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

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM

TUESDAY
July 19, 2011
12:00 P.M.

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

AGENDA

1. ROLL CALL

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

DISCUSSION ITEMS

3. APPROVE AN AGREEMENT WITH LOGICALIS INTEGRATION SOLUTIONS, INC., IN THE AMOUNT OF $69,454 FOR REDUNDANT CORE NETWORK SWITCHING GEAR (STEVENS) [5 minutes]

4. ADOPT RESOLUTION NO. 4181 TO REVISE AND UPDATE VARIOUS DISTRICT BOARD OF DIRECTORS POLICIES (WILLIAMSON) [5 minutes]

5. ADOPT RESOLUTION NO. 4180 AMENDING BOARD OF DIRECTORS POLICY NO. 8, DIRECTORS COMPENSATION, REIMBURSEMENT OF EXPENSES AND GROUP INSURANCE BENEFITS, REVISING THE REQUIREMENT FOR REPORTING DIRECTORS' EXPENSES TO AN ANNUAL BASIS AS REQUIRED BY STATE STATUTE (WATTON) [5 minutes]

6. RECEIVE BOARD OF DIRECTORS POLICY NO. 27, INVESTMENT POLICY, FOR REVIEW AND ADOPT RESOLUTION NO. 4184 AMENDING THE POLICY AND RE-DELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607 (CUDLIP) [5 minutes]

7. ADJOURNMENT

BOARD MEMBERS ATTENDING:
Gary Croucher, Chair
David Gonzalez

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

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

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

Certification of Posting

I certify that on July 15, 2011 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on July 15, 2011.

Susan Cruz, District Secretary

AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 10, 2011
SUBMITTED BY:	Bill Jenkins IT Operations Manager	W.O./G.F. NO:	DIV. NO. ALL
APPROVED BY: (Chief)	Geoffrey Stevens Chief Information Officer		
APPROVED BY: (Asst. GM):	German Alvarez Assistant General Manager, Finance and Administration		
SUBJECT:	IT EQUIPMENT AND SERVICE PURCHASE REQUIRING BOARD APPROVAL		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to enter into the following agreement:

1) Logicalis Integration Solutions, Inc., in the amount of $69,454 for redundant core network switching gear.

COMMITTEE ACTION: _____

See "Attachment A."

PURPOSE:

To authorize the purchase of equipment and services necessary to support both IT daily operations and enhance District systems to meet emerging business needs as identified in the District Strategic Plan.

Our current Cisco Switch is at end of serviceable life and does not meet the increased demands of our network since implementing VoIP. Adding the new switch will provide added redundancy and disaster recovery capabilities.

ANALYSIS:

The IT Department presents to the Board specific technology-related expenses that require Board approval because they exceed the General Manager's authorized approval limit of $50,000 for a specific contract. These contracts and purchases are required to either operate the District's technology environment and to make planned

technology related infrastructure improvements. All purchasing guidelines have been met for this acquisition. We have attempted, wherever possible, to synchronize our contract renewal dates with the District's fiscal year and budget approval process.

Explanation of Costs

Logicalis Integration Solutions - $69,454. Logicalis was the lowest of 4 competetive bids. Funding comes from CIP P2469 (Data Center Equipment).

FISCAL IMPACT:

Capital Funding:
The items referenced above are specifically included in the adopted FY 2012 Capital Budget. The approved FY 2012 budget for CIP P2469 (Data Center Equipment) is $460,000. Expenditures to date are $0. The remaining balance for FY 2012 is $460,000, of which $69,454 will be used for this purchase.

The Project Manager anticipates, based on financial analysis, that the budget will be sufficient to support this project.

Finance has determined that 100% of the funding for this project is available from the Betterment Fund.

STRATEGIC GOAL:

These items are in support of the District's Strategic Plan, specifically the strategy of Business Process Efficiency.

LEGAL IMPACT:

None.

Mark Watton
General Manager

Attachments:
A) Committee Action
B) Logicalis Quote
C) GHA Techonologies, Inc., Quote
D) CDW-G Quote
E) 1060 Technolgy, Inc., Quote

ATTACHMENT A

SUBJECT/PROJECT:	IT EQUIPMENT AND SERVICE PURCHASE REQUIRING BOARD APPROVAL

COMMITTEE ACTION:

The Finance, Administration and Communications Committee met on July 19, 2011, to review this item. The Committee supports presentation to the full Board for their consideration.

NOTE:

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

LOGICALIS

Quotation
OTAY20110609-02

Date: 09-Jun-11

Customer:		From:
Bruce Trites Otay Water District 2554 Sweetwater Springs Blvd. Spring Valley, CA 91978 619-890-9288 btrites@otaywater.gov	**Cisco C3750X core switches and Supervisor 6-E Module for 4507R Redundancy**	Ken Ohlson Logicalis 1920 Main St., Suite 770 Irvine, CA 92614 949-456-0210 ph 949-606-9719 fx ken.ohlson@us.logicalis.com

Line	Qty	Product Number	Description	Unit Cost	Extended Cost
			WS-C3750X-48PF-S		
1	4	WS-C3750X-48PF-S	Catalyst 3750X 48 Port Full PoE IP Base	$7,980.00	$31,920.00
2	4	S375XVK9T-12258SE	CAT 3750X IOS UNIVERSAL WITH WEB BASE DEV MGR	$0.00	$0.00
3	4	C3750X-48-IOS-S-E	C3750X-48 IP Base to IP Services factory IOS Upgrade	$4,560.00	$18,240.00
4	4	CAB-STACK-50CM	Cisco StackWise 50CM Stacking Cable	$0.00	$0.00
5	4	CAB-SPWR-30CM	Catalyst 3750X Stack Power Cable 30 CM	$0.00	$0.00
6	4	CAB-3KX-AC	AC Power Cord for Catalyst 3K-X (North America)	$0.00	$0.00
7	4	CAB-CONSOLE-RJ45	Console Cable 6ft with RJ45 and DB9F	$17.10	$68.40
8	4	C3KX-PWR-1100WAC	Catalyst 3K-X 1100W AC Power Supply	$0.00	$0.00
9	4	CON-SNT-3750X4FS	SMARTNET 8X5XNBD Catalyst 3750X 48 Port Full PoE IP Base	$560.00	$2,240.00
			WS-X45-SUP6-E		
10	1	WS-X45-SUP6-E=	Catalyst 4500 E-Series Sup 6-E, 2x10GE(X2) w/ Twin Gig	$11,397.15	$11,397.15
11	2	CVR-X2-SFP	Cisco TwinGig Converter Module	$0.00	$0.00
				Total:	**$63,865.55**

Logicalis' terms of sale, found on our website at www.us.logicalis.com/tcsales.pdf, are incorporated herein by reference.

Quote Notes
Estimated Lead Time: 32
Quote Expires: 7/9/2011
Quote version: 1

This offer may be accepted by purchase order or other acknowledgement of acceptance, including, without limitation, by signing this quotation. The information in this proposal is considered proprietary and confidential to Logicalis, Inc. By acceptance of this information, Customer agrees to maintain this confidentiality and use such information for internal purposes only.
In the event Customer chooses to lease the Products from a third party leasing company, Customer remains liable for payment to Logicalis for all Products purchased until Logicalis receives payment from such leasing company.

Any variation in quantity, or requested delivery may result in price changes. Prices are valid for 30 days from date of quotation unless otherwise stated.
Prices are subject to change without notice in the event the Product's manufacturer/distributor changes the price to Logicalis.
Shipping and taxes are added at time of invoice. Shipping charges are subject to handling fees for specifying carriers and same day shipments.
Logicalis provides standard delivery to Customer's loading dock; inside delivery is available at an additional charge if stated on Customer's purchase order.

Account Executive:
Technical Consultant:

By signing below, the undersigned accepts this offer and confirms that he/she is authorized to purchase these items on behalf of Customer.

X _____ Date: _____

Ship to address:	Bill to address:

LOGICALIS

Quotation
OTAY20110609-02

Date: 09-Jun-11

Customer:		From:
Bruce Trites Otay Water District 2554 Sweetwater Springs Blvd. Spring Valley, CA 91978 619-890-9288 btrites@otaywater.gov	**Cisco C3750X core switches and Supervisor 6-E Module for 4507R Redundancy**	Ken Ohlson Logicalis 1920 Main St., Suite 770 Irvine, CA 92614 949-456-0210 ph 949-606-9719 fx ken.ohlson@us.logicalis.com

Line	Qty	Product Number	Description	Unit Cost	Extended Cost

I _____ am/are authorizing Logicalis to submit a partial order shipment invoice.
(we)/(company name)
Customer agrees to remit payment per Logicalis terms utilizing the partial order shipment invoice date as invoice recognition date.

LOGICALIS

Quotation
OTAY20110609-02

Date: 09-Jun-11

Prepared For:		From:
Bruce Trites Otay Water District 2554 Sweetwater Springs Blvd. Spring Valley, CA 91978 619-890-9288 ph btrites@otaywater.gov	Cisco C3750X core switches and Supervisor 6-E Module for 4507R Redundancy	Ken Ohlson Logicalis 1920 Main St., Suite 650 Irvine, CA 92614 949-456-0210 ph 949-606-9719 fx ken.ohlson@us.logicalis.com

See the Quote tab below for details

Hardware	$61,625.55
Support	$2,240.00
Total:	$63,865.55

Don't forget to ask your Logicalis representative about these solutions:

Logicalis is one of the world's leading Cisco integrators with more than 30 locations in the United States, as well as operations in 15 countries and more than 1,900 employees worldwide. Logicalis provides support for all aspects of the network life cycle and is a specialist in unified communications, data centers, wireless LANs, network security and network infrastructure. Plus, Logicalis provides data center, managed services and cloud solutions, and communication and collaboration services that help you get the most from every IT investment you make. Learn more today at www.us.logicalis.com/cisco.

VMware is the global leader in virtual infrastructure software for industry-standard systems. As a VIP Enterprise Partner, Logicalis uses VMware solutions to simplify our customers' IT infrastructure, fully leverage their existing computing investments and respond faster to changing business demands. VMware software can help consolidate servers, optimize software development and provide affordable business continuity. Plus, Logicalis provides data center, managed services and cloud solutions, and communication and collaboration services that help you get the most from every IT investment you make.

Cloud computing provides a number of attractive attributes which can offer your organization more flexibility and cost savings in its IT operations. Logicalis can help you determine the best cloud computing strategy for utilizing cloud computing in your organization and our professional services can develop and execute a plan to meet your goals. Our approach involves a strategic look at your needs. Logicalis Cloud Offerings are backed by our award-winning Logicalis managed services. Learn more today at www.us.logicalis.com/cloud.

Logicalis offers the most competitive lease rates in the industry - as low as 1% for 36 months

GHA Technologies, Inc.
Dept. #2090 PO Box 29661
Phoenix, Arizona
85038-9661
United States
http://www.gha-associates.com

Quotation

Date
Jun 10, 2011 2:23 PM CDT

Doc #
402828 - rev 1 of 1

Description
Cisco

SalesRep
Prete, Ron (P) 708-923-0985 (F) 708-416-1325

Customer Contact
Nieves , Ricardo
(P) (619) 670-2278
RicardoN@otaywater.gov

Customer
Otay Water District (OW0114)
2554 Sweetwater Springs Blvd
Accounts Payable
Spring Valley, California 91978

Bill To
Otay Water District
Payable, Accounts
2554 Sweetwater Springs Blvd
Spring Valley, California 91978

Ship To
Otay Water District
Nieves, Ricardo
2553 Sweetwater Springs Blvd
Spring Valley, California 91978

Customer PO:	Terms:	Ship Via:
None	Net 30 Days	FedEx Ground

Special Instructions:	Carrier Account #:
None	None

	Item Description	Part #	Qty	Tax	Unit Price	Total
1	Cisco Catalyst 3750X-48PF-S Switch - L3 - managed - 48 x 10/100/1000 - rack-mountable - PoE	WS-C3750X-48PF-S	4	Yes	$8,624.00	$34,496.00
2	Cisco IOS IP Services Product upgrade license - upgrade from Cisco IOS IP Base - delivered via electronic distribution	L-C3750X-48-S-E	4	Yes	$4,950.00	$19,800.00
3	Cisco SMARTnet Extended service agreement - replacement - 8x5 - NBD	CON-SNT-3750X4FS	4	Yes	$645.00	$2,580.00
4	Cisco Serial cable - RJ-45 (M) - DB-9 (F) - 6 ft	CAB-CONSOLE-RJ45=	4	Yes	$24.00	$96.00
5	Cisco Supervisor Engine 6-E Control processor - 0 / 2 - 2 ports - 10 Gigabit Ethernet - plug-in module	WS-X45-SUP6-E=	1	Yes	$12,875.00	$12,875.00

Subtotal:	$69,847.00
Tax (8.750%):	$6,111.61
Shipping:	$0.00
Total:	**$75,958.61**

Lease Options

Fair Market Value Rates	$2,856.04 / mo. for 24 mos. $2,043.29 / mo. for 36 mos. $1,803.26 / mo. for 48 mos. $1,603.49 / mo. for 60 mos.

Sales tax calculation is estimated and subject to change

GHA is an authorized and leading supplier for Microsoft, HP, Apple, and Cisco. GHA does not source any of these products from the gray market. If you have a pending quotation from a competitor that is significantly less in price, that may be a strong indication of gray market involvement. Please immediately bring this to the attention of your sales professional who can verify with the manufacturer for your benefit and protection. Your sales representative can also talk to you about the risks associated with doing business with a gray market supplier.

The prices quoted may change due to market conditions beyond our control. GHA cannot be responsible for manufacturer availability or delays. No verbal quotations or promises can be honored unless set forth herein.

Returns Policy: Custom computers are non-cancellable and non-returnable. No return will be accepted after 30 days from the invoice date. Goods accepted for credit upon return will be subject to handling/restocking charge, which shall be not less than 15% of the price of Goods. Custom-made Goods are not subject to return under any circumstances. In no case are Goods to be returned without first obtaining Seller's written permission. Goods must be securely packed in the original packaging and delivered to Seller in an undamaged condition with Buyer being solely responsible for paying all return freight expenses and keeping the GHA invoice current within 30 days from the date of shipment regardless of the reason for a return. All returns must be accompanied by an authorized RMA number, which is valid for 15 days after date of issuance. GHA Technologies makes NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE with respect to the goods described hereon. This document shall be governed by the laws of the State of Arizona.

CORPORATE OFFICE:
(REMIT PAYMENTS TO THE PO BOX LISTED ABOVE;
NO PAYMENTS SHOULD BE MAILED TO THE CORPORATE OFFICE)
GHA Technologies, Inc.
8998 E. Raintree Drive
Scottsdale, AZ 85260

Attachment D

CDWG.com | 800.594.4239

OE400SPS

SALES QUOTATION

QUOTE NO.	ACCOUNT NO.	DATE
CDWR223	6586115	6/15/2011

BILL TO:
OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BLVD

Accounts Payable
SPRING VALLEY , CA 91978-2096

Customer Phone #619.670.2222

SHIP TO:
OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BLVD

SPRING VALLEY , CA 91978-2096
Contact: FRANCISCO PEDRIN 619.670.2727

Customer P.O. # CDWR223

ACCOUNT MANAGER	SHIPPING METHOD	TERMS	EXEMPTION CERTIFICATE
JOEY HALEY 877.865.9766	FedEx Ground	NET 30-VERBAL	

QTY	ITEM NO.	DESCRIPTION	UNIT PRICE	EXTENDED PRICE
4	2089047	CISCO CATALYST 3750X 48PORT FULL POE Mfg#: CIS-WS-C3750X-48PF-S Contract: California Cisco WSCA Contract AR-233 7-08-70-13	9,100.00	36,400.00
4	2094136	CISCO C3750X-48 IP BASE TO IP-SVC FA Mfg#: CIS-C3750X-48-IOS-S-E Contract: California Cisco WSCA Contract AR-233 7-08-70-13	5,200.00	20,800.00
4	498368	CISCO STACKWISE 50CM-STACKING CAB Mfg#: CIS-CAB-STACK-50CM= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	65.00	260.00
4	2086488	CISCO CATALYST 3750X STACK PWR CABLE Mfg#: CIS-CAB-SPWR-30CM= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	61.75	247.00
4	2128529	CISCO AC PWR CORD FOR CAT3K-X-NORTH Mfg#: CIS-CAB-3KX-AC= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	32.50	130.00
4	1563925	CISCO CONSOLE CABLE 6FT W/RJ45 Mfg#: CIS-CAB-CONSOLE-RJ45= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	19.50	78.00
4	2090036	CISCO CATALYST 3K-X 1100W AC PWR SUP Mfg#: CIS-C3KX-PWR-1100WAC= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	975.00	3,900.00
4	2109876	CISCO SMARTNET 8X5XNBD Mfg#: CD1-CON-SNT-3750X4FS Contract: California Cisco WSCA Contract AR-233 7-08-70-13 Electronic distribution - NO MEDIA	0.00	0.00
1	1347550	CISCO CAT 4500 SUPERV 6E 10G ENET X2 Mfg#: CIS-WS-X45-SUP6-E= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	12,996.75	12,996.75
1	1177519	CISCO TWINGIG CONVERTER Mfg#: CIS-CVR-X2-SFP= Contract: California Cisco WSCA Contract AR-233 7-08-70-13	126.75	126.75
		SUBTOTAL		74,938.50
		FREIGHT		0.00
		TAX		6,557.13

US Currency

81,495.63

CDW Government
230 North Milwaukee Ave.
Vernon Hills, IL 60061
Phone: 847.371.5000 Fax: 847-371-2137

Please remit payment to:
CDW Government
75 Remittance Drive
Suite 1515
Chicago, IL 60675-1515

Attachment E

1060 Technology Inc.
3712 N. Broadway #409
Chicago, Illinois 60613
United States
http://www.1060tech.com

Quotation

Date
Jun 12, 2011 12:17 PM CDT

Doc #
2050 - rev 1 of 1

Description
Cisco

SalesRep
Gibson, Harry (P) 800-589-3636 (F) 866-323-8835

Customer Contact
Pedrin, Francisco

FPedrin@otaywater.gov

Customer
Otay Water District (OW0012)
2554 Sweetwater Springs Blvd
Spring Valley, California 91978

Bill To
Otay Water District
Payable, Accouts
2554 Sweetwater Springs Blvd
Spring Valley, California 91978

Ship To

Customer PO:	**Terms:**	**Ship Via:**
None	Net 30 Days	FedEx Ground
Special Instructions:		**Carrier Account #:**
None		None

Item	Description	Part #	Qty	Tax	Unit Price	Total
1	Cisco Catalyst 3750X-48PF-S Switch - L3 - managed - 48 x 10/100/1000 - rack-mountable - PoE	WS-C3750X-48PF-S	4	Yes	$8,423.00	$33,692.00
2	Cisco IOS IP Services Product upgrade license - upgrade from Cisco IOS IP Base	C3750X-48-IOS-S-E	4	Yes	$4,813.00	$19,252.00
3	Cisco StackWise Stacking cable - 1.6 ft	CAB-STACK-50CM=	4	Yes	$60.00	$240.00
4	Cisco Power cable - 1 ft	CAB-SPWR-30CM=	4	Yes	$57.00	$228.00
5	Cisco Power cable	CAB-3KX-AC=	4	Yes	$30.00	$120.00
6	Cisco Serial cable - RJ-45 (M) - DB-9 (F) - 6 ft	CAB-CONSOLE-RJ45=	4	Yes	$17.00	$68.00
7	Cisco Power supply - redundant (plug-in module) - AC 115-240 V - 1.1 kW	C3KX-PWR-1100WAC=	4	Yes	$902.00	$3,608.00
8	Cisco SMARTnet Extended service agreement - replacement - 8x5 - NBD	CON-SNT-3750X4FS	4	Yes	$591.00	$2,364.00
9	Cisco Supervisor Engine 6-E Control processor - 0 / 2 - 2 ports - 10 Gigabit Ethernet - plug-in module	WS-X45-SUP6-E=	1	Yes	$12,240.01	$12,240.01
10	Cisco TwinGig Converter Module X2 transceiver module - 2 ports - 1000Base-X - plug-in module	CVR-X2-SFP=	2	Yes	$117.00	$234.00

Subtotal:	$72,046.01
Tax (8.750%):	$6,304.03
Shipping:	$0.00
Total:	**$78,350.04**

Thank you for allowing 1060 Technology the opportunity to work on this quote.

Please Contact us with any questons.

Have a wonderful day!

These prices do NOT include applicable taxes, insurance, shipping, delivery, setup fees, or any cables or cabling services or material unless specifically listed above. All prices are subject to change without notice. Supply subject to availability.

AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 10, 2011
SUBMITTED BY:	Kelli Williamson Human Resources Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno Chief, Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez Assistant General Manager, Finance and Administration		
SUBJECT:	ADOPT RESOLUTION #4181 TO REVISE AND UPDATE VARIOUS DISTRICT BOARD POLICIES		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution #4181 to revise and update various District Board policies.

COMMITTEE ACTION: _____

Please see "Attachment A".

PURPOSE:

To request that the Board approve revisions and updates to various District Policies.

ANALYSIS:

All departments are responsible for the periodic review of their respective policies and procedures. This review is necessary to ensure departments adhere to their policies and procedures, and to streamline business processes within the department.

All required District Board Policies have been reviewed. However, after consultation with General Counsel, District staff is recommending revisions to the attached policies.

Based on the above, it is requested that the Board of Directors adopt Resolution #4181 (Attachment B) in support of the proposed

revisions and/or deletions of various District Board Policies and Procedures.

Revisions deemed appropriate at this time are shown in the attached strike-through versions of the policies (Attachments B1 through B11). A brief summary of the proposed changes are listed below:

Detachment of Land from Improvement Districts Policy #03 (Attachment B1)

Revised to provide avenues for property owners to detach from improvement districts when providing service to certain parcels is impossible, impractical, or economically unfeasible due to the condition or location of the property.

Quotations for Fees or Charges Policy #04 (Attachment B2)

Revised to indicate a change in procedure. As the District will be exercising its prerogative to make the fees and charges subject to change at any time, customers will now be responsible for contacting the District to obtain quotations on current fees and charges.

District Capital Improvement Program Policy #06 (Attachment B3)

Revised to indicate that annual Capital Improvement Program (CIP) projects shall be based on planning documents on the most recent Water Resources Master Plan (WRMP), Integrated Water Resources Plan (IRP), Strategic Plan, and market condition information.

Land Acquisition Policy #09 (Attachment B4)

Refined language; no changes in procedures or requirements.

Requirement of Approval for a Spaghetti Line Policy #10 (Attachment B5)

Revised to specify that review of requirements will be an administrative process, rather than a Board process.

Private or Public Water and Sewer Systems on Private Property Policy #18 (Attachment B6)

Revised to indicate that no exceptions will be allowed in the criteria established when determining whether water and/or sewer

systems on private property should be private systems or become part of the District public systems.

Joint Use of Land Adjacent To and Above Reservoirs Policy #28 (Attachment B7)

Deleted costs for including joint use for buried concrete reservoirs; revised to indicate that costs for these facilities will be based on market conditions and will be calculated by a professional engineer.

Encouraging Disadvantaged Business Enterprise Firms Policy #31 (Attachment B8)

Refined language and revised to include Disabled Veteran Business Enterprises (DVBE) and other historically underrepresented business enterprises (collectively known as DBE firms).

Review of Procedures Policy #44 (Attachment B9)

Revised to indicate title change from "Sunset Review" to "Review of Procedures Policy"; removed requirement of three-year cycle review; and revised to clarify the responsibilities for performing the tasks involved in reviewing District policies, codes, ordinances, and resolutions.

In addition, staff is proposing to delete the following policies for the reasons set forth below:

District Safety Programs Policy #20 (Attachment B10)

This policy is no longer needed as it is addressed in the District's Injury and Illness Prevention Program (IIPP) and other Safety policies and procedures.

Recreational Vehicle Storage on Otay Water District Property Policy #43 (Attachment B11)

The District has discontinued this practice to eliminate potential liability and to decrease exposure related to Safety and Security.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

Optimize the District's Operating Efficiency.

LEGAL IMPACT:

None.

Mark Watton
General Manager

Attachment A - Committee Action Report
Attachment B - Resolution #4181
Attachment B1 - Revisions to Policy 03
Attachment B2 - Revisions to Policy 04
Attachment B3 - Revisions to Policy 06
Attachment B4 - Revisions to Policy 09
Attachment B5 - Revisions to Policy 10
Attachment B6 - Revisions to Policy 18
Attachment B7 - Revisions to Policy 28
Attachment B8 - Revisions to Policy 31
Attachment B9 - Revisions to Policy 44
Attachment B10 - Deletion of Policy 20
Attachment B11 - Deletion of Policy 43

ATTACHMENT A

SUBJECT/PROJECT:	ADOPT RESOLUTION #4181 TO REVISE AND UPDATE VARIOUS DISTRICT BOARD POLICIES

COMMITTEE ACTION:

The Finance, Administration and Communications Committee met on July 19, 2011, to review this item. The Committee supports presentation to the full Board for their consideration.

NOTE:

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

RESOLUTION NO. 4181

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE OTAY WATER DISTRICT
TO REVISE AND UPDATE VARIOUS DISTRICT BOARD POLICIES

WHEREAS, the Board of Directors of Otay Water District have established policies, procedures, ordinances, and resolutions for the efficient operation of the District; and

WHEREAS, it is the policy of the District to establish procedures to review policies, procedures, ordinances, and resolutions periodically to ensure they are current and relevant; and

WHEREAS, District staff has identified policy numbers 03, 04, 06, 09, 10, 18, 28, 31, and 44, as requiring revisions as per the attached strike-through copies. In addition, policy numbers 20 and 43 have been deleted. All other required Board policies do not require updates and are current at this time;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Otay Water District amends policy numbers 03, 04, 06, 09, 10, 18, 28, 31, and 44, and deletes policy numbers 20 and 43, in the form presented to the Board at this meeting.

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

_____
President

ATTEST:

_____
Secretary

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DETACHMENT OF LAND FROM IMPROVEMENT DISTRICTS	03	10/15/84	

Purpose.

To provide procedures and conditions for detachment of property from improvement districts under certain circumstances.

Background.

Property owners have participated in the formation and development of improvement districts in anticipation that some day water or sewer service would be available. However, due to the condition or location of the property, providing service to certain parcels may be impossible, impractical, or economically unfeasible, ~~impractical or impossible conditions or economic difficulties under which the District would have to serve, some properties could not receive the anticipated service,~~ thus eliminating ~~removing~~ any benefit to the parcel from remaining in the improvement district.

Policy.

If a property owner can demonstrate that the property no longer benefits from remaining in an improvement district, the owner may petition the District to ~~request~~ detach~~ment~~ the property from the improvement district ~~without payment of any District fee or charge~~ if either of the following conditions exists:

(a) The owner furnishes proof that due to governmental regulations the property cannot be developed, i.e., "Flood Control Channel," moratorium, etc., which would preclude any development.

(b) It is physically impossible or impractical for the property to receive the particular service furnished by the improvement district.

(c) The cost of facility construction required to serve the property is financially unfeasible.

There shall be no refund of property taxes previously paid on the property being detached.

If, after such detachment the owner desires to re-annex the property to an improvement district, the owner must pay all associated administrative fees ~~will an annexation fee,~~ be ~~d~~determined in

accordance with District requirements as then in effect~~for annexation, must be paid~~.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
QUOTATIONS FOR FEES OR CHARGES	04	10/15/84	~~9/6/06~~ 1/7/10

Purpose:

To provide that quotations given for fees and charges (including annexation fees) shall be firm for a fixed period of time following the date of issuance.

Background:

The District frequently receives requests for information regarding fees or charges for (i) annexation of land to the District or to an Improvement District, or (ii) connection to District facilities. On occasion, after giving a quotation, the fees or charges have been increased before the property owner or developer could complete arrangements for financing. This created an unforeseen hardship.

Policy:

Responses to requests for information concerning fees or charges will be furnished by the District in writing.

The amount of such fees, or charges, shall be determined in accordance with District Ordinances and District Policies.

~~Written quotations furnished by the District for fees or charges shall remain in effect for the lesser of (i) a period of 30-calendar days from the date of the written quote, or (ii) until the end of the calendar quarter within which the quote is issued by the District. Written quotations shall advise the customer of any potential increase in the fees or charges quoted which are expected to occur within the 30-day period. Verbal quotations shall immediately be confirmed in writing by Staff.~~

The fees and charges are subject to change. At the time of annexation or connection, customers will be responsible to contact Otay Water District for current fees and charges.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
~~DISTRICT~~ ANNUAL CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT	06	10/15/84	~~5/23/05~~

PURPOSE

To define the policy on the preparation and approval of the annual Capital Improvement Program. ~~Capital Improvement Program (CIP)~~.

BACKGROUND

District ~~S~~staff develops and maintains a Water Resources Master Plan (WRMP), ~~-~~an Integrated Water Resources Plan (IRP), and Strategic Plan that collectively are ~~is~~ used to prepare the annual Capital Improvement Program (CIP) and to identify the ~~Capital Improvement Program~~ CIP projects required for ultimate ~~development.~~ build out. The WRMP is revised every five years and adopted by the Board. Annually, s~~S~~taff prepares a six-year moving window CIP ~~Capital Improvement Program~~ that provides information on budget assumptions, source of funds, allocation of funds, project costs, project location, description, justification, scheduling, ~~resource estimates,~~ etc. The ~~Capital Improvement Program~~ six-year CIP is submitted and presented to the Board of Directors to obtain approval for staff to proceed with implmentation to plan, design, and construct facilities and programs necessary to meet the needs of the District.

POLICY

The General Manager, or his designee, shall prepare a proposed six-year ~~Capital Improvement Program~~ CIP for submission to the Board of Directors for their review prior to and approval by June 30 of each fiscal year. ~~approval by June 30 each year~~.

The ~~Capital Improvement Program~~ CIP projects shall be reviewed and updated annually to consider appropriate revisions based on the most recent ~~Water Resources Master Plan~~ WRMP, IRP, Strategic Plan, and market condition information. ~~which shall be reviewed and updated annually to consider appropriate revisions~~. The timing of projects shall be based on necessity and availability of financing. The intent is that ~~the~~ new CIP ~~Capital Improvement Program~~ projects will be installed as development requires the facilities. With regard to all CIP projects, it is acknowledged that compliance with the California Environmental Quality Act ~~(CEQA)~~ adds a measure of unpredictability with regard to the timing of CIP projects.

The ~~Water Resources Master Plan~~ WRMP, IRP, and the ~~Capital Improvement Program~~ CIP projects shall be divided into two phases: Phase I - one to six years; and Phase II - seven to ultimate buildout. ~~Capital Improvement Program~~ CIP project sheets for projects in Phase I ~~the one to six year phase~~ shall

be prepared and identify estimated total cost, cash expenditure timing, location, description, justification, ~~staffing,~~ funding allocation, and schedule. ~~Projects scheduled in Phase I will have detailed schedules and cash flows developed.~~ For the Phase II CIP projects, ~~the seven to ultimate year's projects, the Capital Improvement Program~~ the CIP shall identify the need for the projects, along with their estimated total cost and funding allocation.

Upon ~~adoption~~ approval by the Board of Directors of the annual six-year ~~Capital Improvement Program~~ CIP, staff is authorized to proceed ~~for the fiscal year~~ with planning, design, construction, etc. of those projects that have budgets within the current fiscal year. The General Manager is authorized to redistribute funds between approved CIP projects as long as the total fiscal year budget is not exceeded and the total budget for a specific CIP project is not exceeded.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
LAND ACQUISITION	09	10/15/84	

PURPOSE

To establish criteria for acquisition of land for District facilities.

BACKGROUND

From time to time the District has needed to acquire land for construction, maintenance, and operation of District facilities.

~~There have been o~~Occasionally, ~~a when it was necessary for~~ the District needs to acquire ~~to go back later and obtain additional~~ land for expansion of an existing facility or to obtain land in an area which has been ~~built-up or otherwise~~ developed. Acquiring land after development within the area ~~This~~ has proven costly to the District because of increased cost or lack of availability of land at the desired site.

POLICY

To eliminate the necessity of ~~going~~acquiring ~~back for~~ additional land ~~purchases~~ at a later date or of acquiring land after an area has been developed, the following procedures shall be followed:

1. Prior to acquisition of any land for District facilities an engineering study shall be performed to determine all future needs of the District at any site or in any area which is being planned for development.

2. Land to be acquired shall be of a size to fulfill the Engineering Department's recommendation of anticipated needs.

3. At the time tentative maps are filed with the District for large subdivision developments, a determination shall be made by the District ~~as to whether the District may desire to establish a future branch office in the area or~~ to acquire any land that may be needed for other future District facilities. If it is determined that the District will need land, arrangements shall be made with the developer to have a parcel or parcels of land set aside for future use by the District.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
REQUIREMENT OF APPROVAL FOR A SPAGHETTI LINE	10	10/15/84	

Purpose

To provide conditions for waiver of District ordinances that will authorize use of a "spaghetti line" for water service.

Background

The District often receives requests from owners of property for permission to use a spaghetti line instead of extending a District main. If it has been determined that it is not practical or feasible to extend a main, the District will consider approval of the use of a spaghetti line.

Policy

When an application is made for water service together with a request for permission to use a spaghetti line, District Engineers will make an evaluation to determine 1) whether District facilities can or should be extended or 2) whether a spaghetti line should be used.

The General Manager, or his designee, is hereby authorized to make the determination whether the existing District line shall be extended in accordance with District Ordinances or whether use of a spaghetti line will be permitted.

If it is determined that it is not practical to extend District facilities and a spaghetti line should be permitted, District Engineers shall recommend the size of line to be connected to the District system to assure adequate water service to the property. The construction of a spaghetti line and its costs will be the responsibility of the property owner. Easements or rights-of-way required for the spaghetti line shall also be the responsibility of the property owner.

~~A property owner may request the Board of Directors to review any determination made under this Policy.~~

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
PRIVATE OR PUBLIC WATER AND SEWER SYSTEMS ON PRIVATE PROPERTY	18	8/17/87	1/7/09

PURPOSE

To establish policy for determining whether water and/or sewer systems on private property should be private systems or become part of the District public systems.

BACKGROUND

Private residential and commercial developers with on-site water and/or sewer systems have requested the District to accept these systems as public systems to be operated and maintained by the District. In order to properly operate and maintain the systems on private property, it is necessary that such systems be constructed of the same materials and to the same District Standards and Specifications as required in public streets.

POLICY

Water and/or sewer systems constructed on private property to solely serve the private property shall be considered private systems, not subject to District operation and maintenance, unless the systems are constructed in accordance with this policy and accepted by the District. Water and sewer systems constructed on private property, which are to be accepted by the Otay Water District as part of its public systems, shall be constructed of the same materials and to the same District Standards and Specifications as required in public streets. In addition, the installation of such systems must fulfill the following criteria:

1. Water and/or sewer mains installed in commercial, industrial, apartment, or condominium complexes must be constructed in a traveled way with a minimum width of 24 feet, exclusive of parking and/or structural encroachments. In private residential developments (PRD), where parking is prohibited on private streets and graded roadway width is at least 24 feet, the paved utility easement may be reduced to 20 feet as consistent with the County private street standard or private street standards of the City of Chula Vista. Where access to the private street system is limited by a security gate, the District shall be provided a means of access.

2. Water and/or sewer mains shall be constructed within five feet of the centerline of the traveled way and shall have a minimum of six feet horizontal clearance and three feet vertical clearance between the water and sewer mains.

3. Water meters, fire hydrants, and any other water or sewer appurtenances shall be provided appropriate easements acceptable to the District Engineer.

4. Utility easements shall be included in the full width of the traveled way in which the utility is installed as consistent with criteria No. 1.

5. Water systems shall be loop connected to water mains in public streets, as determined by the District Engineer.

6. Water meters shall be located outside of parking spaces to allow access to District personnel.

7. Valves shall be located in the traveled way so that access is always available to District personnel.

8. Fire hydrant locations and access for fire fighting equipment shall require review and approval by local fire department officials.

9. Intersections and curves in the traveled way carrying water and/or sewer mains shall be of sufficient width to accommodate construction/maintenance equipment.

10. Sewer manholes shall be located so as to allow access at any time to District personnel and equipment.

The District Engineer will utilize the above criteria in evaluating a request for a public system on private residential/commercial developments. ~~Exceptions to the above criteria may be made at the discretion of the District Engineer, where it can be established that acceptance as a public system will benefit the District.~~ No exceptions allowed.

Water and/or sewer systems which do not satisfy the criteria set forth in this policy shall be designated private systems and must be in compliance with applicable sections of the District Code of Ordinances for connection of private systems to the District public systems.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
JOINT USE OF LAND ADJACENT TO AND ABOVE RESERVOIRS	28	6/21/95	

PURPOSE

———To establish a policy allowing for joint use of land adjacent to reservoirs and above buried concrete reservoir roofs, and to establish the costs for said joint use.

BACKGROUND

———The District may be asked by outside parties to allow joint use of land adjacent to reservoirs or above buried concrete reservoir roofs. The District has determined that some types of joint uses will require that the reservoir be designed and constructed to a higher standard which will increase the cost of the reservoir. It is the intent of the District to require the party requesting the joint use to pay the increased costs as partial compensation for the District permitting the joint use. However, the District Board may elect to "up front" the cost of design and construction of the reservoir to a higher standard with the anticipation of receiving a future reimbursement from an uncommitted or unidentified user. This will be considered on a project-by-project basis.

———The joint use allowed by other agencies and to be considered by Otay Water District fall into one of the following categories:

1. Court-type recreational uses, such as tennis, basketball, handball and roller hockey. These facilities may be constructed directly on top of unburied concrete reservoir surfaces. Vehicles will not be allowed on top of the reservoir.

2. Park-type uses, such as picnic areas, sodded sports fields for baseball and soccer, and landscaped areas for public enjoyment. These uses can be accommodated and built on the soil that the District included as part of the reservoir project. In some cases no traffic loading will be allowed and in other cases light maintenance-type vehicles will be allowed.

3. Same as Item No. 2 above, except the joint use will require the reservoir to be covered with additional soil.

4. Uses for parking and vehicle access, such as parking lots, equipment storage and residential streets.

~~The approximate costs (per million gallons of reservoir capacity) for including joint use for buried concrete reservoirs are as follows:~~ The types of use for buried concrete reservoirs are as follows:

	TYPE OF USE	~~TOTAL COST/MG~~
1.	Park-type use, court facilities with grandstands, directly on roof, no vehicle loading.	~~$18,125.00~~
2.	Park-type use, landscaping of soil to District design, no vehicle loading.	~~-0-~~
3.	Park-type use, landscaping, 18-inches additional soil to District design, no vehicle loading.	~~$35,250.00~~
4.	Park-type use, landscaping of soil to District design with light vehicle loading.	~~$18,125.00~~
5.	Park-type use, landscaping 18-inches additional soil to District design, with light vehicle loading.	~~$53,375.00~~
6.	Light highway, traffic loading, parking, driveways or roadways.	~~$72,375.00~~

~~The total costs in the table to be used for estimating purposes have been established as of January, 1995, and shall be adjusted annually in the month of January using the Engineering News-Record Construction Costs Index for Los Angeles, California. This index on January, 1995, equaled 6,522.61.~~

The total additional costs for these facilities shall be calculated by a professional engineer and approved by District staff.

POLICY

It is the District's policy that, where possible, the District will consider designing and constructing reservoirs and buried concrete reservoirs in a manner to allow joint use of the land adjacent to, and above the concrete reservoir roof. The user requesting the joint use will be required to pay the additional design and construction costs to

accommodate the joint use. Actual costs will be determined on a case-by-case basis as well as consideration of off-sets, such as land.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
ENCOURAGING DISADVANTAGED BUSINESS ENTERPRISE FIRMS	31	12/17/97	

PURPOSE

To encourage Disadvantaged Business Enterprise (DBE) firms to compete~~itively participate~~ for ~~obtaining~~ District professional services and construction contracts.

BACKGROUND

At its~~their~~ meeting on November 16, 1994, the Board of Directors considered ways in which the District could enhance its program of encouraging DBE firm participation on District professional services and construction contracts. The Board approved several~~eight~~ Action Items to assist in this effort. The Action Items were reconsidered at the Board of Directors meeting on the date indicated above and the seven Action Items set forth below were re-adopted.~~Policy No. 21 also encourages participation by small business firms and DBE firms for furnishing professional consulting services.~~

POLICY

It is the Policy of the Otay Water District to encourage participation of Disadvantaged Business Enterprises (DBE), Emerging Business Enterprises (EBE), Minority Business Enterprises (MBE), Small Business Enterprises (SBE), ~~and~~ Women Business Enterprises (WBE), Disabled Veteran Business Enterprises (DVBE) and other historically underrepresented business enterprises (collectively known for the purpose of this Policy as DBE firms), on District professional services and construction contracts.

Board-approved Action Items are as follows:

1. Customize Performance Bond requirements for each project.
2. Customize Liability Insurance requirements for each project.
3. ~~Purchase database lists of DBE firms.~~
4. ~~4.~~3. Place project notifications in DBE plan rooms and publications.
5. ~~5.~~4. Attend conferences on encouraging DBE participation.
5. Encourage Prime (General) Contractor use of DBE firms.

6.

~~7.~~ 6Train DBE firms on submitting bid documents.

~~8.~~7. Break large projects into smaller projects when practicable.

OTAY WATER DISTRICT **BOARD OF DIRECTORS POLICY**			
Subject REVIEW OF PROCEDURES ~~SUNSET REVIEW~~ POLICY	Policy Number	Date Adopted	Date Revised
	44	4/~~-~~4/~~-~~01	~~- - -09~~

Purpose

To establish a ~~Sunset Review P~~policy~~,~~ for review of policies,~~,~~ codes,~~,~~ ordinances,~~,~~ and resolutions related to District Programs.

Background

On April 4, 2001, the Board of Directors approved the application of a ~~Sunset~~ Review Policy to routinely and systematically evaluate and reconsider District Policies and Procedures.~~: (1) Board Policies; (2) Code of Ordinances; (3) Human Resources Policies and Procedures; (4)Uncodified ordinances or resolutions.~~

Policy

It is the policy of the Board of Directors that:

1. The ~~Sunset R~~review shall be a cyclical ongoing process applied to all District P~~p~~olicies and Procedures.~~, codes, ordinances and resolutions adopted by the Board of Directors.~~

2. Exceptions include:

   a. One-time Actions. Resolutions honoring a person or event, or awarding a contract or a grant, or an ordinance consolidating elections on a specific date, shall not require ~~Sunset R~~review.

   b. Actions to Delete. Formal action to delete a policy, code, ordinance or resolution.

   c. Actions Requiring Extraordinary Processes. Certain ordinances, if re-enacted, would require extraordinary processes, such as Environmental Impact Reports or Meet and Confer processes. These would be unnecessarily costly if the Board wished simply to continue an existing ordinance, rather than delete or revise it. Accordingly, the ~~Sunset R~~review shall not be applied to land use (general plan, zoning and subdivision ordinances, etc.) or personnel related ordinances.

d. Waivers. The Board of Directors may make exceptions to this policy and by Board action waive application of ~~Sunset R~~review to specific policies, codes, ordinances and resolutions as deemed appropriate.

3. The ~~Sunset R~~review of all District policies, codes, ordinances and resolutions shall be submitted to the Board of Directors for review and approval periodically~~on a three-year cycle~~. The General Manager, or Designee, shall establish and maintain the procedures and scheduling to ensure compliance with this policy.

4. The responsibilities for performing the tasks involved in the~~Sunset R~~review include the following:

   a. General Manager (GM) or Designee. Develops and maintains a ~~Sunset R~~review ~~S~~schedule and assigns coordination of the review to appropriate Management Groups for completion by their assigned departments.

   b. Chief of Administrative Services~~Sunset Review Committee~~. Facilitates the review of policies, codes, ordinance and resolutions between departments. Schedules meetings when necessary. ~~Members of the committee include Department Chiefs, General Counsel, and Special Assistant to the General Manager, who shall act as facilitator for the committee.~~

   c. Departments. Reviews policies, codes, ordinances and resolutions as scheduled and recommends to Chief of Administrative Services~~and Finance or Chief of Engineering and Water Operations continuance,~~ deletion or revision.~~, and seeks citizen committee input when appropriate.~~

   ~~d.Citizen Committees. Provides comments to departments on staff recommendations as appropriate.~~

   ~~e.~~d. Board of Directors. Determines to continue, delete or revise each policy, code, ordinance or resolution.

~~Sunset Date~~

~~This policy will be reviewed for continuance by 4-30-04.~~

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT SAFETY PROGRAMS	20	12/20/89	7/17/91

PURPOSE

Establish an Otay Water District ("District") policy for a safe working environment for employees.

BACKGROUND

The District is committed to and takes responsibility for establishing, implementing and maintaining an effective Safety Injury and Illness Prevention Program. In addition, the District shall insure that it complies with all applicable federal and state laws.

POLICY

1. It is the District's policy to provide employees with a safe and healthy working environment. Safety will take precedence over expediency or short cuts. Every attempt will be made to reduce the potential of accidents, illness and injuries. A Safety and Health Program will be adopted, implemented and maintained to comply with safety laws, ordinances and accepted standards of safe practice. Safety policies and safe operating procedures shall be developed and maintained in the District Safety Manual.

2. The authority and responsibility for implementing the District's Safety and Health Program will rest with the General Manager. The General Manager will assign the coordination of the District's Safety and Health Program under the direction of the District Safety Officer.

3. The General Manager is hereby authorized to issue rules and regulations to insure that the District Safety Programs will comply with safety laws. The General Manager shall provide a copy of rules and regulations to the Board of Directors upon their issuance or promulgation.

4. The District Safety Officer is responsible for providing technical guidance, directing and administering the Safety and Health Program at a staff level, including:

A. Evaluating the needs of the Safety and Health Program; insuring compliance with applicable federal, state and local regulations;

B. Developing and implementing safety training;

C. Coordinating risk control techniques and accident analysis;

D. Acting as a resource to supervisors on safety issues;

E. Conducting inspections;

F. Participating with supervisors in the enforcement of safety regulations, practices and procedures;

G. Reviewing and following-up on safety inspections and accident investigations;

H. Providing for occupational health and industrial hygiene sampling as required; and

I. Coordinating the efforts of the Safety Committee.

5. All employees shall be required, as a condition of their employment, to follow all safety policies, practices, guidelines and programs that have been established for their protection as well as their fellow employees and the public.

6. Supervisors are responsible for the safety and health of all persons who report or are assigned to them. Each supervisor, with assistance from the Safety Officer, shall be responsible for identifying and correcting any hazardous condition under his or her jurisdiction.

A. All District Supervisors have a key responsibility for safety. The supervisor sets the standards of work and is in direct control of employee work habits. Supervisors shall set the example by their positive safety attitude and working habits.

B. Each Supervisor shall become familiar with and enforce safety regulations, as well as instruct and counsel employees regarding safe work practices and evaluate each employee's work for compliance with safety regulations. Supervisors must assure that every employee is fully informed regarding all hazards to which they may be exposed, and instruct them in the safe method to perform the task.

C. Whenever possible, Supervisors must insure that no unsafe conditions exist in their areas of responsibility and insure that corrective measures have been taken to eliminate or reduce the hazard.

D. Supervisors shall insure that employees attend training and have completed instruction in the use of safety devices and appropriate personal protective equipment and shall direct employees to use those devices and equipment under appropriate conditions.

E. Supervisors must assure that all injured or ill employees receive prompt medical care, and that all occupational accidents and illness are reported immediately. All lost-time accidents will be jointly investigated by the Supervisor, a Safety Committee Member and Safety Officer.

F. Supervisors shall conduct "tailgate" safety meetings at least once every 10 working days. Discussion items shall include safety, recent accidents, "near misses," new equipment, safety procedures, etc.

7. Each employee is required to perform their work in a safe manner, with regard to their own safety, fellow employees and the public. Each employee shall work in conformance with established safety regulations (i.e., Cal/OSHA, Otay Water District safety rules, etc.).

A. Employees must learn to recognize the hazards of the job, and how to avoid those hazards. Employees are required to use protective devices and personal protective equipment furnished by the District whenever required or where a hazard may exist.

B. Employees should take an active role in safety and report unsafe conditions or practices to their supervisor.

C. All employees shall participate in scheduled safety training programs applicable to their job.

D. Horseplay or other acts that may cause an accident or injury are prohibited.

E. All accidents shall be reported immediately to the appropriate supervisor. Injuries other than first aid must be treated by either the occupational physician or employee's personal physician. The employee's personal physician may be used only if the District has been previously informed of this choice.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
RECREATIONAL VEHICLE STORAGE ON OTAY WATER DISTRICT PROPERTY	43	04/02/03	

Purpose

To provide guidelines and requirements for the storage of employee owned recreational vehicles and equipment on District property.

Background

The use of District property by Otay Water District employees for the purpose of storing personal recreational vehicles and equipment is discretionary, offered at the option of the General Manager and is revocable with 48-hour notice. The General Manager shall have final authority in all matters relating to this policy. For purposes of this policy, recreational vehicles and equipment is defined to include, but not limited to, motor homes, camping trailers, and other similar personal recreational property as determined under this policy by the General Manager or his/her designee.

Policy

Contingent upon approval by the General Manager or his/her designee, the storage of personal recreational vehicles and equipment on District property shall be subject to the following:

Location of Storage: The General Manager shall designate District property to be used for purposes of this policy. Only those sites designated by the General Manager may be use for purpose of this policy.

District Approval for Storage: The General Manager or his/her designee shall have authority to approve employee requests to store recreational vehicles and equipment on District property and to limit the number and type of vehicle and equipment approved for storage. The District reserves the right to refuse, for any reason, a request to store a vehicle or equipment on District property.

Condition of Employee's Recreational Vehicles and Equipment: Only recreational vehicles and equipment deemed by the General Manager or his/her designee to be in good operating and physical condition will be approved for storage.

Insurance: Prior to storing recreational vehicles and equipment on District property, proof of current automobile and equipment insurance, including liability and comprehensive coverage, must be submitted to the District. Said insurance must be renewed annually and annual certification must be submitted to the District.

Revocation of Storage Approval: The General Manager or his/her designee shall have authority to revoke approval to use District property, as defined in this policy. Should revocation of approval occur, employees are required to remove their recreational vehicles and equipment within 48 hours of receipt of notice. The District shall attempt to provide written notice but, in the event of necessity, as determined by the General Manager, notice may be verbal or electronic.

Time of Emergency: In time of emergency, as declared by the General Manager or his/her designee, the District shall have the right to remove stored recreational vehicles and equipment as necessary. Employees will provide keys to the District for any vehicle and/or equipment stored on District property.

Indemnification of District and Authorization to Search: Employees approved to store recreational vehicles and equipment shall be required to sign a statement of indemnification and hold the District harmless for any personal illness or death, including the illness or death of a family member or friend of the employees, and any property damage resulting from the use of District property as applied to this policy.

Additionally, employees will be required to sign a statement authorizing the General Manager or his/her designee the right to search employees' personal property stored on District property pursuant to this policy.

Administrative Fee for Storage: The General Manager or his/her designee shall determine an annual rate to cover administrative costs related to this policy. The rate shall not be considered a storage fee or rent.

Administrative and Renewal Calendar: For purposes of this policy, the renewal date is July 1st.

Initial Payment and Annual Renewal: Employees granted permission, as defined in this procedure, to store recreational vehicles and equipment on District property shall pay all Administrative Fees prior to storing equipment.

Renewal of Permission to Store: Renewal fees for all authorized employees, regardless of the date of their initial payment, shall be required to pay 100% of the required administration fee on or before July 1. Fees will not be prorated.

Return of Administration Fee: In the event revocation of storage permission is imposed, and said revocation is within 6 months of payment of initial or renewal fees, 50% of fees will be returned to the employee. In the event revocation occurs after 6 months of payment of fees, no monies will be returned to the employee. In the event of a declared emergency, employee property is removed, or is required to be removed, no monies will be returned.

Other Use of Property: The approval to store recreational vehicles and equipment shall in no way imply approval to store other personal property or imply approval of other use of District property by District employees. The use of District property for major repair, changing oil or other fluids, restoration, and washing of recreational vehicles and equipment or loitering and camping is strictly prohibited.

Access to District Property: For the purposes of this policy, employees may only enter District property Monday through Friday between the hours of 7:00 am and 5:00 pm. Family and friends of those employees approved to store recreational vehicles and equipment, must be accompanied by the employee when entering District property.

Responsibility for Loss and Damage: The District is not responsible for damage or loss to employee's personal property resulting from, but not limited to fire, water/rain, theft, vandalism, graffiti, and acts of God.

Alcohol Beverages, Controlled Substances and Firearms: The transport of, storage and use of alcoholic beverages, controlled substances, firearms, and any material defined by the State of California to be hazardous on District property is strictly prohibited.

OTAY WATER DISTRICT
RECREATIONAL VEHICLE STORAGE AUTHORIZATION
(Policy 43)

Employee Name: _____ Employee Number: _____

Term of Authorization: _____, 20_____ to _____, 20_____

Annual Administration Fees $_____

RV/Equipment Description	Identification No.

Insurance Information:

Carrier Name: _____

Policy Number: _____

Policy Expiration Date: _____

By my signature below, I agree to be bound to the conditions of Otay Water District Policy 43, Recreational Vehicle Storage, and to assume all risk associated with storing my recreational vehicle and equipment on Otay Water District, hereinafter known as "District", property. I further agree to indemnify and hold harmless the District, its officers, employees, and agents from any claims, damages, losses, and expenses including attorney's fees resulting from the use of District property, and to be held to the terms and conditions of the District's Policy 43. By my signature below, I also authorize the District's General Manager or his/her designee the right to search my personal property stored on the District property pursuant to District Policy 43.

BY: _____ DATE: _____
(Signature)

_____
(Printed)

Administration Fee Paid $_____ on _____ and Received by
(Amount) (Date)

_____ _____
(Name of Person Receiving Fee) (Approval Signature)

AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 10, 2011
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
APPROVED BY:			
SUBJECT:	Adopt Resolution No. 4180 Amending the Board of Directors Policy No. 8, to Provide for Annual Reporting of Directors Expenses		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4180 amending Board of Directors Policy No. 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits, revising the requirement for reporting Directors' expenses to an annual basis as required by State statute.

PURPOSE:

To amend Board of Directors Policy No. 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits, revising the requirement for reporting Directors' expenses to an annual basis as required by State statute.

COMMITTEE ACTION: _____

Please see Attachment A.

ANALYSIS:

The current Board of Directors Policy No. 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits, requires that board of directors expenses be reported on a quarterly basis. The current minimum State statute requirement is that directors expenses be reported on an annual basis. Staff is recommending that the policy be revised to correspond with State statute requirements.

A strike-thru copy of Policy No. 8 is attached (Attachment B1) noting the recommended change along with Resolution No. 4180 (Attachment B) for adoption.

FISCAL IMPACT: _____

None.

LEGAL IMPACT:

None.

General Manager

Attachments:

Attachment B - Resolution No. 4180

Attachment B-1 - Strike-thru copy of Policy 8

ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4180 Amending the Board of Directors Policy No. 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits

COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item in detail at a meeting held on July 19, 2011 and supported presentation to the full board.

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

RESOLUTION NO. 4180

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
OTAY WATER DISTRICT
AMENDING POLICY NO. 8 - DIRECTORS
COMPENSATION, REIMBURSEMENT OF EXPENSES

WHEREAS, the District staff and the General Counsel routinely evaluate and make recommendations to update, revise and replace Board policies, in order to ensure that the policies are up to date and maintained to promote best management practices, and

WHEREAS, the District staff and the General Counsel recommend that Policy No. 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits, be amended to correspond with State statute with regard to the reporting of Board of Directors expenses, and

WHEREAS, State statute requires that Board of Directors expenses be reported annually.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Otay Water District that Board of Directors Policy 8, Directors Compensation, Reimbursement of Expenses and Group Insurance Benefits, be revised to amend the requirement with regard to reporting Directors' expenses from quarterly to annually as reflected in Attachment B1.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 15th day of July 2011.

Ayes:

Noes:

Abstain:

Absent:

_____
President

ATTEST:

_____
Secretary

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DIRECTORS COMPENSATION, REIMBURSEMENT OF EXPENSES AND GROUP INSURANCE BENEFITS	08	2/20/91	7/1/09

Purpose

To provide guidelines for payment of compensation and reimbursement of expenses to Directors in connection with their attendance at meetings or the performance of other authorized business, and for group insurance benefits for Directors.

Background

Members of the Board of Directors ("Directors") attend regular, adjourned or special meetings of the Board of Directors ("Board"). In addition, Directors attend other District meetings, committee meetings, association meetings, and educational seminars on behalf of the District. These meetings and seminars are related to District business, water and water related issues, and California special districts. State statutes authorize District payments for meetings, reimbursements of expenses. State law also authorizes the District to provide health and welfare benefits for active Directors and, in limited circumstances, retired Directors if they served 12 years and were first elected prior to January 1, 1995. The District is also authorized to offer health and welfare benefits for retired Directors who commenced office on or after January 1, 1995, if the recipient participates on a self-pay basis.

Policy

The District will compensate Directors on a per diem basis for attendance at authorized meetings or functions and will reimburse Directors for reasonable expenses incurred while traveling on District business to include, lodging, dining, transportation and related incidentals.

A. Directors Per Diem

As provided in Section 1.01 C. of the District Code of Ordinances, each Director shall receive a per diem in the amount of $100 for each day of attendance at meetings of the Board or for each day of service rendered as a Director by request or authorization of the Board, not to exceed a total of ten (10) days in any calendar month. Attendance at any meeting shown on Exhibit A to this Policy shall be deemed a meeting requested or authorized by the Board. Attendance of meetings shall be in accordance with Exhibit A. The President of the Board or the Board may authorize a Director to attend meetings not listed in Exhibit A when the President or the Board determine that it is in the interest of the District that a Director attend, and that such attendance be compensated and expenses reimbursed. Director's claims for per diem amounts shall be made on a "Board of Directors Per Diem and Mileage Claim Form" (Exhibit B). The President of the Board or the Board may approve reimbursement of expenses outside the per diem limit for a Director, if the

Director submits receipts for all of the related District business expenses.

Attendance at a meeting that is not authorized by this policy (pre-approved meetings) or pre-approved by the President may be approved by the Board for per diem. Director's seeking per diem amounts for these meetings shall request that the item be presented to the Board at its next regularly scheduled meeting for consideration. The decision of the Board shall be final.

When travel arrangements require a day earlier arrival or a day later departure, Directors will not be eligible for the $100 per diem, however, reasonable expenses associated with the extended stay will be reimbursed as specified below.

B. Pre-payment of Otherwise Reimbursable Expenses

The Director may request pre-payment of registration, transportation, and lodging, using the "Board of Directors Travel Request Form" (Exhibit C). Pre-payments shall be limited to the Director's expenses only. No advances shall be made on travel expenses.

C. Reimbursement of Expenses

Each Director shall be reimbursed for travel expenses to and from the meetings described in Exhibit A or for any other authorized District business as follows:

1. Authorization

Travel associated with the attendance of meetings or functions for Directors shall be approved in advance by the Otay Water District Board President. To request approval of travel, the Director should complete a "Board of Directors Travel Request Form" (Exhibit B) in order to be eligible for compensation and/or reimbursement. Travel requests will be reviewed and approved by the Board President or the Board.

2. Transportation

a. Air Transportation
The District will endeavor to purchase airline tickets in advance taking advantage of discounts and low airfares.

b. Automobile
1. Personal Auto: Directors may use their personal vehicle. The District will reimburse Directors at the current rate/mile as established by the IRS, plus tolls, parking, etc., provided,

however, if air transportation is available, the total amount of expense paid shall be limited to the cost of coach air travel between points traveled by personal vehicle. Gasoline, collision and liability insurance, and maintenance will be provided by the Director and is deemed covered in the rate/mileage reimbursement.

Directors using personal vehicles on District business must maintain a valid California driver's license and the automobile insurance coverage required by the State of California, or make arrangements for a driver who meets the above requirements. The General Manager's Staff will verify that Directors have a valid driver's license. Directors will also be required to maintain automobile insurance coverage. Proof of such insurance will be submitted two times per year, in January and July, and is required to be eligible for mileage reimbursement.

2. Rental Cars: The District will provide a rental car when needed. Such rental car shall be a compact or mid-size class, unless upgrades are offered at no additional cost to the District.

c. Miscellaneous Transportation
Whenever practicable, bus, taxi, rail, shuttle, etc. transportation may be used in lieu of, or in conjunction with, modes above.

3. Meals and Lodging

a. Meals and Beverages
Whenever travel requires meals, the meals, excluding gratuity, shall be reimbursable, provided the Director presents a receipt along with the "Board of Directors Expense Claim Form" (Exhibit D) for all meals. Reimbursements for expense items where a receipt has been lost will not be paid until the President or the Board has reviewed and approved the expense item. Meals are reimbursable based on the Meals and Incidental Expenses (M&IE) as updated by the U.S. General Services Administration:

1. Full Day Reimbursement
When a Director is traveling for a full day and no meals are provided for by other sources, such

as pre-paid registration, the Director may be reimbursed for meal expenses at the rate provided by the M&IE per day. This amount is exclusive of any gratuities.

2. Single Meal Reimbursement
When a Director requires reimbursement for a single meal while traveling, the maximum meal reimbursement amount shall be at a rate provided by the M&IEfor Breakfast, lunch, and/or dinner, or amounts determined by the President or the Board to be reasonable for the occasion or circumstances. These amounts and any amount approved by the President or Board shall exclude gratuities.

3. Partial Day Reimbursement
When a director will be traveling for a partial day or where a single meal is provided for by other sources such as pre-paid registration, the maximum reimbursement amount shall be at the rate provided by the M&IE per meal, or such other amounts as may be determined by the President or the Board to be reasonable for the occasion or circumstances. In any event all amounts to be reimbursed shall exclude any gratuities.

4. Taxes
The maximum meal reimbursement amounts are inclusive of and assume expenses for taxes. The maximum meal reimbursements shall exclude any and all gratuities.

b. Lodging
The District will reimburse Directors or pre-pay accommodations in single rooms at conference facilities or in close proximity when applicable. Or, in the absence of conference accommodations, normal single-room business, government or commercial class accommodation may be obtained. Under normal circumstances, lodging will not be reimbursed for the night before a conference starts and the night after it ends. However, in situations where available travel schedules would require the Director to leave home before 6:00 AM or return to home after 12:00 AM, lodging for the night before or the night after will be reimbursable.

4. Entertainment

   The District shall not cover any expenses incurred for recreation or entertainment.

5. Incidental Expenses

   Unavoidable, necessary and reasonable authorized expenses will be fully reimbursed by the District. Some examples of allowable expenses are:

   a. Telephone Calls (Business): Calls placed by the Director, to the District office, or for the purpose of conducting District business. Business related calls should be itemized on the Director's "Board of Directors Expense Claim Form" (Exhibit D).

   b. Telephone Calls (Personal): One (1) brief personal call each day away from home, up to a $10 maximum per day.

   c. Telephone Calls (Local): Charges for local calls, for meal or transportation reservations, or for area information related to travel.

   d. Reasonable transportation to local restaurants and to optional functions that are a part of conference events.

   e. Parking fees.

   f. The following expenses are not reimbursable:

      1. Alcoholic beverages

      2. Parking or traffic violations

      3. In-room movies or laundry services

6. Director's Responsibility

   a. Directors must submit a detailed "Board of Directors Expense Claim Form" for reimbursement. Claim forms should be supported by vouchers and itemized receipts of expenditures for which reimbursement is being requested. Receipts must be attached for all expenses. If a receipt is lost, the lost receipt must be noted on the "Board of Directors Expense Claim Form" (Exhibit D) and approved by the President or the Board before any payment can be made. Claim forms shall be submitted within 45 calendar days after the expense was incurred. Expense claims requiring reimbursement to the District, which are not reconciled within 45 calendar days, shall be deducted

from the next month's reimbursement.

b. Expenses will not be reimbursed for meetings that have been pre-paid and not attended. The President or the Board may excuse an absence for a meeting. The absent Director shall provide a verbal or written report at the next regularly scheduled Board meeting stating the reason for the absence and, if appropriate, request that it be excused. Directors will be required to reimburse the district for any pre-paid expenses for any unexcused absence. This reimbursement will be made by deduction from future expenditures.

c. When two (2) or more Directors combine an expense on one receipt, the Director requesting reimbursement should indicate, on or attached to the Director's "Board of Directors Expense Claim Form" the identity of the other persons sharing expenses. This will facilitate appropriate allocation of expenses to each participant.

d. Except where the District sponsors a table at an event, expenses incurred by spouses, family members, or guests are the responsibility of the Director.

e. Staff will create an ~~quarterly~~ annual report showing in detail all expenses for the Directors The report will include all expenses, for example, stipend, mileage, seminar, airline or ground travel, meals, telephone use, the date incurred, and the Director's name. To the extent that Directors report meetings for which they did not receive reimbursement or per diem, those meetings shall be noted on the report. All payments will be listed whether the payment was a reimbursement or direct payment made on behalf of the Director to a vendor. The reports will be presented to the Board of Directors at public meetings.

D. District Group Insurance Benefits

1. Each Director, while serving as a member of the Board of Directors, shall be entitled to the health and welfare and life insurance benefits set forth in the Schedule of Benefits in the District Group Insurance Plan Booklet, which benefits are furnished by the District at District cost, with applicable contributions, for active District employees and Directors. Each active Director shall also be entitled to a $65,000 term life and accidental death and dismemberment insurance policy (subject to policy requirements and any standard age reduction schedule), a

$50,000 travel accidental death and dismemberment policy. In addition to the foregoing, the District will pay premiums for additional individual life insurance coverage in an amount of up to $250,000 for a 20 year term for those active Directors who apply for such coverage with the District's provider and meet the provider's standard underwriting guidelines and policy requirements. If coverage at higher amounts or for a longer term is made available by the provider, each Director may purchase such additional coverage on a self-pay basis.

2. Each former member of the Board of Directors, who served in office after January 1, 1981, who was elected to a term of office that began before January 1, 1995, who is at least 60 years of age, and whose total service at the time of termination is not less than 12 years, shall be entitled to the health and welfare and life insurance benefits set forth in the District Group Insurance Plan Booklet, which benefits are furnished by the District, at District cost, for retired Directors.

E. Miscellaneous

1. The following are not reimbursable expenses:

   a. Cell phone expenses

   b. Service fees for internet access

2. The District does not provide equipment, such as fax machines, computers and laptops to board members for District business use.

Attachments

Exhibit A: Approved Function List
Exhibit B: "Board of Directors Per Diem and Mileage Claim Form"
Exhibit C: "Board of Directors Travel Request Form"
Exhibit D: "Board of Directors Expense Claim Form"

EXHIBIT A

Approved Functions List

Board Policy for payment of per diems and expenses for Director attendance at District meetings:

The Board reviews its authorization and policy for payment of per diems (pre-approved meetings) annually, in January following reorganization of the Board and election of a new President. Below is the current Board policy:

1. The following meetings are pre-approved for all Directors to attend and receive a per diem and expense reimbursement:

   - Otay Water District Regular and Special Board Meetings
   - Otay committee meetings for committee members only
   - Otay business meetings called by the General Manager and authorized by the President of the Board where individual Directors are requested to attend
   - Except as otherwise specifically excluded in this policy, official District functions that take place during normal business hours where Directors are requested to attend by either the Board President or the Board
   - Semi-annual conference of the Association of California Water Agencies
   - Regular quarterly meetings of the Water Agencies Association of San Diego County
   - Regularly monthly meeting of Council of Water Utilities
   - Business meetings and conferences of the California Special District Association held in San Diego County

   All other meetings not listed here require pre-approval by the President or Board.

2. The following meetings are pre-approved for designated Otay Director representatives or designated alternate. The District Secretary will maintain an updated list of designated Director representatives. Any other Director who wishes to attend these meetings and receive a per diem must have approval from the President or Board prior to the event or be designated by the President or Board, as an alternate. The pre-approval shall include the attendance of the Director at the commission, committee, board or meeting and any committee, subcommittee or other official or posted meeting of the agencies, commissions, committees or boards listed below:

- Planning Group and City Commission meetings that fall within the boundaries of each directors district (when issues impacting OWD are discussed)
- Inter-Agency Committee Meeting
- METRO (TAC/AFFORD) Commission
- ACWA or CSDA meetings/conferences
- Water Conservation Garden

3. The Board President or his designee is pre-authorized to attend District business meetings with cities and other agencies to represent Otay Water District, and may claim a per diem and expenses. Any other Director desiring to attend the same meeting of this nature would require approval to attend from the President or the Board in order to receive a per diem and expense reimbursement.

4. When the President or the Board appoints a director(s) to a committee, the meeting(s) shall be considered pre-approved for per diem and expense reimbursement.

5. The following meetings are not eligible for pre-approved per diem claims:
   a) Attending other Districts' Board meetings
   b) Otay employee appreciation breakfast, luncheons or dinners
   c) Retirement receptions
   d) Otay picnics or dinner-dances or other purely social events
   e) CWA meeting attendance (by Otay Water District appointed CWA Board Member(s))
   f) Chamber of Commerce events
   g) First Friday Breakfasts unless presenting Otay official business to the assembly
   h) Any political campaign event or function

6. In order to submit a per diem/travel reimbursement the member must attend at least 50% of the meeting (per day) and the reimbursement request must be submitted within 45 days of the occurrence, otherwise it may be considered attended without per diem. The President of the Board will make the final determination.

7. All other meetings/conferences/tours/seminars/workshops/functions not listed in this policy must be pre-approved by the Board President or the Board.

EXHIBIT B

OTAY WATER DISTRICT

BOARD OF DIRECTORS

PER-DIEM AND MILEAGE CLAIM FORM

Pay To: _____ Period Covered:

Employee Number: _____ From: _____ To: _____

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS

Total Meeting Per Diem: $ _____
($100 per meeting)

Total Mileage Claimed: _____ **miles**

_____
(Director's Signature)

GM Receipt: _____ **Date:** _____

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

INSTRUCTIONS ON REVERSE

EXHIBIT B

INSTRUCTIONS FOR PREPARATION OF
BOARD OF DIRECTORS PER DIEM CLAIM FORM

1. Record the date, and name or purpose/issues discussed of meeting attended on behalf of the District.

   Note: The District will pay Director's per-diem for one meeting/ function per day and the maximum of 10 meetings/functions per month. If a Director attends more than 10 meetings/functions (10 days), the District will reimburse for the mileage and any reimbursable out-of-pocket expenses incurred for these additional meetings.

2. Record number of miles (round trip) driven to attend meeting/ function.

The use of personal vehicles in the conduct of official District business shall be reimbursed at the current Internal Revenue Service rate. The Director's expense claim should indicate the nature of the trip. If a trip begins at home, the District will reimburse the mileage from home to destination and return mileage. District insurance does not cover personal vehicles while they are being driven on District business. The reimbursement rate is inclusive of an allowance for insurance costs. The District will reimburse Directors for the deductible under their personal insurance policy should they be involved in an accident while on District business. To be eligible for reimbursement, each Director shall maintain a current California driver's license and at least the minimum vehicle liability insurance required by State law or shall arrange for a driver who meets said standards.

The District will not reimburse the cost of travel of a personal nature taken in conjunction with travel on official business.

Claim forms shall be submitted within 45 calendar days after the meeting date. Expense claims requiring reimbursement to the District which are not reconciled within 45 calendar days, shall be deducted from the next month's reimbursement.

No information on the Per Diem Claim Form may be designated as confidential in nature. All expenses must be fully disclosed on the form.

EXHIBIT C

OTAY WATER DISTRICT

BOARD OF DIRECTORS
TRAVEL REQUEST FORM

Director: _____ **Date of Request:** _____

Name and Location of Function: _____

Date(s) function to be held: _____ - _____

Sponsoring Organization: _____

Request for Prepayment of Fees Related to the Function:

Expense Type	Not Needed	Pre-Payment Requested
Registration	☐	☐
Airline	☐	☐
Auto Rental	☐	☐
Mileage	☐	N/A
Taxi/Shuttle	☐	N/A
Lodging	☐	☐
Meals	☐	N/A
Other Expenses – Explain Below	☐	☐

Lodging Preference: _____

Explanation of Other Expenses: _____

_____ _____

Signature of Director **Date of Request**

For Office Use Only Below This Line

Date of Board Approval: _____

Expense Type	Description	Amount Pre-Paid
Registration		
Airline		
Auto Rental		
Mileage		N/A
Taxi/Shuttle		N/A
Lodging		
Meals		N/A
Other Expenses		

_____ _____

District Secretary Date Processed

EXHIBIT D

OTAY WATER DISTRICT

BOARD OF DIRECTORS
EXPENSE CLAIM FORM

Pay To: _____ Period Covered:

Employee Number: _____ From: _____ To: _____

ITEMIZED REIMBURSEMENT CLAIMED
(Attach receipts for expenses greater than $10)

Date	Type of Reimbursement	Amount
	TOTAL Reimbursement Claimed:	$

Director Signature: _____ Date: _____

GM Receipt: _____ Date: _____

INSTRUCTIONS ON REVERSE

INSTRUCTIONS FOR PREPARATION OF BOARD OF DIRECTORS EXPENSE CLAIM FORM

The necessary expenses incurred while traveling on District business including common carrier fares (economy class), automobile rental charges, District business telephone calls, one personal telephone call home each day ($10 maximum per day), lodging, baggage handling, parking fees, meals, etc. will be reimbursed when documented on the Director's Per Diem and Expense Claim Forms. Receipts must be attached for all meal expenses. If a receipt is lost, the lost receipt should be noted next to the expense and submitted to the President before any reimbursement can be made. Receipts are required for the reimbursement of all expenses.

All receipts must have the nature of the expense and the business purpose noted on the receipt.

The District will not reimburse the cost of travel of a personal nature taken in conjunction with travel on official business.

Meals shall be reimbursed up to $46 per day, or an amount determined by the President of the Board of Directors to be reasonable for occasion or circumstances, exclusive of any gratuities. Partial days shall be reimbursable at a rate of $8 for breakfast, $13, for lunch and $25 for dinner, or amounts determined by the President of the Board of Directors to be reasonable for the occasion or circumstances, excluding any gratuities. The above amounts may be combined if travel status requires two (2) or more meals. The meal reimbursement amounts are inclusive of and assume expenses for taxes only. Gratuities are not reimbursable and are excluded. Where pre-paid registration includes meals, only meals that are not included in the registration will be reimbursable.

Any receipts that include costs of personal travel (e.g., hotel receipt for employee and spouse) should identify what the cost would have been without personal travel (e.g., single room rate as opposed to double room rate).

Claim forms shall be submitted within 45 calendar days after the expense was incurred. Expense claims requiring reimbursement to the District which are not reconciled within 45 calendar days, shall be deducted from the next month's reimbursement.

No information on the Expense Claim Form may be designated as confidential in nature. All expenses must be fully disclosed on the form.

The following expenses are <u>not reimbursable:</u>

a. Alcoholic Beverages

b. Parking or traffic violations

c. In-room movies

d. Laundry service

e. Entertainment or recreation

f. Expenses incurred by spouses, family members, or guests.

AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 10, 2011
SUBMITTED BY:	James Cudlip, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration		
SUBJECT:	Annual Review of Investment Policy (Policy No. 27) and Adoption of Resolution No. 4184 Amending the Policy and Re-Delegating Authority for all Investment Related Activities to the Chief Financial Officer		

GENERAL MANAGER'S RECOMMENDATION:

That the Board receives the District's Investment Policy (Policy #27) for review, and adopts Resolution No. 4184 amending the policy and re-delegating authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

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

ANALYSIS:

The proposed Investment Policy (Attachment C) revises the existing Policy (Exhibit 1), which was approved by the Board on September 6, 2006. The only change to the existing policy is to add the *Restricted New Water Supply Fund* (para. 2.2.6), as an additional Capital Project Fund of the District, in accordance with the District's Reserve Policy which was revised effective November 3, 2010.

The primary goals of the investment policy are to assure compliance with the California Government Code, Sections 53600 et seq, and to protect the principal of the funds. The code provides a broad range of investment options for local agencies, including Federal Treasuries, Federal Agencies, Callable Federal Agencies, the State Pool, the County Pool, high-grade corporate debt, and others. Over the past two years, the size of the District's portfolio has fluctuated between $115 million and $65 million due to large outlays for construction projects, and the influx of bond proceeds from the COPS/BABS-2010 funding.

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

FISCAL IMPACT:

None.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Resolution No. 4184
   Exhibit 1: Strike-through Investment Policy No. 27
C) Proposed Investment Policy No. 27
D) Portfolio Management: Portfolio Summary
E) Investment Policy Presentation

ATTACHMENT A

SUBJECT/PROJECT:	Annual Review of Investment Policy (Policy No. 27) and Adoption of Resolution No. 4184 Amending the Policy and Re-Delegating Authority for all Investment Related Activities to the Chief Financial Officer

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee receives the Investment Policy (Policy No. 27) for review, and adopts Resolution No. 4184 amending the policy and re-delegating authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.

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.4184

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
OTAY WATER DISTRICT AMENDING
INVESTMENT POLICY NO.27 OF THE
DISTRICT'S CODE OF ORDINANCES

WHEREAS, the Otay Water District Board of Directors have been presented with an amended Investment Policy No. 27 of the District's Code of Ordinances for the financial management of the Otay Water District; and

WHEREAS, the amended Investment Policy has been reviewed and considered by the Board, and it is in the interest of the District to adopt the amended Investment Policy; and

WHEREAS, the strike-through copy of the proposed policy is attached as Exhibit 1 to this resolution; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Otay Water District that the amended Investment Policy, incorporated herein as an attachment, is hereby adopted.

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a board meeting held this 10th day of August 2011, by the following vote:

Ayes:
Noes:
Abstain:
Absent:

_____
President

ATTEST:

_____
District Secretary

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

Subject	Policy Number	Date Adopted	Date Revised
DISTRICT INVESTMENT POLICY	27	9/15/93	~~9/6/06~~ 8/10/11

1.0: POLICY

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

2.0: SCOPE

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

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

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

3.0: PRUDENCE

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

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

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

4.1) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Otay Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2) Liquidity: The Otay Water District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

4.3) Return on Investment: The Otay Water District's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through

53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.
The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

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

7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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

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

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

As annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

8.0: AUTHORIZED AND SUITABLE INVESTMENTS

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. The District is governed by the California Government Code, Sections 53600 through 53692, to invest in the following types of securities, as further limited herein:

8.01) United States Treasury Bills, Bonds, Notes or those instruments for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

8.02) Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, may be used up to the maximum permitted by State Law (currently ~~$40~~ $50 million). The District may also invest bond proceeds in LAIF with the same but independent maximum limitation.

8.03) Bonds, debentures, notes and other evidence of indebtedness issued by any of the following government agency issuers:

- Federal Home Loan Bank (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
- Federal National Mortgage Association (FNMA or "Fannie Mae")
- Government National Mortgage Association (GNMA or "Ginnie Mae")
- Student Loan Marketing Association (SLMA or "Sallie Mae")
- Federal Farm Credit Bank (FFCB)

There is no percentage limitation of the portfolio which can be invested in this category, although a five-year maturity limitation is applicable.

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of $100,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

8.05) Commercial paper, which is short-term, unsecured promissory notes of corporate and public entities. Purchases of eligible commercial paper may not exceed 10 percent of the outstanding paper of an issuing corporation, and maximum investment maturity will be restricted to 270 days. Investment is further limited as described in California Government Code, Section 53601(g). Purchases of commercial paper may not exceed 15 percent of the District's portfolio.

8.06) Medium-term notes defined as all corporate debt securities with a maximum remaining maturity of five years or less, and that meet the further requirements of California Government Code, Section 53601(j). Investments in medium-term notes are limited to 15 percent of the District's portfolio.

8.07) Money market mutual funds that invest only in Treasury securities and repurchase agreements collateralized with Treasury securities, and that meet the further requirements of California Government Code, Section 53601(k). Investments in money market mutual funds are limited to 15 percent of the District's portfolio.

8.08) The San Diego County Treasurer's Pooled Money Fund, which is a County managed investment pool, may be used by the Otay Water District to invest excess funds. There is no percentage limitation of the portfolio which can be invested in this category.

8.09) Under the provisions of California Government Code 53601.6, the Otay Water District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to

maturity. Also, the borrowing of funds for investment purposes, known a leveraging, is prohibited.

9.0: INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc., utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 COLLATERALIZATION

Collateralization will be required on certificates of deposit. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

11.0: SAFEKEEPING AND CUSTODY

All security transactions entered into by the Otay Water District shall be conducted on a delivery-versus-payment (DVP) basis.

Securities will be held by a third party custodian designated by the District and evidenced by safekeeping receipts.

12.0: DIVERSIFICATION

The Otay Water District will diversify its investments by security type and institution, with limitations on the total amounts invested in each security type as detailed in Paragraph 8.0, above, so as to reduce overall portfolio risks while attaining benchmark average rate of return. With the exception of U.S. Treasury securities, government agencies, and authorized pools, no more than 50% of the District's total investment portfolio will be invested with a single financial institution.

13.0: MAXIMUM MATURITIES

To the extent possible, the Otay Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase. However, for time deposits with banks or savings and loan associations, investment maturities will not exceed two years. Investments in commercial paper will be restricted to 270 days.

14.0: INTERNAL CONTROL

The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15.0: PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The Otay Water District's investment strategy is passive. Given this strategy, the basis used by the CFO to determine whether market yields are being achieved shall be the State of California Local Agency Investment Fund (LAIF) as a comparable benchmark.

16.0: REPORTING

The Chief Financial Officer shall provide the Board of Directors monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.

- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value, and market value.
- Percentage of the portfolio represented by each investment category.

17.0: INVESTMENT POLICY ADOPTION

The Otay Water District's investment policy shall be adopted by resolution of the District's Board of Directors. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

18.0: GLOSSARY

See Appendix A.

APPENDIX A: GLOSSARY

ACTIVE INVESTING: Active investors will purchase investments and continuously monitor their activity, often looking at the price movements of their stocks many times a day, in order to exploit profitable conditions. Typically, active investors are seeking short term profits.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER/DEALER: Any individual or firm in the business of buying and selling securities for itself and others. Broker/dealers must register with the SEC. When acting as a broker, a broker/dealer executes orders on behalf of his/her client. When acting as a dealer, a broker/dealer executes trades for his/her firm's own account. Securities bought for the firm's own account may be sold to clients or other firms, or become a part of the firm's holdings.

CERTIFICATE OF DEPOSIT (CD): A short or medium term, interest bearing, FDIC insured debt instrument offered by banks and savings and loans. Money removed before maturity is subject to a penalty. CDs are a low risk, low return investment, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from a few months to several years.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured short-term promissory note, issued by corporations, with maturities ranging from 2 to 270 days.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Otay Water District. It includes detailed financial information prepared in conformity with generally accepted accounting principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a set date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures deposits in member banks and thrifts, currently up to $100,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): The Federal Farm Credit Bank system supports agricultural loans and issues securities and bonds in financial markets backed by these loans. It has consolidated the financing programs of several related farm credit agencies and corporations.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANK (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): A stockholder owned, publicly traded company chartered by the United States federal government in 1970 to purchase mortgages and related securities, and then issue securities and bonds in financial markets backed by those mortgages in secondary markets. Freddie Mac, like its competitor Fannie Mae, is regulated by the United States Department of Housing and Urban Development (HUD).

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United

States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): A government owned agency which buys mortgages from lending institutions, securitizes them, and then sells them to investors. Because the payments to investors are guaranteed by the full faith and credit of the U.S. Government, they return slightly less interest than other mortgage-backed securities.

INTEREST-ONLY STRIPS: A mortgage backed instrument where the investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive, and cash flows vary between interest periods. Also, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying mortgages can return less to the holder than the dollar amount invested.

INVERSE FLOATER: A bond or note that does not earn a fixed rate of interest. Rather, the interest rate is tied to a specific interest rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index. An inverse floater increases the market rate risk and modified duration of the investment.

LEVERAGE: Investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and

asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUTUAL FUNDS: An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds, and money market instruments.

MONEY MARKET MUTUAL FUNDS: An open-end mutual fund which invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A self-regulatory organization of the securities industry responsible for the operation and regulation of the NASDAQ stock market and over-the-counter

markets. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

PASSIVE INVESTING: An investment strategy involving limited ongoing buying and selling actions. Passive investors will purchase investments with the intention of long term appreciation and limited maintenance, and typically don't actively attempt to profit from short term price fluctuations. Also known as a buy-and-hold strategy.

PRIMARY DEALER: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions. These dealers submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker/dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC SECURITIES ASSOCIATION (PSA): A trade organization of dealers, brokers, and bankers who underwrite and trade securities offerings.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RANGE NOTE: An investment whose coupon payment varies and is dependent on whether the current benchmark falls within a pre-determined range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REGIONAL DEALER: A securities broker/dealer, registered with the Securities & Exchange Commission (SEC), who meets all of the licensing requirements for buying and selling securities.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding securities issues following their initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.), and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

STUDENT LOAN MARKETING ASSOCIATION (SLMA or Sallie Mae): A federally established, publicly traded corporation which buys student loans from colleges and other lenders, pools them, and sells them to investors.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

OTAY WATER DISTRICT
BOARD OF DIRECTORS POLICY

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

1.0: POLICY

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

2.0: SCOPE

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

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

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

3.0: PRUDENCE

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

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0: OBJECTIVE

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

4.1) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Otay Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2) Liquidity: The Otay Water District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

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delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.
The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

6.0: ETHICS AND CONFLICTS OF INTEREST

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

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Insurance Corporation (FDIC) insured accounts. For deposits in excess of the insured maximum of $100,000, approved collateral shall be required in accordance with California Government Code, Section 53652. Investments in CD's are limited to 15 percent of the District's portfolio.

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- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, and what size deposits and withdrawals are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc., utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.
- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

10.0 COLLATERALIZATION

Collateralization will be required on certificates of deposit. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

11.0: SAFEKEEPING AND CUSTODY

All security transactions entered into by the Otay Water District shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the District and evidenced by safekeeping receipts.

12.0: DIVERSIFICATION

The Otay Water District will diversify its investments by security type and institution, with limitations on the total amounts invested in each security type as detailed in Paragraph 8.0, above, so as to reduce overall portfolio risks while attaining benchmark average rate of return. With the exception of U.S. Treasury securities, government agencies, and authorized pools, no more than 50% of the District's total investment portfolio will be invested with a single financial institution.

13.0: MAXIMUM MATURITIES

To the extent possible, the Otay Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase. However, for time deposits with banks or savings and loan associations, investment maturities will not exceed two years. Investments in commercial paper will be restricted to 270 days.

14.0: INTERNAL CONTROL

The Chief Financial Officer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

15.0: PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The Otay Water District's investment strategy is passive. Given this strategy, the basis used by the CFO to determine whether market yields are being achieved shall be the State of California Local Agency Investment Fund (LAIF) as a comparable benchmark.

16.0: REPORTING

The Chief Financial Officer shall provide the Board of Directors monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.

- Coupon, discount or earnings rate.
- Par value, amortized book value, and market value.
- Percentage of the portfolio represented by each investment category.

17.0: INVESTMENT POLICY ADOPTION

The Otay Water District's investment policy shall be adopted by resolution of the District's Board of Directors. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

18.0: GLOSSARY

See Appendix A.

APPENDIX A: GLOSSARY

ACTIVE INVESTING: Active investors will purchase investments and continuously monitor their activity, often looking at the price movements of their stocks many times a day, in order to exploit profitable conditions. Typically, active investors are seeking short term profits.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BROKER/DEALER: Any individual or firm in the business of buying and selling securities for itself and others. Broker/dealers must register with the SEC. When acting as a broker, a broker/dealer executes orders on behalf of his/her client. When acting as a dealer, a broker/dealer executes trades for his/her firm's own account. Securities bought for the firm's own account may be sold to clients or other firms, or become a part of the firm's holdings.

CERTIFICATE OF DEPOSIT (CD): A short or medium term, interest bearing, FDIC insured debt instrument offered by banks and savings and loans. Money removed before maturity is subject to a penalty. CDs are a low risk, low return investment, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from a few months to several years.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured short-term promissory note, issued by corporations, with maturities ranging from 2 to 270 days.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Otay Water District. It includes detailed financial information prepared in conformity with generally accepted accounting principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a set date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures deposits in member banks and thrifts, currently up to $100,000 per deposit.

FEDERAL FARM CREDIT BANK (FFCB): The Federal Farm Credit Bank system supports agricultural loans and issues securities and bonds in financial markets backed by these loans. It has consolidated the financing programs of several related farm credit agencies and corporations.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANK (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): A stockholder owned, publicly traded company chartered by the United States federal government in 1970 to purchase mortgages and related securities, and then issue securities and bonds in financial markets backed by those mortgages in secondary markets. Freddie Mac, like its competitor Fannie Mae, is regulated by the United States Department of Housing and Urban Development (HUD).

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and

guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): A government owned agency which buys mortgages from lending institutions, securitizes them, and then sells them to investors. Because the payments to investors are guaranteed by the full faith and credit of the U.S. Government, they return slightly less interest than other mortgage-backed securities.

INTEREST-ONLY STRIPS: A mortgage backed instrument where the investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive, and cash flows vary between interest periods. Also, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying mortgages can return less to the holder than the dollar amount invested.

INVERSE FLOATER: A bond or note that does not earn a fixed rate of interest. Rather, the interest rate is tied to a specific interest rate index identified in the bond/note structure. The interest rate earned by the bond/note will move in the opposite direction of the index. An inverse floater increases the market rate risk and modified duration of the investment.

LEVERAGE: Investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrowed money.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase/reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUTUAL FUNDS: An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds, and money market instruments.

MONEY MARKET MUTUAL FUNDS: An open-end mutual fund which invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper.

NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD): A self-regulatory organization of the securities industry responsible for the operation and regulation of the NASDAQ stock market and over-the-counter markets. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

PASSIVE INVESTING: An investment strategy involving limited ongoing buying and selling actions. Passive investors will purchase

investments with the intention of long term appreciation and limited maintenance, and typically don't actively attempt to profit from short term price fluctuations. Also known as a buy-and-hold strategy.

PRIMARY DEALER: A designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions. These dealers submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker/dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC SECURITIES ASSOCIATION (PSA): A trade organization of dealers, brokers, and bankers who underwrite and trade securities offerings.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RANGE NOTE: An investment whose coupon payment varies and is dependent on whether the current benchmark falls within a pre-determined range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REGIONAL DEALER: A securities broker/dealer, registered with the Securities & Exchange Commission (SEC), who meets all of the licensing requirements for buying and selling securities.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding securities issues following their initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.), and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

STUDENT LOAN MARKETING ASSOCIATION (SLMA or Sallie Mae): A federally established, publicly traded corporation which buys student loans from colleges and other lenders, pools them, and sells them to investors.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

OTAY
Portfolio Management
Portfolio Summary
June 30, 2011

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	49,147,000.00	49,234,217.02	49,146,158.75	48.15	882	737	1.045	1.059
Certificates of Deposit - Bank	79,108.00	79,108.00	79,108.00	0.08	730	205	1.380	1.399
Local Agency Investment Fund (LAIF)	35,820,150.35	35,876,619.74	35,820,150.35	35.10	1	1	0.442	0.448
San Diego County Pool	17,013,171.57	16,992,478.65	17,013,171.57	16.67	1	1	0.828	0.840
Investments	**102,059,429.92**	**102,182,423.41**	**102,058,588.67**	**100.00%**	**426**	**356**	**0.797**	**0.808**
Cash								
(not included in yield calculations	965,184.50	965,184.50	965,184.50		1	1	0.042	0.043
Total Cash and Investments	**103,024,614.42**	**103,147,607.91**	**103,023,773.17**		**426**	**356**	**0.797**	**0.808**

Total Earnings	June 30	Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year		68,563.25	1,009,770.66	1,009,770.66
Average Daily Balance		**103,763,282.51**	**105,380,585.04**	
Effective Rate of Return		**0.80%**	**1.25%**	

I hereby certify that the investments contained in this report are made in accordance with the District Investment Policy Number 27 adopted by the Board of Directors on September 6, 2006. The market value information provided by Interactive Data Corporation. The investments provide sufficient liquidity to meet the cash flow requirements of the District for the next six months of expenditures.

7-15-11

Joseph Beachem, Chief Financial Officer

Reporting period 06/01/2011-06/30/2011

Run Date: 07/14/2011 - 15:07

Portfolio OTAY
AP
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.2

Attachment D

Attachment E

DISTRICT INVESTMENT POLICY

Policy # 27

August 10, 2011

POLICY REVIEW

- **Purpose:**
  - Annual Review
  - Adoption of Resolution No. 4184, Amending the Current Policy #27
  - Delegation of Investment Authority

POLICY REVIEW

- **Analysis:**
- Proposed policy adds the *Restricted New Water Supply Fund* (para 2.2.6), as an additional Capital Project Fund of the District, in accordance with the District's Reserve Policy which was revised effective 11-03-10
- Current Policy #27 was last revised 09-06-06

INVESTMENT POLICY GUIDELINES

A. California Government Code:

- Sections 53600 through 53692

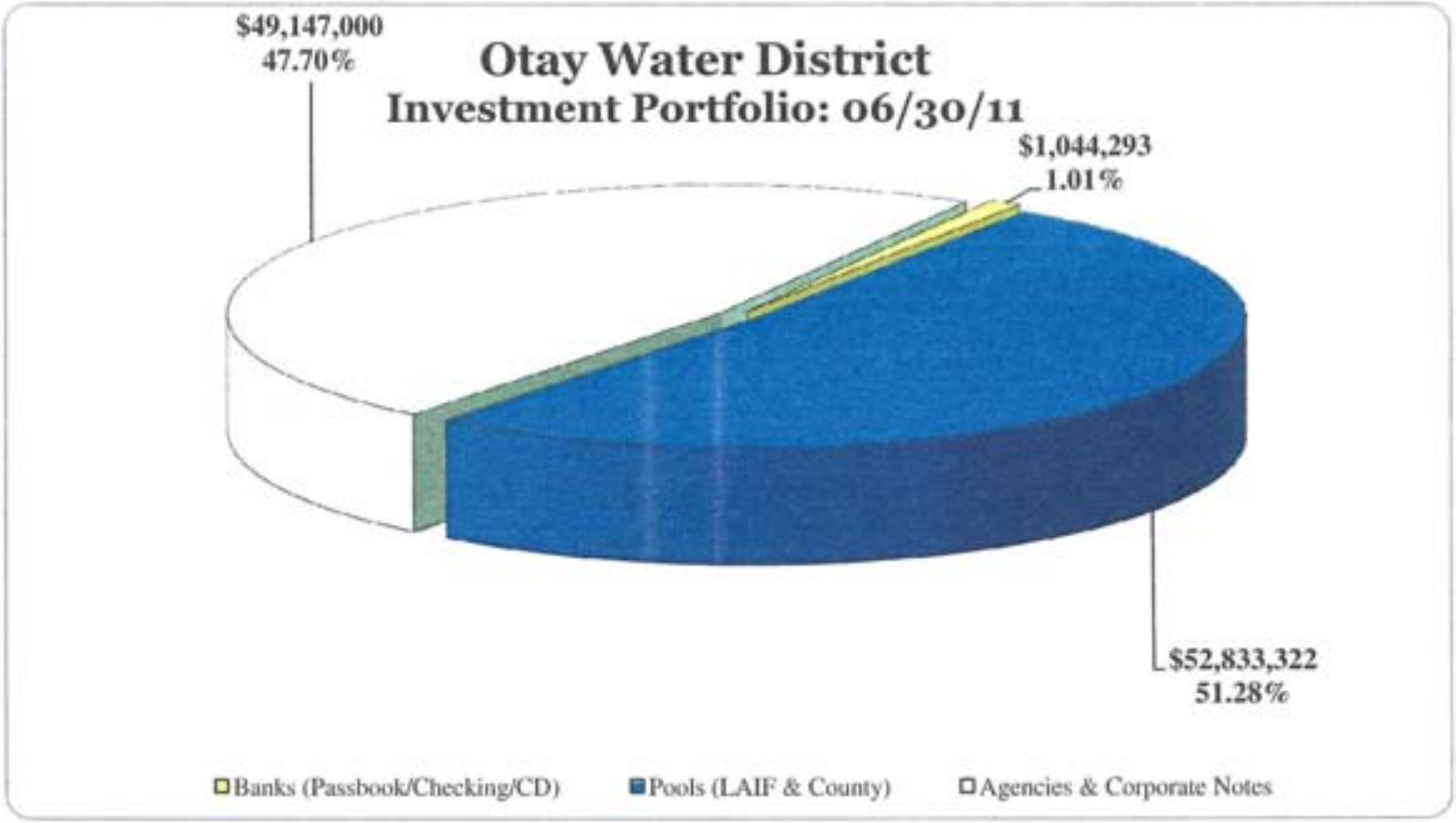
B. Investment Policy Certification:

- Association of Public Treasurers of the United States & Canada (APT US&C)

INVESTMENT PORTFOLIO: 6/30/11

	$('000s)	Authorized $ / %	Actual %
LAIF (Operating)	$31,769	$50 Mil	30.84%
LAIF (Bonds)	$4,051	100%	3.93%
Govt. Agency Bonds	$49,147	100%	47.70%
Bank Deposits & CDs	$1,044	15%	1.01%
San Diego County Pool	$17,014	50%	16.52%
TOTAL:	**$103,025**		

INVESTMENT PORTFOLIO: 6/30/11



INVESTMENT PERFORMANCE

Fund Objectives

- Safety
- Liquidity
- Return on Investment

Fund Performance:	**FY-11**	**FY-10**
OTAY:	1.25%	1.35%
LAIF:	0.50%	0.65%

REQUESTED BOARD ACTION

Adopt Resolution No. 4184 amending Policy #27, and re-delegate authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.