Capital Improvement Program (CIP) Report		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District's (District) Board of Directors accept the Second Quarter FY 2008 CIP Report for review and receive a summary via PowerPoint presentation.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

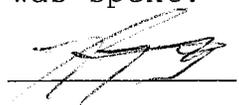
To update the Board about the status of all CIP project expenditure highlights, significant issues, progress, and milestones on major projects.

ANALYSIS:

To keep up with growth and to meet our ratepayers' expectations to adequately deliver safe, reliable, cost-effective, and quality water, each year the District Staff prepares a six-year CIP Plan that identifies the District infrastructure needs. The CIP is comprised of four categories consisting of backbone capital facilities, maintenance projects, developer's reimbursement projects, and capital purchases.

The Second Quarter update is intended to provide a detailed analysis of progress in completing these projects within the allotted time and budget. Expenditures for the Second Quarter FY 2008 totaled approximately \$14.1 Million. Approximately 41% of the FY 2008 expenditure budget was spent.

FISCAL IMPACT:



None.

STRATEGIC GOAL:

The CIP supports the mission of providing the best quality of water, recycled, and wastewater service to the customers of the District in a professional, effective, efficient, and sensitive manner, in all aspects of operation, so that public health, environment, and quality of life are enhanced.

LEGAL IMPACT:

None.



General Manager

F:\CIP\CIP Quarterly Report\2008\Board Meeting 2007 12 05\Staff Report\BD 3-5-08, Staff Report, Second Quarter FY 2008 CIP Report, (RP).doc

RR:jf

Attachments: Attachment A
Presentation



ATTACHMENT A

SUBJECT/PROJECT: P2210	Informational Item - Second Quarter FY 2008 Capital Improvement Program (CIP) Report
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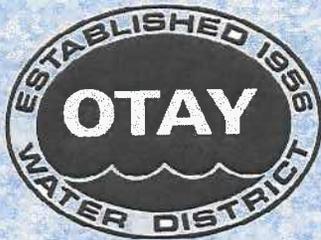
COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 25, 2008. The Committee supported Staff's recommendation.

NOTE:

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

CAPITAL IMPROVEMENT PROGRAM

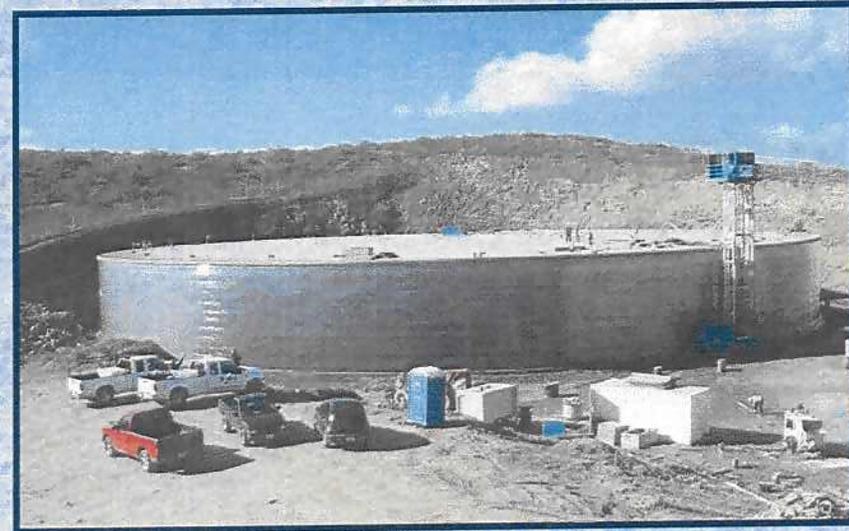


Fiscal Year 2008

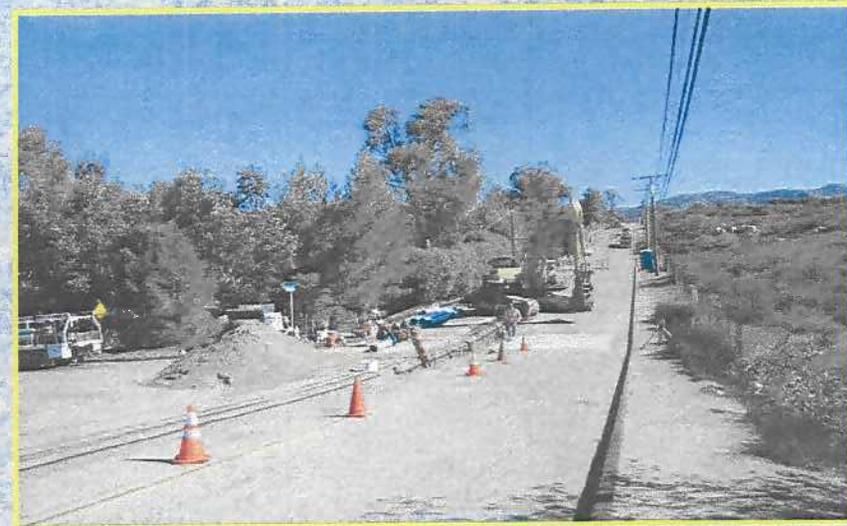
Second Quarter

(through December 31, 2007)

640-1 Reservoir



Olive Vista Drive Utility Relocations



Background

The approved CIP budget for FY08 consists of **75** projects that total **\$34.5 million**. These projects are broken down into four categories:

1. Capital Facilities: **\$ 24.9 million**
2. Replacement/Renewal: **\$ 6.7 million**
3. Capital Purchases: **\$ 1.4 million**
4. Developer Reimbursement: **\$ 1.5 million**

Overall expenditures through the second quarter of Fiscal Year 2008 totaled approximately **\$14 million**, which is **82%** of our target expenditures through the second quarter.

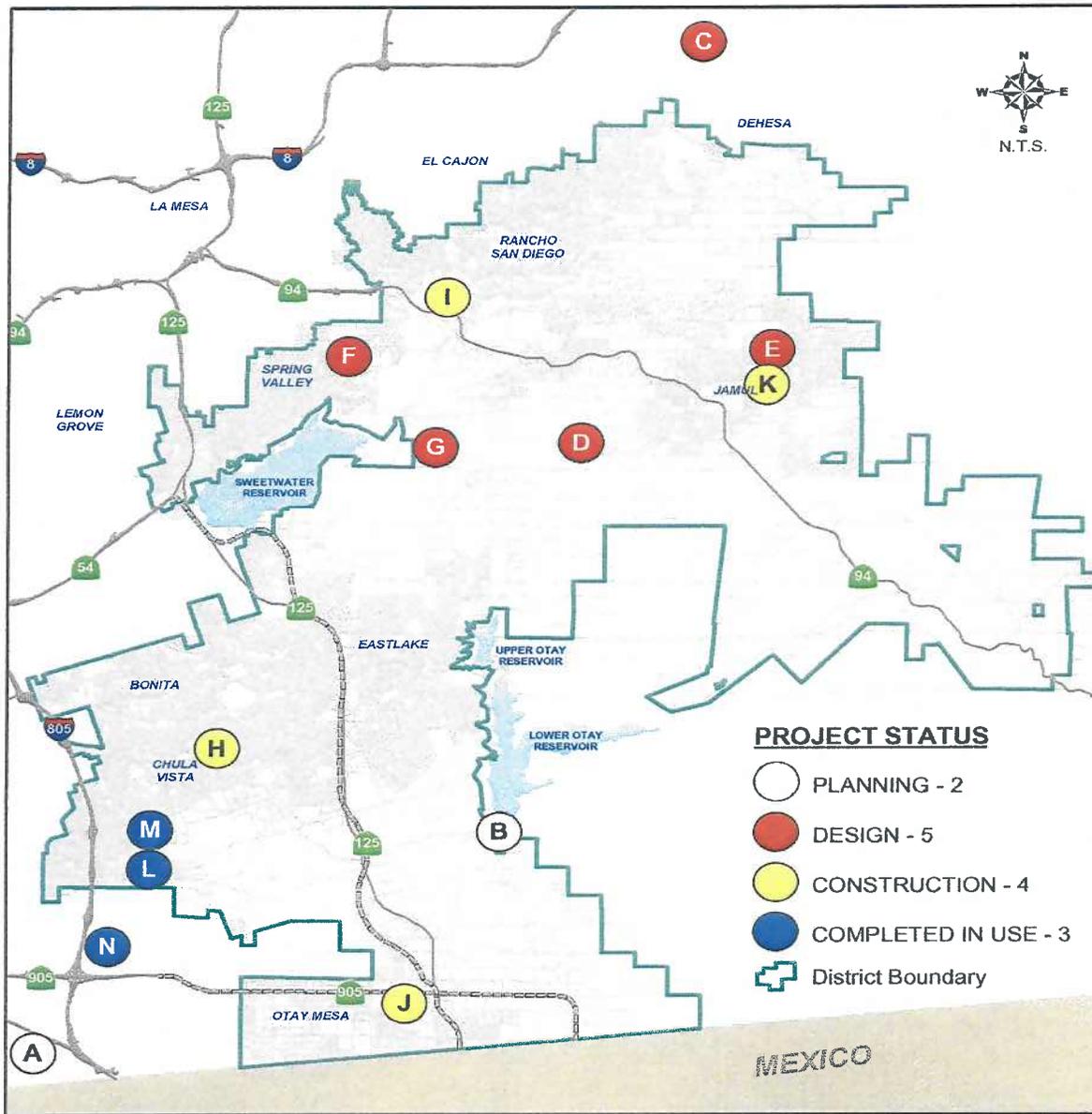
Construction change orders are at **-0.22%**.

FY08 Second Quarter Report

(through December 31, 2007)

CIP Cat	Description	FY08 Budget	FY08 Expenditures	%FY08 Budget Spent	Total LTD Budget	Total LTD Expenditures	% Budget Spent
1	Capital Facilities	\$24,901,000	\$11,050,000	44%	\$175,113,000	\$48,793,000	28%
2	Replacement/Renewal	\$6,645,000	\$1,580,000	24%	\$33,327,000	\$9,352,000	28%
3	Capital Purchases	\$1,406,000	\$325,000	23%	\$16,762,000	\$12,640,000	75%
4	Developer Reimbursement	\$1,511,000	\$1,099,000	73%	\$15,584,000	\$3,319,000	21%
	Total:	\$34,463,000	\$14,054,000	41%	\$240,786,000	\$74,104,000	31%

Major CIP Projects



MAJOR CIP PROJECTS



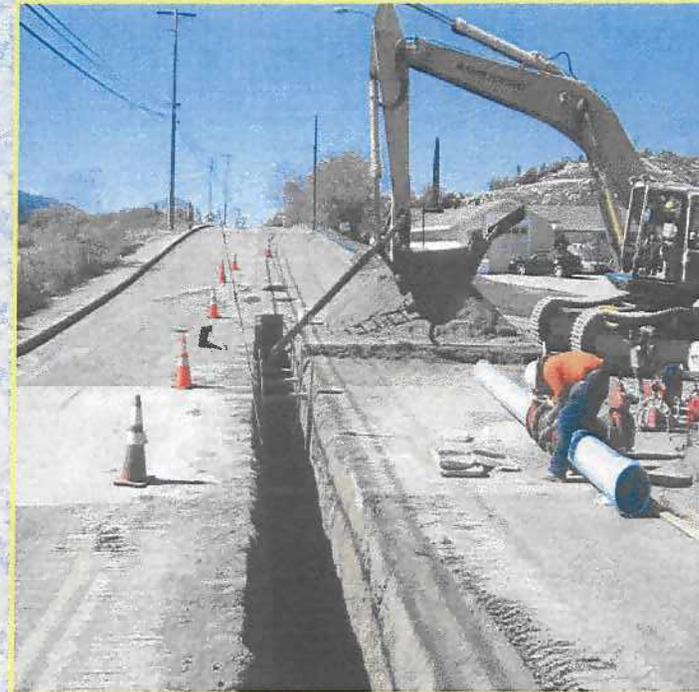
- (A)** P2129 Ground Water Exploration Program
- (B)** P2425 City of S.D. Otay Water Treatment Plant 26 MGD Capacity
- (C)** P2009 PL-36" SDCWA Otay FCF No. 14 to OWD Regulatory Site
- (D)** P2143 Res - 1296-3 Reservoir 2.0 MG
- (E)** P2172 1485-1 Pump Station Replacement
- (F)** P2191 Res - 850-4 Reservoir 2.2 MG
- (G)** R2086 RWCWRF Force Main Air Vac Replacements
- (H)** P1270 Telegraph Canyon Road Pavement Repair
- (I)** P2185 Res - 640-1 & 640-2 Reservoirs 20.0 MG
- (J)** P2440 SR905 Utility Relocations
- (K)** P2459 Olive Vista Utility Relocations
- (L)** R2001 RecRes - 450-1 Reservoir 12.0 MG
- (M)** R2004 RecPS - 680-1 Pump Station (11,500 GPM)
- (N)** R2022 RecPL - 30-Inch, 450 Zone, Dairy Mart Road to 450-1 Reservoir

Flagship CIP Projects in Construction



**SR-905 UTILITY
RELOCATIONS**

Project started in September 2006 and is expected to be completed in the Spring of 2008. This project includes the relocation of three pipelines crossing under SR-905 and the reconditioning of two seismic valve vaults.



**OLIVE VISTA DRIVE UTILITY
RELOCATIONS**

Project started in June 2007 and is expected to be completed in early 2008. The project includes the utility relocations on Olive Vista Drive between Jefferson Road and Ma Lou Drive.

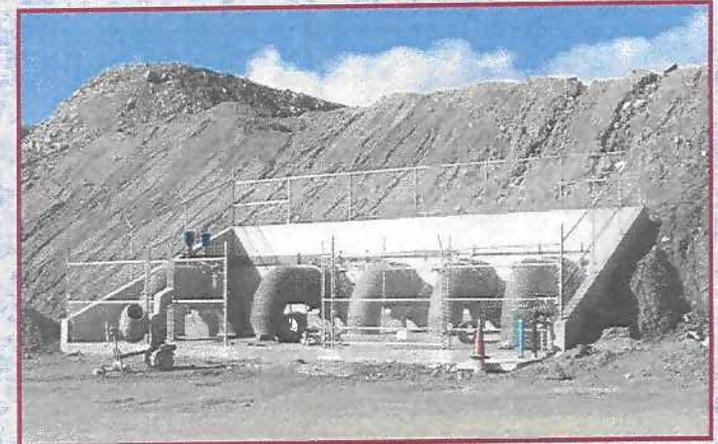
Flagship CIP Project in Construction



640 RESERVOIRS
Concrete placement
at piping structure



640 RESERVOIRS
Piping installation near
regulatory site access road



640 RESERVOIRS
42-Inch Inlet Pipelines Structures

This project was awarded to Pacific Hydrotech and was started in January 2007. Expected completion is December 2008. Project consists of two 10 million gallon circular pre-stressed concrete reservoirs, 11,000 feet of large diameter pipe, several valve and control vaults and demolition of the 520-1 Concrete Reservoir.

Flagship CIP Project in Construction

□ 640-1 and 640-2 Reservoirs Project (20.0 MG):

Key Component: Construction of two 10-MG pre-stressed circular reservoirs and associated piping.

Schedule: Notice to Proceed was issued in January 2007. Project completion expected December 2008.

Cost: The construction project budget is \$24.9 million, of which \$17.8 million, or 71%, has been spent.

Significant Issues: 640-1 Reservoir: Completed construction.

640-2 Reservoir: Completed roof pour and disassembled shoring.

Flagship CIP Project in Design

❑ 36-Inch Pipeline From FCF No. 14 to Regulatory Site Project:

Key Component: Approximately 5 miles of 36-inch pipeline for potable water from Otay's FCF No. 14 to the Regulatory Site.

Schedule: Preparing 60% design drawings

Cost: The project budget is \$18.5 million.

Significant Issues: District continues coordination with CalTrans, Cuyamaca College and other agencies to incorporate comments into the project design.

Progress on Major Project

□ City of San Diego's Water Treatment Plant, Capacity:

Key Component: Acquire at least 30 MGD and up to 50 MGD of local treatment capacity from City of San Diego (City).

Schedule: Otay Board approved the SD17 POU with the City, San Diego County Water Authority (SDCWA), and Otay. Draft SD17 Agreement under negotiation.

Cost: Only staff time has been budgeted; project cost is dependent upon negotiations outcome.

Significant Issues: The City will supply "Surplus Water" from Otay Water Treatment Plant to Otay per the current 1999 Agreement.

The City has an opportunity to obtain a \$6,500,000 Matching Proposition 50 Grant for SD17 consisting of a pump station at the Alvarado Water Treatment Plant to pump up to 60 MGD into SDCWA Pipeline No. 4. SD17 is estimated to cost \$20,000,000. The District desires to acquire 50 MGD capacity. This project will provide an opportunity to the City to generate revenue from surplus capacity. For the District, this is an opportunity to provide an additional alternative source of water supply.

Consultant Contract Status

(through December 31, 2007)

CIP No.	Project Title	Consultant	Opened Date	Original Contract Amount	Total Change Orders	Revised Contract Amount	Approved Payment To Date	% Change Orders	% Contract Complete	Est. Comp. Date
	CONSTRUCTION SERVICES									
	AS NEEDED ENGINEERING DRAFTING SERVICES	RBF CONSULTING	12/6/2006	45,000.00	0.00	45,000.00	34,309.89	0.0%	76.2%	3/31/2008
P2185	CONSTRUCTION 640-1 & 640-2 RESERVOIRS	PACIFIC HYDROTECH CORPORATION	2/23/2007	24,894,000.00	-5,549.90	24,888,450.10	15,947,816.34	0.0%	64.1%	11/8/2008
P2185	CIP P2185 - CONST MGMT & INSPECT SVCS	RBF CONSULTING	3/29/2007	1,196,735.00	0.00	1,196,735.00	683,135.00	0.0%	57.1%	9/30/2008
P1253	CIP P1253 SAN MIGUEL HMA	JONES & STOKES ASSOCIATES	4/20/2006	566,443.78	0.00	566,443.78	431,157.88	0.0%	76.1%	6/30/2009
P2440	I-905 UTILITY RELOCATION	ZONDIROS CORPORATION	9/7/2006	930,316.00	-58,623.33	871,692.67	279,512.26	-6.7%	32.1%	6/30/2008
P2454							156,692.50		18.0%	
	BACTERIOLOGICAL TESTING & LAB SERVICES	CLARKSON LAB & SUPPLY INC	6/19/2007	15,000.00	0.00	15,000.00	13,968.00	0.0%	93.1%	6/30/2008
P2459	OLIVE VISTA UTILITY RELOCATIONS	ORTIZ CORPORATION	9/25/2007	831,000.00	0.00	831,000.00	0.00	0.0%	0.0%	2/13/2008
	BACTERIOLOGICAL TESTING & LAB SERVICES	CLARKSON LAB & SUPPLY INC	1/1/2008	30,000.00	0.00	30,000.00	0.00	0.0%	0.0%	1/1/2009
	CIP P2009 - 36 INCH PIPELINE	RBF CONSULTING		1,088,785.00	0.00	1,088,785.00	0.00	0.0%	0.0%	3/1/2010
P2191	850-4 RESERVOIR (CONSTRUCTION)	SPIESS CONSTRUCTION CO INC		2,566,300.00	0.00	2,566,300.00	0.00	0.0%	0.0%	6/30/2009
R2081	20 INCH LANE AVENUE CONVERSION	ARB INC		6,602,560.00	0.00	6,602,560.00	0.00	0.0%	0.0%	2/5/2009
	AS-NEEDED CONSTRUCTION MANAGEMENT SVCS	VALLEY CONSTRUCTION MANAGEMENT		175,000.00	0.00	175,000.00	0.00	0.0%	0.0%	6/30/2009

(Consultant Contract Status continued)

CIP No.	Project Title	Consultant	Opened Date	Original Contract Amount	Total Change Orders	Revised Contract Amount	Approved Payment To Date	% Change Orders	% Contract Complete	Est. Comp. Date
	DESIGN									
	ON-CALL GEOTECHNICAL SERVICES	SOUTHERN CALIFORNIA SOIL	6/30/2007	150,000.00	0.00	150,000.00	22,590.00	0.0%	15.1%	1/28/2009
D0034	ON-CALL GEOTECHNICAL SERVICES	SOUTHERN CALIFORNIA SOIL	6/30/2007	150,000.00	0.00	150,000.00	6,357.30	0.0%	4.2%	1/28/2009
P2143	ON-CALL GEOTECHNICAL SERVICES	SOUTHERN CALIFORNIA SOIL	6/30/2007	150,000.00	0.00	150,000.00	20,457.18	0.0%	13.6%	1/28/2009
P2416	SWEETWATER AUTHORITY SR-125 UTILITY REL	SWEETWATER AUTHORITY	4/28/2005	9,800.00	4,800.00	14,600.00	12,386.21	32.9%	84.8%	1/31/2008
P2009	P2009 - 36 INCH PIPELINE	INFRASTRUCTURE ENGINEERING	10/19/2006	0.00	1,338,108.00	1,338,108.00	823,511.04	100.0%	61.5%	6/30/2009
P2172	P2172 - 1485-1 PUMP STATION ENV. SVCS	PBS&J	10/4/2006	41,254.50	0.00	41,254.50	38,632.03	0.0%	93.6%	6/30/2008
P1043	P1043 - LAS PRESA 36" PIPELINE	SCHIFF & ASSOCIATES	3/6/2007	110,000.00	0.00	110,000.00	31,744.68	0.0%	28.9%	3/31/2009
	CIP P2172 - 1485-1 PUMP STATION/HVAC	HVAC ENGINEERING INC	9/28/2006	12,330.00	0.00	12,330.00	0.00	0.0%	0.0%	6/30/2008
	1485-1 PUMP STATION REPLACEMENT	ENGINEERING PARTNERS INC, THE	11/3/2006	24,120.00	0.00	24,120.00	0.00	0.0%	0.0%	6/30/2008
	AS-NEEDED ENG. DESIGN SERVICES CONTRACT	LEE & RO INC	4/27/2007	175,000.00	0.00	175,000.00	105,894.78	0.0%	60.5%	12/31/2008
P2172	STRUCTURAL ENGINEERING ARCHITECTURAL SVC	SIMON WONG ENGINEERING	4/27/2007	54,765.00	0.00	54,765.00	8,089.00	0.0%	14.8%	3/31/2008
	PROFESSIONAL SERVICES	J C HEDEN AND ASSOCIATES INC	5/16/2007	45,000.00	-2,168.50	42,831.50	18,536.00	-5.1%	43.3%	6/30/2008
P2037	PROFESSIONAL STRUCTURAL DESIGN SERVICES	SIMON WONG ENGINEERING	11/29/2005	49,700.00	0.00	49,700.00	33,713.00	0.0%	67.8%	3/31/2008
P2191	850-4 RESERVOIR STRUCTURAL	NOLTE ASSOCIATES INC	12/7/2005	15,695.00	0.00	15,695.00	8,270.00	0.0%	52.7%	3/31/2008
P2037	ELECTRICAL SERVICES	ENGINEERING PARTNERS INC, THE	3/13/2006	13,220.00	0.00	13,220.00	6,325.00	0.0%	47.8%	3/31/2008
P2009	PL - 36-INCH, SDCWA OTAY FCF NO. 14 TO R	SAN DIEGO COUNTY WATER	5/10/2007	620,000.00	0.00	620,000.00	125,000.00	0.0%	20.2%	3/1/2010
P2009	CIP P2009 - 36 INCH PIPELINE VALVE ENG.	HARRIS & ASSOCIATES INC	7/31/2007	107,138.00	0.00	107,138.00	60,465.00	0.0%	56.4%	8/31/2008
	AS-NEEDED ELECTRICAL ENG. SERVICES	ENGINEERING PARTNERS INC, THE	8/16/2007	100,000.00	0.00	100,000.00	28,800.00	0.0%	28.8%	6/30/2008
P2416	P2416 UTILITY RELOCATION SR125	OTAY RIVER CONSTRUCTORS	10/5/2006	120,000.00	29,656.55	149,656.55	149,656.55	19.8%	100.0%	6/30/2008
	P1438 - AS-NEEDED PLAN CHECK SERVICES	BOYLE ENGINEERING CORPORATION	11/27/2007	150,000.00	0.00	150,000.00	8,020.53	0.0%	5.3%	11/27/2008
	AS-NEEDED ENGINEERING DESIGN SERVICES	LEE & RO INC	12/3/2007	175,000.00	0.00	175,000.00	0.00	0.0%	0.0%	12/3/2009

(Consultant Contract Status continued)

CIP No.	Project Title	Consultant	Opened Date	Original Contract Amount	Total Change Orders	Revised Contract Amount	Approved Payment To Date	% Change Orders	% Contract Complete	Est. Comp. Date
	ENVIRONMENTAL									
P2143	P2143 - 1296-3 RESERVOIR ENV SVCS	BRG CONSULTING INC	5/8/2006	125,000.00	0.00	125,000.00	73,849.02	0.0%	59.1%	12/31/2008
P1253	REVEGETATION MONITORING & MAINT, SVCS	JONES & STOKES ASSOCIATES	12/20/2005	9,111.00	0.00	9,111.00	7,661.45	0.0%	84.1%	12/30/2008
	PROFESSIONAL ON-CALL ENVIRONMENTAL SVCS	JONES & STOKES ASSOCIATES	9/5/2007	300,000.00	0.00	300,000.00	46,127.12	0.0%	15.4%	6/30/2011
	PLANNING									
P2172	CIP 2172 - 1485-1 PUMP STATION/APPRaisal	RANDALL H BLAESI ASA	7/27/2006	9,500.00	0.00	9,500.00	6,000.00	0.0%	63.2%	6/30/2008
P1210	2009 MASTER PLAN UPDATE	PBS&J	9/4/2007	499,748.00	0.00	499,748.00	65,115.80	0.0%	13.0%	5/7/2009
R2089	CIP P2089 - RECYCLED WATER CONCEPT STUDY	PBS&J	12/4/2007	149,595.00	0.00	149,595.00	10,688.55	0.0%	7.1%	11/4/2008
	CIP P1043 - CATHODIC PROTECTION PROGRAM	SCHIFF & ASSOCIATES	11/20/2007	250,000.00	0.00	250,000.00	9,698.01	0.0%	3.9%	11/20/2009
	CIP P1210 - ASSET MANAGEMENT PLAN	WESTIN ENGINEERING INC		194,280.00	0.00	194,280.00	0.00	0.0%	0.0%	6/30/2009

Construction Contract Status

(through December 31, 2007)

CIP NO.	PROJECT TITLE	CONSTRUCTION CONTRACTOR	ORIGINAL CONTRACT AMOUNT	TOTAL CHANGE ORDERS	REVISED CONTRACT AMOUNT	TOTAL EARNED TO DATE	% OF CHANGE ORDERS *	% CONTRACT COMPLETE	EST. COMP. DATE
P1270	Telegraph Canyon Road Pavement Repair	M&M General Engineering Contractor, Inc.	\$128,650	\$5,100	\$133,750	\$115,785	3.96%	100%	Complete
P2459	Olive Vista Drive Utility Relocations	Ortiz Corp	\$831,000	\$0	\$831,000	\$0	0.00%	39%	June 2008
P2440	SR905 Utility Relocations	Zondiros	\$930,316	(\$58,623)	\$871,693	\$708,764	-6.30%	75%	April 2008
P2185	640-1 & 640-2 Reservoirs	Pacific Hydrotech Corp	\$24,894,000	(\$5,550)	\$24,888,450	\$17,784,835	-0.02%	71%	December 2008
	TOTALS:		\$26,783,966	(\$59,073)	\$26,724,893	\$18,609,384	-0.22%	70%	

* Change orders for projects this fiscal year are below the industry average of 5-12%.

Expenditures

(through December 31, 2007)

(\$000)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
CAPITAL FACILITY PROJECTS								
P2009	PL - 36-Inch, SDCWA Otay FCF No. 14 to Regulatory Site	Ripperger	1,150	457	40%	18,490	17,301	60% design submitted for review.
P2033	PL - 16-Inch, 1296 Zone, Melody Road - Campo/Presilla	Ripperger	5	0	0%	1,826	1,822	Project deferred to future years.
P2037	Res - 980-3 Reservoir 15 MG	Ripperger	200	0	0%	14,205	13,663	Project deferred to future years.
P2038	PL - 12-Inch, 978 Zone, Jamacha, Hidden Mesa, and Chase Upsize and Replacements	Kay	980	63	6%	1,600	1,436	90% design completed.
P2040	Res - 1655-1 Reservoir 0.5 MG	Ripperger	1	0	0%	2,055	1,580	Developer driven.
P2129	Groundwater Exploration Program	Peasley	10	0	0%	2,530	1,974	Groundwater development planning efforts continue to focus on the Otay River Demineralization Feasibility Study (P2462) and San Diego Foundation Groundwater Feasibility Study (P2467) in conjunction with SWA.
P2143	Res - 1296-3 Reservoir 2 MG	Kay	1,200	113	9%	3,340	2,966	Working towards 90% design.
P2172	PS - 1485-1 Pump Station Replacement	Kay	200	61	31%	2,225	1,913	Working towards 90% design.
P2185	Res - 640-1 Reservoir 20.0 MG	Ripperger	15,000	9,768	65%	29,500	10,199	Reservoir concrete is complete and wrapping of both tanks is in progress.
P2190	PL - 10-Inch, 1485 Zone, Jamul Highlands Road to Presilla Drive	Ripperger	5	1	20%	228	225	Developer driven.
P2191	Res - 850-4 Reservoir 2.2 MG	Kay	750	139	19%	3,285	2,520	Design is complete.
P2235	Res - 624-4 Emergency Reservoir 40.0 MG	Ripperger	0	0	0%	15,750	15,750	Low priority.
P2258	PS - Lower Otay Pump Station Phase 1 (9,000 GPM)	Ripperger	50	2	4%	7,805	5,727	Project complete.
P2267	36-Inch Main Pumpouts and Air/Vacuum Ventilation Installations	Henderson	150	38	25%	345	115	On-hold; awaiting 36-inch pipeline inspection.
P2295	624-1 Reservoir Disinfection Facility, Inlet/Outlet/Bypass and 613-1 Reservoir Demolition	Ripperger	550	94	17%	4,500	175	Litigation complete.
P2318	PL - 20-Inch, 657 Zone, Summit Cross-Tie and 36-Inch Main Connections	Ripperger	0	0	0%	601	545	On-hold. Lower priority.
P2357	PS - 657-1/850-1 Pump Station Demolition	Ripperger	0	0	0%	300	300	On-hold. Lower priority.
P2370	Res - Dorchester Reservoir and Pump Station Demolition	Ripperger	0	0	0%	150	137	On-hold. Lower priority.
P2387	PL - 12-Inch, 832 Zone, Steele Canyon Road - Via Caliente/Campo	Kay	270	21	8%	525	454	Working towards 90% design.

(Expenditures continued)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
P2450	Otay River Groundwater Well Demineralization/Development	Peasley	115	3	3%	5,000	4,997	Pending the outcome of the joint SWA/Otay Study (P2462); environmental and planning work may occur late FY08.
P2451	Rosarito Desalination Facility Conveyance System	Peasley	5	0	0%	1,000	1,000	Proposition 50 Grant Proposal for Feasibility Study effort in FY07 and District was not awarded a grant hence no expenditures for FY08 are contemplated.
P2457	Otay Mountain Groundwater Well Development	Peasley	10	0	0%	6,500	6,500	The outcome of the Otay Mountain Well exploration efforts, per terms of an existing agreement, may result in expenditures in FY08.
P2460	I.D. 7 Trestle and Pipeline Demolition	Ripperger	20	0	0%	375	375	Low priority.
P2462	Otay River Demineralization Feasibility Study	Peasley	200	0	0%	200	200	Joint SWA/Otay Proposition 50 Grant awarded and consultant contract to be awarded to MWH in the fall of 2007.
P2463	South Bay Regional Concentrate Conveyance Feasibility Study	Peasley	25	3	12%	125	122	The project is being jointly funded by SDCWA, SWA, the City of San Diego and Otay. Proposition 50 funding for 50% of the cost has been secured by the SDCWA. A consultant contract was awarded to CDM. SDCWA has stated they will pay 100% of the cost, thus no expenditures of Otay may be required.
P2464	San Diego 17 Pump Station and Flow Control Facility	Peasley	750	4	1%	16,250	16,246	SD-17 Pump Station Agreement negotiations have been moving along slowly between SDCWA and the City.
P2465	Regulatory Site Material Storage Bins	Ripperger	30	4	13%	250	246	Pre-design is in process.
P2466	Regional Training Facility	Boyd	100	17	17%	200	183	Lease agreement was signed.
P2467	San Diego Formation Groundwater Feasibility Study	Peasley	800	0	0%	1,600	1,600	This project is jointly funded by SWA and Otay. The SDCWA awarded a LISA grant to SWA to fund.
R2001	RecRes - 450-1 Reservoir 12 MG	Ripperger	50	57	114%	9,967	354	Accepted by the District.
R2004	RecPS - 680-1 Pump Station (11,500 GPM)	Ripperger	50	31	62%	8,333	167	Accepted by the District.
R2034	RecRes - 860-1 Reservoir 4 MG	Ripperger	0	0	0%	3,800	3,799	Pre-design report is being prepared.
R2053	RWCWRF - R.O. Building Remodel and Office Furniture	Ripperger	305	21	7%	495	359	Submitted a set of plans to the County for plan checking.

(Expenditures continued)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
R2077	RecPL - 24-Inch, 860 Zone, Alta Road - Alta Gate/Airway	Ripperger	50	1	2%	3,000	2,978	Hired Lee&Ro to prepare the PDR.
R2081	RecPL - 20-Inch, 944 Zone, Lane Avenue - Proctor Valley/Pond No. 1	Kay	900	47	5%	1,290	1,092	Design complete.
R2087	RecPL - 20-Inch, 944 Zone, Wueste Road - Olympic/Otay WTP	Ripperger	50	3	6%	3,598	3,584	Hired Lee&Ro to prepare the PDR.
R2088	RecPL - 20-Inch, 860 Zone, County Jail - Roll Reservoir/860-1 Reservoir	Ripperger	50	3	6%	1,500	1,497	Hired Lee&Ro to prepare the PDR.
R2089	North District Recycled Water Regulatory Compliance	Coburn-Boyd	195	15	8%	200	184	Consultant contract awarded to PBS&J was approved by the Board in the fall of 2007. The Feasibility Study was completed in
R2090	MBR Water Recycling Facility Feasibility Study	Ripperger	40	32	80%	100	32	October 2007.
R2091	RecPS - 944-1 Pump Station Upgrade	Ripperger	325	0	0%	325	325	Dependent on completion of R2081.
R2092	Dis - 450-1 Reservoir Disinfection Facility	Ripperger	300	50	17%	1,100	1,050	PDR in progress.
S2016	Solar Panel Installation Phase I	Ripperger	10	2	20%	645	628	Solar will be integrated into all CIP projects if it is feasible.
Total Capital Facilities Projects			Total:	24,901	11,050	44%	175,113	126,320
MAINTENANCE (RENEWAL/REPLACEMENT)								
P2356	PL - 12-Inch, 803 Zone, Jamul Drive Permastran Pipeline Replacement	Kay	420	28	7%	765	669	Working towards 90% design.
P2366	APCD Engine Replacements and Retrofits	Rahders	160	14	9%	2,438	1,012	Project was on-hold while decisions were made on the continuing operation of certain equipment affecting this account. Expenses will now be incurred toward this account in the coming months.
P2382	Safety and Security Improvements	Gerber	90	3	3%	1,317	356	\$60,000 allocated for fencing, security and pucks and fobs; \$10,000 allocated for new video recorder for security system.
P2416	SR-125 Utility Relocations	Kay	190	194	102%	809	5	In construction.
P2422	Agency Interconnections	Ripperger	300	32	11%	2,050	1,885	Working on Cal-AM and Helix WD.
P2440	I-905 Utility Relocations	Kay	360	45	13%	1,660	532	Project re-design mandated by outside agencies. Design and construction to be completed by March 1, 2008.
P2441	NG/RAMAR Meter Replacements	Henderson	100	-85	-85%	1,932	15	Expenses pending litigation.
P2447	Information Technology Meter Routing	Stevens	80	0	0%	130	108	On track.
P2453	SR-11 Utility Relocations	Kay	5	0	0%	2,300	2,300	CalTrans is the lead agency. The District is awaiting project notification.
P2455	Data Cleansing Project	Stevens	160	67	42%	350	94	Will be \$75,000 underspent.

(Expenditures continued)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
P2456	Air and Vacuum Valve Upgrades	Henderson	520	238	46%	3,744	3,140	Projected FY08 expenses 80%.
P2458	AMR Manual Meter Replacement	Henderson	1,250	560	45%	9,368	8,558	Projected FY08 expenses 70%.
P2459	Olive Vista Drive Utility Relocations	Kay	1,100	377	34%	1,242	713	In construction.
P2468	Finance Department Office Remodel	Ripperger	50	0	0%	50	50	Study in process.
R2086	RWCWRF Force Main AirVac Replacements and Road Improvements	Kay	670	58	9%	875	635	On-hold due to environmental constraints.
S2012	SVSD Outfall and RSD Replacement and OM Reimbursement	Peasley	605	0	0%	3,571	3,341	Expenditure typically is billed by SVSD in the 3rd quarter of the fiscal year.
S2015	Calavo Lift Station Replacement	Kay	585	49	8%	726	562	Working towards 90% design.
	Total Maintenance	Total:	6,645	1,580	24%	33,327	23,975	
	CAPITAL PURCHASE PROJECTS							
P2282	Vehicle Capital Purchases	Porras	210	0	0%	2,451	1,080	Projected FY08 expenses 100%.
P2286	Field Equipment Capital Purchases	Porras	91	64	70%	1,202	586	Projected FY08 expenses 70%.
P2353	Information Technology System Enhancements and Replacements	Stevens	365	100	27%	3,762	694	Will be underspent at year end by \$75,000.
P2361	Information Technology GIS Enhancements	Stevens	150	19	13%	1,945	543	Contract being negotiated.
P2363	Information Technology Utility Billing, Data Management, and Financial System	Stevens	200	99	50%	6,600	851	Requirement gathering.
P2443	Information Technology Mobile Services	Stevens	240	41	17%	652	220	In progress.
P2461	Records Management System Upgrade	Jenkins	150	2	1%	150	148	Working with CIT to release RFQ; anticipate spending all allocated funds by June 2008.
	Total Capital Purchase Projects	Total:	1,406	325	23%	16,762	4,122	

(Expenditures continued)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
DEVELOPER REIMBURSEMENT PROJECTS								
P2070	PL - 16-Inch, 980 Zone, Pacific Bay Homes Road-Proctor Valley/Rolling Hills Hydro PS	Charles	550	393	71%	550	157	The project is accepted.
P2104	PL - 12-Inch, 711 Zone, La Media Road - Birch/Rock Mountain	Charles	0	0	0%	833	833	Future project.
P2107	PL - 12-Inch, 711 Zone, Rock Mountain Road - La Media/SR 125	Charles	0	0	0%	722	722	Future project.
P2121	PL - 16-Inch, 711 Zone, Hunte Parkway - Olympic/EastLake	Charles	1	0	0%	551	6	The project is completed.
P2133	PL - 16-Inch, 711 Zone, EastLake Parkway - Olympic/Birch	Charles	1	0	0%	151	5	The project is completed.
P2134	PL - 16-Inch, 711 Zone, Birch Road - SR 125/EastLake	Charles	0	0	0%	412	412	This project is operationally complete, but not yet accepted.
P2164	PL - 20-Inch, 980 Zone, EastLake Parkway - Olympic/Birch	Charles	1	0	0%	211	5	The project is completed and reimbursement has been processed.
P2169	PL - 20-Inch, 980 Zone, EastLake Parkway - Birch/Rock Mountain	Charles	325	280	86%	325	45	The project is completed.
P2325	PL - 10" to 12" Oversize, 1296 Zone, PB Road - Rolling Hills Hydro PS/PB Bndy	Charles	130	0	0%	130	130	This project is operationally complete, but not yet accepted.
P2367	PL - 16-Inch, 980 Zone, Olympic Parkway - East Palomar/EastLake	Charles	0	0	0%	1,500	1,265	Three projects with this CIP. All complete and accepted, waiting for reimbursement request.
P2397	PL - 12-Inch, 711 Zone, EastLake Parkway - Birch/Rock Mountain	Charles	175	157	90%	175	18	The project is completed.
P2402	PL - 12-Inch, 624 Zone, La Media Road - Village 7/Otay Valley	Charles	0	0	0%	444	444	Future project.
P2403	PL - 12-Inch, 624 Zone, Heritage Road - Olympic/Otay Valley	Charles	0	0	0%	975	975	Future project.
P2414	PL - 12" to 16" Oversize, 803 Zone, Dehesa Road - Dehesa Meadow/OWD Bndy	Charles	10	0	0%	152	10	Project accepted. Potential litigation of claims.
P2435	PL - 16-Inch, 711 Zone, Birch Road - La Media/SR-125	Charles	30	215	717%	280	64	To be reimbursed during the 2nd quarter.
R2028	RecPL - 8-Inch, 680 Zone, Heritage Road - Santa Victoria/Otay Valley	Charles	0	0	0%	600	600	The project is under construction.

(Expenditures continued)

Current CIP No.	Description	Project Manager	FY 08 Budget	FY 08 Expenditures Through 12/31/07	FY 08 Percent Budget Spent Through 12/31/07	Total Project Budget	Total Remaining Balance	Comments
R2031	RecPL - 12-Inch, 944 Zone, EastLake Parkway - Olympic/Birch	Charles	1	1	100%	125	15	The project is completed.
R2033	RecPL - 12-Inch, 944 Zone, Birch Road - La Media/EastLake	Charles	50	0	0%	300	300	The project is completed. Reimbursement will be processed in FY09.
R2040	RecPL - 12-Inch, 680 Zone, Hunte Parkway - Olympic/EastLake	Charles	1	0	0%	450	39	The project is completed and reimbursed.
R2041	RecPL - 8-Inch, 944 Zone, EastLake Parkway - Birch/Rock Mountain	Charles	1	0	0%	125	20	The project is completed and reimbursed.
R2042	RecPL - 8-Inch, 944 Zone, Rock Mountain Road - SR-125/EastLake	Charles	0	0	0%	141	141	Future project.
R2043	RecPL - 8-Inch, 944 Zone, Rock Mountain Road - La Media/SR-125	Charles	235	53	23%	235	182	Multiple projects within this CIP. One complete and accepted, the others have not yet started.
R2047	RecPL - 12-Inch, 680 Zone, La Media Road - Birch/Rock Mountain	Charles	0	0	0%	450	450	Future project.
R2058	RecPL - 16-Inch, 860 Zone, Airway Road - Otay Mesa/Alta	Charles	0	0	0%	2,000	1,681	Multiple projects within this CIP. Two of many are complete, accepted and reimbursed.
R2082	RecPL - 24-Inch, 680 Zone, Olympic Parkway - Village 2/Heritage	Charles	0	0	0%	1,747	1,747	Project is started.
R2083	RecPL - 20-Inch, 680 Zone, Heritage Road - Village 2/Olympic	Charles	0	0	0%	400	400	Project is started.
R2084	RecPL - 20-Inch, 680 Zone, Village 2 - Heritage/La Media	Charles	0	0	0%	1,100	1,099	Project is started.
R2085	RecPL - 20-Inch, 680 Zone, La Media - State/Olympic	Charles	0	0	0%	500	500	The project is accepted.
	Total Developer Reimbursement Projects	Total:	1,511	1,099	73%	15,584	12,265	
	GRAND TOTAL		\$34,463	\$14,054	41%	\$240,786	\$166,682	

AGENDA ITEM 6



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008		
SUBMITTED BY:	Lisa Coburn-Boyd <i>LCB</i> Environmental Compliance Specialist	PROJECT No./	P1253/	DIV.	ALL
		SUBPROJECT:	006000	NO.	
	Ron Ripperger <i>RR</i> Engineering Manager				
APPROVED BY: (Chief)	Rod Posada <i>R Posada</i> Chief, Engineering				
APPROVED BY: (Asst. GM):	Manny Magaña <i>M Magaña</i> Assistant General Manager, Engineering and Operations				
SUBJECT:	Award of a Professional Environmental Consulting Services Contract to RECON for the Preparation of the Otay Water District Subarea Plan				

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board award a professional environmental consulting services contract to RECON for the Preparation of the Otay Water District Subarea Plan and to authorize the General Manager to execute an agreement with RECON in an amount not to exceed \$270,853.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

That the Board authorizes the General Manager to enter into a professional environmental consulting services agreement with RECON in the amount not to exceed \$270,853 for the preparation of the Otay Water District Subarea Plan.

ANALYSIS:

The goal of the District in developing a subarea plan is to have this Plan incorporated into the Joint Water Agencies (JWA) Natural Communities Conservation Plan / Habitat Conservation

Plan (NCCP/HCP). This program is currently being developed by the JWA partners, Helix Water District (HWD), Padre Dam Municipal Water District (PDWD), and the Sweetwater Authority (SWA). The Otay Water District service area is bordered by portions of the service areas of each of these three Districts which makes it a logical fit for inclusion into the JWA NCCP/HCP.

A meeting was held in September 2007 with the General Managers of Helix, Padre Dam, and Sweetwater to discuss whether they would support the inclusion of the District as a partner in the Joint Water Agencies NCCP/HCP. The decision was that they would welcome the District as a partner, but only after their existing plan has gotten final approval from the wildlife agencies and their permits are in place. This approval and permitting is expected to be complete in the first half of 2008. In order to be included in the JWA NCCP/HCP, the District must have their own subarea plan. Because the completion of a subarea plan can take eighteen months to two years, the District began the process in late 2007 to hire a consultant with the expertise and experience to prepare our Subarea Plan.

The District's Subarea Plan will describe the specific conservation management, facility siting, land use, and other actions that will be undertaken by the District in order to implement the goals, guidelines, and standards of the JWA NCCP Subregional Plan. This Subregional Plan is an "umbrella document" which is used to guide the preparation of subarea plans by agencies that would like to participate in the JWA NCCP. The combination of the District's Subarea Plan and the JWA Subregional Plan will serve as a multiple species Habitat Conservation Plan (HCP) under Section 10 (a)(1)(B) of the United States Endangered Species Act, as amended. This would allow the District to obtain advance authorization for incidental take for projects that could affect habitats occupied or potentially occupied by listed species. Essentially this means that the District would be able to "self permit" for its projects under the approved conditions of the JWA NCCP/HCP and the District's individual Subarea Plan. Currently, the District must address any need for incidental take authorization on a project by project basis, a process which is becoming increasingly time consuming and costly.

The scope of work for the Preparation of the District's Subarea Plan consists of the following tasks: 1) Project Management and Administration; 2) Project Coordination; 3) Wildlife Agency Consultation; 4) Public Involvement Process; 5) Scientific Advisory Process; 6) Research, Data and Information Gathering; 7) Prepare Subarea Plan; 8) Environmental Compliance for the

Subarea Plan; 9) Approval and Implementation of the District's Subarea Plan.

In accordance with Policy 21, the District solicited Professional Environmental Consulting Services from consulting firms by placing an advertisement on the District's website and several other publications including the Union Tribune and San Diego Daily Transcript.

Fourteen (14) firms submitted a letter of interest and a statement of qualifications. The Request for Proposal (RFP) for Professional Engineering Planning Services was sent to all fourteen firms resulting in five (5) proposals, received on December 14, 2007, from the following consulting firms:

- Ecosystems Restoration Associates (ERA)
- Helix Environmental Planning (Helix)
- Jones & Stokes
- RECON
- Technology Associates International Corporation (TAIC)

The consultant selection panel was comprised of four District staff members, and one SWA staff member. Staff evaluated and scored the written proposals and interviewed the four top-rated firms, Helix, Jones & Stokes, RECON and TAIC. ERA was not selected to be interviewed because of their low score on the written proposal, as compared to the other four firms. After holding the interviews, the panel completed the consultant ranking process and RECON was the firm that received the highest overall score. RECON also had the lowest fees. References for RECON were checked and received high ratings. A summary of the complete evaluation is shown in Attachment B.

FISCAL IMPACT:

RUB

The funds for this project will be expended during FY2008 through FY2010 from the District's Operating Budget. Based on a review of the operating budget, the Project Manager has determined that the FY2008-FY2009 budget will be sufficient to fund this contract. The FY2008 Operating Budget for this project is \$150,000, with only \$100,000 anticipated to be expended within FY2008; \$50,000 will carry over into FY2009 with the remaining contract balance of \$120,853 budgeted in the FY2009 Operating Budget; a portion may carry over into FY2010 if there are delays in the review of the Subarea Plan by the Wildlife Agencies.

STRATEGIC GOAL:

This project supports the District's strategic goal of creating a comprehensive environmental program that is proactive in response to environmental compliance.

LEGAL IMPACT: _____

None.



General Manager

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Attachments: Attachment A
Attachment B



ATTACHMENT A

SUBJECT/PROJECT: P1253-006000	Award of a Professional Environmental Consulting Services Contract to RECON for the Preparation of the Otay Water District Subarea Plan
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 25, 2008. The Committee supported Staff's recommendation.

NOTES:

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



ATTACHMENT B

SUBJECT/PROJECT: P1253-006000	Award of a Professional Environmental Consulting Services Contract to RECON for the Preparation of the Otay Water District Subarea Plan
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Attachment B

SUMMARY OF PROPOSAL RANKINGS BY PANEL MEMBERS

Professional Environmental Consulting Services for the Preparation of the OWD Subarea Plan (P1253/006000)

		← WRITTEN							ORAL*					TOTAL SCORE	AVERAGE SCORE	References	
		Qualifications, experience of Consultant's assigned personnel	Experience relevant to type of project being considered	Proposed method to accomplish work	Knowledge of jurisdictional agencies, local area environmental concerns, and regulatory requirements	Proposed Fee	Completeness, addressed requested information	Ability to complete projects on schedule	Consultant's commitment to EBE, DBE, MBE, SBE	Additional creativity, insight to issues	Understanding of scope, schedule, resources	Strength of project manager	Presentation, communication skills				Quality of response to questions
SCORE		15	15	10	10	20	15	10	5	10	10	10	10	10	150 **		✓
ERA	Lisa Coburn-Boyd	11	8	7	8	10	11	7	5						67	68	
	Ron Ripperger	13	13	7	8	10	11	9	5						76		
	Rod Posada	9	10	6	8	10	11	7	5	DID NOT INTERVIEW					66		
	Gary Stalker	10	10	8	7	10	12	8	5						70		
	Rick Alexander	8	8	6	6	10	8	10	5						61		
Helix	Lisa Coburn-Boyd	12	13	8	8	12	14	9	5	7	8	8	7	8	119	119	
	Ron Ripperger	13	13	8	8	12	12	9	5	9	8	9	9	9	124		
	Rod Posada	13	13	8	9	12	13	10	5	9	8	9	8	9	126		
	Gary Stalker	10	11	8	8	12	11	9	5	6	7	8	7	8	110		
	Rick Alexander	14	12	6	5	12	14	10	5	8	8	9	6	7	116		
Jones & Stokes	Lisa Coburn-Boyd	14	14	9	9	19	14	10	5	8	8	8	8	8	134	126	
	Ron Ripperger	13	13	8	8	19	12	9	5	7	7	8	8	8	125		
	Rod Posada	13	14	7	9	19	13	10	5	8	7	7	7	8	127		
	Gary Stalker	12	12	8	8	19	10	8	5	9	9	8	6	6	120		
	Rick Alexander	13	13	6	7	19	13	10	5	7	8	8	6	7	122		
RECON	Lisa Coburn-Boyd	14	14	8	8	20	12	9	5	8	9	10	9	8	134	130	✓
	Ron Ripperger	13	13	8	8	20	11	9	5	5	6	9	8	8	123		
	Rod Posada	14	14	8	9	20	13	10	5	8	8	10	8	10	137		
	Gary Stalker	12	12	7	8	20	10	7	5	9	8	9	7	8	122		
	Rick Alexander	15	15	6	10	20	12	10	5	8	9	10	7	7	134		
TAIC	Lisa Coburn-Boyd	14	14	9	9	14	13	9	5	7	9	8	7	8	126	126	
	Ron Ripperger	13	15	9	8	14	13	9	5	8	10	8	8	8	128		
	Rod Posada	14	14	9	10	14	13	10	5	9	9	9	7	9	132		
	Gary Stalker	11	11	8	8	14	9	7	5	9	8	8	7	7	112		
	Rick Alexander	15	15	8	10	14	15	10	5	8	10	10	6	8	134		

Consultant	Proposed Fee	% Higher	Score
RECON	\$270,853	Lowest Fee	20
Jones & Stokes	\$293,205	0-10%	19
TAIC	\$419,483	51-60%	14
Helix	\$474,519	71-80%	12
ERA	\$671,280	>100%	10

PM Signature: Lisa Coburn-Boyd

Engineering Manager: Ronald H. Tapp



AGENDA ITEM 7

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008
SUBMITTED BY:	Rod Posada <i>Rod Posada</i> Chief, Engineering	W.O./G.F. NO:	P2451- DIV. NO. ALL 001101
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>M Magaña</i> Assistant General Manager, Engineering & Operations		
SUBJECT:	Authorization to Execute Agreement for Otay Bi-National Desalination Feasibility Study Update with Camp Dresser & McKee, Inc.		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors authorize the General Manager to execute an agreement with Camp Dresser & McKee, Inc. (CDM) to assist the District with the Otay Bi-National Ocean Desalination Feasibility Study Update in an amount not to exceed \$94,552.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

That the Board authorize the General Manager to enter into an agreement with CDM in an amount not to exceed \$94,552 for the Otay Bi-National Ocean Desalination Feasibility Study Update.

ANALYSIS:

In the recently prepared Integrated Water Resources Plan (IRP), one of the recommendations for supply diversification is to explore the feasibility of a bi-national ocean desalination facility within Mexico. Directors and Staff recently met with State and local authorities in Baja California to discuss the feasibility of such a project. It was determined that a desalination facility is high on the agenda at all levels of government in Mexico including, the President.

CDM completed the IRP for the District in 2007. The main objective of the IRP was to identify alternate supplies of potable and recycled water. Uncertainty of surrounding imported water supplies, due to drought or a potential seismic event, have made it necessary for the District to look elsewhere to meet present and future water demands in a reliable and cost effective manner.

The IRP identified ocean water desalination as a potential source of potable water that is also drought proof. The District has followed very closely the development of Poseidon's Desalination Facility in Carlsbad, California, as well as having preliminary discussions with officials in Baja California, Mexico. In 2005, the San Diego County Water Authority (SDCWA), commissioned a report titled "Seawater Desalination Development Opportunities for the San Diego/Tijuana Region." In the SDCWA report, two sites were identified in Mexico; one was the Rosarito Power Plant Site and the other was the La Mision Beach Well site. See Exhibit A for these project's locations. Baja California authorities are more inclined to go with the Rosarito Power Plant site because they already own the land and it is closer to the U.S. border.

With CDM's recent experience in completing the IRP for the District, staff believes it is in the District's best interest to have CDM further evaluate and update the Feasibility Study. In addition to having prepared the IRP, CDM is very familiar with District facilities and intimately familiar with the water facilities in Tijuana and Rosarito. CDM prepared the Water Resources Master Plan (WRMP) for CESPT, the State agency serving Tijuana and portions of Rosarito. Mr. Salvador Lopez and Mr. Enrique Lopez, two principals with CDM, worked on the IRP and Tijuana's WRMP.

CDM's scope of work includes the evaluation of conveyance, storage, treatment, and regulatory requirements to receive and serve desalinated water from a facility located in Mexico, as well as an evaluation of routing, storage, and regulatory compliance in the United States (see Attachment B).

FISCAL IMPACT:



The total CIP budget for this Project is \$1,000,000. The approved Fiscal Year 2008 budget is \$5,000. To date there has been no expenditures. District Policy #06 states, "The General Manager is authorized to redistribute funds between approved

projects as long as the total fiscal year budget is not exceeded and the total budget for a specific project is not exceeded." It is expected that half of the contract amount will be spent within Fiscal Year 2008 and the remainder during Fiscal Year 2009. Based on a review of the departmental budget, the Project Manager has determined that the budget will be sufficient to fund the Otay Bi-National Desalination Feasibility Study Update agreement.

Finance has determined that 100% funding for this project will be available from the Expansion Fund.

STRATEGIC GOAL:

This project supports the District's Mission Statement, "To provide safe, reliable water, recycled water, and wastewater services to our community in an innovative, cost efficient, water wise and environmentally responsible manner," and the District's Strategic Goal, "To satisfy current and future water needs for potable, recycled, and wastewater services."

LEGAL IMPACT: _____

Legal Counsel reviewed District policies and determined that the Board, at its discretion, may direct the General Manager to enter into a non-competitive agreement for special studies.



General Manager

P:\WORKING\Staff Rpts Misc\BD 3-5-08, Staff Report, Otay Bi-National Desalination Feasibility Study Update, (RP).doc

RP:jf

Attachments: Attachment A
Attachment B
Exhibit A



ATTACHMENT A

SUBJECT/PROJECT: (P2451-01101)	Authorization to Execute Agreement for Otay Bi-National Desalination Feasibility Study Update with Camp Dresser & McKee, Inc.
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 25, 2008. The Committee supported Staff's recommendation.

NOTES:

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

ATTACHMENT B

Study for the Conveyance of Desalinated Water from a Bi-National Desalination Facility to the Otoy Water District Service Area

Scope of Work

Introduction:

Otoy Water District (OWD) is interested in exploring the feasibility of participating in a bi-national seawater desalination plant jointly with the City of Tijuana or the Comisión Estatal de Servicios Públicos de Tijuana (CESPT), Tijuana's water utility. Under this concept, a seawater desalination facility would be located in Mexico and product water would be delivered to Tijuana and/or Playas de Rosarito in Mexico, and to OWD in the U.S.

A feasibility study was commissioned by the San Diego County Water Authority in 2005 in which different siting alternatives in both countries were evaluated, including two potential sites in Mexico: at the Rosarito Power Plant, and at the Mission well site. The purpose of this new study will be to further investigate the feasibility of a joint program in which OWD could participate and receive desalinated water from a desalination facility located at the Rosarito site. The study will evaluate infrastructure requirements, probable construction cost and implementation issues for the facilities required in the U.S. to receive, store, treat and distribute the desalinated water in the OWD service area. The study will result in a sequence of action items that should be implemented to further advance the project.

This new study will rely heavily on the 2005 feasibility study and on the Tijuana and Playas de Rosarito Water and Wastewater Master Plan (CDM, 2003).

Task 1 – Project Management

The study will have a duration of 4 months. During this time the Consultant will provide day-to-day project management and budget and schedule controls, and will attend two (2) meetings at the OWD offices. Additional meetings and site visits are identified under each task.

Task 2 – Define demands and capacities

The capacity of the desalination facility, and the allocation of the plant's capacity between both countries, could be a function of:

- projected water supply deficits that need to be met by OWD and Tijuana with new water sources
- the level of diversification in the water supply portfolio desired by each community

- the physical ability of existing water conveyance and distribution systems to accommodate a new water source
- Affordability and other implementation issues (e.g. permitting)

The purpose of this exercise will be to identify a “target” capacity for the desalination plant from the perspective of OWD. As a first step in defining the potential capacity of the project, the Consultant will update OWD’s projected demands and supplies from the Integrated Resources Plan (IRP). This update will be conducted by discussing with OWD staff any updated information or planned projects, and will not entail a detailed review of demographic, land use, or per capita demand projections.

At the same time, the consultant will ascertain in coordination with OWD staff the capacity of key OWD infrastructure that could be used to receive, store and distribute the desalinated water, such as the emergency connection and main storage facilities. The ability of the distribution network to receive and distribute water from Mexico will be an important consideration.

Furthermore, this discussion will attempt to define the desired level of diversification of the District, and thus the desired amount of desalinated water. Defining this level of diversification will be a strategic decision made by the District, and thus will require close involvement by District staff. The IRP (CDM, 2007) will be used as a guiding document in determining the level of diversification desired.

A workshop will be conducted with OWD staff to discuss the target capacity and to develop a recommendation.

The potential allocation of the project’s capacity to OWD will be refined in subsequent phases as additional information is gained regarding permitting issues, additional treatment required in the U.S. and the hydraulic evaluation of the system to accommodate this new water source.

Demands for Tijuana will not be developed and will be assumed as given.

Task 3 – Infrastructure Requirements in the U.S.

The purpose of this task is to identify at a general level the different infrastructure component (e.g. treatment, conveyance) needed in the OWD service area to receive, store, treat and distribute the desalinated water.

3.1 Additional Treatment in U.S.

While the desalination facility may be designed and operated to comply with United States and California regulations in every manner, additional treatment may be required inside the U.S. to provide a product water that blends appropriately with existing OWD water supplies (e.g. Colorado River and State Water Project water) and which complies with specific monitoring and disinfection requirements of the USEPA and the CDPH.

The consultant will identify potential treatment requirements in the U.S., in addition to the desalination processes conducted in Mexico. Such additional treatment may include pH adjustment, alkalinity adjustment, additional filtration, ultraviolet disinfection, and secondary disinfection with chlorine and/or chloramines. In addition potential requirements for storage, impoundment, and monitoring of the imported water will be identified.

This evaluation will be based on the anticipated treatment and desalination process being considered in Mexico, as summarized in the 2005 report, and on drinking water regulations in the U.S. The consultant will not conduct a detailed evaluation of the proposed desalination process but will issue an opinion identifying any potential issues.

This task will involve an assessment of the classification imported desalinated water is likely to receive by U.S. regulators, and to clarify what measures can be taken to allow specific treatment credits to be received when carried out outside the jurisdiction of the regulatory agency. The consultant will hold a meeting with California Department of Public Health staff, if appropriate and upon OWD's authorization, to discuss and identify potential additional treatment, storage and monitoring requirements.

Based on the findings of this investigation, the consultant will develop a conceptual configuration and preliminary sizing of the required treatment infrastructure in the U.S.

3.2 Conveyance/routing to U.S.

A key component of the project is the ability to safely, reliably and cost-effectively convey the product water from the desalination facility in Rosarito to the OWD system. The purpose of this task is to evaluate: (1) infrastructure required to cross the border; and (2) conveyance and infrastructure required within the U.S. to receive, convey and store the desalinated water. Conveyance requirements in Mexico are evaluated in the 2005 report and will be taken as given. The consultant will not evaluate any further conveyance requirements in Mexico.

3.2.1 Evaluation of Border Crossing

An evaluation of the existing emergency connection near the Otay Mesa border crossing will be conducted to determine if the existing pipeline has sufficient flow and pressure capacity to receive water from the desalination facility and convey this water to the U.S. In addition to the physical capacity of the connection, the consultant will evaluate whether this connection can be used as part of this project given the need or desire to maintain the emergency connection operational after the construction of the desalination facility. The feasibility of operating the connection in both directions of flow will be discussed.

A second option for conveying water across the border will be evaluated based on capacity, constructability and permitting issues. The conceptual location of a new border crossing will be identified.

3.2.2 Evaluation of U.S. connection point

Once in the U.S. the desalinated water needs to be conveyed, stored, distributed and monitored in accordance with applicable regulations.

It is assumed at this time that water received from Mexico has to go to a storage facility prior to distribution to the public. At this point the quality of the water can be monitored and additional treatment provided if needed as determined in Task 3.1.

Regulatory requirements will be considered to determine the nature of the U.S. connection point. A means of water quality testing, and sufficient detention time to “catch” non-conforming water prior to its introduction to the distribution system may be necessary. Utilization and/or modification of existing storage facilities will be considered.

In coordination with OWD staff during a workshop the consultant will identify and evaluate one potential delivery point. Facilities needed to convey and store water will be sized and located at a preliminary level, including conceptual pipeline alignments, volume of storage requirements, and pumping requirements.

Task 4 – Recommendations

Based on the options short-listed above, a project concept will be developed, including an opinion of probable construction cost and a list of action items required to further develop this project.

4.1 Infrastructure requirements

The preliminary size/capacity of each major infrastructure component will be defined based on the analysis of tasks 2 and 3 above. Size and capacity information will be limited to preliminary length and diameter for major conveyance infrastructure; capacity of treatment facilities and key unit processes (e.g. additional disinfection in the U.S.); etc. Preliminary design activities will not be conducted.

4.2 Opinion of probable construction cost

Based on the preliminary dimension of key facilities, and by applying unit costs and other factors (e.g. contingencies), an opinion of probable construction cost will be developed for the concept project under consideration.

4.3 Environmental regulations and permits

A preliminary assessment of environmental and permitting issues will be conducted. The purpose of this activity is to identify potential issues or constraints that require further consideration and warrant special attention in subsequent planning phases. The evaluation will focus only on the U.S. The purpose of this task is not to develop an environmental assessment document.

4.4 Institutional issues

Institutional issues and potential constraints will be identified for each alternative. Potential issues include approval by U.S. and California regulatory agencies for the distribution of desalinated water imported from Mexico, bi-national issues related to the export of water resources, permitting and monitoring requirements, etc.

4.5 Next steps

The consultant will develop a list of activities that need to be conducted to further develop the bi-national desalination project. Activities may include additional technical evaluations, environmental constraints analysis, and regulatory and permitting coordination.

Task 5 – Report

A brief draft report will be prepared summarizing the evaluation process and the recommended alternative. A final report will be prepared in which comments from OWD will be incorporated.

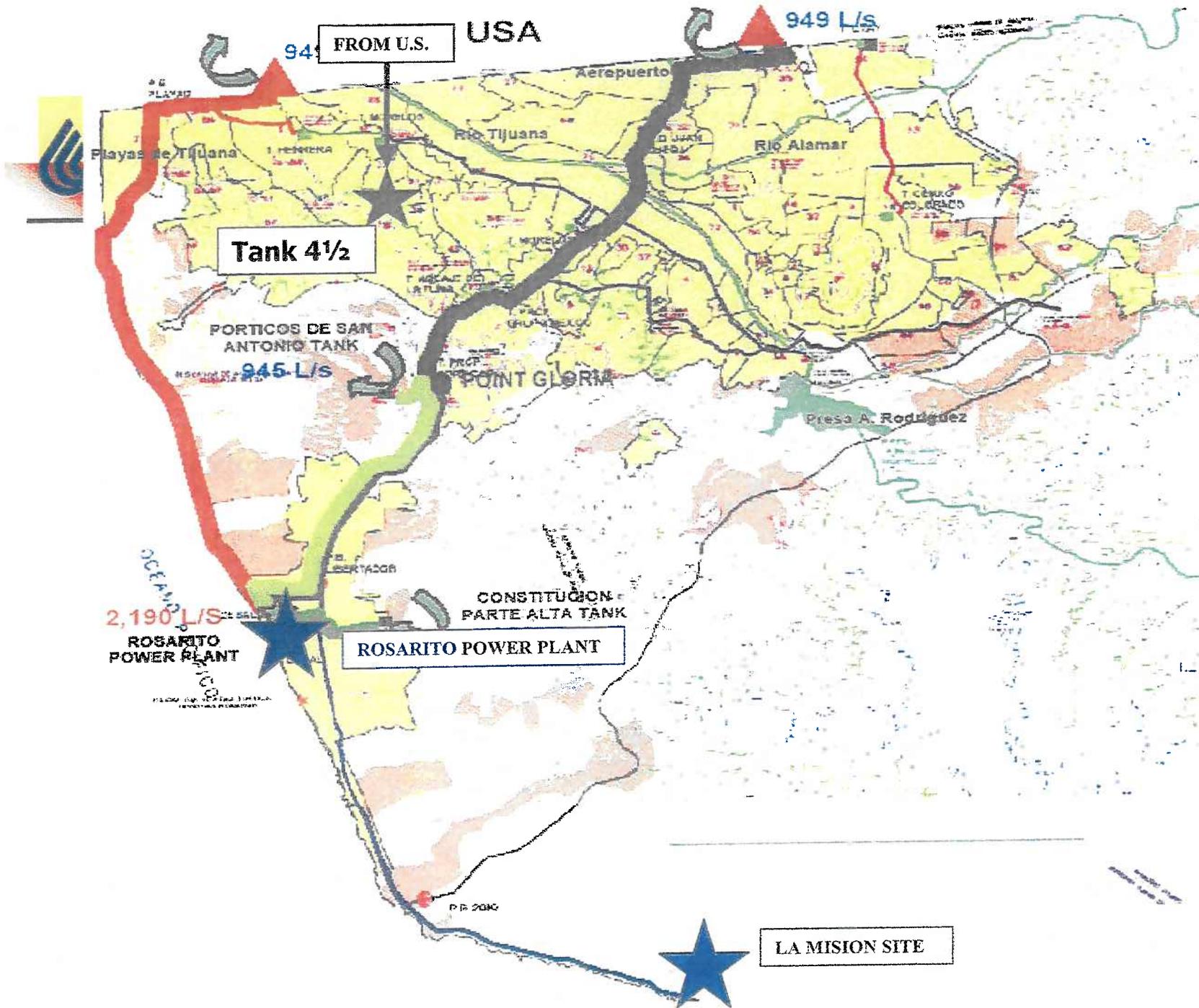


EXHIBIT A



AGENDA ITEM 8

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 5, 2008
SUBMITTED BY:	Joseph R. Beachem <i>[Signature]</i> Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager <i>[Signature]</i>		
SUBJECT:	Resolution 4117, and Other Post Employment Benefits (OPEB) Follow-up Analysis		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution 4117, as described in the February 6, 2008 Staff Report.

COMMITTEE ACTION: _____

See Attachment I.

BACKGROUND:

The original Staff Report was presented to the Board on February 6, 2008 (See Attachment V). The Board requested staff to provide additional details concerning the status of District reserve funds and any potential impacts on the District's long-range financial flexibility, as a result of transferring \$11.5 million from the District's Designated OPEB Fund to the CalPERS Trust. Also, Staff was directed to present this report to the Engineering and Operations Committee for review and recommendations. Further, it was requested that the District's Financial Advisor and Actuary be available for questions.

ANALYSIS:

In regards to the question of financial flexibility, staff has outlined, in the attached presentation, how the benefits of a PERS Trust outweigh the cost of the reduced flexibility. The primary benefits are the significant savings, approximately \$5 million, made available to fund the six-year labor contract, and the demonstration of continued fiscal responsibility. The District is evaluated by many organizations including credit rating agencies, the State, LAFCO, neighboring water agencies, cities, and business partners. Addressing this financial

liability in a proactive and responsible manner adds to the District's already strong financial status. This action is possible due to the fiscal discipline of the Board which has maintained the financial strength of the District and its reserves. All the District's reserves are at or on target and are expected to remain so throughout the next 6 years. The General Fund and Replacement Fund are currently both over target and provide significant flexibility in the event a draw on reserves is desired. Based on the guidelines outlined in the District's Reserve Policy, these two reserves would be used to address any financial difficulties prior to the OPEB Fund. The Replacement Fund is projected to remain over \$30 million for the next 6 years and alone provides all the flexibility that would be prudent to use before other actions would be advisable.

The economic slowdown is expected to have an impact on the District's financial projections. As highlighted in the October 9th workshop, a 50% reduction in annexation fees would equate to a 1% increase in the projected rates, and a reduction of water sales of 10%/20%/30%/20% over four years would result in a 2.6% rate increase, in order to maintain all reserves and the debt coverage ratio at target levels. This combined impact totals to a 3.6% increase over what is currently projected. This is a relatively moderate increase for such dramatic changes in the economic forecast of the District. When the economic slowdown is over, we could expect a corresponding reduction in rates. The reason for this is the District's diverse revenue structure and the ability of the District to moderate construction spending as growth moderates.

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.

STRATEGIC OUTLOOK:

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:

- I) Committee Action Form
- II) Adopt Resolution No. 4117
- III) Financial Advisor Opinion
- IV) OPEB Presentation - Benefits and Drawbacks
- V) Staff Report, dated February 6, 2008



ATTACHMENT I

SUBJECT/PROJECT:	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 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
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COMMITTEE ACTION:

The Engineering, Operations and Water Resources Committee reviewed this item at a meeting held on February 25, 2008. The Committee supported Staff's recommendation.

NOTE:

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

RESOLUTION NO. 4117

A RESOLUTION OF THE BOARD OF DIRECTORS
OF OTAY WATER DISTRICT TO APPROVE AN AGREEMENT WITH
THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
TO PREFUND OTHER POST EMPLOYMENT BENEFITS (OPEB)
THROUGH CALPERS AND TO DELEGATE AUTHORITY TO THE GENERAL
MANAGER AND CHIEF FINANCIAL OFFICER TO REQUEST DISBURSEMENTS
FROM THE FUND ON BEHALF OF THE DISTRICT

WHEREAS, the District had established a designated fund
for the purpose of funding OPEB medical benefits of
qualified employees; and

WHEREAS, the board has authorized periodic transfers of
money to the fund to ensure the District was covering the
cost to provide OPEB benefits and actuarial studies have
been performed periodically to validate that the fund is
being adequately funded; and

WHEREAS, the District now wishes to utilize the fund to
establish a trust with PERS to fully fund the OPEB medical
benefits of qualified employees; and

NOW, THEREFORE, BE IT RESOLVED by the Board of
Directors of the Otay Water District that the Board adopts
this resolution establishing and funding a trust with PERS
for the purpose of funding OPEB medical benefits of
qualified employees and:

1. Authorizes 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;

2. Certifies the Funding Policy of the Board at 100% of the Annual Required Contribution (ARC);
3. Delegates authority to request disbursements to the General Manager and Chief Financial Officer;
4. Authorizes the transfer of \$11,543,000 to the PERS Trust to fully fund the Actuarial Accrued Liability (AAL) and the first year's "Normal Cost;"
5. Authorizes the transfer of the remaining money in the Designated OPEB Fund to the General Fund to pay for the approved six-year labor agreement.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 5th day of March, 2008.

Ayes:
Noes:
Abstain:
Absent:

President

ATTEST:

Secretary



February 19, 2008

Board of Directors
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Dear Board of Directors:

Over the past 4 years it has been my pleasure to act as the District's Financial Advisor for two bond issues and to assist in the creation of the District's March 2004 Financing Plan and Financial Plan Update. In addition, I was intimately involved in the District's successful effort to obtain a rating upgrade from A+ to AA-. As a result of that rating process, I am very familiar with the District, its management, its financial policies and its planning tools. It was my pleasure to work with such a well organized and dynamic group.

The District's current strong financial position comes, in part, from the Board's willingness to support sound financial practices. This goes hand-in-hand with a management team that is capable and dedicated to this mission. It is my opinion that if the Board maintains its financial discipline and continues to act with the clarity of purpose and resolve that it has shown over the past eight years, the District is in a position to fund an irrevocable trust for its OPEB liability and maintain its financial strength despite the economic downturn.

The rating agencies' recognized in their reports that the District's financial success is based on a combination of a large and diverse customer base, together with its strong management, which "...includes practices to ensure solid finances going forward..." These practices include the monitoring and ongoing enhancement of the Strategic Plan, a well-documented Reserve Policy and the 6-year Rate Model. These management tools provide comfort that the District is continually in touch with changes that require adjustments to the Rate Model and so, maintains its ability to react to economic slowdown in a much more timely manner than other agencies.

The rating evaluation is made with a long-term perspective and considers the District's ability to maintain adequate coverage and liquidity even as growth slows. For many years, District staff has been projecting how the District would meet debt coverage requirements in an economy with no growth and has been addressing the impact on rates and charges. This forecasting is exactly the type of management strength that is addressed in the rating reports. The District knew that it had to be prepared for an economic slowdown or recession and demonstrated a plan of action to the rating agencies. This included addressing the impact on rates as well as the potential impact on reserves, liquidity and the CIP.

As part of its financial strategy, the District has planned on prefunding in full its OPEB liability. The shifting of \$11.4 million OPEB liability from the Otay balance sheet to an irrevocable trust is significant. As long as the District has control of the cash, that cash could potentially provide short-term liquidity for District operations, but in the long-term, the District will use the money to fund the liability. The District's other reserves provide continued and substantial financial flexibility. At June 30, 2007, the District's operating reserve was at a much higher level than required (3 months of operations) by policy. Further, the District maintains a Replacement reserve at 4% of existing assets. This is a long-term reserve that is projected to remain over \$30 million over the next six years. This reserve has a major role in the future funding of facilities as their useful life ends. However, due to the relative age of the District's facilities, this reserve has many years before it will be drawn on in a serious manner.

District staff currently expects no use of reserves to support operations over the 6-year forecasted period. If further economic pressures were to prompt the unplanned use of reserves, the District could temporarily borrow from the replacement reserve in lieu of raising rates. It is important to note that a departure from the planned use of the reserve should be considered carefully and could have an impact on the District's credit rating if the District prolongs a rate increase necessary to replenish it. This option would need to be managed carefully with a clear plan to bring the replacement fund back to its target levels.

It is my opinion that the District can fund the OPEB trust as planned without limiting its options for dealing with today's economy or impacting its ability to meet its obligations.

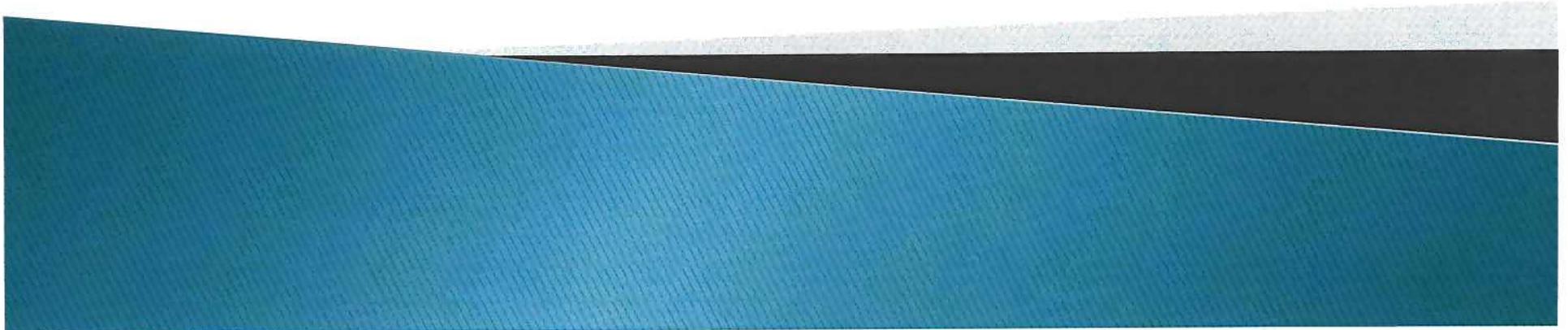
Sincerely,



Suzanne Harrell

OTAY WATER DISTRICT OPEB FUNDING

Benefits and Drawbacks



Benefits of Funding

- ▶ Implements Prudent Recommendations Consistent with our Financial Model and Reserve Policy
- ▶ Positively Impacts Credit Rating
 - Eliminates Balance Sheet Liability
 - Continues Financial Consistency
- ▶ Complies with the Recommendation of the Governor's Commission
- ▶ Complies with GASB 45
- ▶ Reduces Exposure to Criticism
- ▶ Earns a Higher Rate of Return
- ▶ Reduces the Cost of the OPEB Benefits
- ▶ Places \$5 Million into the GF
- ▶ Covers the Cost of the 2008 Contract Negotiations for 6 years
- ▶ Protects Reserves from State "Borrowing"

Higher Return

- ▶ Current Reserve @5% – \$16.7 Million
- ▶ Trust @7% –
- ▶ PERS Trust @7.75% – \$11.4 Million

Higher returns are due to the Long-Term focus and the ability to invest in the Equity Markets

Savings of approximately \$4 million to place in a long-term trust

Savings of approximately \$5 million if placed in an irrevocable PERS trust

Drawbacks of Funding an Irrevocable Trust

- ▶ Reduced financial flexibility during an economic slowdown or major disaster

District's Financial Strength

▶ Reserve Levels at Target for the Full Term of the 6-year Rate Model

	12-31-07 <u>Balance</u>	6-30-08 <u>Target¹</u>	Over <u>Target</u>	Additional <u>Spending²</u>
<u>General Use</u>				
General Fund (3 months)	\$18.6M	\$15.0M	\$3.6M	\$0.0M
Replacement Fund(4% of Assets)	\$35.6M	\$22.1M	\$13.5M	\$2.3M
<u>Restricted</u>				
Betterment Fund(6 months)	\$6.1M	\$3.2M	\$2.9M	\$2.6M
Expansion Fund(6 months)	\$19.6M	\$13.5M	\$6.1M	\$4.6M
OPEB Fund (100%)	\$16.7M	\$11.4M	\$5.3M	

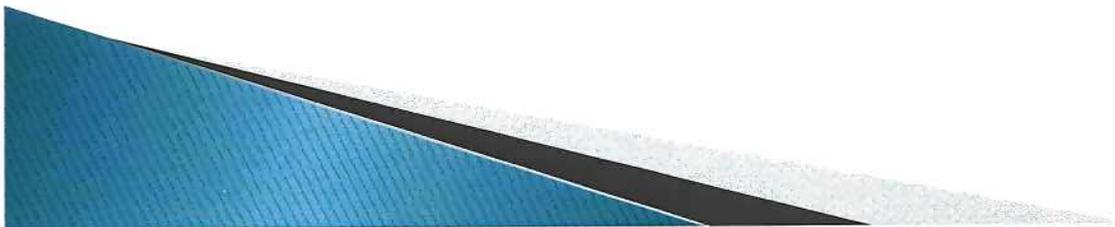
¹ Per the 2008 Rate Model

² Based on a 72.5% CIP spending rate

Reserve Policy – Use of Reserves

- ▶ 4.1 Fund Transfers – “Funds that exceed their maximums are first to be considered for transfers out followed by funds that exceed their targets.”
 - The replacement reserve and the general fund are the two general use funds that are currently over their target levels and would be the first to be used if the occasion required.

- ▶ 4.1 Fund Transfers – “Funds that exceed their minimums are also available for fund transfer out by only when other options are not available.”
 - Other Options: The District would look to borrow low cost funds via the Debt Markets or bank credit before pulling reserves from a high yielding fund such as a long-term trust.



Economic Slowdown October 9th Workshop

- ▶ Growth Revenues cut by 50%
 - CIP cut to 75% of budget eliminates the funding shortfall
 - Currently accomplishing 70% – 75% of the CIP with and expectation that this can be continued
 - Operating budget impact is a temporary 1% increase

- ▶ Water sales cut by 10%/20%/30%/20% in consecutive years
 - Operating budget impact is a temporary 2.6% increase

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

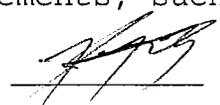
delegation of authority to the General Manager and the Chief Financial Officer to make these requests (see Attachment D).

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

SUBJECT/PROJECT:

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

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on January 22, 2008. The following comments were made:

- Staff is recommending that the board establish and fully fund a trust with PERS for the purpose of funding OPEB (Other Post Employment Benefits) medical benefits of qualified employees.
- In 1998 the Financial Accounting Standards Board (FASB) issued SFAS 132 which standardizes accounting for medical pensions. One year after the release of SFAS 132, the District commissioned an actuarial study on its OPEB and in 2000 the board approved an OPEB policy and set aside \$4 million to partially fund the District's OPEB.
- In 2004 the Governmental Accounting Standards Board (GASB) issued GASB No. 45 with a focus on irrevocable trusts. The District then updated the actuarial study and the board set aside \$12.1 million to fully fund the District's OPEB.
- During the MOU negotiations process in 2007, the District identified \$5 million in savings if the OPEB was fully funded within a PERS Trust. The District then could offer expanded compensation and benefits with the savings. However, this was predicated upon the State Governor

approving AB 554, which he approved and became effective January 1, 2008.

- The actuarial results indicated that the Actuarial Accrued Liability (AAL) for the OPEB is \$11,408,00 and the Annual Required Contribution (ARC) is \$135,000. If the District does not fully fund the OPEB, the cost annually would be \$135,000 plus the UAAL (Unfunded AAL) of \$711,000 for a total of \$846,000.
- The \$5 million that is made available from current funds is based on the actuary's estimate of a 7.75% return on the PERS Trust (higher returns) and lower costs.
- When the OPEB funds are placed in a GASB 45 compliant trust, these funds become legally committed and are irrevocably set aside to meet the OPEB obligation. This will take the liability off of the District's financial statements and is favorably looked upon by the bond markets and rating agencies.
- The District will commission an actuarial study every two years and any adjustment of the annual payments will be smoothed out over a 30 year time period.
- It was noted that the District can invest its own OPEB funds as a governmental entity, however, it would not be cost effective unless the fund is very large.
- The committee requested occasional updates on how other agencies' ratings have been affected by not fully funding their OPEB.

The committee supported staffs recommendation and presentation to the full board as an action item.

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

AGREEMENT AND ELECTION

OF

(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 15th 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

To be completed by CalPERS The effective date of this Agreement is: _____
--



**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.¹
- 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

Valuation Date

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

Printed Name of Actuary and Designation



Signature

January 3, 2008

Date

¹In 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 _____



**Otay Water District
Retiree Healthcare Plan**

BARTEL
ASSOCIATES, LLC

Actuarial Valuation as of June 30, 2007

January 2008

Bartel Associates, LLC
411 Borel Avenue, Suite 445
San Mateo, California 94402
Phone: 650/377-1600
Fax: 650/345-8057

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.

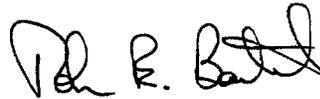
This report includes the following sections:

- 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



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:

■ Present Value of Benefits (PVB) as of 6/30/07	\$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.	
■ Actuarial Accrued Liability (AAL) as of 6/30/07	11,408
The Actuarial Accrued Liability is a measure of the District obligation for benefits earned or allocated to past service.	
■ Plan Assets as of 6/30/07	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.	
■ Unfunded Actuarial Accrued Liability (UAAL) as of 6/30/07	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.	
■ Annual Required Contribution (ARC) for 2007/08	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.	
■ Estimated Net OPEB Obligation (NOO) as of 6/30/07	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.	
■ Annual OPEB Cost (AOC) for 2007/08	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.	
■ Expected Benefit Payments for 2007/08	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 ¹	\$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)

¹ Assumes the June 30, 2007 Net OPEB Obligation is zero.

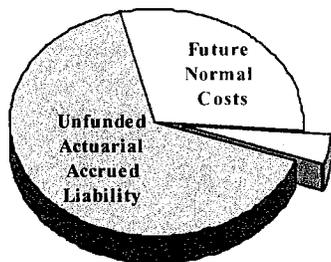
SECTION 3 ACTUARIAL VALUATION RESULTS

Benefit Obligations

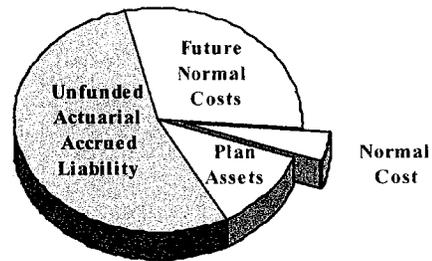
The following actuarial definitions are used in this section:

- 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 ²	600	101	701

² 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)

	<u>Cash Subsidy</u>	<u>Implied Subsidy</u>	<u>Total</u>
■ ARC - \$			
● Normal Cost	\$99	\$36	\$135
● UAAL Amortization ³	<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%

³ 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 ⁴	450	227	1	23	701

⁴ 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 ⁵	<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%

⁵ 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 ⁶								701

⁶ 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 ⁷								<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%

⁷ 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 ⁸	\$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

⁸ 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>
■ Actives⁹					
● Count ¹⁰	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) ¹¹	\$ 465	\$ 2,416	\$ 8,070	n/a	\$ 10,951
● Average Pay ¹¹	77,417	83,322	65,080	n/a	68,873
■ Retirees¹²					
● 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

⁹ General Manager included with Tier II.

¹⁰ Excludes 1 Tier III part-time employee.

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

¹² 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>
■ Actives								
● 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) ¹³	\$ 1,245	\$ 1,037	\$ 1,120	\$ 803	\$ 3,319	\$ 3,426	n/a	\$ 10,951
● Average Pay ¹³	155,612	79,802	112,002	80,345	58,231	56,161	n/a	68,873
■ Retirees								
● Count < 65								36
● Count ≥ 65								<u>31</u>
● Total								67
● Average Age								67.5
● Average Ret Age								59.5

¹³ 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 ¹⁴
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

¹⁴ Includes 5 active Directors with zero reported pay.

**SECTION 5
PLAN PROVISIONS**

Benefit Summary
(Effective 1/1/08)

	Tier I	Tier II	Tier III	Directors																																				
<ul style="list-style-type: none"> ■ Medical Benefit Eligibility 	<ul style="list-style-type: none"> • Service or Disability Retirement from the District • Full-time employees • Receiving CalPERS pension (50 & 5) 																																							
	<u>Hired < 1/1/81</u> <ul style="list-style-type: none"> • Ret 55 & 5 	<u>Hired ≥ 1/1/81 & < 7/1/93</u> <ul style="list-style-type: none"> • Ret Age 55 • Ret Age + Svc ≥ 70 • Includes current General Manager 	<u>Hired ≥ 7/1/93</u> <ul style="list-style-type: none"> • Ret 55 & 15 	<u>Elected < 1/1/95</u> <ul style="list-style-type: none"> • Ret 60 & 12 																																				
<ul style="list-style-type: none"> ■ Retiree Medical Benefit¹⁵ 	<ul style="list-style-type: none"> • 100% of retiree cost for life • Ret < 12/29/03: 100% of spouse & dependent cost • Ret ≥ 12/29/03: 88% of spouse & dependent cost • Dependent children coverage until age 19 • EPO, Gold PPO, and Silver PPO available before Medicare eligibility • Gold and Silver PPO available after Medicare eligibility (not EPO) 		<ul style="list-style-type: none"> • 50% of retiree-only cost until Medicare eligibility • Silver PPO available (not EPO or Gold PPO) • Not covered under District medical plan after Medicare eligible 	<ul style="list-style-type: none"> • Elected < 1/1/95: <ul style="list-style-type: none"> ➢ 100% of retiree & family cost for life ➢ Gold and Silver PPO available (not EPO) • Elected ≥ 1/1/95: None 																																				
<ul style="list-style-type: none"> ■ Surviving Spouse & Dependents Medical Benefit 	<ul style="list-style-type: none"> • Ret < 12/29/03: 100% of spouse & dependent cost • Ret ≥ 12/29/03: 88% of spouse & dependent cost • Coverage for 12 months after retiree death < 65 		<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Elected < 1/1/95: 100% of spouse & dependent cost for 12 months after retiree death < 65 • Elected ≥ 1/1/95: None 																																				
<ul style="list-style-type: none"> ■ Vesting 	<ul style="list-style-type: none"> • Early retirement and vesting apply to disability retirees only after 1/1/08: Product of percentages: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Early Retirement</th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">Vesting</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Age</th> <th style="text-align: center; border-bottom: 1px solid black;">Pct</th> <th style="text-align: center; border-bottom: 1px solid black;">YOS</th> <th style="text-align: center; border-bottom: 1px solid black;">Pct</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><50</td> <td style="text-align: center;">0%</td> <td style="text-align: center;"><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>				Early Retirement		Vesting		Age	Pct	YOS	Pct	<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%
Early Retirement		Vesting																																						
Age	Pct	YOS	Pct																																					
<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%																																					

¹⁵ 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

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

**SECTION 5
PLAN PROVISIONS**

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 Eligible	Medicare Eligible	Non-Medicare Eligible	Medicare Eligible
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 ≥ 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

- **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

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



Funding Pensions & Retiree Health Care for Public Employees

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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.

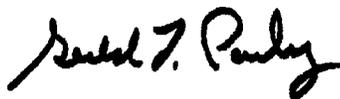
Early in our deliberations, the following three principles guided our discussions and recommendations:

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.

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



OPEB - Definition

- ❑ 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

- 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

- ❑ 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

- 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

- ❑ 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

Actuarial Accrued Liability (AAL)

□ AAL \$11,408,000

Annual "Required" Contribution (ARC)

□ Normal Cost \$135,000

Without Funding the AAL the ARC Increases

□ Normal Cost \$135,000

□ UAAL Amortization \$711,000

\$846,000

Governor's Benefits Commission

□ **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

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

- 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