



AGENDA ITEM 7a

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	<i>JTB FOR G.A.</i>		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Information Concerning Long-Term Debt Financing		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the details related to the proposed debt issuance to finance the District's capital infrastructure.

ANALYSIS:

This staff report will review why this debt issuance is recommended at this time, for this amount, how it differs from prior bond issuances, and what actions are required by the Otay Board and the Otay Water District Financing Authority's governing board.

Staff recommends the issuance of debt to finance approximately \$47 million of the capital projects, allocated as follows:

- \$24,000,000 in Expansion Projects
- \$22,000,000 in Betterment Projects
- \$1,000,000 in Replacement Projects

After additional borrowing to cover \$550,000 of estimated issuance costs and the \$3,750,000 funding of a reserve, the total issuance is expected to be approximately \$51.3 million.

Timing of the Debt Issuance

The last debt issuance was in 2007 and was expected to fund two years of the Capital Improvement Program (CIP). Due to the economic slowdown, this debt issuance has been moved out by one year. At the May 2009 budget workshop, where the Board approved the 2010 budget, staff highlighted the need for a debt issuance in Fiscal Year 2010. Staff had targeted an issuance around March of 2010. Staff has reconfirmed, using the latest information available, the need to issue additional debt as the District's reserve balances are expected to drop below the reserve fund target levels by year-end absent the borrowing. The proposed debt issuance will replenish the District's reserves and fund the capital projects for an expected two to three years before the District will again approach the reserve target levels.

Build America Bonds

Due to the availability of the special financing structure "Build America Bonds" (BABs), authorized by the American Recovery and Reinvestment Act, financing costs can be locked in today at a low cost to the District. The lower overall financing cost of the BABs results from a federal government reimbursement to issuers of 35% of interest costs over the life of the issue. Currently, that brings the cost of issuing long-term BABs bonds approximately 50 basis points below comparable term tax-exempt bonds on the longer maturities. The special financing structure is currently only available to issuers until December 31, 2010. While President Obama has recommended making these provisions permanent in his 2011 budget proposal, the benefit as compared to the regular tax-exempt bonds is expected to be eliminated.

As described below, staff expects the District will benefit from issuing a portion of the debt as BABs.

Capital Improvement Funding

The latest refinement of the proposed Capital Improvement Program has a total three-year CIP of \$107.9 million. In 2011 through 2013 approximately \$26M is anticipated to be funded from water rates and \$30M from grants, capacity and other restricted fees. This is approximately 52% of the necessary funding over the next three years leaving approximately \$51.9M to be funded through debt or increased water revenues. This would result in a debt issuance of approximately \$57M after taking into account

costs and debt reserve funding. This amount of debt, as discussed below can not be supported currently and also meet the other financial objectives of the District.

Amount of the Debt Issuance

In May of 2009, at the budget workshop, the projected amount of the debt issuance was \$41 million. Over the past year, staff has revised the rate model multiple times as updated or new information became available. Using the current version of the District's rate model, staff is presented with a range of options for debt financing.

At the higher end, the debt issuance is sized at approximately \$57 million to cover all capital facilities over the next three years, as well as costs and the funding of a debt reserve. At the lower end of possible debt issuances is an issue of approximately \$36.1 million to cover only two years of capital infrastructure needs. A smaller debt issuance would cause unnecessary issuance costs resulting from back-to-back debt issuances.

There are a number of factors in determining the recommended option among this range of sizing options. In the general sense, the preferred option is to select the amount of debt that best meets the overall goals of the District. All options meet the reserve requirements and fund the capital infrastructure, as presented in the most recent projected CIP, discussed below. The differences center around how the options manage debt coverage ratios, interest rate risk, and their effect on customer rates. These factors are discussed immediately below.

Debt Coverage

In order to issue debt at a low cost the District must demonstrate a strong ability to pay the annual debt service. This ability is measured by the debt coverage ratio which is calculated by dividing net water revenues by annual debt payments. For many years the District has used the rate model to monitor the debt coverage ratio and set rates so that this ratio is at or above 150%. Historically, this level of debt coverage has been considered strong, and this along with many other factors has warranted the high AA credit rating given to the District by Standard & Poor's.

This year has presented a number of challenges which have negatively affected the debt coverage ratio. Economic pressures

and conservation have reduced the District's sales to a projected 8% below budget. This, as well as the CWA and MWD rate increases, has directly affected the debt coverage ratio. The amount of debt the District is able to issue in this year is limited to an amount less than \$57M if the District is to maintain its high credit rating.

Historically, a coverage ratio of 150% has been considered strong. With the changes in the market and the special challenges that face California, it is important that the District continue to meet this target. A debt coverage of at least 150% at the current time, is the most prudent way of satisfying the rating agencies potential concerns over the effect of the recession and water supply on District finances. Certain debt coverage levels are established as a means to offset potential revenue declines resulting from further water sales reductions, both as a result of conservation efforts during the water supply crisis and from the consumer's need to reduce household expenses, as well as a decline in new development fees.

In consultation with the District's Financial Advisor, staff has determined that an acceptable amount of debt is \$51.3 million, which will bring the District's debt coverage ratio to approximately 151%. Staff and the Financial Advisor are confident that this new level will maintain the District's high credit ratings. This determination is only possible due to the Board's long standing support of financial strength and excellent management.

Interest Rate Risk

Issuing \$51.3 million in debt takes the maximum advantage of low interest rates, and based on the rate model projections, produces the lowest overall financing costs. This is after taking into account the negative arbitrage, which is the net cost of holding additional debt. Issuing a larger amount of debt has a cost and benefit. The cost, or negative arbitrage, results from borrowing funds at a higher interest rate than they can be reinvested. The benefit of issuing a larger amount of debt in the current year is the expectation of avoiding higher issuance costs or interest rates in the future.

The cost, or negative arbitrage, is realized only for the first two years as compared to 28 years of benefit realized over the remaining life of the bonds. Staff compared the issuance of \$51.3M in debt today compared to a \$36.1M issue today and a

\$15.2M in debt issued two years from now. It is projected that an increase of only 13 basis points in interest rates over the next two years is the threshold over which it is financially beneficial to issue the larger amount of debt in the current year. This projection assumes that the Build America Bonds (BABs) option will not be available or that it will have been cut back to eliminate their benefit over tax-exempt bonds.

The current interest rates are at low levels which make the timing for a debt issuance one of the best since September 2008. Interest rates were relatively stable from January 2006 to March 2007. Leading up to September 2008 and since that time, rates have been unusually volatile, with numerous interest rate swings of over 50 basis points. Four of those swings exceeded one full percent, each occurring in a very short period. By issuing a larger amount of debt at this time the interest rates are locked in and the District is not susceptible to the variability of interest rates for at least three years.

There are a number of factors that can affect interest rates. Long-term treasuries are expected by many economists to increase between 50 and 60 basis points over the next year. While municipal bond interest rates do not track closely to treasury bonds, they are both affected by general inflationary factors. This level of anticipated inflation in the treasury rates over just one year is supportive of the assumption that municipal bonds will increase more than 13 basis points over the next two years.

Both the increase in interest rates and the elimination of the benefit of BABs are reasonable assumptions to build into this analysis. Based on this evaluation, staff will recommend a larger debt issuance at this time.

Customer Rates

With the issuance of the larger amount of debt, \$51.3M, net revenues must increase proportionately in order to maintain the debt coverage ratio to acceptable levels. The option of issuing \$36.1M in debt would have a two year effect of lowering rates by approximately 1.7% in each year; however with the higher priced 2012 debt, which would accompany a 2010 lower debt issuance, there would be a net increase in customer rates of approximately 2% beginning in 2013 and beyond.

Consistent with the District's Debt Policy, Policy No. 45, the recommended financing strategy is expected to reduce the overall

cost to customers by maintaining a strong credit rating and by minimizing the District's overall debt service.

Bond Structuring

In order to obtain the most favorable interest rates, staff recommends that the financing be split into two components, a long-term taxable portion of Build America Bonds, and a short-term tax-exempt portion. While the initial interest rate on BABs is higher than traditional tax-exempt bonds, the effective rate after taking into account the federal reimbursement is lower than traditional tax-exempt bonds for certain longer term maturities. The break-even point is usually about 12-15 years, and BABs are more cost effective for debt maturing from 2025 through 2040.

It is recommended that the financing be structured as one series of BABs, maturing from approximately 2025 through 2040, and one series of traditional tax-exempt bonds maturing from approximately 2011 to 2024, to take the best advantage of the financing options available to the District and incur the lowest overall effective interest costs. Most bond sales utilizing a BAB component are structured in a similar fashion to take advantage of lowest cost of two different types of bonds.

At this time, the estimated overall true interest cost is 4.25%, net of the BABs interest reimbursement. The estimated true interest cost without using BABs would be approximately 4.75%, or .5% higher than with the use of BABs. The use of BABs will save the District approximately \$275,000 annually in debt service costs. Final rates will not be determined until the bonds are actually offered for sale, which is expected to occur on March 17, 2010.

Revenue Bonds/JPA

The investors in Build America Bonds generally prefer the bonds to be issued in a "revenue bond" structure, rather than the traditional "Certificates of Participation" (COPs) that the District has issued in the past. Substantively, there is no difference between a revenue-secured COPs and a revenue bond issued by the District; the security for both forms of debt is identical. However, there is a difference in investor perception, and that could lead to higher interest costs on this financing if the BABs are issued as COPs.

In order to issue revenue bonds instead of COPs, the District needed to partner with another public agency to form a Joint Powers Authority (JPA) to act as a conduit issuer of the revenue bonds. In February 2010, the Board became a member of the California Municipal Finance Authority (CMFA). Membership in CMFA was the first step in the process of forming a JPA between the District and CMFA. The JPA, to be known as the "Otay Water District Financing Authority," is a single purpose entity controlled by the District for the sole purpose of issuing revenue bonds for the benefit of the District. CMFA will have a very limited role in the bond transaction, and all financial decisions regarding the bonds will be made solely by the District. In the recent CWA debt financing this exact structure was used.

The Board of the CMFA will consider approving the JPA agreement at its February 19, 2010 meeting. If CMFA approves the formation of the Otay Water District Financing Authority ("Authority") and approves the form of JPA agreement, as anticipated, the JPA agreement will be presented to this Board for approval on March 3, 2010.

In addition, the first regular meeting of the Authority will be noticed for March 3, 2010, as required under the Brown Act. This Board will be designated to serve as the Authority Commission for the Authority and, after approving the Bylaws and appointing officers for the Authority, the Authority Commission will consider a resolution to authorize the issuance of debt and approve the form of the bond documents.

Negotiated Sale of Bonds

The District used a competitive bidding process for sale of its COPs in 2004 and 2007 and for the recent sale of its General Obligation Refunding Bonds in 2009. These transactions were standard, tax-exempt financings with typical call provisions with no major change in maturity or structure required once the bids were received.

In general, Build America Bonds are not sold through a competitive bidding process. The desire to move maturities of the bonds between taxable BABs and tax-exempt bonds in response to market conditions (the break-even point between effective rates on the two series of bonds) on the day of the bond sale requires flexibility to implement. This flexibility can only be achieved by selecting one underwriter to negotiate for the sale of bonds. In a negotiated sale, the underwriter is better able

to canvass their investor base and gauge response to a change in maturity. In addition, optional redemption provisions are not standard for taxable bonds like BABs. The underwriter needs to work with investors to accept the most liberal provisions it can to provide the District cost effective call options.

The District solicited proposals from six firms with the most experience in marketing California BABs. Citigroup Global Markets, Inc. ("Citi") was selected for this issue, based on their ability to market both the BABs and the tax-exempt bonds at the lowest possible cost to the District, as well as a competitive fee structure. The Financial Advisor will assist the District in determining that the bonds sold by Citi are sold at competitive interest rates.

In selecting Citi, staff and the Financial Advisor assessed three factors:

1. the demonstrated ability to market BABs at the lowest costs;
2. the demonstrated ability to market tax-exempt bonds at the lowest cost; and
3. proposed fees.

Financing Participants

In addition to the underwriter, who will purchase the bonds from the JPA and sell them to investors, the District has selected the following firms to assist in the financing:

GCR, LLP is acting as Bond Counsel and will prepare all legal documents required to provide valid pledge of revenue to the bonds, as well as provide an opinion as to the tax treatment of interest on either series of bonds.

Harrell & Company Advisors, LLC was selected as Financial Advisor and will assist with structuring the bonds, negotiating fees and interest rates with the underwriter and preparing the Official Statement.

Stradling Yocca Carlson & Rauth is acting as Disclosure Counsel and will review the Official Statement to make sure all information material to an investor's decision to purchase the bonds is included in the document.

Union Bank is acting as Trustee, receiving debt service payments from the District and transmitting them to bond owners.

Fees for the professionals involved in the financing are all contingent on the bond closing and will be paid from the proceeds of the bonds. In addition, fees charged by CMFA to assist in the creation of the JPA and the issuance of the bonds will be paid from proceeds of the bonds.

Actions

Several actions are required to accomplish the financing as described.

1. The District will be asked to consider Resolution No. 4154 approving the Joint Powers Agreement by and between the District and CMFA which will create the Otay Water District Financing Authority (Authority) and allows the District's financing to be structured as revenue bonds. The CMFA board approved the Joint Powers Agreement on February 19, 2010.
2. The District will be asked to consider Resolution No. 4155 approving the form of the following financing documents:
 - Installment Purchase Agreement by and between the District and the Authority;
 - Trust Agreement;
 - Continuing Disclosure Agreement;
 - Official Statement relating to the Bonds; and
 - Bond Purchase Agreement.

The resolution also provides the designated District officials and staff with the authorization to approve changes to the form of, and to execute and deliver the various financing documents in connection with the bonds, circulate a Preliminary Official Statement and an Official Statement and execute a Bond Purchase Agreement with the underwriter, Citigroup Global Markets, Inc. The resolution provides that the bonds may be issued in two series, with a combined maximum amount not-to-exceed \$52,000,000, at a true interest cost not-to-exceed 7.0% with respect to BABs and not-to-exceed 5.0% with respect to the series of bonds that will be tax-exempt. The underwriter's discount or takedown will not exceed \$4.41 per \$1,000 for the tax exempt bonds and \$6.26 per \$1,000 for the BABs.

3. The Authority, in a special Board meeting, will be asked to consider Resolution No. 2010-01 approving the Authority's bylaws and appointing its officers.
4. The Authority, in a regular Board meeting, will be asked to consider Resolution No. 2010-02 approving the form of the following financing documents:
 - Trust Agreement by and between the Authority and the Trustee;
 - Installment Purchase Agreement by and between the District and the Authority;
 - Continuing Disclosure Agreement;
 - Official Statement relating to the Bonds; and
 - Bond Purchase Agreement.

The resolution also provides the designated Authority officials and staff with the authorization to execute the various financing documents in connection with the bonds, circulate a Preliminary Official Statement and an Official Statement and execute a Bond Purchase Agreement with the underwriter, Citigroup Global Markets, Inc. The resolution provides that the bonds may be issued in two series, with a combined maximum amount not-to-exceed \$52,000,000, at a true interest cost not-to-exceed 7.0% with respect to BABs and not-to-exceed 5.0% with respect to the series of Bonds that will be tax-exempt. The underwriter's discount or takedown will not exceed \$4.41 per \$1,000 for the tax exempt bonds and \$6.26 per \$1,000 for the BABs.

FISCAL IMPACT:



The sale of the \$51.3M in bonds will provide debt funding for approximately three of the District's Six-Year CIP, while maintaining operating and capital reserve levels in accordance with the Board's Reserve Policy. The bonds will have a 30-year maturity and may be issued in two series, one series of BABs and one series of traditional tax-exempt bonds. Final determination of the size and maturity of each series will be based on market conditions at the time of sale and the combination that provides the lowest overall net interest cost to the District. At the estimated true interest cost of 4.25%, net of the BABs interest

reimbursement, the annual debt service on the bonds is projected to be approximately \$2.92 million, net of the BABs interest reimbursement.

STRATEGIC GOAL:

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

LEGAL IMPACT: _____

None.

A handwritten signature in blue ink that reads "Mark Watton" is written over a light blue rectangular background. Below the signature is a horizontal line.

General Manager

Attachments:

- A) Committee Action Form
- B) Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Information Concerning Long-Term Debt Financing
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item in detail at a meeting held on February 19, 2010. The following comments were made:

- Staff is proposing that the District issue debt to fund a portion of the District's Capital Improvement Program totaling \$107.9 million over the next three (3) years.
- In May 2009 the board approved the 2010 budget wherein staff highlighted the need for a debt issuance in Fiscal Year 2010. As anticipated, reserve balances are expected to drop below the reserve fund target levels by year-end as the District continues to fund capital expenditures. The proposed debt issuance will replenish the District's reserves and fund the next three years of capital projects.
- In 2011 through 2013, the \$107.9 million Capital Improvement Budget will be funded as follows:
 - \$26 million through water rates
 - \$30 million through grants, capacity and other restricted fees; and
 - \$51.9 million through debt or increased water revenues.
- It was discussed that the District could issue \$57 million to obtain the needed \$51.9 million to cover three years of capital facilities expenditures, fund the debt reserves and fund financing costs.
- The other option is to issue \$36.1 million in debt to cover two years of capital facilities expenditures, fund the debt reserves and fund financing costs. If the District were to issue debt to cover only one year of capital facilities then this would compound the cost of issuance with back to back debt issuances. A two year

debt issuance is the minimum recommended to avoid these unnecessary costs.

- It was discussed that staff reviewed how the District's credit rating would be negatively impacted if it issued \$57 million in debt. It was determined that a debt issuance of \$51.3 million would keep the District's debt coverage ratio above 150%. By keeping the District's debt coverage ratio above 150%, it will help satisfy the rating agencies potential concerns over the effect of the recession and water supply on the District's finances.
- Staff also evaluated Negative Arbitrage versus Future Costs if the District were to issue debt to cover three years of capital facilities expenditures (cost to carry the funds for three years versus the cost if interest rates increased). It was discussed that current interest rates are at low levels and by locking in at a fixed rate on a larger amount of debt, the District would not be susceptible to the variability of interest rates for at least three years. Also, by locking in on a low interest rate, the District will minimize the overall cost of financing.
- Staff indicated that if the District issued \$51.3 million in debt as opposed to \$36.1 million, the impact to rates would be as follows:
 - +1.7% increase in 2011
 - +1.7% increase in 2012
 - -5.6% decrease in 2013

The overall impact is a net reduction of rates by approximately 3% after the first two years.

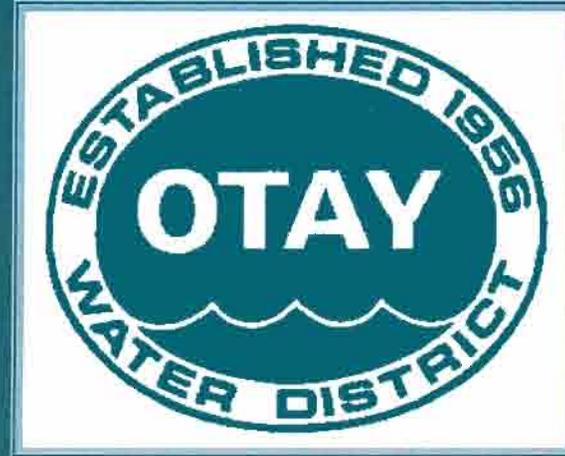
- For this debt issuance, staff is proposing that the District issue \$51.3 million with a combination of Build America Bonds (BABs) and tax exempt bonds. The split between the two will be determined at the time of sale based on relative benefits of each at that time. BABs were created to entice the taxable investors to invest in municipal bonds and issuers of these bonds receive a subsidy of 35% of the interest cost from the Federal Government. The estimated interest cost of the debt issuance, net of the BABs interest reimbursement, is 4.25%. This is 0.50% lower than if the District did not

issue BABs (an approximate savings of \$275,000 annually).

- The committee inquired if issuing \$36.1 million would cover the District's financial needs. It was discussed that if the District issued \$36.1 million in debt this year, it would need to issue \$50 million again in two years. It was further shared that this may be the last year that the Federal government will reimburse the BABs issuers 35% of the interest cost.
- It was discussed that investors in BABs generally prefer bonds issued in a "revenue bond" structure, rather than the traditional "Certificates of Participation" (COPs) that the District has issued in the past. Substantively, there is no difference between a revenue-secured COPs and a revenue bond issued by the District. The security for both forms of debt is identical. However, investor's perception differ and interest cost on the issuance could be higher if the BABs are issued as COPs.
- In order to issue revenue bonds, a Joint Powers Authority (JPA) must be created to act as a conduit issuer of the revenue bonds similar to the District's Otay Service Corporation which is the conduit to issue COPs. The District will partner with the California Municipal Finance Authority (CMFA) and form a JPA to be known as the "Otay Water District Financing Authority." The JPA will be controlled by the District for the sole purpose of issuing revenue bonds for the benefit of the District. It was noted that the District started the process for the formation of the JPA when the board approved the District becoming a member of the CMFA at the February 3, 2010 board meeting.
- The CMFA board will be considering the approval of the JPA agreement at its February 19, 2010 board meeting. If the CMFA approves the formation of the "Otay Water District Financing Authority" and approves the form of the JPA agreement, the JPA agreement will be presented to the District's board for approval at the March 3, 2010 board meeting. (Note: CMFA has approved the formation of the Otay Water District Financing Authority.)

- The first regular meeting of the JPA will also be noticed for March 3, 2010. The Otay board will be designated to serve as the JPA's Commission and will be presented the JPA's bylaws for approval and appoint officers for the authority.
- The committee discussed that, in general, BABs are not sold through a competitive bidding process. On the day of the bond sale, it will be necessary to move maturities of the bonds between taxable BABs and tax-exempt bonds in response to market conditions (the break-even point between effective rates on the two series of bonds) which will require flexibility to implement. To achieve this flexibility, the District will require an underwriter to negotiate the sale of the bonds. In a negotiated sale, the underwriter is better able to canvas their investor base and gauge response to a change in bond maturity.
- The District solicited proposals from six (6) firms with the most experience in marketing California BABs. Citigroup Global Markets, Inc. (Citi) was selected to underwrite this issuance based on their ability to market both the BABs and tax-exempt bonds. The District's Financial Advisor will assist the District in determining that the bonds sold by Citi are sold at competitive interest rates.
- It was discussed that CWA had also issued bonds with an identical structure using both tax-exempt bonds and BABs bonds in their most recent debt issuance.

Following the discussion, the committee supported staffs' recommendation and presentation to the full board as an action item.



Capital Financing Plan

March 3, 2010

Financing Plan

- **Timing of Debt**
- **CIP to be Funded**
- **Sizing of the Debt**
- **Build America Bonds**
- **Otay Water District JPA**
- **Selection of Underwriter**
- **Pending Actions**

Timing of Debt

Reserve levels are approaching target levels and will fall below target level as the fiscal year continues. Capital expenditures are expected to decrease reserves another \$12M by 6/30/10.

Current water reserve levels and year-end targets are:

<u>Fund</u>	<u>12/31/09 Balances</u>	<u>6/30/10 Targets</u>
General Fund	\$15.1M	\$14.9M
Expansion Fund	\$16.2M	\$7.6M
Betterment Fund	\$2.5M	\$2.9M
Replacement Fund	<u>\$24.5M</u>	<u>\$23.2M</u>
	\$58.3M	\$48.6M

Funding CIP with debt maintains reserves at or above target levels.

CIP Funding

The District continues to have a substantial CIP.

Projections for next three years are:

2011	\$28.9M
2012	\$35.0M
2013	<u>\$44.0M</u>
Total	\$107.9M

In 2011 through 2013, approximately \$26M is anticipated to be funded from water rates and \$30M from grants, capacity and other restricted fees. This is approximately 52% of the necessary funding over the next three years leaving approximately \$51.9M to be funded through debt or increased water revenues.

Reliable water supplies and obtaining new sources of water are a prominent feature in the future CIP.

Sizing of the Debt

- **Range of Options**
 - 3 years of CIP \$57.0M
 - 2 years of CIP \$36.1M
- **Protection of the District's Credit Rating**
 - Effect on the Debt Coverage Ratio
- **Negative Arbitrage**
- **Effect on Rates**

Rate Covenant

Credit Strength Based in Part on Ability to Implement Rates to Maintain Adequate Coverage Ratio

With a proposed debt issuance of \$51.3M the anticipated Debt Coverage Ratios remain above target of 150%

2010 187%

2011 158%

2012 151%

Debt coverage has a minimum of 125%

Negative Arbitrage vs. Future Costs

- Evaluated the likelihood of future financing cost increases weighed against the negative arbitrage to hold funds
- Conclusion – Recommendation is to maximize the 2010 financing within constraints
 - Lock in interest rates
 - Leads to predictable rate increase for next three years
 - Minimizes the overall cost of financings

Rate Model

The approximate rate impact of issuing the larger recommended amount of debt \$51.3M as compared to the lesser \$36.1M debt is as follows:

2011	+1.7%	Increase in rates
2012	+1.7%	Increase in rates
2013	-5.6%	Decrease in rates

Net Benefit is approximately 3% beginning in 2013 and beyond.

Recommended Bond Size

- **Bond Size Estimated at \$51.3M**
 - \$47.00M in CIP
 - \$ 3.75M to Debt Service Reserves
 - \$ 0.55M to Issuance Costs
- **Annual Debt Service of \$2.92M Net of BAB Reimbursement**
- **Effective Interest Rate 4.25%**

Build America Bonds

Authorized by American Recovery and Reinvestment Act

**Bonds are Issued at Taxable Rates and
US Treasury Reimburses Issuer for 35%
of Interest Cost**

Build America Bonds

Most Cost Effective at the Longer End of Yield Curve (2025 and later)

- **Tax-Exempt Series 2011-2024**
- **Taxable BAB Series 2025-2040**

Build America Bonds

**Results in Approximately 50 Basis
Points Reduction in Interest Rates
Compared to 100% Traditional
Tax-exempt Bonds**

(Approx. \$275,000 Annually)

Otay Water District Financing Authority

- **Joint Powers Agreement with CMFA**
- **Allows Issuance of Revenue Bonds Instead of Traditional COPs**
- **More Desirable by Taxable Build America Bond Investors**

Underwriter Selection

- **Difficulties with marketing BABs through competitive sale**
- **RFP solicited from 6 firms**
- **Citigroup Global Markets Inc. selected based on ability to market both BABs and tax-exempt bonds at lowest rate; competitive fees**

Pending Actions to Approve Bonds

District Board

- Approve Resolution No. 4154 to form the JPA
- Approve Resolution No. 4155 approving the Bond Underwriter and the following Bond documents
 - Installment Purchase Agreement
 - Trust Agreement
 - Continuing Disclosure Agreement
 - Official Statement
 - Bond Purchase Agreement

Pending Actions to Approve Bonds

Financing Authority

- Approve Resolution No. 2010-01 approving the bylaws and appointing commissioners and officers of the JPA
- Approve Resolution No. 2010-02 approving the Bond Underwriter and the following bond documents
 - Installment Purchase Agreement.
 - Trust Agreement
 - Continuing Disclosure Agreement
 - Official Statement
 - Bond Purchase Agreement

Summary

- Reserve levels are approaching target levels
- Debt is sized to maintain debt coverage ratios
- AA rating is expected to be maintained
- New debt structure to minimize cost of debt
- \$51.3M debt issuance to be approved with the pending Board actions

Questions?

AGENDA ITEM 7b



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Authorizing the Otay Water District to Execute a Joint Exercise of Powers Agreement with the California Municipal Finance Authority to Establish the Otay Water District Financing Authority; Authorizing the Execution and Delivery of an Installment Purchase Agreement, a Bond Purchase Agreement, a Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; Approving the Selection of an Underwriter for the Bonds		

GENERAL MANAGER'S RECOMMENDATIONS:

That the Board (i) adopt Resolution No. 4154 authorizing the General Manager to execute a Joint Exercise of Powers Agreement (JPA) with the California Municipal Finance Authority (CMFA) to establish the Otay Water District Financing Authority (Authority); (ii) adopt Resolution No. 4155 Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, A Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official Statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; and (iii) approve the selection of an Underwriter for the Bonds.

COMMITTEE ACTION: _____

Please see **Attachment A.**

PURPOSE:

To facilitate the issuance of debt to finance certain projects in the District's Capital Improvement Program (CIP.)

BACKGROUND:

The Otay Water District ("District") has previously executed an installment sale agreement dated as of June 1, 1996 (the "1996 Installment Sale Agreement") securing the District's outstanding Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "1996 Certificates"), an installment purchase agreement dated as of July 1, 2004 (the "2004 Installment Purchase Agreement") securing the District's outstanding Revenue Refunding Certificates of Participation (1993 Water Facilities Project), Series 2004 (the "2004 Certificates") and an installment purchase agreement dated as of March 1, 2007 (the "2007 Installment Purchase Agreement") securing the District's outstanding Revenue Certificates of Participation (2007 Water System Project), Series 2007 (the "2007 Certificates").

The District now needs to finance the acquisition, construction, rehabilitation and installation of approximately \$35 million of its CIP over the next three years. In addition, the District expects to reimburse approximately \$12 million of certain District expenditures from proceeds of the water revenue bonds. The actual amount of reimbursement will be determined following the closing.

ANALYSIS:

The Authority

Staff is proposing the formation of the Otay Water District Financing Authority (the "Authority") pursuant to a Joint Exercise of Powers Agreement between the District and California Municipal Finance Authority ("CMFA"). CMFA is a joint exercise of powers authority that was created in 2004 by various local agencies to facilitate tax-exempt financings.

The Authority will be empowered under the California Government Code to issue revenue bonds, cause the proceeds to be used for the purchase of certain components of the CIP. Pursuant to an Installment Purchase Agreement, the District will purchase those components from the Authority and will pay installment payments to the Authority comprised of Net Revenues. Once formed, the Authority can be used for all future issuances of long-term debt as water revenue bonds. Under the agreement forming the Authority, the District has control over all matters of the Authority.

The governing body of the Authority, to be known as the Authority Commission, will be comprised of the members of the Board of Directors of the District. The staff of the District will also serve as the staff of the Authority.

The formation of the Authority has required several actions by the District. On February 3, 2010, the District took the first step by becoming a member of the CMFA. On February 19, 2010, the CMFA Board authorized the execution and delivery of a joint powers agreement with the District, which once executed, will form the Authority. Now, similarly, the District Board must authorize the execution and delivery of a joint powers agreement to form the Authority.

A Board Resolution authorizing the execution and delivery of a joint powers agreement and other matters related to the establishment of the Authority is provided as **Attachment B**.

The Bond Documents

Proceeds from the 2007 COPs have been fully spent. The District's next long-term debt issuance was scheduled to occur in FY 2009, but the District staff postponed the issuance due to the economic slowdown and management's ability to temporarily fund CIP costs from other sources. For reasons presented to this Board pursuant to a separate informational item, the District's staff and its Financial Advisor are recommending that the District issue debt as soon as possible. The maximum issue size of \$52 million is a not-to-exceed number as specified in the authorizing resolution (**Attachment C**). The proposed use of proceeds will be substantially as follows:

2010 Project Fund. The 2010 Project Fund is sized to provide approximately 36 months of CIP funding and is based on the most current Finance and Engineering staff projections.

Debt Service Reserve Fund (DSRF). The District and the Financial Advisor are currently sizing the issue anticipating that a DSRF for all or a portion of the Bonds might be established.

Delivery Costs. Delivery Costs are the costs the District will incur to issue the Bonds. These costs include the underwriter discount, professional fees for bond counsel, disclosure counsel and financial advisor, and other costs such as credit rating agency fees, CMFA fees, printing costs and other costs related to the issuance of the Bonds.

Parity Debt and Structure of Debt. The 2010 Bonds will be payable as to principal and interest from pledged revenues under the Trust Agreement. The pledged revenues will be in the form of installment

payments and other moneys to be paid by the District to the Authority pursuant to the Installment Purchase Agreement. The installment purchase payments will be made on a parity basis with the installment purchase payments being made by the District, from Net Revenues of the District, in connection with the District's outstanding COPs.

The 2010 Bonds are anticipated to be issued as a mix of taxable Build America Bonds ("BABs") and traditional tax-exempt bonds to obtain the most beneficial blend of debt. Unlike traditional tax-exempt debt, interest on BABs is taxable to investors. Rather than a tax exemption to investors, the federal government provides a cash subsidy to issuers on each interest payment date in the amount of 35% of the interest. BABs are issued with an extraordinary call feature that can be exercised in the event of a change in federal law affecting the cash subsidy. The risk of this is considered to be small, but it is borne by the issuer rather than the investors.

BABs investors generally favor debt in the middle and long end of the yield curve. As a result, certain early and middle maturities may be more cost effective to issue as tax-exempt debt. Accordingly, the decision as to how much BABs is issued versus tax-exempt debt will be made at the time of pricing, with advice and input from the Financial Advisor and Underwriter.

Note: The use of proceeds of BABs is more restricted than those of traditional tax-exempt debt. For example, only up to 2% of the sale proceeds may be used for cost of issuance. In addition, all sale proceeds not used to fund a reasonably required reserve fund or costs of issuance must be used for capital expenditures. Although it is not anticipated at this time, if any costs are incurred that can not be funded with proceeds of the BABs, such costs will be funded with the proceeds of traditional tax-exempt debt to the extent possible.

Timing for Issuance. The 2010 Bonds will be issued at the earliest practical date if the Board approves the proposed issuance.

Documents to be Approved. Issuance of the Bonds requires Board approval of various resolutions and documents described below. Certain key documents are provided as attachments to this Staff Report and others are on file with the District Secretary and available for review:

- Resolution Approving JPA Formation (**Attachment B**) approves the agreement forming the JPA.

- The Joint Exercise of Powers Agreement, on file with the District Secretary, creates the Authority.

- Authorizing Resolution (**Attachment C**) Authorizes the execution and delivery of an Installment Purchase Agreement, a Bond Purchase Agreement, a Continuing Disclosure Agreement and an Official Statement and approves a Trust Agreement and the distribution of a Preliminary Official Statement in connection with Water Revenue Bonds and approves and authorizes certain other actions in connection therewith and delegates to District officers the authority to finalize, execute and deliver the documents and to do any and all things necessary to complete the transaction.

- Form the Preliminary Official Statement (**Attachment D**) as the primary disclosure document for the transaction, the POS contains information necessary for investors to make informed buying decisions regarding the Bonds. It contains information on the debt issue, District water supplies, operations, CIP, finances, and the regional economy.
- The Installment Purchase Agreement, on file with the District Secretary, provides for payments to be made to the Authority.
- The Trust Agreement, on file with the District Secretary, provides for the issuance of the Bonds.
- The Continuing Disclosure Agreement (**Attachment E**) prescribes ongoing information disclosure responsibilities of the District.
- The Bond Purchase Agreement, on file with the District Secretary, establishes final conditions of the sale of the Bonds to the Underwriter.

Approval of the recommended actions position District staff and its financing team to move forward with the issuance of the Bonds. After the Bonds are priced and issued, staff will report back to the Board with results at the next scheduled meeting.

The Underwriters - Method of Sale

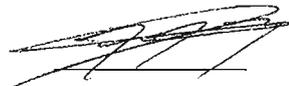
In a competitive sale, the underwriters for the debt are not involved in either the debt structuring process or in pre-sale marketing efforts. They submit a bid on the date of sale. In a negotiated sale, the issuer selects its underwriter(s) in advance. Information concerning the method of sale is being provided separately in an informational report.

The District has traditionally caused its debt to be sold on a competitive basis. The District's finance policy provides that debt shall be issued on a competitive basis unless special circumstances warrant a negotiated sale. The District staff and the Financial Advisor recommend a negotiated sale for the Bonds due to: (i) volatile market conditions; (ii) the need to tap a new investor base for the sale of the BABs; and (iii) the need for

flexibility at the time of sale to determine the most cost effective mix of BABs and traditional tax exempt bonds at the time of pricing.

The District staff and the Financial Advisor forwarded requests for proposals to several underwriters and received and evaluated five proposals. The District staff, with input from the Financial Advisor, selected Citigroup Global Markets, Inc. to serve as the Underwriter for the Bonds. The Resolution authorizing the issuance of the bonds, ratifies this selection, authorizes the District to execute and deliver a bond purchase agreement with the Underwriter and sets forth certain terms and conditions for the bond purchase agreement, including the condition that the underwriter discount or takedown does not exceed \$5.00 per \$1,000 for the tax exempt bonds and \$6.75 per \$1,000 for the BABs.

FISCAL IMPACT:



As further described in the informational item separately presented to this Board, the District anticipates that savings will be realized by establishing the Authority and authorizing the issuance of the Bonds. The District estimates that the benefit of establishing the authority and issuing revenue bonds instead of Certificates of Participation is about \$50,000 per year. The estimated benefit of issuing a mix of taxable and tax exempt bonds is \$275,000 per year.

STRATEGIC GOAL:

To fund the District's CIP to continue ensuring reliability of service and provide for expansion.

LEGAL IMPACT:

The issuance of debt will be authorized.



General Manager

Attachments:

- A) Committee Action Form
- B) Resolution No. 4154 Approving Authority Formation and JPA Agreement
- C) Resolution No. 4155 Approving the Bond Issuance
- D) Preliminary Official Statement
- E) Continuing Disclosure Agreement



ATTACHMENT A

SUBJECT/PROJECT: N/A	Authorizing the Otay Water District to Execute a Joint Exercise of Powers Agreement with the California Municipal Finance Authority to Establish the Otay Water District Financing Authority; Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, A Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; Approving the Selection of an Underwriter for the Bonds
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee and the Engineering, Operations, and Water Resources Committee reviewed this item at meetings held on February 19 and February 22, 2010 respectively and the following comments were made:

- A brief overview of the proposed bond financing was provided by Assistant General Counsel Aerobel Banuelos. The District is requesting that the Board: 1) Adopt Resolution No. 4154 authorizing the joint exercise of powers agreement with the California Municipal Finance Authority (CMFA) to establish the Otay Water District Financing Authority (Authority); 2) Adopt Resolution No. 4155 Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, A Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official Statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; and 3) Approve the selection of an underwriter for the Bonds.
- It was indicated that the Board authorized the District to become a member of the California Municipal Finance Authority (CMFA) at its February 3, 2010 Board meeting.

On February 19, 2010, the CMFA Board authorized the execution and delivery of a joint powers agreement with the District, and once executed, will form the Authority.

- It was discussed that the District wishes to issue debt to finance approximately \$52 million dollars of its capital improvement projects over the next three years. The District wishes to issue a portion of the debt as revenue bonds. To issue revenue bonds, the District would need to form a new entity that would become the Otay Water District Financing Authority (Authority) which will be empowered to issue revenue bonds. District staff will request that the Board authorize the formation of the Authority at the March 3, 2010 Board meeting.
- Once the Otay Board approves the formation of the Authority and resolutions, a meeting of the Authority will be convened. The Otay Board will be designated to serve as the Authority Commission and the Commission will approve bylaws and appoint officers.
- In addition, the District itself will need to approve bond documents in order to enter into an agreement with the Authority. The bond documents include an Installment Purchase Agreement, a Bond Purchase Agreement, and a Continuing Disclosure Agreement.
- The Committee suggested that the bylaws be amended to reflect that the Authority would hold two (2) meetings annually.

Following the discussion, the Finance, Administration and Communications Committee supported staffs recommendation and presentation to the full Board as an action item. The Engineering, Operations and Water Resources Committee received this item as an informational report.

RESOLUTION NO. 4154

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF A JOINT EXERCISE OF POWERS AGREEMENT BY AND BETWEEN THE OTAY WATER DISTRICT AND CALIFORNIA MUNICIPAL FINANCE AUTHORITY

WHEREAS, the Otay Water District (the "District") is a municipal water district organized and existing under the laws of the State of California; and

WHEREAS, the District, upon authorization by this Board of Directors (the "Board"), acting pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Law"), may enter into a joint exercise of powers agreement with one or more other public agencies pursuant to which such contracting parties may jointly exercise any power common to them; and

WHEREAS, pursuant to the JPA Law, certain public agencies (the "CMFA Members") have entered into a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "CMFA Agreement") in order to form the California Municipal Finance Authority ("CMFA") for the purpose of promoting economic, cultural and community development and in order to exercise any powers common to the CMFA Members, including the issuance of bonds, notes or other evidences of indebtedness; and

WHEREAS, the District and CMFA desire to create and establish the Otay Water District Financing Authority (the "Authority") pursuant to the JPA Law and a joint exercise of powers agreement (the "Authority Agreement") to, among other things, finance and refinance various Public Capital Improvements and Working Capital, both as defined in the Marks-Roos Local Bond Pooling Act of 1985 constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Pooling Act"); and

WHEREAS, under the JPA Law and the Authority Agreement, the Authority will be a public entity separate and apart from the parties to the Authority Agreement, and the debts, liabilities and obligations of the Authority will not be the debts, liabilities or obligations of the District or any representative of the District serving on the governing body of the Authority; and

WHEREAS, the Authority is authorized under the Bond Pooling Act to assist its members in the financing and refinancing of public capital improvements, including, but not limited to, the purchase at public or negotiated sale of certain obligations (the "Obligations") issued by members of the Authority and other public agencies and the sale at public or negotiated sale of such Obligations or the issuance and sale at public or negotiated sale of bonds secured in whole or in part by such Obligations or by other revenues of the Authority; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT AS FOLLOWS:

SECTION 1. Declaration of Board. This Board hereby specifically finds and declares that the actions authorized hereby constitute public affairs of the District, and that the statements, findings and determinations of the District set forth in the preambles above and of the document approved herein are true and correct.

SECTION 2. Joint Exercise of Powers Agreement. The form of Joint Exercise of Powers Agreement, dated as of March 3, 2010, presented to this meeting and on file with the Secretary of the Board (the "Secretary"), is hereby approved. The General Manager or Chief Financial Officer of the District or their respective authorized designee is hereby authorized to execute and deliver said Joint Exercise of Powers Agreement in substantially said form, with such changes therein as General Counsel may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. Further Actions. The President and Vice President of the Board of Directors, the General Manager, Chief Financial Officer, and the Secretary of the District or their respective authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this resolution and the Joint Exercise of Powers Agreement. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

SECTION 4. The District Secretary shall forward a certified copy of this Resolution and an originally executed copy of the Authority Agreement to CMFA in care of its counsel, as follows:

Harriet M. Welch, Esq.
Squire, Sanders & Dempsey LLP
555 South Flower St., Suite 3100
Los Angeles, CA 90071-2300

SECTION 5. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Jaime Bonilla, President of the
Board of Directors of the Otay Water
District

Attest:

Susan Cruz, Secretary to the
Board of Directors of the Otay Water District

RESOLUTION NO. 4155

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AN OFFICIAL STATEMENT AND APPROVING A TRUST AGREEMENT AND THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH WATER REVENUE BONDS; AND APPROVING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Otay Water District, a municipal water district duly formed and existing under and by virtue of the laws of the State of California (the "District"), owns and operates a water system (the "Water System") to provide for the production, acquisition, treatment and distribution of potable and reclaimed water; and

WHEREAS, the District proposes to finance the acquisition and construction of improvements, betterments, renovations, and expansions of certain facilities within its Water System (the "Project"); and

WHEREAS, the District and the California Municipal Finance Authority ("CMFA") executed a Joint Exercise of Powers Agreement, dated as of February 19, 2010 (the "Agreement"), by and between the District and the CMFA, which Agreement creates and establishes the Otay Water District Financing Authority (the "Authority") a joint exercise of powers authority duly organized and operating pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (hereinafter, the "Act"); and

WHEREAS, Article 4 of the Act authorizes and empowers the Authority to issue bonds to assist local agencies in financing and refinancing projects and programs consisting of certain public capital improvements whenever a local agency determines that there are significant public benefits from so doing; and

WHEREAS, the District has determined that there are significant public benefits and it furthers a public purpose to finance the Project and for the Authority to assist in such financing; and

WHEREAS, if approved by the Authority, such financing will occur through the issuance and sale of Otay Water District Financing Authority Water Revenue Bonds, in one or more series, at fixed rates and bearing interest that is tax-exempt and/or taxable to the holders thereof (the "Bonds"); and

WHEREAS, GCR, LLP has been selected to serve as Bond Counsel to the District, Stradling Yocca Carlson & Rauth, a Professional Corporation has been selected to serve as Disclosure Counsel to the District, Harrell & Company Advisors has been selected to serve as the Financial Advisor to the District, and Citigroup Global Markets Inc. has been selected to act

as the underwriter (the "Underwriter") for the Bonds, and each of those entities is hereby confirmed to serve the Authority in those capacities in connection with the Bonds, pursuant to the terms of any contract or agreement entered into with the District; and

WHEREAS, pursuant to an Installment Purchase Agreement, dated as of March 3, 2010 (the "Installment Purchase Agreement"), between the Authority and the District, the District will be obligated to make installment payments (the "Installment Payments") to the Authority as the purchase price of the Project and the Installment Purchase Agreement provides for the pledge of water system revenues and establishes covenants to secure the payment of obligations from net revenues of the District; and

WHEREAS, pursuant to a Trust Agreement, dated as of March 3, 2010 (the "Trust Agreement"), the Authority will assign its right to receive Installment Payments and other payments to be made by the District thereunder to Union Bank, N.A, as Trustee, and all revenues under the Trust Agreement will be pledged to the repayment of the Bonds; and

WHEREAS, the proceeds of the Bonds are to be applied to, among other things, the Costs of the Project, as provided in the Trust Agreement and the Installment Purchase Agreement; and

WHEREAS, for this proposed financing, there has been presented to the District the following documents for approval:

1. The Installment Purchase Agreement;
2. The Trust Agreement;
3. An Official Statement for the Bonds, currently in the form of a Preliminary Official Statement (the "Official Statement");
4. A Bond Purchase Agreement; and
5. A Continuing Disclosure Agreement by and between the District and Union Bank, N.A., as Dissemination Agent (the "Continuing Disclosure Agreement").

WHEREAS, the Installment Purchase Agreement, Trust Agreement, Preliminary Official Statement, Continuing Disclosure Agreement and other related documents and certificates are necessary to carry out the financing of the Project; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the making of the agreements and the consummation of the financing authorized by this resolution do exist, have happened and have been performed in regular and due time, form and manner, and the District is duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing as provided in this resolution.

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND DETERMINED BY THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT, AS FOLLOWS:

Section 1. Each of the above recitals is true and correct and is adopted by the Board of Directors of the District.

Section 2. The forms of the Installment Purchase Agreement and the Continuing Disclosure Agreement, each in the form presented at this meeting or on file with the District Secretary, and the performance by the District of its obligations thereunder are hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each of the President of the Board of Directors, the General Manager or the Chief Financial Officer of the District, and their designees (each, an "Authorized Officer" and, collectively, the "Authorized Officers") is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the same in substantially said form, with such changes therein as the Authorized Officer executing such document may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The District hereby approves the appointment of Union Bank, N.A. (the "Trustee") to act as trustee for the Bonds. The form of Trust Agreement between the Authority and the Trustee, on file with the District Secretary, is hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each Authorized Officer is hereby authorized and directed, on behalf of the District, to approve the delivery of the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 4. The form of the Preliminary Official Statement relating to the Bonds presented at this meeting is hereby approved, and the District's Financial Advisor and Underwriter are hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the General Manager or the Chief Financial Officer or their designees to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, including but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading. The General Manager and the Chief Financial Officer, each, individually, is hereby authorized to certify that such Preliminary Official Statement is, as of its date, "deemed final" by the District for purposes of said Rule 15c2-12. The General Manager and the Chief Financial Officer, each, individually, is hereby authorized to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes as determined necessary by any Authorized Officer to make such Official Statement complete and accurate as of its date, and to certify that such Official Statement is, as of its date, "final and complete" for purposes of said Rule 15c2-12.

Section 5. The District hereby affirms the appointment of Citigroup Global Markets Inc. as the Underwriter for the Bonds. The form of Bond Purchase Agreement substantially in the form on file with the Secretary is hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each of the General Manager and the Chief Financial Officer and their respective designees is authorized, on behalf of the District, to execute and deliver the Bond

Purchase Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 6. The authorization of the execution of the Installment Purchase Agreement, the Bond Purchase Agreement and the Continuing Disclosure Agreement and of the approval of the Trust Agreement set forth in Sections 2, 3 and 5 of this resolution is subject to the following conditions precedent:

- (1) The Bonds shall have a final Maturity Date not later than September 1, 2040;
- (2) The Bonds shall be issued in an aggregate principal amount not to exceed \$52,000,000;
- (3) The underwriters' discount or takedown in the Bond Purchase Agreement shall not exceed \$5.00 per \$1,000 for the Series A Bonds and \$6.75 per \$1,000 for the Series B Bonds; and
- (4) The true interest cost of the Bonds shall not exceed 5.5% for the Series A Bonds and 7.0% for the Series B Bonds.

Section 7. The Chief Financial Officer is hereby authorized, upon a determination by such officer that the establishment of a reserve fund is in the best interest of the District and/or necessary or beneficial for the marketability of one or more maturities or one or more series of the Bonds, to direct that a reserve fund for all or any portion of the Bonds or series of the Bonds be established and funded. The reserve fund may be funded, at the discretion of the Chief Financial Officer, with the concurrence of Bond Counsel, with proceeds of the Bonds, with cash from the District or by procuring a surety bond or policy or from any other available source.

Section 8. The Chief Financial Officer is hereby authorized, upon a determination by such officer, with the concurrence of the Financial Advisor, that the procurement of a municipal bond insurance policy is in the best interest of the District, to procure and maintain a policy of municipal bond insurance for the benefit of the registered owners of one or more maturities of the Bonds, in such form or forms and on such terms and conditions as such officer shall, with the concurrence of the General Manager and the Financial Advisor, require or approve, such approval to be conclusively evidenced by the execution and delivery of a commitment letter for and on behalf of the Authority to the issuer of such municipal bond insurance policy.

Section 9. The General Manager and the Chief Financial Officer, each, are hereby authorized to enter into a contract for Bond Counsel services with GCR, LLP, a contract for Disclosure Counsel services with Stradling Yocca Carlson & Rauth, a Professional Corporation and a contract for financial advisor services with Harrell & Company Advisors, in such form or forms and on such terms and conditions as such officer shall, require or approve, such approval to be conclusively evidenced by the execution and delivery of a contract with such party and/or pursuant to a request to the Trustee or the Underwriter to pay their fees and costs out of the proceeds of the Bonds.

Section 10. Each Authorized Officer is hereby authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which he or she may deem necessary or desirable in order to consummate the transactions authorized hereby and to consummate the sale, execution and delivery of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, each of the documents hereby authorized and the Bonds; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 11. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010.

Jaime Bonilla, President of the
Board of Directors of the Otay Water District

Attest:

Susan Cruz, Secretary to the
Board of Directors of the Otay Water District

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Board of Directors of the Otay Water District, do hereby certify that the foregoing Resolution No. 4155 was duly adopted by the Board of Directors of the Otay Water District at a regular meeting thereof held on the 3rd day of March, 2010 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Susan Cruz, Secretary to the Board of
Directors of the Otay Water District

(SEAL)

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Board of Directors of the Otay Water District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 4155 of said Board, and that the same has not been amended or repealed.

DATE: _____, 2010

Susan Cruz, Secretary to the Board of
Directors of the Otay Water District

(SEAL)

4826-5891-3797, v. 3

DRAFT AS OF FEBRUARY 25, 2010

NEW ISSUE - BOOK-ENTRY-ONLYRATINGS

S&P: ___

Fitch: ___

(See "CONCLUDING INFORMATION - Ratings on the Bonds" herein)

In the opinion of GCR, LLP, San Diego, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2010B Bonds is not excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2010A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS - Tax Matters" herein.

SAN DIEGO COUNTYSTATE OF CALIFORNIA

OTAY WATER DISTRICT FINANCING AUTHORITY

\$ _____*
**WATER REVENUE BONDS,
 SERIES 2010A
 (Non-AMT Tax-Exempt)**

\$ _____*
**WATER REVENUE BONDS,
 SERIES 2010B
 (Taxable Build America Bonds)**

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover.

The cover page contains certain information for general reference only. It is not a summary of the issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Otay Water District Financing Authority Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) ("2010A Bonds") and the Otay Water District Financing Authority Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) ("2010B Bonds" and together with the 2010A Bonds, the "Bonds") are payable from Installment Payments to be made by the Otay Water District (the "District") to the Otay Water District Financing Authority (the "Authority") as payment for certain real property and improvements (the "Project") pursuant to an Installment Purchase Agreement, as described herein and from certain funds held under the Trust Agreement. The Bonds will be issued pursuant to a Trust Agreement, dated as of March 1, 2010 (the "Trust Agreement"), by and between the Otay Water District Financing Authority (the "Authority") and Union Bank, N.A., as trustee (the "Trustee"). The Bonds are being issued to provide funds for construction of certain storage and distribution facilities. See "THE FINANCING PLAN" herein. The Bonds are secured by Pledged Revenues, consisting of Installment Payments to be paid by the District to the Authority as payment for the purchase of certain real property and improvements thereto pursuant to an Installment Purchase Agreement between the District and the Authority as described herein and from certain funds held under the Trust Agreement. The District is required under the Installment Purchase Agreement to make payments in each fiscal year from Taxes and from Net Revenues of the District's water system (the "Water System") in an amount sufficient to pay the annual principal and interest due on the Bonds, as described herein. (See "SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein).

Interest on the Bonds is payable on September 1, 2010, and semiannually thereafter on March 1 and September 1 of each year until maturity or earlier prepayment. The Bonds are subject to optional, sinking fund and mandatory redemption as more fully described herein (see "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein).

The Bonds are limited obligations of the Authority and are payable solely from and secured solely by Pledged Revenues and other moneys held under the Trust Agreement. The District's obligation to make the Installment Payments is a limited obligation of the District payable solely from Taxes and Net Revenues of the Water System, and neither the full faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged for the payment of the Bonds, other than the Taxes. The obligation of the District to make the Installment Payments under the Installment Purchase Agreement does not constitute a debt of the District, the Authority, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are offered, when, as and if issued, subject to the approval as to the legality of the Installment Purchase Agreement by GCR, LLP, San Diego, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the District by GCR, LLP, San Diego, California, as General Counsel to the District, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2010 (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is _____, 2010.

Citi

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification of the securities laws of such jurisdiction.

\$ _____ *

OTAY WATER DISTRICT FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2010A
(Non-AMT Tax-Exempt)

MATURITY SCHEDULE
 (Base CUSIP®† _____)
 \$ _____ Serial Bonds

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP®†</u>
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				

\$ _____ *

OTAY WATER DISTRICT FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2010B
(Taxable Build America Bonds)

MATURITY SCHEDULE

\$ _____ % Term Bond maturing September 1, _____, Yield _____% CUSIP®† _____

\$ _____ % Term Bond maturing September 1, _____, Yield _____% CUSIP®† _____

* Preliminary, subject to change.

† CUSIP® A registered trademark of the American Bankers Association. Copyright © 1999-2010 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP® Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE WATER SYSTEM."

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has submitted the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**OTAY WATER DISTRICT
SAN DIEGO COUNTY, CALIFORNIA**

BOARD OF DIRECTORS

Jaime Bonilla, President - Division 2
Jose Lopez, Vice President - Division 4
Gary D. Croucher, Treasurer - Division 3
Larry Breitfelder, Division 1
Mark Robak, Division 5

MANAGEMENT TEAM

Mark Watton, *General Manager*
German Alvarez, *Assistant General Manager Finance & Administration*
Manny Magaña, *Assistant General Manager Engineering & Operations*
Joseph R. Beachem, *Chief Financial Officer*
Rom Sarno, Jr., *Chief of Administrative Services*
Geoff Stevens, *Chief Information Officer*
Rod Posada, *Chief of Engineering*
Pedro Porras, *Chief of Water Operations*

PROFESSIONAL SERVICES

Bond Counsel

GCR, LLP
San Diego, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

General Counsel to the District

GCR, LLP
San Diego, California

Financial Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee

Union Bank, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

OTAY WATER DISTRICT FINANCING AUTHORITY

\$ _____*
**WATER REVENUE BONDS,
SERIES 2010A
(Non-AMT Tax-Exempt)**

\$ _____*
**WATER REVENUE BONDS,
SERIES 2010B
(Taxable Build America Bonds)**

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided to furnish certain information concerning the sale and delivery of the following bonds (collectively, the "Bonds"):

- Otay Water District Financing Authority Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (the "2010A Bonds") and
- Otay Water District Financing Authority Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (the "2010B Bonds").

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "RISK FACTORS" herein).

The District

The Otay Water District (the "District") was established in 1956. The District is a municipal water district organized and existing under and in accordance with Division 20 of the Water Code of the State of California, commencing with Section 71000, as amended (the "Law"). The District's boundaries currently encompass an area of approximately 125 square miles in San Diego County, lying immediately east of the San Diego metropolitan area and running from the City of El Cajon south to the Mexican border, abutting the cities of El Cajon and La Mesa and encompassing most of the City of Chula Vista and a small portion of the City of San Diego. The District currently serves a population of approximately 195,000 and expects the service area to experience continued growth in the next ten years (see "OTAY WATER DISTRICT" and "APPENDIX C – ECONOMIC PROFILE FOR THE COUNTY OF SAN DIEGO" herein).

The Authority

The Otay Water District Financing Authority (the "Authority") is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Joint Powers Act"). The District and the California Municipal Finance Authority, a joint exercise of powers agency, formed the Authority by the execution of a joint exercise of powers agreement on _____, 2010. The Authority functions as an independent entity and was formed to assist the District in the financing of public capital improvements. Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to acquire or construct public capital improvements, such revenue bonds to be repaid from the installment payments for such improvements, such as the installment payments described herein.

* Preliminary, subject to change.

The Authority is governed by a five-member Board which consists of all members of the District's Board of Directors. The Board President serves as the Chairman of the Authority. The General Manager acts as the Executive Director, the District Secretary acts as the Secretary, and the Chief Financial Officer acts as the Treasurer of the Authority.

Security and Sources of Payment

The Bonds are being issued pursuant to the Joint Powers Act and a Trust Agreement, dated as of March 1, 2010 (the "Trust Agreement"), by and among the Authority and Union Bank, N.A., Los Angeles, California, as trustee (the "Trustee").

The Bonds are secured by Pledged Revenues, consisting of Installment Payments (the "Installment Payments") to be paid by the District to the Authority as the payment for the 2010 Project, as described herein, pursuant to an Installment Purchase Agreement, dated as of March 1, 2010, between the Authority and the District (the "Installment Purchase Agreement") and from certain amounts held under the Trust Agreement. The Installment Payments are scheduled to be sufficient to pay, when due, the annual principal and interest due on the Bonds. Pursuant to the Trust Agreement, the Authority has assigned to the Trustee, for the benefit of the Owners of the Bonds, all if its rights to receive and collect the Installment Payments due from the District to the Authority under the Installment Purchase Agreement and other amounts payable by the District to the Authority thereunder. For a summary of the Trust Agreement and the Installment Purchase Agreement see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meaning given them in "APPENDIX A."

The Installment Payments are secured by a charge and lien on Taxes and Revenues of the Water System and are payable from Taxes and Net Revenues, on a parity with the payments required to be made by the District under an installment sale agreement dated as of June 1, 1996 (the "1996 Installment Sale Agreement") securing the District's outstanding Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "1996 Certificates"), the payments required to be made by the District under an installment purchase agreement dated as of July 1, 2004 (the "2004 Installment Purchase Agreement") securing the District's outstanding Revenue Refunding Certificates of Participation (1993 Water Facilities Project), Series 2004 (the "2004 Certificates") and the payments required to be made by the District under an installment purchase agreement dated as of March 1, 2007 (the "2007 Installment Purchase Agreement") securing the District's outstanding Revenue Certificates of Participation (2007 Water System Project), Series 2007 (the "2007 Certificates"). The Interest Subsidy Payment to be received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds will be pledged by the District as security for its obligation to make the Installment Payments allocable to the 2010B Bonds. See "Build America Bonds" below.

- "Taxes" means all taxes, including *ad valorem* taxes of the District, other than taxes imposed pursuant to Chapter 1 of Part 9 of the Law to secure general obligation bonds of the District or any improvement district thereof.
- "Net Revenues" means, for any Fiscal Year or other 12-month period, the Revenues for such Fiscal Year or other 12-month period less the Operation and Maintenance Costs for such Fiscal Year or other 12-month period.
- "Revenues" means (i) all water availability charges imposed pursuant to Chapter 2 of Part 5 of the Law not exceeding \$10 per acre per year; (ii) all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, including connection fees, (b) the earnings on and income derived from the investment of such income, rents, rates, fees

and charges or other moneys, and (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted under the Installment Purchase Agreement; provided that the term “Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, but shall include the Interest Subsidy Payment.

- “Operation and Maintenance Costs” means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

See “THE WATER SYSTEM” and “SOURCES OF PAYMENT FOR THE BONDS” herein.

The District’s obligation to make the Installment Payments is a limited obligation of the District payable solely from Taxes and Net Revenues of the Water System (including, with respect to the Installment Payments allocable to the 2010B Bonds only, the Interest Subsidy Payment). The obligation of the District to make the Installment Payments is an irrevocable obligation of the District payable solely from Taxes and Net Revenues (including, with respect to the Installment Payments allocable to the 2010B Bonds only, the Interest Subsidy Payment) but does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation other than the Taxes. The obligation of the District to make the Installment Payments under the Installment Purchase Agreement does not constitute a debt of the District, the Authority, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Build America Bonds

Section 1531 (relating to “Build America Bonds”) of the American Recovery and Reinvestment Act, which was signed into law by President Obama on February 17, 2009, added Section 54AA and Section 6431 to the Internal Revenue Code of 1986, as amended (the “Code”). The Authority intends to elect to designate the 2010B Bonds as “Build America Bonds” under Section 54AA of the Code, and intends that the 2010B Bonds be “qualified bonds” under Section 54AA(g)(2) of the Code. The District, designated by the Authority as the party to receive interest subsidy payments, expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable with respect to the 2010B Bonds. Such cash subsidy payments received by the District are referred to in the Trust Agreement as “Interest Subsidy Payment.” The Interest Subsidy Payment received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds are included in the District’s Revenues. See “RISK FACTORS – Build America Bonds.”

Tax Matters

In the opinion of GCR, LLP, San Diego, California, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions, and in reliance on certain certificates, opinions, and other things, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the 2010A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2010B Bonds is not excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. See "LEGAL MATTERS – Tax Matters" and "APPENDIX A" herein.

Professional Services

The legal proceedings relating to the execution and delivery of the Bonds are subject to the approving opinion of GCR, LLP, San Diego, California, Bond Counsel. Certain legal matters will be passed on for the District by GCR, LLP, as General Counsel for the District, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

Union Bank, N.A., Los Angeles, California, serves as Trustee under the Trust Agreement. The Trustee will act on behalf of the Bond Owners for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Installment Payments and other funds held under the Trust Agreement, and otherwise to hold all the offices and perform all the functions and duties provided in the Trust Agreement to be held and performed by the Trustee.

Harrell & Company Advisors, LLC (the "Financial Advisor") has advised the District as to the financial structure and certain other financial matters relating to the Bonds.

Fees payable to Bond Counsel, Disclosure Counsel and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

The District's financial statements for the fiscal year ended June 30, 2009, attached hereto as "APPENDIX B" have been audited by Diehl Evans and Company, LLP, Escondido, California. The District's audited financial statements are included within this Official Statement without the prior approval of the auditor.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued pursuant to the Trust Agreement, authorized by Resolution No. ____ of the Authority adopted on _____, 2010.

Offering and Delivery of the Bonds. The Bonds were sold to Citigroup Global Markets Inc. (the "Underwriter") on _____, 2010. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about _____, 2010 through the facilities of The Depository Trust Company.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the District with the assistance of the Financial Advisor from sources which are believed to be accurate and complete, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financial Advisor, Disclosure Counsel or the Underwriter. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact.

Preliminary Official Statement Deemed Final. The information set forth herein is in a form deemed final, as of its date, by the District for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for the omission of certain information permitted to be omitted under the Rule). The information herein is subject to revision, amendment and completion in a Final Official Statement. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the District since the date hereof.

Availability of Legal Documents. The summaries and references contained herein with respect to the Trust Agreement, the Installment Purchase Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Definitions of certain terms used herein are set forth in "APPENDIX A" hereto. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financial Advisor. Copies of these documents may be obtained after delivery of the Bonds at the corporate trust office of the Trustee, Union Bank, N.A., Los Angeles, California or from the District, 2554 Sweetwater Springs Blvd., Spring Valley, California 91978.

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in the principal amount of \$5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on September 1, 2010 and semiannually on March 1 and September 1 of each year to and including the date of maturity or redemption, whichever is earlier (each, a "Payment Date"). Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal with respect to the Bonds is payable on September 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

The principal and Redemption Price (as defined herein) with respect to all Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the corporate trust office of the Trustee. Interest with respect to Bonds shall be payable from the Payment Date next preceding their date of authentication, unless such date shall be after a Record Date (see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN DEFINITIONS" herein) and on or before the succeeding Payment Date, in which case interest shall be payable from such Payment Date or unless such date shall be on or before August 15, 2010, in which case interest shall be payable from the Closing Date, provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds executed in exchange for Bonds surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to the Bonds, or, if no interest has been paid or duly provided for with respect to the Bonds, from the Closing Date. Payment of interest on the Bonds shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the close of business on the Record Date in lawful money of the

United States by check or draft of the Trustee mailed on the Payment Date by first class mail to such Owner at his address as it appears on such registration books, or by wire transfer made on a Payment Date to an account in the United States upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds designated by such Owner prior to the applicable Record Date. Such written notice shall remain in effect until changed by subsequent written notice by Owners who have requested wire transfer.

Book-Entry Only System. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest and principal on the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which is obligated in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see “APPENDIX G - BOOK-ENTRY ONLY SYSTEM” herein). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Trust Agreement. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Trust Agreement.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Trust Agreement, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Bond or Bonds for an aggregate principal amount of Bonds of authorized denominations of the same maturity. The Trustee may require the payment by the Bond Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange any Bonds (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Redemption

Optional Redemption of 2010A Bonds. The 2010A Bonds maturing on or after September 1, ___ are subject to redemption prior to maturity as a whole or in part in the order of maturity as directed by the Authority in a Written Request provided to the Trustee and by lot within each maturity in integral multiples of \$5,000 on any date on or after September 1, ___, from the proceeds of optional prepayments of Installment Payments made by the District pursuant to the Installment Purchase Agreement at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption of 2010B Bonds. The 2010B Bonds shall be subject to redemption prior to their stated maturity date, at the option of the Authority to be exercised only upon the request of the District, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of 2010B Bonds called for redemption plus the Make-Whole Premium, if any, together with accrued interest to the date fixed for redemption.

For purposes of this redemption provision, and for the purposes of the extraordinary optional redemption provision described below, the following defined terms have the following meanings:

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary United States government securities dealer designated by the District (which may be one of the institutions that served as underwriters for the 2010B Bonds).

“Comparable Treasury Issue” means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the 2010B Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the 2010B Bonds being redeemed.

“Comparable Treasury Price” means, with respect to any date on which a 2010B Bonds or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on the third Business Day preceding the date fixed for redemption.

“Comparable Treasury Yield” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the 2010B Bonds being redeemed. The Comparable Treasury Yield will be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the 2010B Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the 2010B Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the 2010B Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Interest Subsidy Payments” means payments from the United States Treasury to or upon the order of the Authority with respect to the 2010B Bonds pursuant to Sections 54AA and 6431 of the Code in an amount equal to 35% of the interest due thereon on each Interest Payment Date.

“Make-Whole Premium” means, with respect to any 2010B Bonds to be redeemed, an amount calculated by the Calculation Agent equal to the positive difference, if any, between:

(a) The sum of the present values, calculated as of the date fixed for redemption of:

(1) Each interest payment that, but for the redemption, would have been payable on the 2010B Bonds or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such 2010B Bonds (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such 2010B Bonds, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such 2010B Bonds to the date fixed for redemption; plus

(2) The principal amount that, but for such redemption, would have been payable on the maturity date of the 2010B Bonds or portion thereof being redeemed; minus

(b) The principal amount of the 2010B Bonds or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (a) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield, plus the Spread.

“Reference Treasury Dealer” means a primary United States Government securities dealer in the United States (which may be one of the institutions that served as underwriters for the 2010B Bonds) appointed by the District and reasonably acceptable to the Calculation Agent.

“Spread” means for optional redemptions ___% and for extraordinary optional redemptions ___%.

“Tax Law Change” means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental Authority of appropriate jurisdiction, the effect of which, as reasonably determined by the District, would be to suspend, reduce or terminate the Interest Subsidy Payments or any similar payments to state or local government issuers generally with respect to obligations of the general character of the 2010B Bonds; provided, that such suspension, reduction or termination of the Interest Subsidy Payments is not due to a failure by the Authority or the District to comply with the requirements under the Code to receive such Interest Subsidy Payments.

Extraordinary Optional Redemption of 2010B Bonds. The 2010B Bonds shall be subject to redemption prior to their stated maturity date, at the option of the Authority to be exercised only upon the request of the District upon the occurrence of a Tax Law Change, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of 2010B Bonds called for redemption plus the Make-Whole Premium, if any, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2010A Bonds maturing on September 1, ____, are subject to redemption in part by lot, commencing on September 1, ____, and on each September 1 thereafter, in integral numbers of \$5,000 at a redemption price of the principal amount thereof plus accrued interest to the date of redemption, without premium in accordance with the following schedule:

2010A BONDS MATURING ON SEPTEMBER 1, ____

Redemption Date <u>(September 1)</u>	<u>Principal Amount</u>
---	--------------------------------

The 2010B Bonds maturing on September 1, ____ are subject to redemption in part by lot, commencing on September 1, ____, and on each September 1 thereafter, in integral numbers of \$5,000 at a redemption price of the principal amount thereof plus accrued interest to the date of redemption, without premium in accordance with the following schedule:

2010B BONDS MATURING ON SEPTEMBER 1, ____

Redemption Date <u>(September 1)</u>	<u>Principal Amount</u>
---	--------------------------------

If some but not all of the Bonds maturing on September 1, ____ or September 1, ____ have been redeemed pursuant to an optional redemption or a mandatory redemption from net proceeds of insurance or condemnation, the total amount of all future sinking fund payments will be reduced pro rata, in integral multiples of \$5,000, by the aggregate principal amount of such Bonds so redeemed.

Notice of Redemption. When redemption is authorized or required, the notice is required to be mailed, first class postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books and to the Information Services and by registered or certified or overnight mail to the Securities Depositories at least 30 days but not more than 60 days prior to the redemption date. With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest with respect to such Bonds to be prepaid and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to prepay such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Neither failure to receive such notice nor any defect in the notice so mailed will affect the validity of the proceedings for redemption of such Bonds or the cessation of accrual of interest from and after the redemption date.

Effect of Redemption. When notice of redemption has been duly given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date with respect to, the Bonds (or portions thereof) so called for redemption are held by the Trustee, the Bonds (or portions thereof) so called for redemption shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date; and from and after the redemption date interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

Partial Redemption. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity.

Scheduled Debt Service

The following presents the scheduled Annual Debt Service on the Bonds, assuming no optional prepayments.

Fiscal	2010A	2010A	2010A	2010B	2010B	2010B	Grand
Year	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Total
Ending	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Total
June 30							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
Total							

Estimated annual Installment Payments, along with expected annual debt service on the Installment Payments for outstanding parity obligations, are set forth in the following table.

**Otay Water District
Aggregate Parity Debt Service**

Fiscal Year Ending June 30	1996 Installment Payments ⁽¹⁾	2004 Installment Payments	2007 Installment Payments	2010 Installment Payments	Total Parity Debt Service
2010	\$ 988,820	\$ 932,634	\$ 2,501,410		
2011	968,860	931,236	2,505,395		
2012	948,900	933,608	2,507,864		
2013	1,025,198	929,566	2,509,020		
2014	1,000,248	928,906	2,508,864		
2015	975,297	931,388	2,512,301		
2016	1,046,605	931,994	2,514,239		
2017	1,016,665	930,819	2,514,408		
2018	986,725	928,319	2,512,798		
2019	1,053,042	924,094	2,509,234		
2020	1,018,113	922,825	2,508,456		
2021	983,182	924,500	2,510,056		
2022	1,044,510	923,656	2,509,056		
2023	1,004,590	920,744	2,510,279		
2024	1,060,928	915,697	2,508,596		
2025	1,016,018	-	2,509,373		
2026	1,067,365	-	2,506,924		
2027	1,113,723	-	2,505,900		
2028	-	-	2,506,625		
2029	-	-	2,504,375		
2030	-	-	2,504,044		
2031	-	-	2,505,419		
2032	-	-	2,503,394		
2033	-	-	2,501,578		
2034	-	-	2,504,594		
2035	-	-	2,503,453		
2036	-	-	2,498,156		
2037	-	-	2,498,484		
2038	-	-	-		
2039	-	-	-		
2040	-	-	-		
2041	-	-	-		
Total	\$18,318,787	\$13,909,985	\$70,194,294		

⁽¹⁾ Using 4.99% variable rate interest.

THE FINANCING PLAN

The 2010 Project

The District will use a portion of the proceeds of the Bonds to provide funds for the construction of water transmission facilities (the "2010 Project"). The District anticipates that the 2010 Project will be comprised of the following improvements to the District's Water System.

Jamacha Road Pipeline Project. The first and main component of the Jamacha Road Pipeline Project consists of the construction of a 36-inch tape wrapped cement mortar lined and coated steel pipeline which will transfer water from the Otay 14 Flow Control Facility. The second component consists of the replacement of concrete cylinder pipe with approximately 4,500 feet of 12-inch and 8-inch polyvinyl chloride pipe along Jamacha Road. The construction contract was awarded in June 2009. The total project cost is estimated at \$21 million, of which \$3.77 million has already been funded from other sources. The project is expected to be completed in August 2010.

Conveyance System. The District is anticipating the ability to purchase additional water from a desalination plant to be constructed outside the District boundaries. The conveyance system includes 3.2 miles of pipeline, a pump station and a treatment facility. The cost to construct the conveyance system for such purchased water is approximately \$30 million. The project is expected to be completed in late 2013. See "THE DISTRICT – Water Supply – Historic and Projected Water Supply" herein.

The District may substitute other projects for the Jamacha Road Pipeline Project and Conveyance System components of the 2010 Project.

Additional Capital Projects. In addition to the Jamacha Road Pipeline projects and the desalinated water conveyance system, the District has approximately 19 additional capital projects totaling over \$89 million that it may include in the 2010 Project. Such additional projects include pipeline projects, well systems and pump station projects.

Estimated Sources and Uses of Funds

Under the provisions of the Trust Agreement, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

	<u>2010A Bonds</u>	<u>2010B Bonds</u>
<u>Sources:</u>		
Principal Amount of Bonds		
New Premium/Discount		
Total Sources		
<u>Uses:</u>		
2010 Project Fund		
Reserve Fund		
Underwriter's Discount		
Costs of Issuance Fund ⁽¹⁾		
Total		

⁽¹⁾ Expenses include fees of Bond Counsel, the Financial Advisor, Disclosure Counsel, the Trustee, rating fees, costs of printing the Official Statement, and other costs of delivery of the Bonds.

THE AUTHORITY

The Otay Water District Financing Authority was formed pursuant to the provisions of Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State and a Joint Exercise of Powers Agreement, dated _____, 2010 (the "Joint Powers Agreement") by and between the District and the California Municipal Finance Authority, a joint exercise of powers agency. The Authority was formed to assist the District in the financing of public capital improvements. The Authority functions as an independent entity and its policies are determined by a governing board that consists of the [board of directors of the District]. The Authority has no employees and all staff work is done by the District staff.

Pursuant to the Act, the Authority is authorized to issue bonds for the purpose of financing, refinancing or providing reimbursement for costs incurred in connection with the construction, expansion, remodeling, renovation, furnishing, equipping or acquisition of public capital improvements of public entities. The Act provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid from the proceeds of certain public obligations, such as the Installment Purchase Agreement. The intent of the California legislature, as stated in the Act, is to assist in the reduction of local borrowing costs, help accelerate the construction, repair and maintenance of public capital improvements, and promote greater use of existing and new financial instruments and mechanisms such as bond pooling by local agencies.

OTAY WATER DISTRICT

The District was formed in January 1956 pursuant to Section 7100 et seq., of the California Water Code, and joined the San Diego County Water Authority (which is a member of the Metropolitan Water District of Southern California) in September 1956 to acquire the right to purchase and distribute imported water throughout its service area. The District's boundaries currently encompass an area of approximately 125 square miles in San Diego County, lying immediately east of the San Diego metropolitan area and running from the City of El Cajon south to the Mexican border, abutting the cities of El Cajon and La Mesa, and encompassing most of the City of Chula Vista and a small portion of the City of San Diego ("Service Area"). The District is the sole provider of water in the Service Area. Approximately 39 percent of the geographic Service Area is currently developed, and this percentage will continue to increase as the District's Service Area continues to develop and grow. The District's water sales by volume increased by 7.5% per year from 2004 to 2007. Since 2007, new residential construction has declined significantly and there has been little or no growth in residential connections. However, the District continues to add connections to its reclaimed water system. As of June 30, 2009, the District had nearly 48,000 potable and 700 recycled service accounts representing a population of approximately 195,000, with an average daily demand of 33.2 million gallons per day (mgd). Ultimately, the District is projected to serve 277,000 people, creating an average daily demand of 56.3 mgd.

Most potable water delivered by the District is purchased from the San Diego County Water Authority ("SDCWA") who in turn purchases water from the region's water importer, the Metropolitan Water District of Southern California. A smaller amount of potable water had also been purchased from the City of San Diego in prior years, but in the future, the District only expects to purchase potable water from the City of San Diego if needed on a temporary basis. In Fiscal Year 2007, the District began purchasing raw water from the SDCWA and entered into an agreement with the City of San Diego to treat the water to potable level before being introduced to the District's Water System. By taking raw water through SDCWA's system at a different connection, there is increased reliability of water supplied to the District. A 5.1-mile, 36" pipeline project currently under construction will, when complete, add another connection to the Helix Water District's system, where the District expects to establish an additional delivery point for treated water. Water delivered through the new pipeline will be stored in two recently constructed 10 million gallon reservoirs.

The District owns and operates a recycled water distribution network. Recycled water from the District's Ralph W. Chapman Water Recycling Facility ("RWCWRF") is used to irrigate golf courses, landscaping

at schools, public parks, roadway landscapes, and various other approved uses in eastern Chula Vista. The RWCWRF is cable of reclaiming wastewater at a rate of approximately 1.2 million gallons per day. The District is also in a partnership with the City of San Diego to beneficially reuse an additional six million gallons per day of recycled water from the City of San Diego's South Bay Reclamation Plant (since Spring of 2007), which required the District to construct over six miles of connecting pipeline, a pump station and a 12 million gallon reservoir. Using this new resource to meet recycled water demands on the Water System has resulted in the District being able to allocate approximately 3,000 acre-feet per year of potable water to other uses.

The District also owns and operates a wastewater collection and reclamation system, providing public sewer service to approximately 4,627 customers within the Jamacha drainage basin. This wastewater system is not a part of the Water System.

The District is administered by a Board of Directors consisting of five members who are elected to four-year alternating terms by the voters residing within the District's boundaries. The District is divided into five divisions, with each Director representing a specific division within which he or she must reside. The current members of the Board and key administrative personnel are:

DIRECTORS

Jaime Bonilla, President - Division 2
Jose Lopez, Vice President - Division 4
Gary D. Croucher, Treasurer - Division 3
Larry Breitfelder, Division 1
Mark Robak, Division 5

MANAGEMENT TEAM

Mark Watton, General Manager
German Alvarez, Assistant General Manager Finance & Administration
Manny Magaña, Assistant General Manager Engineering & Operations
Joseph R. Beachem, Chief Financial Officer
Rom Sarno, Jr., Chief of Administrative Services
Geoff Stevens, Chief Information Officer
Rod Posada, Chief of Engineering
Pedro Porras, Chief of Water Operations

Under direction of the General Manager, the District has 166 employees.

THE WATER SYSTEM

The following information concerning the Water System was obtained from District officials except where otherwise indicated. The audited financial statements of the District for the Fiscal Year ended June 30, 2009 are attached hereto as "APPENDIX B" and should be read in their entirety.

Existing Facilities

Potable Water Facilities - The principal facilities of the existing potable water system consist of six water supply connections with SDCWA, one water supply connection with the City of San Diego, 27 pump stations, over 660 miles of pipelines, and 37 storage reservoirs.

The District currently receives treated potable water from the SDCWA through four connections to one of the pipelines owned and operated by the SDCWA. This water is treated by the Metropolitan Water District of Southern California at its Skinner Water Treatment Plant. In addition, the District currently receives treated potable water from the SDCWA through two connections to its La Mesa Sweetwater

Extension. If purchased, this water would be treated by the Helix Water District at its R.M. Levy Water Treatment Plant pursuant to an agreement with the SDCWA. The District may also purchase treated potable water, if available, from the City of San Diego. This water is sold by the SDCWA to the District in raw form and delivered to the City of San Diego's Otay Water Treatment Plant pursuant to an agreement among the SDCWA, the District and the City of San Diego. These supply sources and connecting transmission mains deliver water to terminal storage reservoirs that provide water service to customers within the Service Area.

Reclaimed Water Facilities - The principal facilities of the existing reclaimed or recycled water system consist of one recycled water supply source, 2 pump stations, 79 miles of pipelines, and 3 storage reservoirs.

The District currently produces recycled water at the RWCWRF, which is owned and operated by the District. Reclaimed water from the RWCWRF and some of the District's treated potable water supply are delivered into storage reservoirs that provide recycled water service to reclaimed water customers.

The District is divided into five geographic areas. These five areas contain five potable water systems and two recycled water systems. The systems are called Hillsdale, Regulatory, La Presa, Central Area, and Otay Mesa. The Hillsdale, Regulatory, and La Presa systems are collectively referred to as the North District, while the Central Area, and Otay Mesa systems are collectively referred to as the South District. Recycled water service is currently limited to the South District. There are multiple pressure zones within each system, except Otay Mesa.

North District. The Hillsdale system includes the extreme north part of the District's Service Area. The Regulatory system is located between the Hillsdale and La Presa systems. The Regulatory system reservoirs are considered to provide terminal storage for the entire North District as well as some operational storage for the 520 Pressure Zone. Two new 10 million gallon reservoirs are located within the Regulatory system and will provide storage for the treated water to be delivered through the 36" inch pipeline under construction, which will be connected to the Helix Water District system. The La Presa system is generally located north and east of the Sweetwater reservoir and is the southernmost system of the North District.

South District. The Central Area system is roughly bounded by Interstate 805 on the west, Otay River on the south, the Lower Otay Reservoir on the east, and the Regulatory System on the north. Two Central Area system reservoirs provide terminal storage for the entire Central Area system and also provide operational storage for the 624 Pressure Zone. Additional reservoirs provide operational storage for other pressure zones throughout the Central Area. The Otay Mesa system includes the extreme south portion of the District Service Area and is generally located between the Otay River on the north and the Mexico border on the south. The South District has and will experience the most growth in the District's Service Area.

Water Storage

The District currently operates 39 reservoirs as shown below with a total capacity of 216.1 mg. The District estimates that the reservoirs are between 75% and 80% full on a typical day..

<u>System</u>	<u>Reservoirs</u>	<u>Capacity (mg)</u>
Hillsdale	6	13.9
Regulatory	14	58.4
La Presa	6	10.5
Central Area	11	85.6
Otay Mesa	<u>2</u>	<u>47.7</u>
	39	216.1

Water Supply

Service Area Water Supply - Potable. The District does not have a local source of ground or surface water, but purchases a significant amount of its potable water from the SDCWA. Under a contractual arrangement with the SDCWA, the District also receives potable water from the Helix Water District's Levy Water Treatment Plant and, beginning in Fiscal Year 2007, from the City of San Diego.

The SDCWA implemented a water rate increase on September 1, 2009, which will result in an approximate 10% increase for the District's cost of purchased potable water from SDCWA.

Service Area Water Supply - Recycled. The District produces approximately 1.2 million gallons a day of reclaimed water at the RWCWRF. The District has contracted with the City of San Diego to purchase at least six million gallons per day (mgd) of reclaimed water produced by the City of San Diego's South Bay Water Reclamation Plant and an additional 3.5 mgd if available. Construction on the required pump station, reservoir, and the 6-mile delivery system allowing the District to connect to the City of San Diego's reclaimed water pipeline was completed in 2007. This contract with the City of San Diego has resulted in the District reducing its potable water use by approximately 3,000 acre-feet per year thereby increasing the availability of potable water for higher quality purposes.

SDCWA Water Supply. Currently, approximately 85% of the SDCWA's water supply is purchased, with 76% of total supply purchased from the Metropolitan Water District of Southern California ("MWD"). For the fiscal year ended June 30, 2009, the SDCWA supplied the District 35,557 acre-feet of water (quantities of water are expressed in terms of acre-feet which is the amount of water which will cover one acre to a depth of one foot and is equivalent to approximately 326,000 gallons and approximately the average annual water usage of two households).

As an alternative to purchasing all of its imported water from MWD, the SDCWA has begun to diversify its purchases through core and spot water transfers with other agencies. Since 2003, the SDCWA has been receiving a portion of its imported water pursuant to the terms of the Quantification Settlement Agreement ("QSA") among the State of California acting by and through the Department of Fish and Game, the Coachella Valley Water District ("CVWD"), the Imperial Irrigation District ("IID") and the SDCWA, executed on October 10, 2003, the Water Transfer Agreement (defined below) and other QSA related agreements. Water that the SDCWA receives from IID is conveyed through the Colorado River Aqueduct pursuant to an exchange agreement with MWD. The SDCWA began receiving transfer water from IID in December 2003. Starting with the initial delivery of 10,000 acre-feet, the amount of water to be delivered is increasing according to an agreed-upon schedule until the maximum transfer yield of 200,000 acre-feet per year is achieved. In addition, the SDCWA will receive approximately 77,000 acre-feet of imported water per year from water conserved through the lining of the All-American Canal Lining Project and the Coachella Canal Lining Project. The SDCWA began receiving water from the Coachella Canal Lining Project in 2007 and in 2010 will receive its full allotment from the All-American Canal Lining Project. The SDCWA is also pursuing spot water transfers to provide supplemental supplies to the region during times of supply shortages. Spot transfers are short-term transfers or leases, typically agreed to and completed within one to three years.

The SDCWA continues to pursue supply diversification efforts for itself and the region, including long-term planning, recycling of local surface water, groundwater, recycled water, local seawater desalination and conservation efforts.

Water Storage facilities are also critical to assuring consistent water availability notwithstanding fluctuation in available supply. The SDCWA has recently entered into agreements to expand available storage capacity. The SDCWA recently issued over \$600 million in water bonds to finance its Capital Improvement Program. One of the purposes of the Capital Improvement Program is to interconnect a number of member agency storage facilities. Another purpose is to enhance the SDCWA's own storage capacity.

The SDCWA faces various challenges in the continued supply of water to the District and other member agencies. A description of these challenges as well as a variety of other operating information with respect to the SDCWA is included in certain disclosure documents prepared by SDCWA. The SDCWA has entered into certain continuing disclosure agreements pursuant to which SDCWA is contractually obligated for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "SDCWA Information") with certain the Municipal Securities Rulemaking Board.

SDCWA HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SDCWA. SDCWA IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH SDCWA INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

MWD Water Supply. The SDCWA currently purchases all of its imported water from MWD and IID. SDCWA is MWD's largest member agency, purchasing approximately 24 percent of MWD's supplies in fiscal year 2008/09. MWD obtains its water supply from two primary sources: the Colorado River, via MWD's Colorado River Aqueduct, and the State of California Department of Water Resources' State Water Project ("SWP"), via the Edmund G. Brown California Aqueduct.

As MWD continues to face unprecedented supply challenges resulting from a combination of drought conditions and regulatory restrictions on the operations of the SWP, MWD is augmenting the partial cuts to its SWP supplies by continuing withdrawals from storage accounts, encouraging fast-tracking of local resource development and purchasing spot water transfer supplies to meet its member agency supply needs.

It is MWD's declared policy to meet all the supplemental needs of each of its member agencies, including the Water Authority. However, MWD's Board adopted a shortage allocation method in February 2008 (the "Water Supply Allocation Plan"). The method allows MWD, in the event of shortages, to allocate water based on uniform reduction by class of water service, with adjustments made for growth, loss of local supply, demand hardening due to implementation of water conservation, and the amount a member agency's dependence on MWD for its total water supply, as well as other water supply related factors. MWD implemented the second stage of the shortage allocation method on July 1, 2009 and began allocating supplies among its member agencies pursuant to the plan. Any extended curtailment could be accompanied by an increase in MWD water charges to its member agencies and consequently could necessitate an increase in water rates to the member agencies of the Water Authority.

Colorado River Water. Under applicable laws, agreements and treaties governing the use of water from the Colorado River, California is entitled to use 4.4 million acre-feet of Colorado River water annually, plus one-half of any surplus that may be available for use collectively in Arizona, California and Nevada as declared on an annual basis by the United States Secretary of the Interior. Under the priority system that governs the distribution of Colorado River water made available to California, MWD holds the fourth priority right of 550,000 acre-feet per year and a fifth priority right of 662,000 acre-feet per year. MWD's fourth priority right is within California's basic annual apportionment of 4.4 million acre-feet; however, the fifth priority right is outside of this entitlement and therefore is not considered a firm supply of water. Until 2003, MWD had been able to take full advantage of its fifth priority right as a result of the availability of surplus water and apportioned but unused water. However, Arizona and Nevada have increased their use of water from the Colorado River, leaving no unused apportionment available for California. In addition, a severe drought in the Colorado River Basin reduced storage in system reservoirs, such that MWD stopped taking surplus deliveries in 2003 in an effort to mitigate the effects of the drought. Prior to 2003, MWD could divert over 1.2 million acre-feet in any year, but since that time, MWD's net diversions of Colorado River water have been limited to a low of approximately 633,000

acre-feet in 2006 and a high of approximately 905,000 acre-feet in 2008. Average annual net deliveries for 2003 through 2008 were approximately 762,000 acre-feet, with annual volumes dependent primarily on availability of unused higher priority agricultural water and increasing transfers of conserved water. In 2009, MWD's Colorado River Aqueduct deliveries exceeded 1 million acre-feet for the first time since 2002. These deliveries include the SDCWA QSA water supplies conveyed by MWD in accordance with the SDCWA's Exchange Agreement with MWD.

Colorado River Aqueduct. The Colorado River Aqueduct is owned and operated by MWD. Work on the Colorado River Aqueduct commenced in 1933 and water deliveries started in 1941. Additional facilities were completed by 1961 to meet additional requirements of MWD's member agencies. The Colorado River Aqueduct is 242 miles long, starting at Lake Havasu and terminating at Lake Mathews in Riverside County. After deducting evaporation and seepage losses in transporting and storing the water and considering maintenance requirements, the maximum capacity available for delivery by MWD to its member agencies is approximately 1.2 million acre-feet per year.

California's Colorado River Water Use Plan. In response to Arizona and Nevada increasing use of their respective apportionments in the late 1990s and the uncertainty of continued surpluses on the Colorado River, the Colorado River Board of California, in consultation with MWD, IID, CVWD, and the SDCWA, has developed and released a plan for reducing California's use of Colorado River water to its basic annual apportionment of 4.4 million acre-feet when necessary (the "California Plan"). The May 2000 California Plan optimizes the use of the available Colorado River supply through water conservation, transfers from higher priority agricultural users to the SDCWA's and MWD's service area, and storage programs.

Other MWD Colorado River Supply Programs. MWD has taken steps to enhance its share of Colorado River water through agreements with other agencies that have rights to use such water such as IID, the Palo Verde Irrigation District and the Central Arizona Water Conservation District.

Colorado River Operations, Shortage, and Surplus Guidelines. In December 2007, the Secretary of the Interior executed a Record of Decision ("ROD") for guidelines that determine potential shortage allocations among the Lower Basin states and revise reservoir operations (Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead). Under the guidelines, California would not have to share in any of the potential annual shortages identified by the Secretary up to 500,000 acre-feet. The ROD extended existing Interim Surplus Guidelines ("ISG") until 2026, which determine when surplus water is available for California, Arizona and Nevada. Availability of ISG surplus water depends upon whether drought conditions continue and how fast storage in the Colorado River Basin can recover from present conditions. The ROD also provided a way for Lower Basin Colorado River water contractors and others to create a storage account, under a program called Intentionally Created Surplus ("ICS"). Under ICS provisions, MWD can implement water conservation programs to create a storage account in Lake Mead of up to 1,450,000 acre-feet. When other surplus is not available and the Colorado River is not in shortage condition, MWD could call for the delivery of 375,000 acre-feet of this stored water in any year (400,000 acre-feet if water were needed to avoid shortages within the MWD service area).

Environmental Considerations. Several fish species and other wildlife species either directly or indirectly have the potential to affect Colorado River operations, thus changing power operations and the amount of water deliveries to the Colorado River Aqueduct. A number of species that are on either "endangered" or "threatened" lists under the federal and/or California endangered species acts ("ESAs") are present in the area of the Lower Colorado River. To address this issue, a broad-based state/federal/tribal private regional partnership, which includes water, hydroelectric power and wildlife management agencies in Arizona, California and Nevada, developed a multi-species conservation plan for the main stem of the Lower Colorado River (the Lower Colorado River Multi-Species Conservation Program or "MSCP"). The MSCP allows MWD to obtain federal and state permits for any incidental take of protected species

resulting from current and future water and power operations and diversions on the Colorado River. The MSCP also covers operations of federal dams and power plants on the Colorado River.

Seismic Considerations. Portions of the Colorado River Aqueduct are located near earthquake faults, including the San Andreas Fault. On October 16, 1999, a magnitude 7.1 earthquake centered 45 miles from the Colorado River Aqueduct occurred. When it occurred, the aqueduct was running at capacity. Inspections following the earthquake revealed no structural damage. There were no interruptions in operations. No assurance can be made that a significant seismic event would not cause damage to project structures, which could thereby interrupt the supply of water from the Colorado River Aqueduct.

State Water Project. MWD's other major source of water is the State Water Project ("SWP"). The SWP is owned by the State of California and operated by the State Department of Water Resources ("DWR"). The SWP transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the San Francisco Bay Sacramento-San Joaquin Delta Estuary ("Bay-Delta") south via the California Aqueduct to four delivery points near the northern and eastern boundaries of MWD. The total length of the California Aqueduct is 444 miles.

MWD is one of 29 agencies that have long-term contracts for water service from DWR, but is the largest agency in terms of the number of people it serves (more than 18 million), the share of SWP water to which it is entitled, and the total amount of annual payments made to DWR. MWD's contract with DWR provides for the ultimate delivery of 1,911,400 acre-feet per year (46 percent of the total SWP entitlement). MWD also retains a "call" on 100,000 acre-feet per year on water transferred to CVWD and the Desert Water Agency, if needed, so long as it pays for the financial obligations associated with the water during the call period.

The SWP was originally intended to meet demands of 4.2 million acre-feet per year. Initial SWP facilities were completed in the early 1970s, and it was envisioned that additional facilities would be constructed as contractor demands increased. Several factors, including public opposition, increased costs, and increased non-SWP demands for limited water supplies, combined to delay the construction of additional facilities. The quantity of SWP water available for delivery each year is controlled by both hydrology and operational considerations. Water received from the State Water Project by MWD from 2002 through 2008, including water from water transfer, groundwater banking and exchange programs varied from a low of 1,040,000 acre-feet in calendar year 2008 to a high of 1,794,000 acre-feet in calendar year 2004. MWD's allocation from the State Water Project for calendar year 2008 was 35 percent of its contracted amount, or 669,000 acre-feet. MWD received approximately 1,040,000 acre-feet of water using the State Water Project's California Aqueduct in 2008, including the allocation from the State Water Project and deliveries from water transfers, groundwater banking and exchange programs.

For calendar year 2009, DWR's October 2008 initial allocation estimate was set at 15 percent of contracted amounts. This estimate was adjusted upwards to 20 percent, 30 percent and 40 percent of contracted amounts as of March 18, 2009, April 15, 2009 and May 20, 2009, respectively. Since May 20, 2009, the State Water Project allocation has remained at 40 percent of contracted amounts. This allocation reflects that water storage in the State's major reservoirs and runoff projections remain below average and regulatory restrictions on water exports from the Bay-Delta to protect listed fish species have also reduced water deliveries from the State Water Project. Under the 40 percent allocation of contracted amounts, MWD will receive approximately 765,000 acre-feet from its basic allocation and approximately 923,000 acre-feet of total water from the State Water Project, including supplies from water transfers, exchanges and related Five-Year Supply Plan actions that will be delivered through the California Aqueduct.

Following three dry years, DWR's calendar year 2010 initial allocation estimate of water from the State Water Project was announced on November 30, 2009 as five percent of SWP contractors' contractual amounts. For MWD, the initial allocation is 95,575 acre-feet, or five percent of its 1,911,500-acre-foot contractual amount. DWR stated that its initial allocation is a very conservative estimate of what DWR

expects it can deliver as a percentage of deliveries requested by SWP contractors for 2010. This initial allocation figure reflects the low carryover storage levels in the State's major reservoirs, three years of drought conditions and federally mandated environmental restrictions on water deliveries from the Sacramento-San Joaquin Delta. Actual deliveries and revised allocations for 2010 are expected to increase during the year once actual hydrologic and water supply conditions are known.

According to DWR, the five percent initial allocation is the lowest initial allocation percentage since SWP deliveries began in 1967. The previous low initial allocation was ten percent in 1993. The 1993 allocation was increased to 100 percent as supply conditions improved that year; however, federally mandated environmental restrictions on water deliveries from the Sacramento-San Joaquin Delta were not in place at that time. See "*Endangered Species Act Consideration*" and "*State Water Project Operational Constrains*" below. If the initial allocation of five percent for 2010 remains in effect throughout 2010, MWD expects to meet regional demands with Colorado River Aqueduct deliveries, storage reserves, supplemental water transfers and purchases and, if necessary, continuation of MWD's Water Supply Allocation Plan (see "*Integrated Water Resources Plan and Five-Year Supply Plan*" below).

Due to drought conditions and the court-ordered restrictions described under "*Endangered Species Act Considerations*" below, California Governor Arnold Schwarzenegger issued a proclamation on February 27, 2009 declaring a statewide drought emergency. The proclamation requests that all urban water users in California increase water conservation and directs that various state agencies take action to address impacts of the drought. These actions include expediting approvals for water transfers (provided that such transfers do not injure other legal users of water or unreasonably affect fish and wildlife); pursuing short-term efforts, such as installation of temporary barriers in the Bay-Delta, to protect water quality and water supply; and expediting regulatory consideration of proposed modifications to Bay-Delta water quality standards. DWR's drought status update issued on September 30, 2009 (the end of the water year, which runs from October 1 to September 30 of each year), stated that DWR is preparing for the likelihood of a fourth year of drought in 2010. The Governor may issue additional orders, including rationing, if drought conditions are not sufficiently mitigated. However, MWD has stated it is unable at this time to assess impacts of the emergency declaration on its State Water Project supplies.

Bay-Delta Regulatory and Planning Activities. The supply and reliability issues affecting the SWP are largely a result of longstanding environmental problems in the Bay-Delta estuary. In addition to its importance to urban and agricultural water users, the Bay-Delta is of critical ecological importance. The Bay-Delta is the largest estuary on the West Coast of the United States and provides habitat for more than 750 plant and animal species. One hundred fifty years of human activity have contributed to the destruction of habitat, the decline of several estuarine and anadromous fish species, and the deterioration of water quality. These activities include increasing water demands from urban and agricultural uses, the dredging and filling of tidal marshes, the construction of levees, urban runoff, agricultural drainage, runoff from abandoned mines, and the introduction of non-native species.

The State Water Resources Control Board ("SWRCB") is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of SWRCB can affect the availability of water to MWD and other users of SWP water. SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions. These include the Bay Delta Water Quality Control Plan ("WQCP"), which establishes the water quality standards and proposed flow regime of the estuary, and water rights decisions which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights. Since 2000, SWRCB's Water Rights Decision 1641 has governed the SWP's ability to export water from the Bay-Delta for delivery to MWD and other SWP contractors.

The CALFED Bay-Delta Program is a collaborative effort among state and federal agencies to develop a long-term solution to improve water supplies in California and the health of the Bay-Delta watershed. In August 2000, the federal government and the State of California issued a Record of Decision ("ROD") and related documents approving the final programmatic environmental documentation for the CALFED

Bay-Delta Program. Implementing the CALFED Bay-Delta Program during the first seven years has resulted in investment of \$3 billion on a variety of projects and programs to begin addressing the Bay-Delta's water supply, water quality, ecosystem, and levee stability problems. To guide future development of the CALFED Bay-Delta Program and identify a strategy for managing the Bay-Delta as a sustainable resource, Governor Schwarzenegger in September 2006 established, by Executive Order, a Delta Vision process. The Delta Vision process is tied to legislation that created a cabinet-level committee tasked with developing a strategic vision for the Delta. The 41-member Delta Vision Blue Ribbon Task Force issued its Delta Vision Strategic Plan (the "Strategic Plan") on October 17, 2008, providing its recommendations for long-term sustainable management of the Bay-Delta. The Strategic Plan was reviewed by the Delta Vision Committee, chaired by the State Secretary for Resources. The Implementation Report summarizing the Delta Vision Committees recommendations was submitted to Governor Schwarzenegger on December 31, 2008. These recommendations include completing the BDCP and associated environmental assessments to permit ecosystem revitalization and conveyance water improvements, identifying and reducing stressors to the Bay-Delta ecosystem, strengthening levees, increasing emergency preparedness, continuing funding for the CALFED ecosystem restoration program, updating Bay-Delta regulatory flow and water quality standards to protect beneficial uses of water and working with the State Legislature on a comprehensive water bond package to fund Bay-Delta infrastructure projects.

On November 4, 2009, the State Legislature passed a comprehensive package of water legislation that included five bills (four of which have subsequently been signed by Governor Schwarzenegger) (the "2009 State Water Legislation") addressing California's statewide water situation, with particular emphasis on the Bay-Delta. The 2009 State Water Legislation includes, among other things, a 20 percent water conservation mandate for most localities in the State by 2020, new regulations regarding voluntary monitoring of groundwater levels by localities, and an \$11.1 billion State general obligation bond measure, to be presented to the voters for their approval in 2010, that would provide funding for projects and programs throughout the State and in the Bay-Delta. Major categories of bond funding would include statewide water system operational improvements, Bay-Delta sustainability, water supply reliability, conservation and watershed protection, groundwater protection and water quality improvements, and water recycling and water conservation. The 2009 State Water Legislation also creates two new governmental agencies - the Delta Stewardship Council and the Sacramento-San Joaquin Delta Conservancy. The Delta Stewardship Council is charged with developing and implementing a Delta Plan, which would include the Bay Delta Conservation Plan upon meeting certain conditions. The Sacramento-San Joaquin Delta Conservancy will implement ecosystem restoration activities in the Bay-Delta. In addition the 2009 State Water Legislation includes legislation addressing unauthorized Bay-Delta water diversions. At this time, the District cannot predict what effect the 2009 State Water Legislation will have on the operations and finances of the SDCWA.

Endangered Species Act Considerations. The listing of several fish species as threatened or endangered under the federal or California Endangered Species Acts (respectively, the "Federal ESA" and the "California ESA" and, collectively, the "ESAs") have adversely impacted State Water Project operations and limited the flexibility of the State Water Project. An annual environmental water account established under the CALFED Bay-Delta Program as a means of meeting environmental flow requirements and export limitations has helped to mitigate these impacts. Currently, five species (the winter-run and spring-run Chinook salmon, Delta smelt, North American green sturgeon and Central Valley steelhead) are listed under the ESAs. In addition, on June 25, 2009, the California Fish and Game Commission declared the longfin smelt a threatened species under the California ESA. The Federal ESA requires that before any federal agency authorizes finds or carries out an action it must consult with the appropriate federal fishery agency to determine whether the action would jeopardize the continued existence of any threatened or endangered species, or adversely modify habitat critical to the species' needs. The result of the consultation is known as a "biological opinion." In the biological opinion the federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat and recommends reasonable and prudent alternatives or measures that would allow the action to proceed without causing jeopardy or adverse modification. The biological

opinion also includes an "incidental take statement." The incidental take statement allows the action to go forward even though it will result in some level of "take," including harming or killing some members of the species, incidental to the agency action, provided that the agency action does not jeopardize the continued existence of any threatened or endangered species and complies with reasonable mitigation and minimization measures recommended by the federal fishery agency. In 2004 and 2005, the USFWS and National Marine Fisheries Service ("NMFS") issued biological opinions and incidental take statements that govern operations of the SWP and the federal Central Valley Project (the "CVP") with respect to the Delta smelt, the winter-run and spring-run Chinook salmon and the Central Valley steelhead. In a separate action on May 21, 2009, the National Marine Fisheries Service proposed to adopt a rule under the Federal ESA, applying Federal ESA "take" prohibitions to the North American green sturgeon. Existing restrictions on project operations for the benefit of other listed species will also protect the North American green sturgeon and it is unclear whether additional restrictions and impacts on project operations could result from the proposed rule.

Under the Federal ESA, critical habitat also must be designated for each listed species. Critical habitat has been designated for each of the currently listed species, including the North American green sturgeon. The National Marine Fisheries Service issued critical habitat designation for the North American green sturgeon on October 9, 2009. The habitat designated as critical for the sturgeon includes the lower Feather River, which could have an adverse impact on State Water Project operations.

Rulings by SWRCQ, USFWS and NMFS can result in significant restrictions on the amount of water available to DWR for delivery through the SWP. An analysis by DWR of the biological opinion on the impact of the SWP and the CVP on Delta smelt, released by USFWS on December 15, 2008, for example, suggested that SWP export restrictions could reduce deliveries to MWD by 300,000 to 700,000 acre-feet in 2009. Further, the decisions of the SWRCB, USFWS, the activities of DWR and various SWP contractors, the CALFED Bay-Delta Program, the operations of the SWP and the various biological opinions have been the subject of ongoing environmental and other litigation. Such litigation has had and may continue to have a significant impact on the operation of the SWP and the amount of SWP water available to MWD. An Interim Remedial Order issued in *NRDC v. Kempthorne*, for example, resulted in reductions of approximately 250,000 acre-feet in SWP deliveries to MWD during winter and spring of 2007-08.

State Water Project Operational Constraints. DWR has altered the operations of the State Water Project to accommodate species of fish listed under the ESAs. These changes in project operations have adversely affected State Water Project deliveries. Restrictions on Bay-Delta pumping under the Interim Remedial Order in *NRDC v. Kempthorne* reduced deliveries of State Water Project water to MWD by approximately 250,000 acre-feet in 2008. The initial allocation to State Water Project contractors for 2009 was only 15 percent of their contracted amounts, based on below-average precipitation and regulatory agency restrictions on water exports from the Bay-Delta to protect listed fish species. DWR revisited this allocation as conditions changed through early 2009 and, on May 20, 2009, announced an allocation of 40 percent (approximately 765,000 acre-feet). MWD anticipates receiving approximately 923,000 acre-feet of total water from the SWP in 2009, including its basic allocation and supplies from water transfers, exchanges and related Five-Year Supply Plan actions that will be delivered through the California Aqueduct.

Operational constraints likely will continue until a long-term solution to the problems in the Bay-Delta is identified and implemented. The Delta Vision process, established by Governor Schwarzenegger, is aimed at identifying long-term solutions to the conflicts in the Bay-Delta, including natural resource, infrastructure, land use and governance issues. In addition, State and federal resource agencies and various environmental and water user entities are currently engaged in the development of the Bay-Delta Conservation Plan (the "BDCP"), which is aimed at addressing ecosystem needs and securing long-term operating permits for the SWP.

Other issues, such as the recent decline of some fish populations in the Bay-Delta and surrounding regions and certain operational actions in the Bay-Delta, may significantly reduce MWD's water supply from the Bay-Delta. State Water Project operational requirements may be further modified under new biological opinions for listed species under the Federal ESA or by the California Department of Fish and Game's issuance of incidental take authorizations under the California ESA. Biological opinions or incidental take authorizations under the Federal ESA and California ESA might further adversely affect State Water Project and Central Valley Project operations. Additionally, new litigation, listings of additional species or new regulatory requirements could further adversely affect State Water Project operations in the future by requiring additional export reductions, releases of additional water from storage or other operational changes impacting water supply operations. The Water Authority cannot predict the ultimate outcome of any of the litigation or regulatory processes described above but believes they could have a materially adverse impact on the operation of the SWP pumps, MWD's SWP supplies and MWD's water reserves.

Seismic Considerations. Major portions of the California Aqueduct are located parallel to and near the San Andreas and other faults. All major faults are crossed either by canal at ground level or by pipeline at very shallow depths to ease repair in case of damage from movement along a fault. SWP facilities are designed to withstand earthquakes without major damage. Dams, for example, are designed to accommodate movement along their foundations and to resist earthquake forces on their embankments. Earthquake loads have been taken into consideration in the design of project structures such as pumping and power plants. The location of check structures on the canal allows for hydraulic isolation of the fault-crossing repair. No assurance can be made that a significant seismic event would not cause damage to project structures, which could thereby interrupt the supply of water from the California Aqueduct.

Integrated Water Resources Plan and Five-Year Supply Plan. MWD, its member agencies, sub-agencies and groundwater basin managers developed the MWD IRP that was adopted by the Board in January 1996 as a long-term planning guideline for resources and capital investments. The purpose of the MWD IRP was the development of a preferred resource mix to meet the water supply reliability and water quality needs for the region in a cost effective and environmentally sound manner. In 2004, the Board adopted an updated MWD IRP that reviewed the goals and achievements of the original MWD IRP, identified changed conditions for water resource development and updated the resource targets through 2025. A key component of the updated plan was the addition of a planning buffer. The planning buffer provided for the identification of additional supplies, both imported and locally developed, to address uncertainty in future supplies and demands from factors such as the level of population and economic growth which directly drive water demands, water quality regulations, new chemicals found to be unhealthful, endangered species affecting sources of supplies, and periodic and new changes in climate and hydrology. MWD is currently working on the next MWD IRP update, to evaluate supply reliability while incorporating changed conditions and new trends and managing uncertainties. It is expected to be completed in April 2010.

In anticipation of ongoing and future water supply challenges resulting from a combination of drought conditions and regulatory restrictions on the operations of the SWP, MWD and its member agencies initiated the Five-Year Supply Plan (the "Plan") in April 2008. The Plan's objective is to identify implementable resources and conservation actions that would help the region manage water deliveries under regulatory restrictions on operations of the SWP and possible continued drought conditions for the next five years. The specific resources are divided into six areas: 1) extraordinary conservation; 2) local resources; 3) Colorado River transactions; 4) near-term Delta actions; 5) State Water Project transactions; and 6) groundwater recovery. Since the Plan was initiated, the MWD Board approved the implementation of the Water Supply Allocation Plan (the "WSAP") at a Regional Shortage Level 2, which is intended to reduce total water deliveries to approximately 1.98 million acre-feet to the member agencies from July 2009 through June 2010. MWD has evaluated a set of potential resource options for the next five years. These options are estimated to yield 404,000 acre-feet of additional resources in 2009 and from 481,000 acre-feet to approximately 1.0 million acre-feet per year, inclusive of conservation, such as the continued implementation of WSAP, in future years if successfully implemented.

Additional MWD Water Supply Enhancements. MWD is currently pursuing voluntary water transfer and storage and exchange programs with the State, federal, public and private water districts and individuals. In November 2007, the MWD Board authorized purchases of up to 200,000 acre-feet of northern or central California transfer options. In addition MWD has entered into groundwater basin storage agreements with the Arvin-Edison Water Storage District and the Semitropic Water Storage District, an agreement with San Bernardino Valley Municipal Water District to coordinate the use of facilities and SWP supplies and groundwater banking and exchange transfer agreements with the Kern Delta Water District and the Mojave Water Agency.

MWD faces various challenges in the continued supply of imported water to SDCWA and other member agencies. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD has entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 and annual audited financial statements (the "MWD Information") with the Municipal Securities Rulemaking Board.

MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH MWD INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

Historic and Projected Water Supply. As noted, the State of California has experienced drought conditions for several years, which have impacted the SDCWA's base allocation of water to the District. The District's base allocation of potable water is 43,162 acre feet. In 2009, SDCWA implemented an 8% reduction in the base allocation to its customers, resulting in an allocation to the District of 39,832 acre feet.

At its peak in Fiscal Year 2007, the District purchased 41,909 acre feet of potable water from SDCWA. Of this amount, 3,073 acre feet of potable water was used to provide water to the customers of the District's recycled water system. However, the District has developed additional sources of recycled water and no longer needs to purchase potable water to supplement the recycled system. This has resulted in a reduction of purchased water from SDCWA from a high of 41,909 acre feet in fiscal year 2006/07 to 34,971 acre feet in fiscal year 2008/09, well below the current reduced allocation of 39,832 acre feet. Purchased water from SDCWA is expected to be maintained at approximately 18% below the reduced allocation and 22% below its highest demand year for the next several years.

Set forth below is a summary of the District's sources of water supply for the last seven Fiscal Years.

HISTORIC WATER SUPPLY IN ACRE-FEET PER YEAR

Fiscal Year Ending June 30	Produced Reclaimed Water	Purchased Reclaimed Water	Purchased Potable Water	Total
2003	1,117	0	34,539	35,656
2004	1,305	0	38,918	40,223
2005 ⁽¹⁾	1,150	0	37,678	38,828
2006	1,234	0	40,946	42,180
2007 ⁽²⁾	1,263	653	41,909	43,825
2008	1,235	3,595	38,045	42,875
2009	844 ⁽³⁾	3,686	34,971	39,501

⁽¹⁾ Rainfall in 2005 was significantly above average, resulting in decreased purchases of potable water and production of reclaimed water.

⁽²⁾ After the District began purchasing reclaimed water from the City of San Diego in May of 2007, it was no longer necessary to purchase potable water for the reclaimed system to supplement the amount of produced reclaimed water. See "Water Supply – Service Area Water Supply - Recycled" above.

⁽³⁾ The treatment plant was not in operation for a total of 74 days in fiscal year 2008/09 for planned maintenance.

Source: Otay Water District.

The District currently expects that demand for potable water may reach as high as 60,000 acre feet per year at buildout, potentially by the year 2040. In order to provide enough water to meet expected demand at buildout, the District continues to develop additional sources of water.

Currently, the District is negotiating a long term purchase contract for a high quality potable supply from a private company that is developing an exclusive right with the Mexican government to install and operate a desalinization plant to be built in Rosarito, Baja California, Mexico. The plant is scheduled to be complete by late 2013 and initially produce 50,000 acre feet of desalinated water annually. In order to take delivery of such water supply, the District will need to construct a conveyance system of 3.2 miles of pipeline commencing at the international border, a pump station and a water treatment plant. The District expects that the conveyance system will take 3 years to construct. If constructed, it is expected that 24,000 acre feet of demand could be supplied by this source initially, as soon as late 2013. The supply could increase over time to meet expected growth in demand as additional development occurs in the District.

Numerous permits will be required from the Federal and State government to transport the desalinated water across the international border and allow distribution in the Water System. The level of treatment after the water is delivered to the District's pipeline will be regulated by the California Department of Public Health.

The District also continues to convert existing potable connections to the recycled water system when possible. In addition, the District anticipates converting a significant number of potable connections in the Otay Mesa area to the recycled system once the required pipelines are put in place, estimated to occur in 2012/13.

Set forth below is a summary of the District’s projection of water sources for the current and five succeeding Fiscal Years and includes expected desalinated water purchases in the “Purchased Potable Water” column.

PROJECTED WATER SUPPLY IN ACRE-FEET PER YEAR

Fiscal Year Ending June 30	Produced Reclaimed Water ⁽¹⁾	Purchased Reclaimed Water	Purchased Potable Water ⁽²⁾	Total
2010	1,202	3,301	32,701	37,204
2011	1,202	3,373	32,117	36,692
2012	1,202	3,592	31,607	36,401
2013	1,202	3,834	32,287	37,323
2014	1,202	4,209	33,155	38,566
2015	1,202	4,596	34,157	39,955

⁽¹⁾ Maximum capacity for the treatment plant is 1,456 acre feet, but the District bases its projection of 1,202 acre feet on normal (efficient) capacity.

⁽²⁾ Purchases from SDCWA, includes raw water treated to potable level by the City of San Diego and the Helix Water District.

Source: Otay Water District.

The District makes no guarantee that the desalination plant will be constructed and if so, constructed in accordance with the timelines described herein. The District also provides no assurance that the transaction with the private company developing the facility will be completed as described herein.

Capital Improvement Program

The District boundaries encompass areas of San Diego County that experienced rapid growth between 2001 and 2007, and significant growth is expected in future years. The District currently serves a population of approximately 195,000. Ultimately, the District is projected to serve 277,000 people and it estimates an additional \$350 million investment in capital assets will be required through ultimate buildout, over 20 years.

The District has developed a six-year Capital Improvement Program (the “CIP”) based on future water demands in its Service Area. The District reviews and updates the CIP at least annually based on an analysis of the potable and recycled water demands most recently projected by developers, demographics, and population estimates by the San Diego Association of Governments. Major capital improvements within the next six years are planned in order to provide facilities to deliver water to new customers and to acquire additional water and recycled water capacity. These facilities are categorized by the District into those improvements relating to the Water System (which includes reclaimed water) and the sewer system. Within each segregated operational area, the CIP is further separated into improvement categories – Expansion, Betterment and Replacement.

The table below summarizes the current six-year \$174 million Capital Improvement Program for the Water System and the categories of work to be completed.

	Fiscal Year Ending June 30						Total
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
	(\$000's)						
Expansion	\$11,814,500	\$15,188,600	\$16,550,900	\$20,826,000	\$12,536,000	\$ 5,329,000	\$ 82,245,000
Betterment	12,016,100	5,902,900	14,323,100	19,908,000	14,244,000	1,740,000	68,134,100
Replacement	<u>6,830,500</u>	<u>5,930,620</u>	<u>3,978,000</u>	<u>3,175,000</u>	<u>2,660,000</u>	<u>1,171,000</u>	<u>23,745,120</u>
Total	\$30,661,100	\$27,022,120	\$34,852,000	\$43,909,000	\$29,440,000	\$ 8,240,000	\$174,124,220

The District has identified the timing and method of funding the capital improvements over the next six years. Each category of improvements is designed to be funded with operational net cashflow, bond proceeds, transfers between operational areas, other capital related charges, reserves or a combination of these sources. The District expects to fund these improvements with reserves, operating income, investment income, capacity fees and other fees, grants and additional financing. The District expects that additional financing may occur in 2013. In order to implement the Capital Improvement Program, the District anticipates that it will need to increase its rates as described herein (see "Water Charges" below). However, there is no guarantee that the District will implement such rate increases at the amount and at the time anticipated in its planning documents. See "Water Charges – Proposition 218."

Water Service

Historical Water Use. Table No. 1 shows the amount of water usage, connections and revenue generated from water and reclaimed water sales in the last five Fiscal Years, with estimates for 2009/10. There have been over 1,372 new residential connections between Fiscal Years 2004/05 and 2008/09, an increase of 3%. Population has increased over 32% during this period from 148,000 to over 195,000, accounting for the significant increase in the amount of water usage.

TABLE NO. 1
CONNECTIONS AND WATER SALES VOLUME AND REVENUE
Fiscal Years 2004/05 through 2009/10

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	Estimate <u>2009/10</u> ⁽⁵⁾
<u>Potable</u>						
Residential - Volume (ccf) ⁽¹⁾	8,478,645	9,228,713	9,713,112	9,402,189	8,881,191	8,713,200
Residential - Connections	42,059	42,763	43,292	43,342	43,431	43,441
Residential – Sales Revenue ⁽²⁾	\$ 13,705	\$ 16,784	\$ 18,695	\$ 17,775	\$ 17,853	\$ 22,318
All Others - Volume (ccf)	5,727,645	5,875,415	6,346,352	6,173,480	6,042,570	5,791,700
All Others - Connections	3,983	4,088	4,168	4,249	4,257	4,260
All Others – Sales Revenue ⁽²⁾	\$ 11,041	\$ 11,191	\$ 12,002	\$ 12,261	\$ 12,523	\$ 15,552
Total Potable Connections	46,042	46,851	47,460	47,591	47,688	47,701
Annual Increase In Connections	1,459	809	609	131	97	13
<u>Reclaimed</u> ⁽³⁾						
Reclaimed - Volume (ccf)	1,453,271	1,729,000	1,920,287	2,001,137	1,991,682	1,985,500
Reclaimed - Connections	483	558	588	626	671	683
Reclaimed – Sales Revenue ⁽²⁾	\$ 2,655	\$ 3,066	\$ 3,886	\$ 5,182	\$ 5,499	\$ 6,909
Annual Increase in Connections	135	75	30	38	45	12
<u>Total</u>						
Total Volume (ccf)	15,659,561	16,830,128	17,979,751	17,576,806	16,915,448	16,490,400
Total Connections	46,525	47,409	48,048	48,217	48,359	48,384
Total Sales ⁽²⁾	\$ 27,401	\$ 31,041	\$ 34,583	\$ 35,218	\$ 35,875	\$ 44,388
Fixed Charges ⁽⁴⁾	\$ 11,947	\$ 12,715	\$ 14,023	\$ 15,535	\$ 16,524	\$ 19,298
Total Revenue	\$ 39,348	\$ 43,756	\$ 48,606	\$ 50,753	\$ 52,399	\$ 64,077

⁽¹⁾ ccf refers to a measurement of 100 cubic feet (1 cubic foot = 7.48 gallons).

⁽²⁾ Revenue in \$ Thousands.

⁽³⁾ The District receives a credit from SDCWA and MWD for every acre-foot of reclaimed water sold. Beginning in May 2007, the District stopped purchasing potable water to supplement the reclaimed water purchases for the reclaimed system and since that time the credit has been received on all reclaimed water sold.

⁽⁴⁾ Includes fixed charges, energy charges and delinquency collections on both potable and reclaimed water sales.

⁽⁵⁾ Based on Fiscal Year 2009/10 Budget. The District projects that actual potable sales volume in 2009/10 will be 8.4% less than budgeted, and actual recycled water sales volume will be 1.2% less than budgeted.

Source: Otay Water District.

Table No. 2 shows the 10 largest water users for Fiscal Year 2008/09.

TABLE NO. 2
TEN LARGEST CUSTOMERS BY WATER SALES REVENUES ⁽¹⁾
Year ended June 30, 2009

<u>Customer</u>	<u>Business Type</u>	<u>Usage in Hundred Cubic Feet</u>	<u>% of Water System Consumption</u>	<u>Water Sales Revenues</u>	<u>% of Total Water Sales Revenues</u>
City of Chula Vista	Public	769,396	4.5%	\$2,083,668	4.0%
Otay River Const/ Southbay Expressway ⁽²⁾	Construction	261,338	1.5	1,044,277	2.0
County of San Diego	Public ⁽³⁾	403,858	2.4	1,023,342	2.0
State of California	Public ⁽⁴⁾	342,056	2.0	864,858	1.6
Eastlake III Community Association	Business/ Irrigation ⁽⁵⁾	214,865	1.3	539,324	1.0
Sweetwater School District	Public	163,519	1.2	477,150	0.9
Eastlake County Club	Irrigation ⁽⁵⁾	204,961	1.0	458,259	0.9
Steele Canyon	Irrigation	156,090	1.0	370,516	0.7
Salt Creek Partners LLC	Irrigation	173,839	0.9	357,528	0.7
Chula Vista School District	Public	<u>113,525</u>	<u>0.7</u>	<u>329,847</u>	<u>0.6</u>
		2,803,447	16.5%	\$7,548,770	14.4%

⁽¹⁾ Includes both potable and reclaimed water sales and excludes fixed charges.

⁽²⁾ During construction of the 125 Southbay Expressway, water usage was categorized as “construction” use. Construction use is being replaced by landscape irrigation and the District expects that usage will remain constant with the amounts shown above.

⁽³⁾ George F. Bailey Detention Facility.

⁽⁴⁾ Richard J. Donovan Correctional Facility.

⁽⁵⁾ Reclaimed water use.

Source: Otay Water District.

Water Charges

Water Service Rates. The District held a noticed public hearing on August 24, 2009 and approved a 19.9% rate increase that took effect for water usage beginning September 1, 2009. This approval includes authorization to raise rates by up to 10% per year for the next five years for costs other than SDCWA and MWD rate increases. The approval includes authorization to pass through all such SDCWA and MWD increases without limitation during the five year period. The Otay Board of Directors will continue to take action each year to set rates, however they are not expected to need to hold another Proposition 218 hearing for four years. See “Proposition 218” below.

The District, based on its internal rate model and the need to fund the CIP, anticipates that it will need to increase its rates by approximately 12.2% in each of the next two years and 3% in each of the following three years. The largest component of the required rate increases is related to the increase in purchased water costs from SDCWA.

The water rate structure uses both fixed and variable charges. All customer classes are charged the "monthly fixed charge" based on the meter size as shown on Table No. 3. The commodity or consumption rates as outlined in Table No. 4 are variable in that they are charges per unit. The District also uses an inclining block rate structure for the commodity rate. As a result, each class of customer has a range of rates and for certain classes - commercial, irrigation, and recycled - rates are further differentiated based on meter size. Residential customers (also called domestic customers) have a range of rates beginning at \$2.10 and up to \$4.21 based on the number of units used. The average residential customer uses 15 units of water. One unit of water is equal to 100 cubic feet of water (one cubic foot of water equals 7.48 gallons). Customers outside the District and tanker trucks are charged two times the commodity rate.

**TABLE NO. 3
MONTHLY FIXED CHARGES
As of October 1, 2009**

<u>Meter Size</u>	<u>Domestic Service Monthly Fixed Charge</u>	<u>MWD/SDCWA Additional Monthly Fixed Charge</u>
3/4"	\$ 14.58	\$ 9.77
1"	18.52	16.28
1-1/2"	28.37	32.61
2"	40.18	52.15
3"	71.68	104.30
4"	107.13	162.98
6"	205.59	325.92
8"	323.73	521.51
10"	461.57	749.61
Fire	30.11	

Source: Otay Water District.

**TABLE NO. 4
COMMODITY RATES
As of October 1, 2009**

<u>Customer Class: Domestic</u>		<u>Customer Class: Multi Residential</u>	
<u>Units ⁽¹⁾</u>	<u>Charge Per Unit</u>	<u>Units ⁽¹⁾</u>	<u>Charge Per Unit</u>
1-10*	\$2.10	0-4	\$2.08
11-22	2.73	Over 5-8	2.70
Over 23	4.21	Over 9	4.15

- Customers whose total consumption is 10 units or less per month shall receive a benefit of a lower rate for units 1-5. These units will be billed at a rate of \$1.35 per unit.

Customer Class: Commercial

<u>Less Than 10" Meter:</u>	<u>10" Meter or Greater:</u>	<u>Charge Per Unit</u>
1-173 Units	0-7,426 Units	\$2.22
174-831 Units	7,427-14,616 Units	2.27
Over 832 Units	Over 14,617 Units	2.31

Customer Class: Irrigation

<u>3/4"-1" Meter:</u>	<u>1-1/2"-2" Meter:</u>	<u>3" and Up Meter:</u>	<u>Charge Per Unit</u>
1-49 Units	1-144 Units	1-1,044 Units	\$3.02
50-132 Units	145-355 Units	1,045-8,067 Units	3.08
Over 133 Units	Over 356 Units	Over 8,068 Units	3.14

Customer Class: Recycled

<u>3/4"-1" Meter:</u>	<u>1-1/2"-2" Meter:</u>	<u>3"-4" Meter:</u>	<u>6" Meter:</u>	<u>Charge Per Unit</u>
1-42 Units	1-168 Units	1-403 Units	1-7,916	\$2.58
43-97 Units	169-402 Units	404-820 Units	7,917-16,357	2.62
Over 98 Units	Over 403 Units	Over 821 Units	Over 16,358	2.67

⁽¹⁾ 1 unit equals 100 cubic feet of water.

Source: Otay Water District.

Additionally, commercial agriculture users participating in MWD or SDCWA conservation programs are eligible to receive discounts from the base agriculture rate. As noted above, the District has estimated that future rate increases will be necessary to implement the current six-year CIP. Additionally, the rates, charges and fees may be increased each year to pass-through increases in costs imposed by SDCWA or MWD not already estimated to occur (approximately 84% of the projected rate increases over the next five years relate to estimated increases in SDCWA and MWD charges to the District).

Table No. 5 compares average residential water rates charged by the District with surrounding cities and other water agencies in San Diego County.

**TABLE NO. 5
COMPARISON OF
AVERAGE RESIDENTIAL WATER RATES
AS OF JANUARY 1, 2010**

<u>City/Water Agency</u>	<u>Average Rates ⁽¹⁾</u>
Oceanside	\$48.63
Lakeside	53.07
San Dieguito Water District	57.27
Helix WD	59.9
Olivenhain Water District	60.10
Vallecitos Water District D	60.60
Poway	62.15
Otay Water District	63.79
Yuima Water District	64.06
Padre Dam Water District - West	65.50
Carlsbad	67.27
Valley Center	67.38
Santa Fe	68.98
Padre Dam Water District - East	71.23
San Diego	71.28
Sweetwater Water District	73.15
Vista	74.37
Escondido	76.35
Rincon	77.81
Ramona	78.20
Rainbow Water District	80.48
Fallbrook	82.66
Del Mar	89.97

⁽¹⁾ Average rates based on assumed residential use of 15 ccf of water monthly.

Source: Otay Water District.

Delinquencies. Accounts receivable that have not been paid in over 60 days represent less than 0.6% of the District's annual water sales. Accounts receivable between 30 to 60 days delinquent in payment have averaged 0.9% of the District's annual water sales for the last two years. In the last three years, the District has written off less than \$200,000 a year in uncollectible accounts.

The District has implemented a number of changes over the past few years which are significant in improving the management of the accounts receivables. The collection process is more efficient with the introduction of automatic dialers making it possible to address collections of smaller balances. The District has improved the collection process related to properties in foreclosure by collecting deposits and locking all vacant properties. The District has also provided new convenient payment options by introducing payments by phone and web. The District has increased the availability of account information by introducing 24/7 Interactive Voice Response. In addition, with the improvements in online banking systems, the turnaround time on payment processing has decreased from 10 to 2 days.

These improvements implemented over the last few years have all assisted the District in better managing its accounts receivables. The District continues to be focused on finding new ways to assist customers in managing their accounts. Some of the improvements currently being implemented are electronic bill presentation, recurring payments via credit card, and the ability to make water payments at any retailer using the same electronic network used by the District's bank.

Other Charges. The District charges an energy charge of \$0.038 per 100 feet of elevation for all connections over a 450 foot elevation. Betterment charges in certain areas ranging from \$.07 to \$.26 per unit to pay for reservoirs, pump stations and other infrastructure. The District also applies additional water development charges in some areas in the North District.

Capacity Fees and Meter Fees. The District charges capacity fees to connect to the Water System. Current capacity fees are \$5,432 for a single family residential connection, increased quarterly according to the Engineering News-Record index. The District also charges a meter fee for the materials and installation cost of a meter. The meter fees range from \$264 for a single family residence to \$5,507 for a 10" meter.

Availability Fees. The District levies and collects annual standby availability charges. Current legislation provides that any availability charge in excess of \$10 per acre shall be used only for the purpose of the improvement district for which it was assessed. Therefore, availability fees shown in Table No. 9 and Table No. 10 include only the first \$10 of availability fees. To the extent the availability fees in excess of \$10 per acre are authorized for operational purposes, they are included in Table No. 9 in "Connection and Other Fees" and in Table No. 10 in "Other Income."

Annexation Fees. When service is requested outside the boundaries of an improvement district, the land to be serviced is annexed and an annexation fee is charged by the District. Current annexation fees are \$1,601 for single family residential connections and are adjusted quarterly according to the Engineering News-Record index.

Fee Updates. The District is in the process of updating its capacity and annexation fees. The new fee schedule may be effective in July 2010. The District is considering adding a New Water Supply fee component to the capacity fee, as well adjusting the fee for current facilities costs. The capacity fee is expected to increase significantly as a result.

Annexation fees are currently charged for new service that may be within the District boundaries, but outside of an improvement district within the District boundaries. The new annexation fees are expected to apply only to properties outside the District boundaries.

As a result of the change in fee structure, future capacity fees and annexation fees may not be comparable to amounts shown in prior years.

Proposition 218. On November 5, 1996, California voters approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes, assessments, fees and charges imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges, except those which are pledged to the repayment of debt. If such provisions were held to apply to the District's fees or charges and a repeal or reduction in District fees or charges were to occur, and it was held that any such taxes, assessments, fees or charges were not pledged to any debt repayment, the District's ability to pay debt service on the Bonds could be adversely affected.

Article XIID conditions the imposition or increase of any “fee” or “charge” upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIID defines “fee” or “charge” to mean levies (other than *ad valorem* or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a “property-related service.” One of the requirements of Article XIID is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and a mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Following the enactment of Proposition 218 in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services are not property-related fees and charges and thus are not subject to the above described requirements of Proposition 218 regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed.

In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District*, 32 Cal. 4th 409, upheld a Court of Appeals decision that water and wastewater connection fees were not property related fees or charges subject to Article XIID, while at the same time stating in dicta that fees for ongoing water and wastewater service through an existing connection were property related fees and charges.

On March 23, 2005, the California Fifth District Court of Appeal published *Howard Jarvis Taxpayers Association v. City of Fresno*, concluding that in lieu fees charged as a component of water and wastewater utility service charges are subject to the requirements of Proposition 218. The ruling in *City of Fresno* relies in part on the *Richmond* decision’s dicta and appears to conflict with *Apartment Association of Los Angeles County, Inc. v. City of Los Angeles*, 24 Cal. 4th 830 (2001), in which the California Supreme Court ruled that the property-related fee provisions of Proposition 218 apply only to fees triggered by property ownership alone and not by voluntary conduct of the property owner, such as consuming utility services. The *City of Fresno* decision is final, as review has been denied by the California Supreme Court.

On July 24, 2006, the California Supreme Court stated in *Bighorn-Desert View Water Agency v. Beringson* that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are further subject to the provisions of Section 3 of Article XIIC. This decision reversed the July 2004 California Appellate Court decision (*Bighorn-Desert View Water Agency v. Beringson* (180 Cal. App 4th 890)) which opined that the costs of water services are not property related or incidents of property ownership because they are based on consumption and not on property ownership. The California Supreme Court held that such water service charges may be reduced or repealed through a local voter initiative pursuant to Article XIIC of the California Constitution. The Supreme Court stated that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. However, the Supreme Court stated in its opinion that water providers may determine rates and charges upon proper action by the governing body and that the legislative body may increase a charge which was not affected by initiative or impose an entirely new charge.

As a result of this case, there can be no assurance that Proposition 218 will not limit the ability of the District to impose, levy, charge and collect increased fees and charges for water services.

On August 24, 2009, the District approved rate increases effective for water usage beginning September 1, 2009 following mailing of notice and a public hearing held pursuant to Article XIID of the

Constitution. This approval includes authorization to raise rates by up to 10% per year for the next five years for costs other than SDCWA and MWD rate increases. The approval includes authorization to pass through all such SDCWA and MWD increases without limitation during the five year period. The Otay Board of Directors will continue to take action each year to set rates, however they are not expected to need to hold another Proposition 218 hearing for four years.

Taxes

The County levies a 1% *ad valorem* tax on behalf of all taxing agencies in the County, including the District. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of "base" revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year's growth in property value becomes part of each District's allocation in the following year.

The availability of revenue from growth in the tax base may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values. As of the date of this Official Statement, a portion of the District's tax base is within a redevelopment plan area.

California law exempts \$7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under AB 454 (Statutes of 1987, Chapter 921), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time to time, legislation has been considered as part of the State budget to shift the share of the 1% *ad valorem* property tax collected by counties from special districts to school districts or other governmental entities (the "ERAF Shift"). While legislation enacted in connection with the Fiscal Year 1992/93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% *ad valorem* tax, the share of the countywide 1% *ad valorem* tax pledged to debt service by special districts was exempted. None of the State budgets enacted since Fiscal Year 1992/93 have permanently reallocated additional portions of the special districts' shares of the countywide 1% *ad valorem* tax.

However, the State Budgets for Fiscal Years 2003/04 through 2005/06 reallocated approximately \$1.30 billion of the 1% *ad valorem* property tax from local government to schools. Of that amount, approximately \$350 million was reallocated from special districts. The District estimates that this resulted in a reduction of approximately 40% in Taxes as a result of the ERAF Shift in those years. On July 24, 2009, the California legislature approved amendments to the 2009/10 Budget involving 30 separate pieces of legislation to close the \$26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009/10 will be more than \$84 billion, down

from nearly \$91.7 billion in fiscal year 2008/09 and nearly \$103 billion in fiscal year 2007/08. The budget amendments combined deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009/10, including (among many others) \$2 billion borrowed from cities', counties' and special districts' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State must repay with interest within three years.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and some economists believe that they produce a significant budget shortfall next year. Additionally, borrowing or taking of certain revenues from local governments has resulted in litigation.

The declaration by the State of California of a fiscal emergency under Proposition 1A, as a part of the State's 2009-10 budget adoption, authorized the State to withhold the equivalent of 8% of fiscal 2009/10 property related tax revenues from cities, counties and special districts. The tax revenues are required to be repaid by the State with interest within three years. The District's Proposition 1A receivable was \$267,197. As a part of the budget package, local governments were given the opportunity to sell their Proposition 1A receivable through financing offered by California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. California Communities issued bonds in November 2009, securitizing the future payments by the State and remitting the proceeds of the bonds to the local governments who opted to participate in the securitization. The District opted to participate in the securitization program and has received 50% of Proposition 1A receivable as of January 15, 2010. The remaining half will be received on May 3, 2010.

There can be no assurance that the share of the 1% *ad valorem* property tax the District currently receives will not be reduced further or deferred or delayed pursuant to State legislation enacted in the future to address future budget deficits. See "Historical and Projected Taxes, Net Revenues and Debt Service Coverage" herein for historic and projected receipts of Taxes.

Personnel

The District currently has 166 full-time budgeted positions. The OWD Employee Association (the "Union") represents 124 full-time and 1 part-time employees as a collective bargaining unit. The District has not experienced any strikes and continues to have positive labor relations which includes a negotiated five-year Collective Bargaining Agreement that ends on June 30, 2013.

The District provides retirement benefits for its employees through a contractual agreement with the California Public Employees' Retirement System ("CalPERS"). Active members in the District's benefit pension plan are required to contribute 8% of their annual covered salary. The District has elected to contribute 7% on behalf of its employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2009 was 19.369%. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. Due to significant investment losses, CalPERS will be significantly increasing contribution rates over the next several years. For the Fiscal Year ended June 30, 2009, the District's annual pension costs and actual contribution was \$2,150,579, and, for Fiscal Year ending June 30, 2010, the District's annual pension cost and actual contribution is expected to be \$2,240,538, a 4.18% increase. An increase of 0.674% is expected for 2010/11 and a 1.311% increase is expected for 2011/12. The required contribution for Fiscal Year 2009/10 was determined as part of the June 30, 2007 actuarial valuation, pursuant to which the District had an unfunded actuarial accrued liability of approximately \$14.5 million as of June 30, 2007. As part of the June 30, 2008 actuarial valuation, CalPERS estimates the District's unfunded actuarial accrued liability will not change significantly as of June 30, 2009 or June

30, 2010. Unfunded liabilities are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment of the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

In addition to the pension benefits described above, it is the District's practice and policy to provide certain life insurance and health care benefits ("Other Post Employment Benefits, or OPEB") for eligible retired employees, directors and eligible dependents. These benefits vary based on the hire date of the employee. As of the last actuarial projection, dated June 30, 2009, the District's Actuarial Accrued Liability for OPEB benefits was \$10,070,000.

The District has chosen to fund this liability by investing funds with the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 2.9% of the annual covered payroll.

Based on the District's financial statements at June 30, 2009, the amount actually contributed to the CERBT and changes in the District's net OPEB obligation total \$6.2 million. In addition, the District's Board has designated approximately \$3.9 million of its reserves towards the remaining liabilities. In accordance with GASB Statement 45, and the requirements of the CERBT, the District will periodically update the actuarial projections and continue to fund the resulting ARC on an annual basis.

Insurance

General Liability and Property Damage

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. Beginning in July 2003, the District began participation in an insurance pool through Special Districts Risk Management Authority (SDRMA). Coverages through SDRMA are as follows: property coverage - \$350 million/occurrence with replacement cost for scheduled property; \$100 million for boiler and machinery; \$200 million for workers' comp.; \$500,000 for personal liability coverage for board members; \$400,000 for employee dishonesty coverage; \$750,000 for uninsured/underinsured motorists; and \$10 million per occurrence for each of the following types of coverage, auto liability, public officials and employees errors, employment practices liability, employee benefits liability, and general liability.

Separate financial statements for SDRMA may be obtained at: Special District Risk Management Authority, 1112 I Street, Suite 300, Sacramento, California 95814.

Workers' Compensation

Through SDRMA, the District is insured up to \$200 million Statutory Workers' Compensation and \$5 million in Employer's Liability with a Zero Member Deductible. SDRMA currently has a pool of 328 agencies in the Workers Compensation Program.

Health insurance

Prior to 2008, the District maintained a self-insurance program for health claims. Beginning in January 2008, the District began providing health insurance through SDRMA covering all of its employees, retirees, and other dependents. Prior estimated accrued claims outstanding at June 30, 2008 amounted to \$137,029, and all remaining claims were paid as of December 31, 2008. SDRMA is a self-funded pooled medical program administered in conjunction with the California State Association of Counties (CSAC).

District Reserves and Investment Policy

As of June 30, 2009, the District had approximately \$78.7 million in cash and investments, of which the Board has designated \$47.9 million for capital projects and \$8.4 million for insurance. The District's reserves are not pledged to and do not secure the District's obligation to make Installment Payments.

In accordance with State of California law, the District Board of Directors has approved an investment policy (the "Investment Policy") which complies with Sections 53601 through 53630 of the Government Code of the State of California providing legal authorization for the investment or deposit of funds of local agencies. All investments of the District conform to the restrictions of those laws. The District's investments by category and their respective market value and book value as of December 31, 2009 are set forth in Table 5 below. For additional information relating to the District's investments, see "APPENDIX B - DISTRICT AUDITED FINANCIAL STATEMENTS," Note 2.

TABLE NO. 6
SUMMARY OF INVESTMENTS
As of December 31, 2009

<u>Investments</u>	<u>Market Value</u>	<u>Book Value</u>	<u>% of Portfolio</u>
Federal Agency Issues – Callable	\$31,999,380	\$31,998,003	45.27%
Corporate Notes	4,150,580	4,029,129	5.70
Certificates of Deposit – Bank	3,079,108	3,079,108	4.36
Local Agency Investment Fund (LAIF)	8,832,213	8,823,849	12.48
San Diego County Pool	22,749,327	22,757,180	32.69

Source: Otay Water District.

The Investment Policy may be changed at any time at the discretion of the District (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. Any exception to the Investment Policy must, however, be formally approved by the Board of Directors of the District. There can be no assurance the State law or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the District with respect to investments will not change.

Outstanding Indebtedness of the District

The District had outstanding indebtedness as of December 31, 2009 as shown in Table No. 7.

**TABLE NO. 7
OTAY WATER DISTRICT
OUTSTANDING INDEBTEDNESS
As of December 31, 2009**

Category of Indebtedness	Original Issue	Amount Outstanding	Final Maturity
(1) 1996 Certificates of Participation	\$15,400,000	\$ 11,700,000	2026
(2) 2004 Refunding Certificates of Participation	12,270,000	9,790,000	2023
(3) 2007 Certificates of Participation	42,000,000	40,400,000	2036
(4) 2009 General Obligation Refunding Bonds	7,780,000	7,780,000	2022
(5) State Water Resources Control Board Note		701,516	2012

- (1) In June 1996, the District issued its 1996 Variable Rate Demand Certificates of Participation to provide funds for the design, acquisition, construction and equipping of various water and water-related facilities and an administration building for use in connection with the administration of the District. The 1996 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment Payments securing the Certificates. Interest is payable at a variable rate of interest, and the interest rate at February 1, 2010 was 0.25% and was 0.15% at December 31, 2009. At current rates, debt service is expected to be \$400,000 to \$450,000 each year for the next several years. However, the annual installment payments are estimated in the projections at approximately \$980,000 based on the current 25-Year Revenue Bond Index of 4.99%.
- (2) In August 2004, the District issued its 2004 Revenue Refunding Certificates of Participation to defease its outstanding 1993 Certificates of Participation. The 2004 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment Payments securing the Certificates. Annual installment payments are approximately \$933,000.
- (3) In March 2007, the District issued its 2007 Revenue Certificates of Participation to provide funds for the design, construction and equipping of two 10 million gallon reservoirs and various water-related facilities. The 2007 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment Payments securing the Certificates. Annual installment payments are approximately \$2,501,000.

- (4) Voters within Improvement District No. 27 of the District authorized \$100 million general obligation bonds in 1989. The District issued \$11,500,000 general obligation bonds in 1992 and refinanced the bonds in 1998 and again in 2009. Annual debt service is approximately \$764,000. The District also has approximately \$29 million in general obligation bonds authorized between 1960 and 1978 for various Improvement Districts throughout the District, but unissued. The general obligation bonds are payable from *ad valorem* property tax revenues, which are not a part of Taxes which secure the Installment Payments. The District has no current plans to issue any of the authorized but unissued general obligation bonds.
- (5) The State Water Resources Control Board Note bears interest at 3.5% and is payable in annual installments of \$366,325. This note has no lien on Net Revenues and Taxes but is payable by the District from any available source.

Source: Otay Water District.

Historical Operating Results

The following table summarizes the Statement of Net Assets included in the District's audited financial statements for the last five Fiscal Years. The audited financial statements of the District for the Fiscal Year ended June 30, 2009 are attached hereto as "APPENDIX B" and should be read in their entirety.

**TABLE NO. 8
OTAY WATER DISTRICT
NET ASSETS
For the Fiscal Year Ended June 30**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 3,473,662	\$ 13,755,907	\$ 8,048,633	\$ 23,351,911	\$ 50,823,237
Restricted Cash and Cash Equivalents	21,053,829	-	11,191,213	3,753,983	1,760,631
Investments	73,376,529	62,596,513	68,912,864	60,682,507	26,169,080
Restricted Investments	-	-	19,975,538	-	-
Accounts Receivable	7,105,484	6,808,999	8,675,458	7,689,720	8,029,609
Accrued Interest Receivable	82,483	818,798	1,559,081	715,900	319,186
Restricted Accrued Interest Receivable	506,678	-	-	-	-
Taxes and Availability Charges Receivable	-	-	-	362,976	413,000
Restricted Taxes and Availability Charges Receivable	322,438	318,090	443,854	174,219	190,151
Inventories	620,119	592,426	633,697	711,240	816,865
Prepaid Expenses and Other Current Assets	<u>341,686</u>	<u>664,133</u>	<u>1,164,300</u>	<u>1,908,028</u>	<u>976,045</u>
Total Current Assets	<u>\$106,882,908</u>	<u>\$ 85,554,866</u>	<u>\$120,604,638</u>	<u>\$ 99,350,484</u>	<u>\$ 89,497,804</u>
Non-Current Assets:					
Restricted Assets:					
Net OPEB Obligation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,649,008</u>	<u>\$ 6,204,876</u>
Total Restricted Assets:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,649,008</u>	<u>\$ 6,204,876</u>
Deferred Bond Issuance Costs	<u>\$ 586,950</u>	<u>\$ 555,550</u>	<u>\$ 1,254,821</u>	<u>\$ 1,240,166</u>	<u>\$ 1,142,762</u>
Capital Assets:					
Land	\$ 12,215,546	\$ 12,494,062	\$ 12,971,479	\$ 13,025,364	\$ 13,402,840
Construction in Progress	45,144,448	58,869,241	40,300,055	42,338,220	18,280,278
Capital Assets, Net of Depreciation	<u>305,120,717</u>	<u>325,624,281</u>	<u>370,989,434</u>	<u>391,350,813</u>	<u>422,369,157</u>
Total Capital Assets, Net of Depreciation	<u>\$362,480,711</u>	<u>\$396,987,584</u>	<u>\$424,260,968</u>	<u>\$446,714,397</u>	<u>\$454,052,275</u>
Other Non-Current Assets	<u>307,795</u>	<u>283,440</u>	<u>235,694</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>\$363,375,456</u>	<u>\$397,826,574</u>	<u>\$425,751,483</u>	<u>\$453,603,571</u>	<u>\$461,399,913</u>
Total Assets	<u>\$470,258,364</u>	<u>\$483,381,440</u>	<u>\$546,356,121</u>	<u>\$552,954,055</u>	<u>\$550,897,717</u>

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NET ASSETS
For the Fiscal Year Ended June 30

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
LIABILITIES					
Current Liabilities:					
Current Maturities of Long-term Debt	\$ 1,456,907	\$ 1,529,848	\$ 1,519,048	\$ 2,445,214	\$ 2,521,772
Accounts Payable	11,809,983	11,617,499	10,930,658	13,705,566	11,565,953
Accrued Payroll Liabilities	2,012,855	2,348,853	2,270,958	2,491,182	2,548,731
Other Accrued Liabilities	603,657	683,350	1,597,012	1,615,403	444,875
Customer Deposits	2,244,193	2,489,101	2,622,646	2,719,331	2,806,990
Accrued Interest	-	-	-	720,545	706,934
Liabilities Payable From Restricted Assets:					
Accounts Payable	4,556,884	7,633,220	4,492,364		-
Accrued Interest	<u>403,839</u>	<u>413,442</u>	<u>882,888</u>	<u>166,096</u>	<u>153,270</u>
Total Current Liabilities	<u>23,088,318</u>	<u>26,715,313</u>	<u>24,315,574</u>	<u>23,863,337</u>	<u>20,748,525</u>
Non-Current Liabilities:					
Long-term Debt:					
General Obligation Bonds	\$ 8,728,482	\$ 8,396,755	\$ 8,045,029	\$ 7,678,302	\$ 7,291,575
Certificates of Participation	24,908,607	24,119,352	65,051,790	63,192,774	61,468,693
Notes Payable	1,659,035	1,350,778	1,031,730	701,516	359,744
Other Noncurrent Liabilities	733,854	733,915	890,473	690,709	684,309
Capital Lease Payable	<u>\$ 51,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Non-Current Liabilities	<u>\$ 36,081,573</u>	<u>\$ 34,600,800</u>	<u>\$ 75,019,022</u>	<u>\$ 72,263,301</u>	<u>\$ 69,804,321</u>
Total Liabilities	<u>\$ 59,169,891</u>	<u>\$ 61,316,113</u>	<u>\$ 99,334,596</u>	<u>\$ 96,126,638</u>	<u>\$ 90,552,846</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$325,676,089	\$361,590,845	\$374,667,591	\$372,696,591	\$382,410,491
Restricted for Net OPEB Asset	16,188,364	-	2,071,307	5,649,008	6,204,876
Restricted for Debt Service	-	-	-	3,762,106	1,797,512
Unrestricted	<u>69,224,020</u>	<u>60,474,482</u>	<u>70,282,627</u>	<u>74,719,712</u>	<u>69,931,992</u>
Total Net Assets	<u>\$411,088,473</u>	<u>\$422,065,327</u>	<u>\$447,021,525</u>	<u>\$456,827,417</u>	<u>\$460,344,871</u>

Source: Otay Water District Financial Statements.

Historical Debt Service Coverage

Table No. 9 below sets forth historical Taxes and Net Revenues and Debt Service Coverage for the last five fiscal years.

TABLE NO. 9
HISTORICAL TAXES AND NET REVENUES (in '000's) AND DEBT SERVICE COVERAGE
for the fiscal year ended June 30

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of New Connections	1,594	884	639	171	141
Revenues:					
Water Sales	\$39,348	\$43,756	\$48,606	\$50,809	\$52,399
Connection Fees	6	1,358	1,540	1,481	1,522
Other Income	821	784	874	1,855	1,938
Availability Fees ⁽¹⁾	219	558	706	688	575
Annexation Fees	2,545	1,257	2,120	526	392
Capacity Fees	9,131	6,715	8,028	1,962	1,851
Investment Earnings	<u>2,052</u>	<u>3,174</u>	<u>4,349</u>	<u>3,947</u>	<u>2,157</u>
Total Revenue	\$54,122	\$57,602	\$66,223	\$61,268	\$60,834
Operation and Maintenance Costs:					
Water Purchases	\$21,988	\$25,460	\$27,494	\$28,187	\$29,310
Utilities	2,012	2,114	2,419	2,550	2,842
Payroll	12,067	12,885	13,980	16,488	16,391
Administrative	4,411	4,797	6,156	6,815	6,866
Materials and Maintenance	2,863	2,264	2,365	2,381	1,792
Repairs and Replacement ⁽²⁾	<u>124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operation and Maintenance Costs	<u>\$43,465</u>	<u>\$47,520</u>	<u>\$52,413</u>	<u>\$56,421</u>	<u>\$57,201</u>
Net Revenues	\$10,657	\$10,082	\$13,810	\$ 4,847	\$ 3,633
Taxes	<u>\$ 1,332</u>	<u>\$ 1,338</u>	<u>\$ 2,930</u>	<u>\$ 3,280</u>	<u>\$ 3,430</u>
Taxes and Net Revenues	\$11,989	\$11,420	\$16,740	\$ 8,127	\$ 7,063
Debt Service					
1996 Installment Payments	\$ 890	\$ 760	\$ 757	\$ 651	\$ 542
2004 Installment Payments	946	948	923	929	928
2007 Installment Payments	-	-	558	1,721	2,491
Letter of Credit	<u>67</u>	<u>67</u>	<u>66</u>	<u>67</u>	<u>63</u>
Total Debt Service	\$ 1,903	\$ 1,775	\$ 2,304	\$ 3,368	\$ 4,024
Coverage Ratio	630%	643%	727%	241%	176%

⁽¹⁾ Includes only water availability charges not exceeding \$10 per acre per year. To the extent such fees over \$10 per acre are authorized for operational purposes, they are included in "Other Income."

⁽²⁾ In prior years, certain repair and replacement costs had been capitalized, but the District does not expect that practice to continue. These costs in prior years have been included in Table No. 9 for comparison purposes with future years shown in Table No. 10.

Source: Otay Water District.

Projected Debt Service Coverage

The projections of Revenues and the corresponding Taxes and Net Revenues shown in Table No. 10 are based on the assumptions shown below. The District believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see "RISK FACTORS"). To the extent that the assumptions are not actually realized, the Agency's ability to timely make the Installment Payments may be adversely affected.

Following is a discussion of assumptions used in the projection of Revenues, Net Revenues and Taxes:

- (a) Potable connections in equivalent dwelling units are projected to increase as follows for an overall 9% increase during the next six year period and recycled connections are also projected to increase 29.3% during the next six year period as follows.

	Potable System		Recycled System	
	Number of Meters (EDU)	% Increase	Number of Meters (EDU)	% Increase
2010	154	0.2%	110	3.0%
2011	155	0.2%	82	2.2%
2012	289	0.4%	124	3.2%
2013	1,505	2.2%	150	3.8%
2014	1,920	2.7%	261	6.4%
2015	2,210	3.0%	343	7.8%

- (b) Water sales volume (in acre feet) is projected as follows. The District is projecting an 8.4% decrease in potable water sales from originally budgeted amounts for 2009/10 due to conservation efforts and economic conditions and a 1.2% decrease in recycled water sales from originally budgeted amounts for 2009/10. The District is also projecting some future decreases in potable water sales as a result of further conservation.

	Potable System	Recycled System	Total
2010	30,499	4,503	35,002
2011	30,302	4,503	34,805
2012	29,283	4,602	33,885
2013	29,927	4,930	34,857
2014	30,735	5,246	35,981
2015	31,657	5,655	37,312

- (c) Water rates are projected to increase 12.2% on September 1, 2010 and January 1, 2012 and 3% annually thereafter, (see "Water Charges – Proposition 218" herein).
- (d) Capacity and annexation fee rates are estimated to increase 3% in each year from existing rates based on the projected Engineering News-Record index increases. Revenue from these fees will also increase as the number of connections increase as shown in (a) above. The amounts shown do not reflect changes that may result from the update of these fees. See "OTAY WATER DISTRICT – Water Charges – Fee Updates."
- (e) Water availability charges included in Availability Fees are limited to an amount not exceeding \$10 per acre per year. To the extent the water availability charges exceeding \$10 per acre are authorized for operational purposes, such fees are included in Other Income.

- (f) Taxes do not include *ad valorem* taxes levied for the purpose of paying debt service on the District's 1998 General Obligation Refunding Bonds. Taxes are projected to decrease for 2010 by \$254,000 based on a reduction in assessed value, and then slowly increase by approximately 2%, annually. No additional ERAF deductions or Proposition 1A borrowing are assumed (see "Taxes" herein).
- (g) Non-operating income is excluded from the projection. Non-operating revenues within "Miscellaneous Revenues" shown in the District's financial statements consists of property rental and golf course income.
- (h) Water Supply costs are anticipated to increase annually as a result of increases in cost of purchased water and usage by new customers as follows:

2011	10.6%
2012	13.7%
2013	11.9%
2014	9.6%
2015	6.8%

The District receives a credit of \$185 per acre foot and \$200 per acre foot from MWD and SDCWA, respectively, for each acre foot of recycled water.

- (i) Operating costs shown in fiscal year 2009/10 are based on current year estimates. Costs for subsequent fiscal years are based on the 2009/10 estimates with the annual inflationary factors shown below.

Utilities	3.5%
Materials and Maintenance	4.0%
Administrative Costs	3.0%
Salaries	5.1%
Medical Benefits	8.4%
Workers Comp	8.2%
Other Benefits	3.0%

Base operating costs are also increased based on the projected growth in District operations, similar to the growth rates shown for connections in (a) above.

- (j) The debt service on the 1996 Certificates is calculated based on the existing principal repayment schedule and the Bond Buyer 25 Year Revenue Bond Index as of January 27, 2010 of 4.99%. The current letter of credit expires in June 2011. Further annual letter of credit fees are estimated beginning at 85 basis points of the outstanding par amount of the 1996 Certificates, declining to 50 basis points by 2012/13.

TABLE NO. 10
PROJECTED TAXES AND NET REVENUES (in '000's) AND DEBT SERVICE COVERAGE
For the fiscal year ended June 30

	<u>2010</u> ⁽¹⁾	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:						
Water Sales	\$ 60,658	\$ 67,227	\$ 73,016	\$ 80,374	\$ 85,268	\$ 90,843
Availability Fees	627	628	632	648	668	692
Capacity Fees	1,516	657	1,706	9,169	12,655	15,433
Annexation Fees	258	194	444	2,578	3,506	4,154
Other Income	1,232	1,250	1,310	1,670	1,861	1,987
Connection Fees	1,398	1,405	1,419	1,433	1,433	1,433
Investment Earnings	1,261	1,915	1,939	1,941	1,957	2,409
Interest Subsidy Payment*	<u>-</u>	<u>767</u>	<u>835</u>	<u>835</u>	<u>835</u>	<u>835</u>
Total Revenue	66,950	74,044	81,301	98,649	108,182	117,786
Operation and Maintenance Costs:						
Water Purchases	33,344	37,080	41,072	45,849	50,961	55,310
Utilities	2,365	2,428	2,341	2,485	2,664	2,874
Payroll	16,420	17,397	18,450	19,177	19,797	20,650
Administrative	4,873	4,984	5,098	5,228	5,366	5,500
Materials and Maintenance	<u>2,460</u>	<u>2,553</u>	<u>2,651</u>	<u>2,757</u>	<u>2,867</u>	<u>2,982</u>
Total Operation and Maintenance Costs	59,463	64,442	69,613	75,495	81,655	87,315
Net Revenues	7,487	9,602	11,688	23,153	26,527	30,470
Taxes	<u>3,176</u>	<u>3,176</u>	<u>3,239</u>	<u>3,304</u>	<u>3,470</u>	<u>3,647</u>
Taxes and Net Revenues	10,663	12,777	14,927	26,457	29,997	34,117
Debt Service:						
1996 Installment Payments ⁽²⁾	1,088	1,065	1,025	1,088	1,050	1,022
2004 Installment Payments	927	927	926	928	923	922
2007 Installment Payments	2,491	2,491	2,495	2,497	2,498	2,497
2010 Installment Payments *	<u>-</u>	<u>2,650</u>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>
Total Debt Service	4,507	7,134	8,195	8,262	8,221	8,191
Coverage Ratio	237%	179%	182%	320%	365%	417%

⁽¹⁾ 2009/2010 Budget, after adjustment for estimated water usage reduction and the 19.9% rate increase effective September 1, 2010.

⁽²⁾ Based on 25-Year Revenue Bond Index of 4.99% plus LOC fees.

* Preliminary, subject to change.

Source: Otay Water District.

The projected Revenues, Taxes and Operation and Maintenance Costs shown above are subject to several variables as described on the previous pages. The District provides no assurance that the projected Taxes and Net Revenues will be achieved (see "RISK FACTORS" herein).

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are secured by a pledge of Revenues, consisting of the Installment Payments and other payments paid by the District and received by the Authority pursuant to the 2010 Installment Purchase Agreement and all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund), and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund).

The Bonds are limited obligations of the Authority and are payable solely from Revenues and the other assets pledged therefor under the Trust Agreement. The Installment Payments are sufficient to pay, when due, the annual principal and interest represented by the Bonds.

Installment Payments

Installment Payments are secured by a pledge of and lien on Taxes and Revenues of the Water System and are payable from Taxes and Net Revenues in the manner described herein. Under the Installment Purchase Agreement, the District has agreed to deposit all Revenues in the Revenue Fund and all Taxes in the Tax Fund which are irrevocably pledged to the payment of the Installment Payments as provided in the Installment Purchase Agreement. The Revenues and Taxes will not be used for any other purpose while any of the Installment Payments remain unpaid except as described below. Under the terms of the Installment Purchase Agreement, Revenues are applied first to pay Operation and Maintenance Costs. The pledge of Taxes and Revenues constitutes a lien thereon and, subject to application of amounts on deposit therein as permitted in the Installment Purchase Agreement, on the Revenue Fund, the Tax Fund and the other funds and accounts created under the Installment Purchase Agreement for the payment of the Installment Payments and all other Contracts and Bonds, including, but not limited to, the 2004 Installment Payments, the 2007 Installment Payments and the 1996 Installment Payments, in accordance with the terms of the Installment Purchase Agreement and the Trust Agreement. The Installment Payments securing the Bonds are payable from Taxes and Net Revenues on a parity with installment payments securing the District's 1996 Certificates, 2004 Certificates and the 2007 Certificates. The 1996 Certificates bear interest at a variable rate. In addition, as set forth in "Interest Subsidy Payment" below, the Interest Subsidy Payment (defined below) received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds is included in the District's Revenues.

"Taxes" means all taxes, including *ad valorem* taxes of the District, other than taxes imposed pursuant to Chapter 1 of Part 9 of the Law to secure general obligation bonds of the District or any improvement district thereof.

"Net Revenues" means, for any Fiscal Year or other 12-month period, the Revenues for such Fiscal Year or other 12-month period less the Operation and Maintenance Costs for such Fiscal Year or other 12-month period.

"Revenues" means (i) all water availability charges imposed pursuant to Chapter 2 of Part 5 of the Law not exceeding \$10 per acre per year; (ii) all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, including connection fees, (b) the earnings on and income derived from the investment of such income, rents, rates, fees and charges or other moneys, and (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted under the Installment Purchase Agreement; provided that the term

“Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District but will include the Interest Subsidy Payment.

“Operation and Maintenance Costs” means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

Moneys in the Tax Fund and Revenue Fund will be used and applied by the District as provided in the Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, the District will pay from the moneys in the Revenue Fund all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All moneys in the Tax Fund, and to the extent such moneys are insufficient, all remaining moneys in the Revenue Fund, will be used and applied ratably to pay Debt Service, including the Installment Payments, the 1996 Installment Payments, the 2004 Installment Payments, the 2007 Installment Payments and any Contracts or Bonds secured on a parity with the Installment Payments, then to replenish all reserve funds established for the Bonds and such Bonds or Contracts, including the Reserve Fund, and thereafter for any purpose permitted by law.

The Installment Payments are payable only from Taxes and Net Revenues and are not secured by, and the Bond Owners have no security interest in or mortgage on the property of the Water System or any other assets of the District. Default by the District will not result in loss of the 2010 Project or the Water System or any other assets of the District. Should the District default, the Trustee, as assignee of the Authority, shall, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, compel the District to perform and carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Authority. See “APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Default and Limitation of Liability” and “THE INSTALLMENT PURCHASE AGREEMENT - Events of Default and Acceleration of Maturities.”

Interest Subsidy Payment

“Interest Subsidy Payment” means, with respect to the 2010B Bonds, the amounts which are payable by the Federal government under Section 6431 of the Code, which the District has elected to receive under Section 54AA(g)(1) of the Code. The District agrees in the Installment Purchase Agreement to submit all documentation, and take all actions, as may be required to receive and collect the Interest Subsidy Payment when due, as provided in the Trust Agreement. The Interest Subsidy Payment received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds is included in the District’s Revenues.

Rates and Charges

Pursuant to the Installment Purchase Agreement, the District shall fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield during each Fiscal Year Taxes and Net Revenues equal to one hundred twenty-five percent (125%) of the Debt Service (including for purposes of such calculation the obligation of the District to repay Policy Costs, if any, to any Insurer) on the Bonds, the 1996 Certificates, the 2004 Certificates, the 2007 Certificates and Additional Contracts or Bonds for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Taxes and Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement.

For purposes of the rate covenants described above, the Installment Payments that are allocable to the 2010B Bonds in any fiscal year will be reduced by the amount of Interest Subsidy Payment that the District or the Trustee is entitled to receive in such fiscal year.

Parity Debt

- (A) Pursuant to the 2004 Installment Purchase Agreement, the 2007 Installment Purchase Agreement and the Installment Purchase Agreement, the District may at any time execute any Contract or issue any Bonds the payments under or of which are on a parity with the Installment Payments (“Contracts or Bonds”), as the case may be, provided an Independent Financial Consultant or Certified Public Accountant shall render to and file with the District and the Trustee a written report certifying that Taxes and Net Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the issuance of the additional Contracts or Bonds adjusted as set forth below are at least equal to 125% of Debt Service (including for purposes of such calculation the obligation of the District to repay Policy Costs, if any, to the Insurer), assuming such additional Contracts had been executed or additional Bonds had been issued at the beginning of such twelve-month period.

For purposes of calculating Net Revenues as set forth in the preceding paragraph, adjustments to the computations of Net Revenues may be made for the following:

- (1) any change in service charges which has been adopted subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts;
- (2) customers added to the Water System subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts;
- (3) the estimated change in Net Revenues which will result from the connection of existing residences or businesses to the Water System within one year following completion of any project to be funded or system to be acquired from the proceeds of such additional Bonds or Contracts; and
- (4) the estimated change in Net Revenues which will result from services provided under any long-term, guaranteed contract that extends for the life of the additional Bonds or Contracts if entered into subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts.

So long as the 1996 Certificates, the 2004 Certificates and the 2007 Certificates are outstanding, the Interest Subsidy Payment will be included in Revenues. Once the 1996 Certificates, the 2004 Certificates and the 2007 Certificates are no longer outstanding, the Interest Subsidy Payment will be treated as a reduction in Debt Service for the purpose of paragraph (A) above.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Further, it shall be assumed that, for the purpose of calculating Debt Service for any Parity Debt which bears a variable interest rate, a fixed rate shall be used equal to 110% of the greater of (i) the then current variable interest rate borne by such Bonds or Contracts plus 2%, and (ii) the highest variable rate borne over the preceding 12 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued.

In addition to the foregoing, in the event any Policy Costs are past due and owing to the Insurer, the Insurer must provide written consent to the issuance of any Bonds or the execution of any Contracts.

- (B) In addition, pursuant to the 1996 Installment Sale Agreement, the District may issue or incur additional obligations secured by a pledge of and lien on Taxes and/or Net Revenues on a parity with the installment payments under the 1996 Installment Sale Agreement ("Parity Debt subject to the following provisions:
- (1) an Independent Financial Consultant shall render to and file with the District and the Trustee a written opinion that Taxes and Net Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the issuance of the Parity Debt adjusted as set forth below, are at least equal to 125% of maximum total annual amount of Outstanding Installment Payments and on the additional Parity Debt to be issued;
 - (2) an Independent Financial Consultant having a favorable reputation for special skill, knowledge and experience in analyzing the operations of water systems shall render to and file with the District and the Trustee a written opinion that Taxes and Net Revenues in each of the three (3) Fiscal Years succeeding the issuance of the Parity Debt will equal at least 125% of the maximum amount of the sum of (1) the aggregate amount of the Installment Payments, and (2) the aggregate amount of annual debt service or other payments with respect to outstanding Parity Debt, including Parity Debt to be issued, and all other obligations constituting a lien on Net Revenues which will be due in any Fiscal Year succeeding the issuance of the Parity Debt other than reimbursement obligations with respect to any Facility relating to the Bonds or any Parity Debt;
 - (3) with respect to any indebtedness of the District to be issued or incurred on a subordinate and junior basis to Parity Debt ("Junior Debt"), Net Revenues for any twelve consecutive months in the eighteen calendar months immediately preceding the Junior Debt to be issued, after the payment of all Installment Payments and Parity Debt, are at least equal to 100% of the maximum total annual amount owing and outstanding Junior Debt to be issued; and

- (4) money (or a reserve credit facility) shall be deposited in a separate reserve fund established for such Parity Debt in an amount necessary to increase the amount in the reserve fund established for such Parity Debt to the Reserve Requirements for the outstanding Bonds and taking into account the issuance of such Parity Debt.

For the purposes of calculating Net Revenues as set forth in subparagraph (1) above, adjustment to the computations of Net Revenues may be made for the following:

- (a) any change in service charges which has been adopted subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt;
- (b) customers added to the Water System subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt;
- (c) the estimated change in Net Revenues which will result from the connection of existing residences or businesses to the Water System within one year following completion of any project to be funded or system to be acquired from the proceeds of such additional Parity Debt; and
- (d) the estimated change in Net Revenues which will result from services provided under any long-term, guaranteed contract which extends the life of additional Parity Debt if entered into subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt.

For the purposes of the preceding sentence, it shall be assumed that the Installment Payments and any Parity Debt which bears a variable interest rate bears interest at a fixed rate equal to the greater of (i) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) or (ii) the average variable rate of interest borne by such Parity Debt during the preceding thirty-six (36) months or, if no such variable rate Parity Debt is at the time outstanding, the highest interest rate borne by variable rate debt for which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for such Parity Debt.

Concurrently with the delivery of the Bonds, the District will cause to be delivered written reports of an Independent Financial Consultant evidencing compliance with both of the foregoing provisions.

Reserve Fund

A Reserve Fund has been established under the Trust Agreement to be held by the Trustee to further secure the timely payment of principal and interest with respect to the Bonds and within such Reserve Fund, a "2010A Account" and a "2010B Account." The Reserve Fund is required to be funded in an amount equal to the least of (1) maximum annual Installment Payments allocable to each Series of the Bonds, (2) 10% of the initial principal amount of each Series of the Bonds or (3) 125% of average annual Installment Payments allocable to each Series of the Bonds, initially, an amount equal to \$_____. Amounts in the respective accounts of the Reserve Fund are to be used only to make Installment Payments with respect to the respective Series of Bonds to the extent the amounts in the Bonds Payment Fund are insufficient for such purpose.

There is no reserve account required for the 1996 Certificates.

The Trust Agreement provides that in lieu of a cash deposit, the District may satisfy all or a portion of a Reserve Requirement by means of a Debt Service Reserve Fund Policy (see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein). With respect to the reserve requirement attributable to the 2004 Certificates, the District has previously deposited a Debt Service Reserve Fund Policy in the 2004 Certificates reserve account (the "2004 Surety Bond") in the amount of \$945,733.76. The 2004 Surety Bond was initially provided by Financial Guaranty Insurance Corporation ("FGIC"). With respect to the reserve requirement attributable to the 2007 Certificates, the District has previously deposited a Debt Service Reserve Fund Policy in the 2007 Certificates reserve account (the "2007 Surety Bond") in the amount of \$2,552,562.50. The 2007 Surety Bond was provided by Ambac Assurance Corporation ("Ambac").

Events Concerning FGIC:

On October 22, 2008, MBIA Insurance Corp. ("MBIA Corp.") and FGIC entered into a Reinsurance Agreement (the "FGIC Reinsurance Agreement"), effective September 30, 2008, and a Trust Agreement (the "FGIC Trust Agreement"), dated October 22, 2008, by and among FGIC, MBIA Corp. and the Bank of New York Mellon, as trustee, pursuant to which MBIA Corp. reinsured a portion of the U.S. public finance portfolio of FGIC (the "FGIC Covered Policies"). The 2004 Surety Bond for the 2004 Certificates is one of the FGIC Covered Policies which was reinsured by MBIA Corp.

Events Concerning MBIA and National:

Moody's Investors Service currently rates MBIA Corp. B3 with a negative outlook. Standard & Poor's currently rates MBIA Corp. BB+ with a negative outlook. Fitch Ratings withdrew its rating at the request of MBIA Corp.

On February 18, 2009, MBIA Corp. ceded its entire public finance business to a subsidiary, MBIA Insurance Corp of Illinois. MBIA Insurance Corp of Illinois has been renamed National Public Financial Guarantee Corp. ("National"). The 2004 Surety Bond reinsured by MBIA is now reinsured by National.

National's current ratings are as follows:

<u>Rating Agency</u>	<u>Rating</u>
Moody's Investors Service	Baa1, Developing Outlook
Standard & Poor's	A, Developing Outlook

For a complete discussion of the reinsurance transaction and additional information provided by National, see "APPENDIX G - NATIONAL PUBLIC FINANCE GUARANTEE CORPORATE DISCLOSURE."

Events Concerning Ambac:

Moody's Investors Service currently rates Ambac Assurance Corporation Caa2 with a developing outlook. Standard & Poor's currently rates Ambac Assurance Corporation CC with a developing outlook. Fitch Ratings withdrew its rating at the request of Ambac Assurance Corporation.

Under the trust agreement for the 2007 Certificates, [describe reserve fund deposit requirements if Ambac files for bankruptcy protection]

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

System Demand

There can be no assurance that the local demand for service provided by the Water System will increase to levels described in this Official Statement under the heading "THE WATER SYSTEM." Reduction in the level of new connections could require an increase in rates or charges in order to produce Taxes and Net Revenues sufficient to comply with the District's rate covenant in the Trust Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. Furthermore, there can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Increased Operation and Maintenance Costs

There can be no assurance that operation and maintenance costs of the Water System will be consistent with the levels contemplated in this Official Statement. Changes in technology, increases in the cost of operation, increased water treatment requirements or other costs mandated by regulatory agencies or other expenses could require increases in rates or charges in order to comply with the rate covenant described herein and in the Trust Agreement, and could increase the possibility of nonpayment of the Bonds.

Additional Obligations Payable from Taxes and Net Revenues

The District may issue additional Bonds or enter into other obligations payable from Taxes and Net Revenues pledged for payment of the Bonds on a parity with its pledge of such Taxes and Net Revenues to the Installment Payments relating to the Bonds, the 2007 Certificates, the 2004 Certificates and the 1996 Certificates. The ability of the District to enter into such Parity Debt is subject to certain requirements set forth in the Installment Purchase Agreement. See "SOURCES OF PAYMENT FOR THE BONDS – Parity Debt."

The District may also issue bonds or enter into obligations payable from Taxes and Net Revenues which are subordinate to the Bonds.

Risks Relating to Water Supplies

The District's current potable water supply comes entirely from purchases from the San Diego County Water Authority, which in turn currently purchases approximately 85% of its water supply from the Metropolitan Water District. This source of water could become limited due to possible events that include prolonged droughts or similar changes in State-wide weather patterns, earthquakes or other natural disasters, contamination by environmental hazards, or acts of terrorism or civil unrest. There can be no assurance that currently available water supplies would be sufficient to meet demand under current conditions in the event of a prolonged drought or other interruption of the District's source of water supply, or that the District would be able to secure alternate sources of water to meet its customer demand. See "THE WATER SYSTEM – Water Supply" herein for a discussions of the water supply in the region and the District's sources of water in particular.

Environmental Regulation

The kind and degree of water treatment effected through the water system is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the water system and mandate the use of water treatment technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state agencies, should impose stricter water quality standards upon the water system, the District's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to water quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

Proposition 218

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. See "THE WATER SYSTEM – Water Charges – Proposition 218" for a discussion of specific issues and risks raised by Proposition 218. The District's current projections assume future rate increases which will be subject to the Proposition 218 notice process. The opinion of Bond Counsel will state that the enforceability of the Installment Purchase Agreement is subject to the limitations on the imposition by the District of certain fees and charges relating to the Water System under Articles XIIC and XIID of the California Constitution.

Casualty Risk; Earthquakes

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Revenues and Taxes through damage to the Water System and/or adversely affecting the economy of the surrounding area. The Installment Purchase Agreement requires the District to maintain insurance or self-insurance, but only if and to the extent available at a reasonable cost from reputable insurers, and the District is not expressly required to provide earthquake insurance. The District is located in a seismically active region and structures in the District could be impacted by a major earthquake originating from the numerous faults in the area. Seismic hazards encompass both potential surface rupture and ground shaking. In the event of total loss of the Water System, there can be no assurance that insurance proceeds will be adequate to prepay all Outstanding Bonds or that losses in excess of the insured amount will not occur.

Early Redemption Risk

Early redemption of the 2010A Bonds may occur in whole or in part without premium, on any date on or after September 1, ____, if the Authority exercises its right to prepay the Bonds in whole or in part pursuant to the provisions of the Trust Agreement. Early prepayment of the 2010B Bonds may occur on any date, at the option of the Authority or upon the occurrence of a Tax Law change (see "THE BONDS – Redemption – Extraordinary Optional Prepayment – 2010B Bonds).

Limited Recourse on Default

If the District defaults on its obligation to pay debt service on the Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the Bonds. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Taxes and Net Revenues to pay the accelerated principal. So long as the Bonds are in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

No Obligation to Tax

The obligation of the District to pay debt service on the Bonds does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation, except the taxes. The obligation of the District to pay debt service on the Bonds does not constitute a debt or indebtedness of the District, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Taxes and Net Revenues and adversely affecting the security of the Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2010A Bonds, the District has covenanted in the Trust Agreement to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code. The interest on the 2010A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2010A Bonds, as a result of acts or omissions of the District in violation of this or other covenants in the Trust Agreement. Should such an event of taxability occur, the 2010A Bonds are not subject to redemption or any increase in interest rates and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Trust Agreement. See "LEGAL MATTERS – Tax Matters" herein.

Risks Relating to Build America Bonds

The District must comply with certain requirements of the Code in order for the 2010B Bonds to be treated as qualified bonds and to continue to be eligible for the Interest Subsidy Payment. The District has covenanted to comply with each of these requirements. However, failure by the District to comply with these requirements may result in a delay or forfeiture of all or a portion of the Interest Subsidy Payment and may cause the 2010B Bonds to cease to be treated as qualified bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of execution and delivery of the 2010B Bonds. Should such an event occur, the 2010B Bonds are subject to extraordinary prepayment. If the District is obligated to provide for the issuance of refunding obligations in order to prepay the 2010B Bonds prior to their maturity, the District would be subject to the various risks attendant to issuance of refunding obligations, including higher-than-desired interest rates and duplicative transaction costs. In addition, it is important to note that Build America Bonds are a new product introduced by the American Recovery and Reinvestment Act, which was signed into law on February 17, 2009. The Interest Subsidy Payments do not constitute a full faith and credit guarantee of the United States government, but are required to be paid by the Treasury under the American Recovery and Reinvestment Act. As such, the District can provide no assurance that future legislation or clarifications or amendments to the Code, if enacted into law, or future court decisions will not reduce or eliminate the Interest Subsidy Payment with respect to the 2010B Bonds. The Treasury may offset any Interest Subsidy Payments to which the Authority is otherwise entitled against any other tax liability of the Authority payable to the Treasury, such as withholding or payroll taxes, or other penalties or interest that may be owed at any time to the Treasury. The District is obligated under the Installment Purchase Agreement to make Installment Payments without regard to the receipt or deposit of Interest Subsidy Payments.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement, the Installment Purchase Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Trust Agreement and Installment Purchase Agreement are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

The legality and enforceability of the Trust Agreement and the Installment Purchase Agreement and certain other legal matters are subject to the approval of GCR, LLP, San Diego, California, acting as Bond Counsel. The legality and enforceability of the Trust Agreement and the Installment Sale Agreement and certain other legal matters are subject to the approval of GCR, LLP, San Diego, California, acting as Bond Counsel. See "APPENDIX E" for the proposed form of Bond Counsel's Opinion.

Certain legal matters will be passed on for the District by its General Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Neither the District nor the Authority has knowledge of any fact or other information which would indicate that the Trust Agreement or the Installment Purchase Agreement are not so enforceable against the District or the Authority, as applicable, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Tax Matters

2010A Bonds (Tax-Exempt)

General. In the opinion of GCR, LLP, San Diego, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in "APPENDIX E" hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2010A Bonds. The Authority and the District have covenanted to comply with certain restrictions designed to assure that interest on the 2010A Bonds will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the 2010A Bonds being includable in federal gross income, possibly from the date of issuance of the 2010A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2010A Bonds may affect the value of, or the tax status of interest on the 2010A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the

value of, or the tax status of interest on, the 2010A Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and the interest on the 2010A Bonds is not included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the 2010A Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the 2010A Bonds, (ii) interest with respect to the 2010A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the 2010A Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the 2010A Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any 2010A Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the 2010A Bonds is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the 2010A Bonds, and the accrual or receipt of interest on the 2010A Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the 2010A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the 2010A Bonds will not have an adverse effect on the tax exempt status or market price of the 2010A Bonds.

Original Issue Discount. If the initial offering price to the public (excluding bond houses and brokers) at which a 2010A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2010A Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such 2010A Bond (other than a purchaser who holds such 2010A Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such 2010A Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as [the Interest Portion/interest on the 2010A Bonds]. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such 2010A Bond and the basis of such 2010A Bond acquired at such initial offering price by an initial purchaser of each such 2010A Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such 2010A Bonds who purchase such 2010A Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such 2010A Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such 2010A Bonds. All holders of such 2010A Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Original Issue Premium. Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a 2010A Bond based on the purchaser's yield to maturity in such 2010A Bonds, except that in the case of such a 2010A Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such 2010A Bond. A purchaser of such a 2010A Bond is required to decrease his or her adjusted basis in such 2010A Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such 2010A Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such 2010A Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a 2010A Bond, and with respect to the state and local tax consequences of owning and disposing of such a 2010A Bond.]

Internal Revenue Service Audit of Tax-Exempt Issues. The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the 2010A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2010A Bonds might be affected as a result of such an audit of the 2010A Bonds (or by an audit of similar obligations).

Information Reporting and Backup Withholding. Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the IRS.

2010B Bonds (Federally Taxable)

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2010B Bonds. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not address all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are “U.S. holders” (as defined below) who will hold the 2010B Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the 2010B Bonds.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a 2010B Bond. A “non U.S. holder” is a holder (or beneficial owner) of a 2010B Bond that is not a U.S. person. For these purposes, a “U.S. person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

General. In the opinion of GCR, LLP, San Diego, California, Bond Counsel, interest on the 2010B Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes. Payments of interest with respect to the 2010B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. Interest on the 2010B Bonds is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in “APPENDIX E” hereto.

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the 2010B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2010B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2010B Bonds or the market value thereof would be impacted thereby. Purchasers of the 2010B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinion expressed by Bond Counsel is based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2010B Bonds. Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Characterization of the 2010B Bonds as Indebtedness. For federal income tax purposes, the 2010B Bonds will be treated as indebtedness of the Authority. The owners of the 2010B Bonds, by purchasing the 2010B Bonds, will be deemed to have agreed to treat the 2010B Bonds as indebtedness of the Authority for federal income tax purposes. The Authority intends to treat the 2010B Bonds as its indebtedness for tax and financial accounting purposes.

Disposition and Defeasance of 2010B Bonds. Upon the sale, exchange, retirement or other taxable disposition (collectively, a “disposition”) of a 2010B Bond, a Bondholder will generally recognize gain or loss equal to the difference between the amount realized on such disposition (less any accrued interest, which will be taxable as ordinary income in the manner described above under “General”) and the Bondholder’s adjusted tax basis in such 2010B Bond. The Authority may deposit moneys or securities with the Trustee in escrow in such amount and manner as to cause the 2010B Bonds to be deemed to be no longer outstanding under the Trust Agreement (a “defeasance”). A defeasance of the 2010B Bonds may result in a reissuance thereof, in which event a Bondholder will also recognize gain or loss as described in the first sentence of this paragraph. Ordinarily, upon the disposition or defeasance of the 2010B Bonds, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a 2010B Bond was subject to its initial issuance at a discount, a portion of such gain will be re-characterized as interest and therefore ordinary income. In February of 2009, the President proposed increasing the long-term capital gains rate to 20%. Neither the Authority, the District nor Bond Counsel can predict whether this increase will receive Congressional approval.

Original Issue Discount. If the 2010B Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument’s yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

A purchaser (other than a person who purchases a 2010B Bond upon issuance at the issue price) who buys a 2010B Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the 2010B Bonds which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized.

Owners of 2010B Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning such 2010B Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the 2010B Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service (“IRS”) and to each purchaser setting forth the amount of interest paid with respect to the 2010B Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2010B Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided with respect to California law under “TAX MATTERS – 2010B Bonds (Federally Taxable) – General” above).

Circular 230. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs Owners of the 2010B Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Litigation

At any given time, including the present, there are certain claims, disputes and litigation actions that arise in the normal course of the District’s activities. Such matters could, if determined adversely to the District, affect the expenditures of the District and in some cases its revenues. The District will furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Trust Agreement, the Installment Purchase Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Trust Agreement and the Installment Purchase Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof or which if decided adversely to the District would have a material adverse effect on the District’s financial condition and its ability to make Installment Payments.

CONCLUDING INFORMATION

Ratings on the Bonds

Standard & Poor’s and Fitch have assigned their ratings of “___” and “___,” respectively, to the Bonds. Such rating reflects only the views of the rating agencies and any desired explanation of the significance of such rating should be obtained from the rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds were sold to Citigroup Global Markets Inc., (the “Underwriter”). The Underwriter is offering the Bonds at the prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the 2010A Bonds at a price equal to \$_____, which amount represents the principal amount of the 2010A Bonds, less a net original issue (premium/discount) of \$_____ and less an Underwriter’s discount of \$_____. The Underwriter has purchased the 2010B Bonds at a price equal to \$_____, which amount represents the principal amount of the 2010B Bonds (\$_____), plus an original issue (premium/discount) of \$_____, and less an Underwriter’s discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering.

Citigroup Inc., parent company of Citigroup Global Markets Inc., the Underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Financial Advisor

The material contained in this Official Statement was prepared by the District with the assistance of the Financial Advisor, who advised the District as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The District will covenant to provide annually certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year, each year commencing March 31, 2011 and to provide the audited General Purpose Financial Statements of the District for the fiscal year ending June 30, 2010 and for each subsequent fiscal year when they are available (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events if deemed by the District to be material. The Annual Report and notices of material events can be accessed from the Electronic Municipal Market Access Website ("EMMA") operated by the Municipal Securities Rulemaking Board (www.emma.msrb.org). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." Failure of the District to provide the required ongoing information may have a negative impact on the value of the Bonds in the secondary market.

The District has entered into three previous continuing disclosure undertakings with respect to the (i) 1998 Bonds, (ii) 2004 Certificates of Participation and (iii) 2007 Certificates of Participation to provide continuing disclosure pursuant to Rule 15c2-12. With respect to the undertaking for the 1998 Bonds, since 2004, the District filed its Comprehensive Annual Financial Report on a timely basis. However, the supplemental information required by the undertaking regarding the tax base for ID 27 was not timely filed. As of September 16, 2009 the District was current with all filing requirements.

Additional Information

The summaries and references contained herein with respect to the Trust Agreement, the Installment Purchase Agreement, the Assignment Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Definitions of certain terms used herein are set forth in "APPENDIX A." Copies of the Trust Agreement, the Installment Purchase Agreement and the Assignment Agreement, are available for inspection during the period of initial offering on the Bonds at the offices of the Financial Advisor. Copies of these documents may be obtained after delivery of the Bonds from the District, 2554 Sweetwater Springs Blvd., Spring Valley, California 91978.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement has been duly authorized by the Otay Water District Financing Authority and the Otay Water District.

OTAY WATER DISTRICT FINANCING AUTHORITY

By: _____
Treasurer

OTAY WATER DISTRICT

By: _____
Chief Financial Officer

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B
DISTRICT AUDITED FINANCIAL STATEMENTS

APPENDIX C

ECONOMIC PROFILE FOR COUNTY OF SAN DIEGO

Introduction

The County of San Diego is the southernmost major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the size of the State of Connecticut.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence which contributes approximately \$10 billion into the retail and service businesses of the area.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

The San Diego Convention Center contains 361,000 square feet of exhibit space and over 100,000 square feet of meeting/banquet rooms. The Convention Center can accommodate events for 30,000-40,000 people.

Population

The County of San Diego has experienced rapid growth and development in the past decade. The County has become the nineteenth most populous metropolitan area in the United States. The City of San Diego is the sixth most populous city in the United States. Total population for the County is expected to be over 3.63 million by the year 2015.

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of San Diego and the State of California for each year since 2000, and the increase from the previous year.

**TABLE NO. C-1
COUNTY OF SAN DIEGO AND STATE OF CALIFORNIA
POPULATION**

Year	COUNTY OF SAN DIEGO		STATE OF CALIFORNIA	
	Population	Percentage Change	Population	Percentage Change
2000	2,813,833		33,873,086	
2001	2,864,539	1.8%	34,430,970	1.6%
2002	2,920,806	2.0%	35,063,959	1.8%
2003	2,970,899	1.7%	35,652,700	1.7%
2004	3,007,285	1.2%	36,199,342	1.5%
2005	3,034,388	0.9%	36,676,931	1.3%
2006	3,058,413	0.8%	37,086,191	1.1%
2007	3,088,891	1.0%	37,472,074	1.0%
2008	3,131,552	1.4%	37,883,992	1.1%
2009	3,173,407	1.3%	38,292,687	1.1%
% Increase Between				
2000 - 2009		12.8%		13.0%

Source: State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark."

Per Capita Income

Per capita income information for San Diego County, the State of California and the United States are summarized in the following table.

**TABLE NO. C-2
PER CAPITA INCOME
SAN DIEGO COUNTY, STATE OF CALIFORNIA AND UNITED STATES
2003 – 2007**

Year	San Diego County	State of California	United States
2003	\$35,810	\$33,469	\$31,466
2004	38,536	35,313	33,072
2005	40,383	37,183	34,685
2006	42,801	39,358	36,629
2007	44,832	41,571	38,615

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2008 and State of California Department of Finance; State of California Employment Development Department.

The District is located in the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA). Six major job categories constitute 79.1% of the work force. They are government (18.0%), professional and business services (16.5%), service producing (14.2%), leisure and hospitality (12.1%), educational and health services (10.9%), and manufacturing (7.4%). The December 2009 unemployment rate in the San Diego-Carlsbad-San Marcos MSA was 10.1%. The State of California December 2009 unemployment rate (unadjusted) was 12.1%.

TABLE NO. C-3
SAN DIEGO-CARLSBAD-SAN MARCOS MSA
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

Industry	2005	2006	2007	2008	2009
Government	217.5	223.1	227.1	227.6	226.2
Other Services	48.9	48.9	48.5	48.8	49.0
Leisure and Hospitality	150.7	158.1	162.4	159.4	152.3
Educational and Health Services	124.6	127.6	134.0	137.8	137.2
Professional and Business Services	212.4	213.9	218.3	217.0	207.7
Financial Activities	84.4	82.6	77.8	74.9	72.9
Information	37.5	37.9	38.2	39.5	37.3
Transportation, Warehousing and Utilities	28.7	29.8	29.8	30.1	28.3
Service Producing					
Retail Trade	158.1	157.7	155.2	142.8	137.2
Wholesale Trade	44.5	45.3	45.5	42.6	41.5
Manufacturing					
Nondurable Goods	24.9	25.4	25.1	23.3	21.9
Durable Goods	78.9	78.0	78.5	76.6	71.5
Goods Producing					
Construction	92.4	90.7	81.3	70.8	65.1
Mining and Logging	0.4	0.5	0.4	0.3	0.3
Total Nonfarm	1,303.9	1,319.5	1,322.1	1,291.5	1,248.4
Farm	10.5	9.9	10.2	9.9	9.9
Total (all industries)	<u>1,314.4</u>	<u>1,329.4</u>	<u>1,332.3</u>	<u>1,301.4</u>	<u>1,258.3</u>

⁽¹⁾ Annually, as of December 2009.

State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month, March 2008 Benchmark."

Major Employers

The major employers operating within the County of San Diego as of June 30, 2009 are shown in Table No. C-4.

**TABLE NO. C-4
COUNTY OF SAN DIEGO
MAJOR EMPLOYERS**

Employer	Number of Employees	Percent of Total Employment
Federal Government	43,500	
United States Navy	42,000	
State of California	40,900	
University of California, San Diego	26,000	
County of San Diego	20,500	
City of San Diego	19,500	
San Diego Unified School District	15,881	
Sharp Healthcare	14,390	
Scripps Health	12,700	
Scripps Mercy Hospital (Combined with Scripps Mercy Chula Vista)	11,000	

Source: _____.

“Total Employment” as used above represents the total employment of all employers located within the City of Chula Vista city limits.

Transportation

Excellent surface, sea and air transportation facilities service San Diego County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown San Diego at the edge of the San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is the third most active commercial airport in California, served by 18 major airlines. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the county.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego with stops at Del Mar and Oceanside in the north county. San Diego's harbor is one of the world's largest natural harbors. The harbor, a busy commercial port, has also become an extremely popular destination for cruise ships. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

Research and Development

Research and development activity plays an important role in the area's economy. The County is a leading health sciences and biomedical center. Approximately 35,000 persons are engaged in life sciences-related activities in the metropolitan area, with over 28,000 employed directly in health services. In addition to the University of California San Diego, other established research institutions include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and the Scripps Institution of Oceanography.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract visitor and convention business each year. The development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego community concourse have contributed to the growth in tourism. The visitor and convention business is expected to continue to increase steadily.

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E
PROPOSED FORM OF LEGAL OPINION OF
BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect

Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on these Internet sites is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G
NATIONAL PUBLIC FINANCE GUARANTEE
CORPORATE DISCLOSURE

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of _____, 2010 (the "Disclosure Agreement") is executed and delivered by the Otay Water District (the "District") and Union Bank, N.A. (the "Dissemination Agent") in connection with the execution and delivery of \$ _____ Otay Water District Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt Bonds) (2010 Water System Project) and \$ _____ Otay Water District Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (2010 Water System Project) (collectively, the "Bonds"). The Bonds are being executed pursuant to a Trust Agreement, dated as of March 1, 2010, by and between Union Bank, N.A., as trustee (the "Trustee") and the Otay Water District Financing Authority (the "Authority"). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Comprehensive Annual Financial Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the General Manager of the District and the Chief Financial Officer, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

"Dissemination Agent" shall mean Union Bank, N.A., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Holder" shall mean the registered owner of any Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated _____, 2010.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean the EMMA system of the MSRB or any other entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2010, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be provided to the Repository in an electronic format as prescribed by the Repository and shall be accompanied by identifying information as prescribed by the Repository. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) confirm the electronic filing requirements of the Repository for the Annual Reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(d) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB’s EMMA system, or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Annual Report due as of March 31, 2010 shall consist of the Official Statement. Thereafter, the District's Annual Report shall contain or include by reference the following:

(a) The District's audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, updates of Tables 1 through 9 under the caption "THE WATER SYSTEM."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Modifications to rights of Holders.
- (iv) Optional, contingent or unscheduled Bond calls.
- (v) Defeasances.
- (vi) Rating changes.
- (vii) Adverse tax opinions or events affecting the tax-exempt status of the interest on the Bonds.
- (viii) Unscheduled draws on the debt service reserves reflecting financial difficulties.
- (ix) Unscheduled draws on the credit enhancements reflecting financial difficulties.
- (x) Substitution of the credit or liquidity providers or their failure to perform.

(xi) Release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repository or provide the notice to the Dissemination Agent for filing with the Repository. If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(d) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and that the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(e) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a

change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of such Holder's or Beneficial Owner's status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's, its officers', directors', employees' and agents' negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

District:	Otay Water District 2554 Sweetwater Springs Boulevard Spring Valley, CA 91978 Attention: General Manager
Dissemination Agent:	Union Bank, N.A. 120 South San Pedro Street, 4 th Floor Los Angeles, CA 90012 Attention: Corporate Trust

SECTION 13. Beneficiaries. This Disclosure Agreement solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

OTAY WATER DISTRICT

By: _____
Its: Chief Financial Officer

UNION BANK, N.A., as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Otay Water District

Name of Bond Issues: \$_____ Otay Water District Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt Bonds) (2010 Water System Project) and \$_____ Otay Water District Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (2010 Water System Project)

Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by and between the District and Union Bank, N.A., as dissemination agent, dated as of March 1, 2010. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

Dissemination Agent

By: _____

cc: Issuer

**OTAY WATER DISTRICT FINANCING AUTHORITY
ORGANIZATIONAL MEETING**

Action: Organizational; Adopt Resolution No. 2010-01 Approving Bylaws, Appointing Commissioners and Officers for the Authority, Ratifying Certain Actions, and Adopting a Schedule for Regular Meetings

Purpose: To designate the Commissioners and Officers of the Otay Water District Financing Authority

Meeting: March 3, 2010

Recommendation:

That the Authority Commission adopt Resolution No. 2010-01 approving the Bylaws of the Authority, appointing commissioners and officers, approving and ratifying all actions heretofore taken in connection with the establishment of the Authority, and establishing regular meetings of the Authority to be held on the first Wednesday of each January and March, commencing with March 3, 2010.

Background:

The Otay Water District, a municipal water district (the "District"), requested that the California Municipal Financing Authority ("CMFA"), a joint exercise of powers authority created under the Joint Exercise of Powers Act (California Government Code Sections 6500 et seq.) and a joint exercise of powers agreement relating to CMFA dated as of January 1, 2004 (the "JPA Agreement"), assist the District with a proposed financing of capital improvement projects of the District. The CMFA agreed to assist in the financing and requested that the District become a member of the CMFA. The District approved a Resolution at its February 3, 2010 meeting and soon thereafter, signed and delivered the JPA Agreement, thereby becoming a member of CMFA. Now, the District and CMFA desire to create a new joint exercise of powers entity to be known as the Otay Water District Financing Authority ("Authority"), a single purpose entity controlled by the District, with the sole purpose of issuing revenue bonds for the benefit of the District. CMFA and the District will be the only members of the Authority.

Historically, the District has issued its debt as certificates of participation through its own non-profit corporation. However, several factors, including changes in the municipal market currently support the issuance of revenue bonds instead of certificates of participation. The Authority is authorized to issue bonds pursuant to the provisions of

Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

Analysis:

The Board of Directors of the District ("Board") will serve as the governing board of the Authority ("Authority Commission"). Each member of the Board will serve on the Authority Commission in the same capacity as on the Board.

The officers of the Authority will be staff members of the District. The General Manager of the District will serve as the Executive Director of the Authority, the District Secretary will serve as the Secretary of the Authority and the District's Chief Financial Officer will serve as the Treasurer/Auditor of the Authority.

The Resolution also approves and ratifies certain actions previously taken in connection with the formation of the Authority, including but not limited to the execution and delivery of the Joint Powers Agreement, the posting of the Agenda for this meeting and the notice given regarding the same. The Resolution also authorizes and directs the Executive Director, Treasurer/Auditor and Secretary of the Authority file, execute and deliver any documents or certificates and take any and all actions necessary or desirable to consummate the transactions therein contemplated.

Since the law requires that the Authority authorize the issuance of debt at a regularly scheduled meeting, it is recommended that the Authority Commission establish regular meetings of the Authority to be held each year on the first Wednesday of March. In addition, it is recommended that the Authority Commission establish a regular meeting on the first Wednesday of each January, concurrently with its annual organizational meeting for the District and the District's financing corporation.

Attachments:

- A) Resolution No. 2010-01
- B) Bylaws

RESOLUTION NO. 2010-01

A RESOLUTION OF THE AUTHORITY COMMISSION OF THE OTAY WATER DISTRICT FINANCING AUTHORITY APPOINTING OFFICERS OF THE AUTHORITY, ADOPTING BYLAWS AND PROVIDING FOR A FILING WITH THE CALIFORNIA SECRETARY OF STATE

WHEREAS, the Otay Water District Financing Authority (the "Authority") has been formed pursuant to a Joint Exercise of Powers Agreement (the "Agreement") between the Otay Water District (the "District") and the California Municipal Finance Authority ("CMFA"), dated as of March 3, 2010, between the District and CMFA; and

WHEREAS, the Authority Commission, as the governing board of the Authority, desires to appoint officers, adopt bylaws, and approve a filing with the California Secretary of State, as provided for in the Government Code of the State of California; and

WHEREAS, the Authority has determined that it is desirable and furthers its public purpose to assist in the financing of certain projects in the District's Capital Improvement Program (the "2010 Project"), and that the District will benefit from demonstrable savings in the costs of financing the 2010 Project as a result of the Authority's participation; and

WHEREAS, the Authority proposes to issue its Water Revenue Bonds, 2010 Series A and its Water Revenue Bonds, 2010 Series B (collectively, the "Bonds") for the purpose of financing the 2010 Project;

NOW, THEREFORE, BE IT RESOLVED by the Authority Commission as follows:

Section 1. The Authority Commission hereby adopts the Bylaws of the Authority, on file with the Secretary of the Authority and incorporated herein by reference.

Section 2. The Authority Commission hereby appoints the members of the Board of Directors of the District to serve in the same capacity for the Authority Commission as they serve in the Board of Directors of the District, initially, the following persons shall serve as the President and Vice-President of the Authority Commission:

President: Jaime Bonilla

Vice-President: Jose Lopez

Section 3. The Authority Commission hereby appoints the Officers of the Authority in accordance with the Agreement and the Bylaws of the Authority:

Executive Director: Mark Watton

Treasurer/Auditor: Joseph Beachem

Secretary to the Authority Commission: Susan Cruz

Section 4. The Authority Commission hereby authorizes the Secretary of the Authority to cause a notice of the Agreement to be prepared and filed with the Office of the California Secretary of State, which notice shall contain the following information:

- (a) the name of each party to the Joint Exercise of Powers Agreement creating the Authority;
- (b) the date upon which the Joint Exercise of Powers Agreement became effective;
- (c) a statement of the purpose of the Joint Exercise of Powers Agreement and the power or powers to be exercised by the Authority; and
- (d) a description of any amendments made to the Joint Exercise of Powers Agreement prior to such filing.

The Secretary of the Authority is hereby directed to file such notice within 30 days of March 3, 2010, the effective date of the Agreement.

Section 5. Pursuant to the Bylaws, regular meetings of the Authority Commission will be held on the first Wednesday of January and March in each calendar year.

Section 6. All of the recitals herein set forth are true and correct and the Authority Commission so finds and determines.

Section 7. The Authority Commission hereby approves and ratifies all actions heretofore taken in connection with the establishment of the Authority, including but not limited to the execution and delivery of the Joint Powers Agreement, the posting of the Agenda for this meeting and the notice given regarding the same. The Executive Director, Treasurer/Auditor and Secretary of the Authority, each acting alone, are hereby authorized and directed to do any and all things, file, execute and deliver any documents or certificates and take any and all actions necessary or desirable to consummate, document and carry out the transactions herein contemplated.

Section 8. This Resolution shall take effect immediately upon passage.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010.

Jaime Bonilla, President of the Commission
Otay Water District Financing Authority

Attest:

Susan Cruz, Secretary to the
Otay Water District Financing Authority

**BYLAWS
OF THE
OTAY WATER DISTRICT FINANCING AUTHORITY**

ARTICLE I - THE AUTHORITY

Section 1. Name of Authority. The name of the Authority shall be the "Otay Water District Financing Authority" (the "Authority").

Section 2. Office of Authority. The office of the Authority shall be at the offices of Otay Water District (the "District"), 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978.

Section 3. Governing Body. The members of the Board of Directors of Otay Water District shall constitute the governing body of the Authority, which governing body shall be known as the Authority Commission. The members of the Authority Commission shall serve in the same capacity for the Authority as they serve for the Otay Water District. The President and Vice President of the Authority Commission shall be as follows:

President. The President shall be the member of the Authority Commission who is the then current President of the Board of Directors of the District. The President shall preside at all meetings of the Authority Commission.

Vice-President. The Vice-President shall be the member of the Authority Commission who is the then current Vice-President of the Board of Directors of the District. The Vice-President shall perform the duties of the President in the absence or incapacity of the President.

ARTICLE II - OFFICERS

Section 1. Officers. The officers of the Authority, in addition to the President and the Vice-President of the Authority Commission, shall be an Executive Director, a Secretary and a Treasurer/Auditor. An officer is authorized to sign for and in the name of the Authority all contracts, deeds and other instruments approved by the Authority Commission to be made by the Authority.

Section 2. Executive Director. The Executive Director of the Authority shall be the General Manager of the Otay Water District. The Executive Director shall conduct day-to-day administration of the Authority's business and affairs, subject to the direction of the Authority Commission.

Section 3. Treasurer/Auditor. The Treasurer/Auditor shall be the then current or acting Chief Financial Officer of the Otay Water District. The Treasurer/Auditor shall keep regular books of accounts showing receipts and expenditures and shall render to the Authority Commission, as requested, an account of the transactions of the Authority and shall perform the duties required by the Joint Exercise of Powers Act, being California Government Code Section 6500 et seq. (the "Act") and any other duties that are designated from time to time by the Authority. The Treasurer/Auditor or in the absence of the Treasurer/Auditor, a person appointed by the Treasurer/Auditor or the Authority Commission, shall have the care and custody of all funds of the Authority. The Treasurer/Auditor may enter into agreements on behalf of the Authority with any financial institution authorized to accept deposits of public funds, providing for the transfer of funds between accounts maintained therein by the Authority upon request by telephone. Such agreements may also provide for the investment upon request by telephone of funds maintained in such accounts, in property or securities in which public agencies may legally invest money subject to their control. Such agreements shall designate the accounts maintained by the Authority which are subject thereto, and the persons who may, from time to time, make such transfers and direct such investments by telephone request.

Section 4. Secretary. The Secretary shall be the then current or acting Secretary of Otay Water District. The Secretary shall keep the records of the Authority, shall act as Secretary of the meetings of the Authority Commission and record all votes, and shall keep a record of the proceedings of the Authority Commission in the form of minutes to be kept for such purpose, and shall perform all duties incident to the office of Secretary.

Section 5. General Counsel. The then current General Counsel of the District shall serve as General Counsel to the Authority.

Section 6. Duties. The officers of the Authority shall perform such other duties and functions as may from time to time be required by the Authority or these Bylaws or by resolution, rules and regulations or by motion of the Authority Commission. Any officer of the Authority may sign, with the countersignature of one other officer, deputy officer or member of the Authority, all orders and checks for the payment of money under the direction of the Authority.

Section 7. Assistants and Deputies; Additional Personnel. Whenever an officer of the Otay Water District is designated an officer of the Authority, the assistants and deputies of such officers from time to time shall also be, ex officio, officers of

the Authority; and whenever a power is granted to, or a duty imposed upon, such officer, the power may be exercised, or a duty performed, by such assistant or deputy. The Authority Commission may from time to time employ such other personnel as it deems necessary to exercise its powers, duties and functions. The selection and compensation of such officers and other personnel shall be determined by the Authority Commission.

ARTICLE III - MEETINGS

Section 1. Regular Meetings. Regular meetings shall be held at least once a year at the business office of the Authority, or at such other place as the President may designate, on dates and at a time as fixed by the President of the Authority Commission. If at any time any regular meeting falls on a legal holiday, such regular meeting shall be held on the next business day at the same time. Initially, regular meetings will be held on the first Wednesday of January and March in each calendar year.

Section 2. Special Meetings. A special meeting may be called at any time by the President or upon the request of a majority of the members of the Authority Commission as permitted by law.

Section 3. Closed Sessions. Nothing contained in these Bylaws shall be construed to prevent the Authority Commission from holding closed sessions during a regular or special meeting concerning any matter permitted by law to be considered in a closed session.

Section 4. Public Hearing. All public hearings held by the Authority Commission shall be held during regular or special meetings of the Authority Commission.

Section 5. Adjourning Meetings and Continuing Public Hearings to Other Times or Places. The Authority Commission may adjourn any meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time-to-time. If all members are absent from any regular meeting or adjourned regular meeting, the Secretary or Acting Secretary of the Authority may declare the meeting adjourned to a stated time and place and shall cause a written notice of the adjournment to be given in the manner permitted by law.

Any public hearing being held, or any hearing noticed or ordered to be held at any meeting may by order or notice of continuance be continued, or recontinued to any subsequent meeting in the same manner and to the same extent set forth herein for the adjournment of the meetings; provided, that if the

hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing a copy of the order or notice of continuance shall be posted immediately following the meeting at which the order or declaration of continuance was adopted or made.

Section 6. Applicability of Ralph M. Brown Act. Meetings of the Authority shall be held, notice given and the business of the Authority conducted, all as provided in the Ralph M. Brown Act, being California Government Code Section 54950 et seq.

Section 7. Quorum. A majority of the members of the Authority Commission shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn from time-to-time until a quorum is obtained. Action may be taken by the Authority Commission upon a vote of a majority of a quorum, unless a higher vote is required by law or by these Bylaws.

Section 8. Manner of Voting. The manner of voting on resolutions and on other matters shall be as prescribed by the President.

ARTICLE IV - AMENDMENTS

Section 1. Amendments to Bylaws. The Bylaws may be amended by the Authority at any regular or special meeting by the affirmative vote of a majority of the members of the Authority Commission.

**OTAY WATER DISTRICT FINANCING AUTHORITY
REGULAR MEETING**

Action: Adopt Resolution 2010-02 Authorizing the Issuance of Water Revenue Bonds and Approving the Execution and Delivery of Documents Related Thereto and Authorizing Related Actions

Purpose: To obtain authorization for the issuance of revenue bonds to finance certain capital improvement projects of the Otay Water District

Meeting: March 3, 2010

Recommendation:

It is recommended that the Authority Commission adopt Resolution No. 2010-02 authorizing the issuance of revenue bonds in a principal amount not to exceed \$52,000,000 to finance the acquisition, construction, improvement, renovation and equipping of facilities of the Otay Water District and approving documents and matters relating thereto.

Background:

The Otay Water District (the "District") approached the California Municipal Financing Authority ("CMFA") in connection with a proposed financing of capital improvement projects of the District. The CMFA agreed to create a new joint powers authority with the District, to be known as the Otay Water District Financing Authority ("Authority"). Both CMFA and the District approved the formation of the Authority and approved a form of joint exercise of powers agreement for that purpose. The initial and immediate purpose of the Authority is to facilitate the issuance of revenue bonds for the benefit of the District.

Analysis:

The District has adopted a Resolution authorizing the issuance of certain taxable and tax-exempt bonds (collectively, the "2010 Bonds"), and the execution and delivery of related documents by the District. The Authority is now being asked to approve and authorize the issuance of the 2010 Bonds, the execution and delivery of required documents and certain actions deemed necessary or advisable in connection therewith.

The 2010 Bonds will be issued as a mix of taxable Build America Bonds, pursuant to the provisions of the American Recovery and Reinvestment Act of 2009 (the "BABs"), and traditional tax-exempt bonds to obtain the most beneficial blend of debt for

the District. The 2010 Bonds will be payable as to principal and interest from pledged revenues under the Trust Agreement (described below). The pledged revenues will be in the form of installment payments and other payments to be made by the District to the Authority pursuant to the Installment Purchase Agreement (described below). The installment purchase payments will be made on a parity basis with certain installment purchase payments being made by the District, from Net Revenues of the District, in connection with outstanding certificates of participation of the District, as more specifically described in the Installment Purchase Agreement and the Official Statement.

The Authorizing Resolution (Attachment A) approves the Bond issuance subject to certain preconditions, approves the form of the documents discussed below, and delegates authority to the President of the Authority Commission and to the Officers of the Authority to finalize, execute and deliver the documents and to do any and all things necessary to complete the transaction. Pursuant to the Authorizing Resolution, the following documents are being authorized in substantially the form on file with the Secretary of the Authority, and the President and the Officers of the Authority are being authorized and directed to execute and deliver the same, with such changes thereto as deemed necessary or advisable:

- The Trust Agreement provides for the issuance of the Bonds.
- The Official Statement is the primary disclosure document for the transaction. The preliminary Official Statement is on file with the Secretary and contains information necessary for investors to make informed buying decisions regarding the Bonds. It also contains information on the District water supplies, operations, CIP, finances, and the regional economy. The Resolution authorizes the Underwriter to distribute the preliminary Official Statement and to deliver the final Official Statement.
- The Installment Purchase Agreement provides for payments to be made to the Authority by the District from Net Revenues of the District's water system.
- The Continuing Disclosure Agreement, attached to the Preliminary Official Statement, prescribes ongoing information disclosure responsibilities of the District.
- The Bond Purchase Agreement establishes final conditions of the sale of the Bonds to the Underwriter.

The District has traditionally caused its debt to be sold on a competitive basis. The District's finance policy provides that debt shall be issued on a competitive basis unless special circumstances warrant a negotiated sale. The District staff and the Financial Advisor recommend a negotiated sale for the Bonds due to: (i) volatile market conditions; (ii) the need to tap a new investor base for the sale of the BABs; and (iii) the need for flexibility at the time of sale to determine the most cost effective mix of BABs and traditional tax-exempt bonds at the time of pricing.

The District staff and the Financial Advisor forwarded requests for proposals to several underwriters and received and evaluated five proposals. The District staff, with input from the Financial Advisor, selected Citigroup Global Markets, Inc. to serve as the Underwriter for the Bonds. The Resolution authorizing the issuance of the bonds, ratifies this selection, authorizes the District to execute and deliver a bond purchase agreement with the Underwriter and sets forth certain terms and conditions for the bond purchase agreement, including the condition that the underwriter discount or takedown does not exceed \$5.00 per \$1,000 for the tax-exempt bonds and \$6.75 per \$1,000 for the BABs.

In connection with the BABs, the Authority will be entitled to receive cash subsidy payments from the United States Treasury (the "Interest Subsidy Payments"). The Authority wishes to designate the District as the recipient of any such Interest Subsidy Payments pursuant to the Resolution and pursuant to the Installment Purchase Agreement.

Attachments:

- A) Resolution No. 2010-02

RESOLUTION NO. 2010-02

OTAY WATER DISTRICT FINANCING AUTHORITY

A RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED \$52,000,000 TO FINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF FACILITIES OF THE OTAY WATER DISTRICT; APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT AND OTHER DOCUMENTS AND CERTIFICATES RELATING TO THE TRANSACTION AND APPROVING OTHER ACTIONS RELATING THERETO

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "JPA Act"), the Otay Water District (the "District") and the California Municipal Finance Authority ("CMFA") entered into a joint exercise of powers agreement (the "Agreement") pursuant to which the Otay Water District Financing Authority (the "Authority") was organized; and

WHEREAS, the Authority is authorized by its Agreement and the JPA Act to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements for all purposes permitted by the JPA Act and described in the Agreement; and

WHEREAS, pursuant to the provisions of the JPA Act, the parties comprising the Authority are authorized to jointly exercise any power common to such contracting parties, including, without limitation, the power to finance the acquisition, construction, rehabilitation, equipping, disposition property, both real and personal; and

WHEREAS, the District is a municipal water district and wishes to finance the acquisition and construction of improvements, betterments, renovations, and expansions of certain facilities owned and operated by the District for its water system to provide for the production, acquisition, treatment and distribution of potable and reclaimed water (the "2010 Project"); and

WHEREAS, the District has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of making a loan to the District to finance the 2010 Project; and

WHEREAS, the District is empowered to acquire, own and operate the water and reclaimed water facilities it intends to finance; and

WHEREAS, pursuant to a Trust Agreement, dated March 1, 2010 (or such other date as approved by the Authority) (the "Trust Agreement"), between the Authority and Union Bank of California, N.A. (the "Trustee"), the Authority will issue the OTAY WATER DISTRICT FINANCING AUTHORITY, WATER REVENUE BONDS, SERIES 2010A (NON-AMT TAX-EXEMPT BONDS) (2010 WATER SYSTEM PROJECT) (the "Series A Bonds") and the OTAY WATER DISTRICT FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2010B (TAXABLE BUILD

AMERICA BONDS) (2010 WATER SYSTEM PROJECT) (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”) for the purpose, among others, of financing the 2010 Project; and

WHEREAS, pursuant to the Installment Purchase Agreement, dated as of March 1, 2010 (or such other date as approved by the Authority) (the “Installment Purchase Agreement”), between the Authority and the District, the Authority will loan the proceeds of the Bonds to the District for the purpose, among others, of financing the 2010 Project; and

WHEREAS, pursuant to a Bond Purchase Agreement, to be dated the date of sale of the Bonds (the “Bond Purchase Agreement”), among Citigroup Global Markets Inc., as underwriter (the “Underwriter”), the Authority and the District, the Bonds will be sold to the Underwriter, and the proceeds of such sale will be used as set forth in the Trust Agreement to finance the 2010 Project, to fund a debt service reserve account, if one is established, and to pay costs incurred in connection with the issuance of the Bonds; and

WHEREAS, the Bonds will be offered for sale through an official statement, and a preliminary form of the Official Statement is being presented to this Authority Commission for approval; and

WHEREAS, some of the Bonds may be issued as taxable “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009, such that the Authority will be entitled to receive cash subsidy payments from the United States Treasury (the “Interest Subsidy Payments”), and the Authority wishes to designate the District as the recipient of any such Interest Subsidy Payments pursuant to this Resolution and pursuant to the Installment Purchase Agreement; and

WHEREAS, there have been placed on file with the Authority prior to this meeting the following documents and agreements:

- (1) A proposed form of the Trust Agreement;
- (2) A proposed form of the Installment Purchase Agreement;
- (3) A proposed form of the Bond Purchase Agreement; and
- (4) A proposed form of official statement (the “Official Statement”) to be used by the Underwriter in connection with the offering and sale of the Bonds; and

WHEREAS, GCR, LLP has been selected to serve as Bond Counsel to the Authority, Stradling Yocca Carlson & Rauth, a Professional Corporation, has been selected to serve as Disclosure Counsel to the Authority, Harrell & Company Advisors has been selected to serve as the Financial Advisor to the Authority, and Citigroup Global Markets, Inc. has been selected to act as the underwriter (the “Underwriter”) for the Bonds, and each of those entities is hereby confirmed to serve the Authority in those capacities in connection with the Bonds, pursuant to the terms of any contract or agreement entered into with the District; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the making of the agreements and the consummation of the financing authorized by this resolution do exist, have happened and have been performed in regular and due time, form and manner, and the

Authority is duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing as provided in this resolution.

NOW THEREFORE, BE IT RESOLVED by the Authority Commission of the Otay Water District Financing Authority (the "Board"), as follows:

Section 1. The Authority Commission hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Pursuant to the JPA Act and the Trust Agreement, the Authority is hereby authorized to issue its revenue bonds designated as the OTAY WATER DISTRICT FINANCING AUTHORITY, WATER REVENUE BONDS, SERIES 2010A (NON-AMT TAX-EXEMPT BONDS) (2010 WATER SYSTEM PROJECT) (the "Series A Bonds") and the OTAY WATER DISTRICT FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2010B (TAXABLE BUILD AMERICA BONDS) (2010 WATER SYSTEM PROJECT) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") in an aggregate principal amount not to exceed \$52,000,000. The Bonds shall be issued and secured in accordance with the terms of and shall be in the form or forms set forth in the Trust Agreement, with such changes, deletions or insertions as may be approved by any member of the Authority Commission and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, provided that the Underwriters' discount or takedown shall not exceed not exceed \$5.00 per \$1,000 for the Series A Bonds and \$6.75 per \$1,000 for the Series B Bonds and the true interest cost for the Bonds shall not exceed shall not exceed 5.5% for the Series A Bonds and 7.0% for the Series B Bonds. The Bonds shall be executed by the manual or facsimile signature of a member of the Authority Commission or an Authorized Officer.

Section 3. The Trust Agreement, in substantially the form placed on file with the Authority, is hereby approved. The President of the Authority Commission, or the Executive Director or the Treasurer/Auditor of the Authority, and their written designees (each, an "Authorized Officer" and, collectively, the "Authorized Officers"), is hereby authorized and directed, on behalf of the Authority, to approve the delivery of the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority. The Trustee, the dated date, maturity dates or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Trust Agreement, as finally executed.

Section 4. The Installment Purchase Agreement, in substantially the form placed on file with the Secretary of the Authority, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Installment Purchase Agreement in substantially said form, with such changes and insertions therein as such officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authority hereby designates the District as the recipient of any Interest Subsidy Payments which the Authority may be entitled to receive in connection with all or any of the Bonds. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to approve language reflecting this designation to be included in the Installment Purchase Agreement or the Trust Agreement and to execute and deliver any certificate, written request or any other document necessary or desirable to ensure that the District is entitled to receive said Interest Subsidy Payments.

Section 5. The Bond Purchase Agreement, in substantially the form placed on file with the Authority, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 6. The form of Preliminary Official Statement relating to the Bonds, in substantially the form placed on file with the Authority, is hereby approved. The Underwriter is hereby authorized to distribute a Preliminary Official Statement, in substantially the form placed on file with the Authority, to persons who may be interested in the purchase of the Bonds and to deliver the Official Statement in final form to the purchaser(s) of the Bonds, in each case with such changes as any Authorized Officer deems desirable, necessary or appropriate. Each Authorized Officer, acting alone, is hereby authorized to certify that the Preliminary Official Statement is, as of its date, “deemed final” by the Authority for purposes of Rule 15c2-12 of the Securities and Exchange Commission, and to certify that the Official Statement is, as of its date, “final and complete” for purposes of said Rule 15c2-12.

Section 7. The Bonds, when executed as provided in Section 1, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser or purchasers thereof in accordance with written instructions executed on behalf of the Authority by any Authorized Officer. Such instructions shall provide for the delivery of the Bonds to the purchaser or purchasers thereof, upon payment of the purchase price thereof.

Section 8. Each Authorized Officer, acting alone, is hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver any and all documents, including, without limitation, any and all documents and certificates to be executed in connection with securing credit support, if any, for the Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Authority has approved in this Resolution; provided that no such documents or certificates shall create any obligation or liability of the Authority other than with respect to the revenues and assets derived from the proceeds of the Bonds or otherwise securing the Bonds under the financing documents described and authorized herein.

Section 9. Each Authorized Officer, acting alone, is hereby authorized to execute and deliver future amendments to the documents authorized to be executed and delivered pursuant to this Resolution (“Authorized Documents”), without further action of the Authority, for the purpose of (i) adding to the covenants and agreements of the District or of the provider of any credit enhancement or liquidity facility; (ii) assigning or pledging additional security for any of the Bonds, which security shall be provided by the District; (iii) curing any ambiguity, inconsistency or omission or supplementing any defective provisions of the Authorized Documents; (iv) permitting the qualification of the Trust Agreement or any supplemental indenture under the Trust Indenture Act of 1939 or any similar federal statutes hereafter in effect; (v) providing for any additional procedures, covenants or agreements necessary to maintain the tax-exempt status of interest on the Bonds, or, if the Bonds are taxable and federally subsidized, allow the Authority and/or the District to provide evidence of compliance with any procedures or covenants required to maintain eligibility for the subsidy; (vi) modifying or eliminating the book-entry registration system for the Bonds, if any; or (vii) providing for the appointment of a co-trustee/bondowner representative or the succession of a new

trustee/bondowner representative authorized pursuant to the terms of the Trust Agreement; provided such amendments are (1) made pursuant to a written request of the District, (2) made pursuant to the terms of such documents, (3) are consistent with such documents, (4) do not require the consent of the holders of the Bonds and (5) do not provide for any additional duties or costs with respect to the Authority for which the District does not agree in advance to reimburse or indemnify the Authority therefor.

Section 10. All actions heretofore taken by any Authorized Officer, consultant and agent of the Authority with respect to the issuance of the Bonds are hereby ratified, confirmed and approved.

Section 11. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Otay Water District Financing Authority this 3rd day of March, 2010 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

I, the undersigned, a duly appointed and qualified Member of the Authority Commission of the Otay Water District Financing Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Authority Commission of said Authority at a duly called meeting of the Authority Commission of said Authority held in accordance with law on March 3, 2010.

Jaime Bonilla, President of the Authority Commission
Otay Water District Financing Authority

Attest:

Susan Cruz, Secretary to the
Otay Water District Financing Authority

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Otay Water District Financing Authority, do hereby certify that the foregoing Resolution No. 2010-02 was duly adopted by the Commission of the Otay Water District Financing Authority at a regular meeting thereof held on the _____ day of March, 2010, that the foregoing is a full, true and correct copy of Resolution No. 2010-02, and that the same has not been modified, amended or repealed.

DATE: _____, 2010

Susan Cruz, Secretary to the
Otay Water District Financing Authority



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Daniel Kay <i>DK</i> Associate Civil Engineer	PROJECT/ SUBPROJECT:	N/A DIV. NO. ALL
	Ron Ripperger <i>RR</i> Engineering Manager		
APPROVED BY: (Chief)	Rod Posada <i>R Posada</i> Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>M Magaña</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of As-Needed Construction Management and Inspection Services Contract to Valley Construction Management for Fiscal Years 2010, 2011, and 2012		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) awards a professional As-Needed Construction Management and Inspection Services contract to Valley Construction Management (Valley) and to authorize the General Manager to execute an agreement with Valley in an amount not-to-exceed \$175,000.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board authorization for the General Manager to enter into a professional As-Needed Construction Management and Inspection Services agreement with Valley in an amount-not-exceed \$175,000 for Fiscal Years 2010, 2011, and 2012. (The contract ends on June 30, 2012).

ANALYSIS:

The District will require professional construction management (CM) and inspection services from an engineering consultant on an as-needed basis to support the District's Capital Improvement Program

CIP). The As-Needed CM and inspection services contract will provide the District with the ability to obtain consulting services in a timely and efficient manner and on an as-needed basis. The District will require the expertise of an engineering consultant to augment Staff for CM and inspection of several projects that will begin construction in Fiscal Year 2010. Existing Staff will provide CM and inspection where possible, but will require additional expertise to inspect reservoir coating, welding, and other disciplines on a continuous basis.

The District incurs expenses in requesting, reviewing, and ranking proposals, checking references, and preparing staff reports for Committee and Board approval. Having consultants prepare proposals for several Requests for Proposals versus just one becomes expensive and these costs are passed on to the District. For this reason, the District began using similar contracts for as-needed environmental consulting services, as-needed geotechnical services, and as-needed design services to help eliminate the preparation costs.

The District will issue task orders to Valley for specific projects during the contract period. The Consultant will then prepare a detailed scope of work, schedule, and cost estimate for each task order assigned under the contract. Upon written task order authorization from the District, the Consultant shall then proceed with the project, as described in the Scope of Work.

The CIP projects that are estimated to require CM and inspection services for Fiscal Years 2010, 2011, and 2012 are listed below:

CIP	DESCRIPTION	ESTIMATED COST
P2488	Del Dio Road Helix & Otay Interconnection	\$15,000
P2489	Gillespie Drive Helix & Otay Interconnection	\$15,000
P2490	1296-1 Reservoir Int./Ext. Coating & Upgrades	\$20,000
P2492	1296-2 Reservoir Int./Ext. Coating & Upgrades	\$20,000
S2019	Avocado Blvd. 8-Inch Sewer Replacement	\$40,000
S2020	Calavo Dr. 8-Inch Sewer Replacement	\$25,000
S2021	Jamacha Rd. 8-Inch Sewer Replacement	\$15,000
S2022	Hidden Mesa Dr. 8-Inch Sewer Replacement	\$15,000
	TOTAL:	\$165,000

The various scopes of work for the above projects, including CM and inspection, are estimated from preliminary information and past projects. Therefore, Staff believes that a \$175,000 cap on the As-Needed CM and inspection services contract is adequate. The additional \$10,000 budget will be used for other related miscellaneous inspection tasks and contingencies.

This As-Needed CM and inspection services contract does not commit the District to any expenditure until a task order is approved to perform work on a CIP Project. The District does not guarantee work to the consultant, nor does the District guarantee to the consultant that it will expend all of the funds authorized by the contract on professional services.

The District solicited As-Needed CM and inspection services from engineering consultant firms by placing an advertisement on the District's website and with various other publications including the San Diego Union Tribune and San Diego Daily Transcript.

Thirty (30) firms submitted a letter of interest and a statement of qualifications. The Request for Proposal (RFP) for As-Needed CM and inspection services was sent to all thirty (30) firms resulting in eleven (11) proposals received on January 8, 2010. They are as follows:

- PBS&J
- Valley CM
- Professional Service Industries (PSI)
- Parsons Brinkerhoff (PB)
- URS
- Dudek
- Malcom Pirnie
- Kaufman Consultation
- J.T. Kruer & Company
- Nolte Associates
- Richard Brady Associates

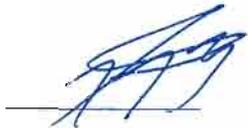
The nineteen (19) firms that chose not to propose are Red Zone; RBF; Southern California Soil & Testing; Christian Wheeler; Consolidated Building System Inc.; MTGL; Lee & Ro; KDG Development and Construction Consulting; JAS Consultants; Harris & Associates; Entech Consulting Group; G Force; Butier; Aecom; Gafcon Inc.; HDR; CPM Partners; R.W. Beck; and Ninyo and Moore.

In accordance with the District's Policy 21, Staff evaluated and scored all written proposals. Valley received the highest score for their services based on their experience, understanding of the scope, and their proposed method to accomplish the work. Valley was the most qualified consultant with the best overall proposal. A summary of the complete evaluation is shown in Attachment B.

The District has worked with Valley on the previous As-Needed Construction Management contract for Fiscal Years 2008-2009. Valley provided excellent service to the District and staff worked well with

Valley. Therefore, staff recommends Valley for the As-Needed Construction Management Services contract for Fiscal Years 2010, 2011, and 2012.

FISCAL IMPACT:



The funds for this contract will be expended from the following CIP projects: P2488, P2489, P2490, P2492, S2019, S2020, S2021, and S2022. The fees for professional services requested herein are available in the authorized CIP project budgets. This contract is for professional services based on the District's need and schedule, and expenditures will not be made until a task order is approved by the District for the consultant's professional services on a specific CIP project.

Based on a review of the financial budget, the Project Manager has determined that the budget will be sufficient to support the professional services required for the specific CIP projects previously noted.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.



General Manager

P:\WORKING\As Needed Services\Construction Management\As Needed CM & Inspection Svcs FY10, FY11, FY12\Staff Report\BD 3-03-10, As-Needed Construction Management and Inspection Services.doc

DK/RR:jf

Attachments: Attachment A
Attachment B

QA/QC Approved:

NAME: Lisa Colman-Boyd

DATE: 2-5-10



ATTACHMENT A

SUBJECT/PROJECT: N/A	Award of As-Needed Construction Management and Inspection Services Contract to Valley Construction Management for Fiscal Years 2010, 2011, and 2012
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 22, 2010 and the following comments were made:

- Staff is requesting that the Board award a professional As-Needed Construction Management and Inspection Services contract to Valley Construction Management (Valley) in an amount not-to-exceed \$175,000 for Fiscal Years 2010, 2011, and 2012.
- Staff indicated that a table on page 2 of the staff report lists the CIP projects that are estimated to require CM and inspection services for Fiscal Years 2010, 2011, and 2012.
- Staff stated that on December 1, 2009, the District solicited As-Needed CM and inspection services from engineering consultant firms. Staff indicated that thirty (30) firms submitted a letter of interest. The District received eleven (11) proposals.
- In accordance with the District's Policy 21, five staff members evaluated and scored all written proposals. Staff indicated that Attachment B of the staff report provides the result of the evaluation and scores for each firm.
- The Committee inquired about the methodology used to determine the final scores and if possibly one panel member's score could sway the results. The Committee

asked staff to re-evaluate the scores and consider removing the high and low scores.

- Staff took the Committee's recommendation and used two additional methods to re-evaluate the scores.
 - Method 1: Remove the highest total score and the lowest total score from each panel member and take the average from the remaining scores. The results showed that Valley scored the highest with 93 points out of 100.
 - Method 2: Staff re-evaluated the top three proposals with three new panel members using the original scoring system. The panel members were the Engineering Manager, Chief of Engineering, and Chief of Operations. The top three consultants were PBS&J, Valley CM, and Dudek. The results showed Valley CM with the highest score at 91, PBS&J with a score of 90, and Dudek with a score of 87.
- Considering the two additional methods, staff is recommending Valley CM for the As-Needed Construction Management and Inspection Services contract for \$175,000.
- The Committee indicated that it would provide its recommendation to the board at the Board meeting following receipt of the information from staff's re-evaluation.

Following the discussion, the Committee recommended that this item be presented to the full Board as an action item.

ATTACHMENT B

SUMMARY OF PROPOSAL RANKINGS BY PANEL MEMBERS

Professional As-Needed Construction Management and Inspection Services

		WRITTEN						References	
		Qualifications of Staff	Understanding of scope, schedule, resources	Soundness and Viability of Proposed Project Plan	Composite Hourly Rate ¹	Consultant's commitment to DBE	TOTAL SCORE		AVERAGE SCORE
SCORE		20	20	25	35	Y/N	100	Pass/Fail	
PBS&J	<i>Rick Acuna</i>	19	18	22	35	Y	94	90	
	<i>Bob Kennedy</i>	17	17	21	35		90		
	<i>Brandon DiPietro</i>	15	10	12	35		72		
	<i>Steve Dobrawa</i>	20	20	21	35		96		
	<i>Daniel Kay</i>	19	19	23	35		96		
Valley CM	<i>Rick Acuna</i>	17	18	21	33	Y	89	93	PASS
	<i>Bob Kennedy</i>	19	19	24	33		95		
	<i>Brandon DiPietro</i>	16	19	23	33		91		
	<i>Steve Dobrawa</i>	20	20	23	33		96		
	<i>Daniel Kay</i>	19	19	24	33		95		
PSI	<i>Rick Acuna</i>	16	17	20	25	Y	78	74	
	<i>Bob Kennedy</i>	13	15	19	25		72		
	<i>Brandon DiPietro</i>	16	11	15	25		67		
	<i>Steve Dobrawa</i>	20	20	23	25		88		
	<i>Daniel Kay</i>	13	13	15	25		66		
Parsons Brinkerhoff	<i>Rick Acuna</i>	19	19	22	29	Y	89	86	
	<i>Bob Kennedy</i>	17	17	22	29		85		
	<i>Brandon DiPietro</i>	14	13	18	29		74		
	<i>Steve Dobrawa</i>	20	20	21	29		90		
	<i>Daniel Kay</i>	18	19	24	29		90		
URS	<i>Rick Acuna</i>	20	19	22	33	Y	94	87	
	<i>Bob Kennedy</i>	14	15	20	33		82		
	<i>Brandon DiPietro</i>	14	11	13	33		71		
	<i>Steve Dobrawa</i>	20	20	25	33		98		
	<i>Daniel Kay</i>	18	18	23	33		92		
Dudek	<i>Rick Acuna</i>	19	20	20	32	Y	91	89	
	<i>Bob Kennedy</i>	18	17	21	32		88		
	<i>Brandon DiPietro</i>	16	13	16	32		77		
	<i>Steve Dobrawa</i>	20	20	24	32		96		
	<i>Daniel Kay</i>	19	18	23	32		92		
Malcom Pirnie	<i>Rick Acuna</i>	18	17	22	31	Y	88	85	
	<i>Bob Kennedy</i>	15	17	21	31		84		
	<i>Brandon DiPietro</i>	13	12	13	31		69		
	<i>Steve Dobrawa</i>	20	20	22	31		93		
	<i>Daniel Kay</i>	19	18	23	31		91		
Kaufman Consultation	<i>Rick Acuna</i>	15	15	17	33	Y	80	81	
	<i>Bob Kennedy</i>	13	15	19	33		80		
	<i>Brandon DiPietro</i>	13	12	9	33		67		
	<i>Steve Dobrawa</i>	19	20	20	33		92		
	<i>Daniel Kay</i>	16	17	20	33		86		

		WRITTEN						References
		Qualifications of Staff	Understanding of scope, schedule, resources	Soundness and Viability of Proposed Project Plan	Composite Hourly Rate ¹	Consultant's commitment to DBE	TOTAL SCORE	
SCORE		20	20	25	35	Y/N	100	Pass/Fail
J.T. Kruer & Company	<i>Rick Acuna</i>	16	16	20	33	Y	85	85
	<i>Bob Kennedy</i>	14	15	20	33		82	
	<i>Brandon DiPietro</i>	15	13	13	33		74	
	<i>Steve Dobrawa</i>	19	20	21	33		93	
	<i>Daniel Kay</i>	17	18	24	33		92	
Noite Associates	<i>Rick Acuna</i>	18	18	23	31	Y	90	88
	<i>Bob Kennedy</i>	14	15	20	31		80	
	<i>Brandon DiPietro</i>	15	15	20	31		81	
	<i>Steve Dobrawa</i>	20	20	25	31		96	
	<i>Daniel Kay</i>	18	19	24	31		92	
Richard Brady Associates	<i>Rick Acuna</i>	18	19	23	25	Y	85	80
	<i>Bob Kennedy</i>	14	15	20	25		74	
	<i>Brandon DiPietro</i>	15	13	16	25		69	
	<i>Steve Dobrawa</i>	20	20	23	25		88	
	<i>Daniel Kay</i>	17	18	23	25		83	

1. Hourly Rate Calculation Formula = $35 - \frac{(\text{Consultant Rate} - \text{Min. Rate}) * 10}{(\text{Max. Rate} - \text{Min. Rate})}$

PM Signature: *D. J. [Signature]*

QC: *[Signature]*

Engineering Manager: *Roy [Signature]*

ATTACHMENT B (Cont.)

Professional As-Needed Construction Management and Inspection Services Fee Evaluation

	PBS&J	Valley CM	PSI	Parsons Brinkerhoff	URS	Dudek	Malcom Pirnie	Kaufman Consultation	J.T. Krueer & Company	Noite Associates	Richard Brady Associates
Design	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Principal Construction Manager	\$ 135.00	\$ 145.00	\$ 190.00	\$ 171.81	\$ 150.00	\$ 150.00	\$ 175.00	\$ 160.00	\$ 175.00	\$ 160.00	\$ 190.00
Project Construction Manager	\$ 100.00	\$ 145.00	\$ 180.00	\$ 146.81	\$ 125.00	\$ 130.00	\$ 150.00	\$ 115.00	\$ 125.00	\$ 150.00	\$ 180.00
Field Inspector	\$ 100.00	\$ 110.00	\$ 140.00	\$ 111.04	\$ 99.00	\$ 100.00	\$ 100.00	\$ 95.00	\$ 95.00	\$ 130.00	\$ 140.00
Speicalty Inspector	\$ 75.00	\$ 100.00	\$ 140.00	\$ 111.04	\$ 97.00	\$ 100.00	\$ 125.00	\$ 105.00	\$ 95.00	\$ 85.00	\$ 140.00
Administrative/Clerical	\$ 75.00	\$ 45.00	\$ 94.97	\$ 94.97	\$ 60.00	\$ 75.00	\$ 50.00	\$ 60.00	\$ 45.00	\$ 72.00	\$ 85.00
Total:	\$ 485.00	\$ 545.00	\$ 744.97	\$ 635.67	\$ 531.00	\$ 555.00	\$ 600.00	\$ 535.00	\$ 535.00	\$ 597.00	\$ 735.00
Score:	35.0	32.7	25.0	29.2	33.2	32.3	30.6	33.1	33.1	30.7	25.4

Score = 35 - $\frac{(\text{Total Rate} - \text{Min Rate}) * 10}{(\text{Max Rate} - \text{Min Rate})}$

Notes:

- The score for proposed fee is weighted between the minimum and maximum fees with a minimum of 17.5 points for the highest fee and a maximum of 35 points for the lowest fee.

PM Signature: 

QC: 

Engineering Manager: 



STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
SUBJECT:	Board of Directors 2010 Calendar of Meetings		

GENERAL MANAGER'S RECOMMENDATION:

At the request of the Board, the attached Board of Director's meeting calendar for 2010 is being presented for discussion.

PURPOSE:

This staff report is being presented to provide the Board the opportunity to review the 2010 Board of Director's meeting calendars and amend the schedules as needed.

COMMITTEE ACTION:

N/A

ANALYSIS:

The Board requested that this item be presented at each meeting so they may have an opportunity to review the Board meeting calendar schedule and amend it as needed.

STRATEGIC GOAL:

N/A

FISCAL IMPACT:

None . _____

LEGAL IMPACT:

None . _____

General Manager

Attachments: Calendar of Meetings for 2010

**Board of Directors, Workshops
and Committee Meetings
2010**

Regular Board Meetings:

January 6, 2010
February 3, 2010
March 3, 2010
April 7, 2010
May 5, 2010
June 2, 2010
July 7, 2010
August 4, 2010
September 1, 2010
October 6, 2010
November 3, 2010
December 1, 2010

**Special Board or Committee Meetings (3rd
Wednesday of Each Month or as Noted)**

January 20, 2010
February 17, 2010
March 17, 2010
April 21, 2010
May 19, 2010
June 16, 2010
July 21, 2010
August 18, 2010
September 15, 2010
October 20, 2010
November 17, 2010
December 15, 2010

Board Workshops:

Budget Workshop, TBD
Board Retreat Workshop, TBD



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Ron Ripperger <i>RR</i> Engineering Manager	PROJECT:	Various DIV.NO. ALL
APPROVED BY: (Chief)	Rod Posada <i>R Posada</i> Chief, Engineering		
APPROVED BY: (Asst GM)	Manny Magaña <i>M Magaña</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Informational Item - Second Quarter Fiscal Year 2010 Capital Improvement Program Report		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) accepts the Second Quarter Fiscal Year 2010 Capital Improvement Program (CIP) Report for review and receives a summary via PowerPoint presentation

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

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

ANALYSIS:

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

The Second Quarter Fiscal Year 2010 update is intended to provide a detailed analysis of progress in completing these projects within the allotted time and budget. Expenditures through the Second Quarter totaled approximately \$12.1 million. Approximately 32% of the Fiscal Year 2010 expenditure budget was spent.

FISCAL IMPACT: 

None.

STRATEGIC GOAL:

The CIP supports the District's Mission statement, "To provide the best quality of water and wastewater service to the customers of the Otay Water District, in a professional, effective, and efficient manner," and the District's Strategic Goal, in planning for infrastructure and supply to meet current and future potable water demands.

LEGAL IMPACT: _____

None.



General Manager

P:\CIP\CIP Quarterly Reports\2010\Q2 FY2010\Staff Reports\BD 03-03-10, Second Quarter FY 2010 CIP Report, (RR-RP).doc

RR/RP:jf

Attachments: Attachment A
Presentation

QA/QC Approved:

Name: Lisa Colman-Boyd

Date: 2-5-10



ATTACHMENT A

SUBJECT/PROJECT: Various	Informational Item - Second Quarter Fiscal Year 2010 Capital Improvement Program Report
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 22, 2010 and the following comments were made:

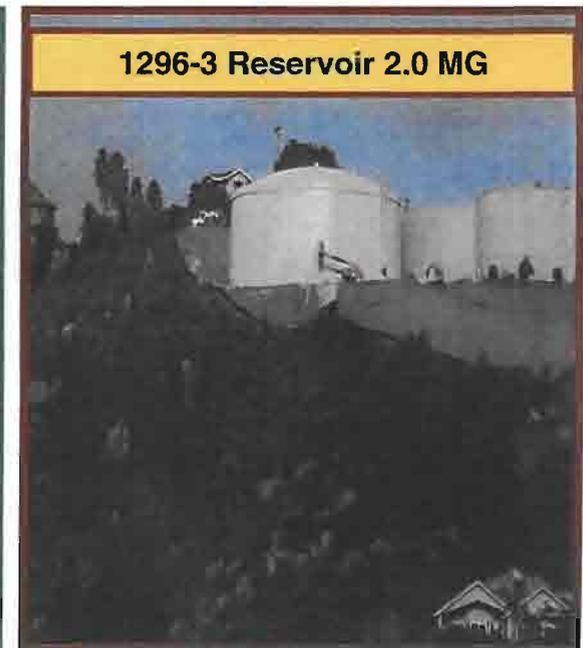
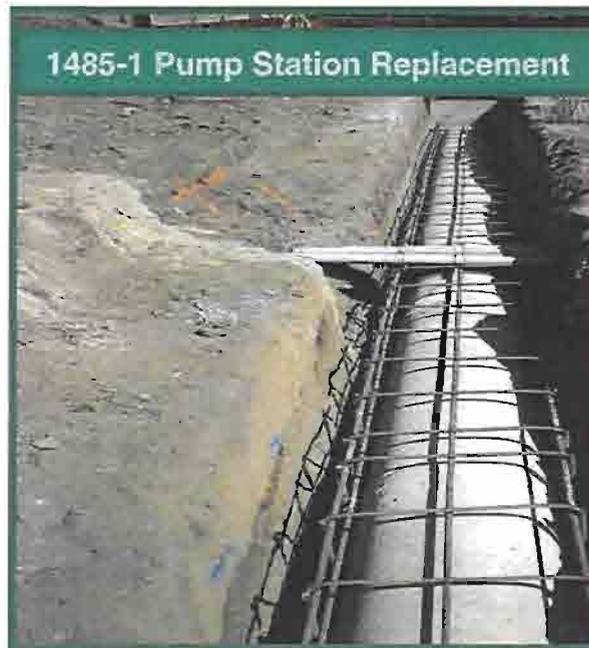
- Staff provided a PowerPoint presentation with an update and status of all CIP project expenditure highlights, significant issues, progress, and milestones on major projects.
- Staff indicated that the approved FY 2010 CIP budget consists of 87 projects totaling \$37.3 million. The projects are broken down into four categories consisting of backbone capital facilities (\$28,73 M), replacement/renewal projects (\$6.72 M), developer's reimbursement projects (\$0.00 M), and capital purchases (\$1.83 M).
- Staff indicated that expenditures for the Second Quarter totaled approximately \$12.1 million, which is approximately 32% of the Fiscal Year 2010 budget.
- Staff presented progress photos of three Flagship projects currently in construction including the 36-Inch Pipeline Project (project completion is anticipated for August 2010), 1296-3 Reservoir 2.9 MG (project completion is expected to be substantially completed in March 2010), and the 1485-1 Pump Station Replacement (due to some delays, project completion is anticipated for April 2010).
- Staff indicated that the presentation also includes the status on Consultant Contracts and Construction Contracts, and information of the District's expenditures for capital facility projects, replacement/renewal projects, capital purchase projects, and developer reimbursement projects.

Following the discussion, the Committee supported staffs' recommendation and presentation to the full Board as an information item.

CAPITAL IMPROVEMENT PROGRAM



Second Quarter
Fiscal Year 2010
(through December 31, 2009)



Background

The approved CIP budget for Fiscal Year 2010 consists of **87** projects that total **\$37.3 million**. These projects are broken down into four categories:

- | | |
|-----------------------------|-------------------------|
| 1. Capital Facilities: | \$ 28.73 million |
| 2. Replacement/Renewal: | \$ 6.72 million |
| 3. Capital Purchases: | \$ 1.83 million |
| 4. Developer Reimbursement: | \$ 0.00 million |

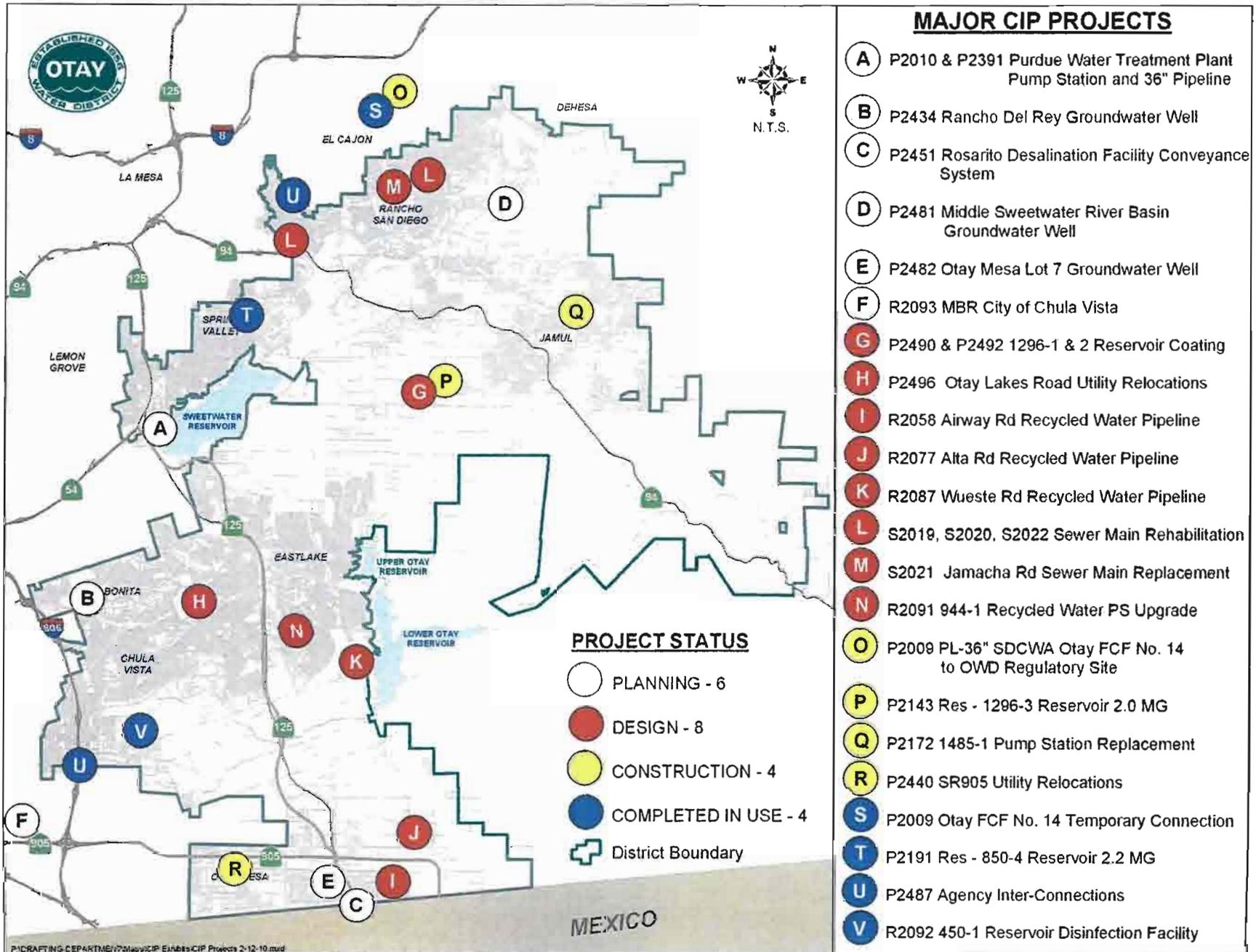
Overall expenditures through the Second Quarter Fiscal Year 2010 totaled **\$12.1 million** which is **32%** of the Fiscal Year 2010 budget.

Fiscal Year 2009 Report

(through December 31, 2009)

CIP CAT	Description	FY 2010 Budget	FY 2010 Expenditures	% FY 2010 Budget Spent	Total Life-to- Date Budget	Total Life-to-Date Expenditures	% Life-to- Date Budget Spent
1	Capital Facilities	\$28,728,000	\$9,384,000	33%	\$181,692,000	\$55,606,000	31%
2	Replacement/ Renewal	\$6,716,000	\$2,076,000	31%	\$37,203,000	\$14,451,000	39%
3	Capital Purchases	\$1,827,000	\$617,000	34%	\$11,726,000	\$5,808,000	50%
4	Developer Reimbursement	\$1,000	\$0	0%	\$50,000	\$0	0%
	Total:	\$37,272,000	\$12,077,000	32%	\$230,671,000	\$75,866,000	33%

Major CIP Projects



Flagship CIP Project in Construction



36-Inch Pipeline from FCF No. 14 to Regulatory Site (P2009)

This project was awarded to CCL Contracting in June 2009.

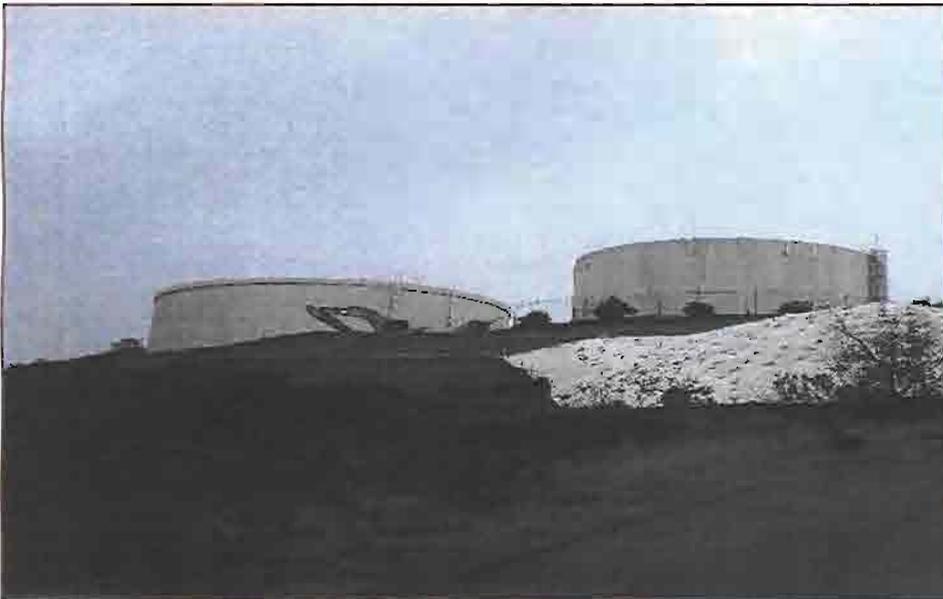
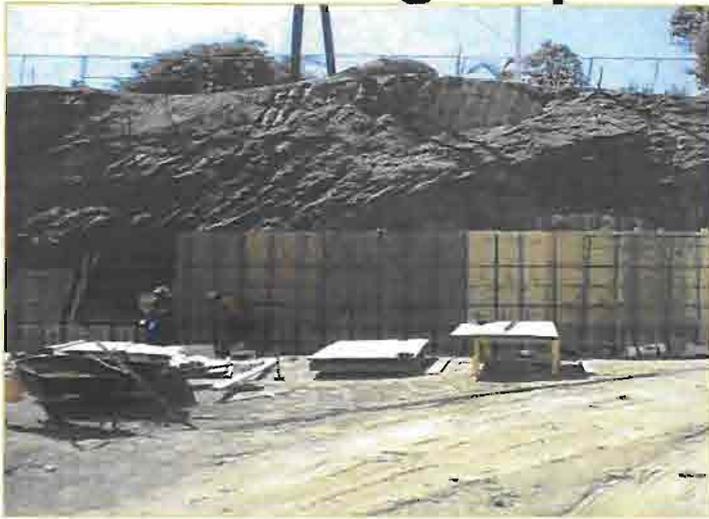
This project consists of construction of approximately 27,300 feet of 36-inch pipeline to upgrade FCF No. 14 to a capacity of 16 million gallons per day.

Flagship CIP Project in Construction

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

- Key Component:** Approximately 5 miles of 36-inch pipeline for potable water from Otay's FCF No. 14 to the Regulatory Site.
- Schedule:** A construction contract was awarded to CCL Contracting (CCL) on June 3, 2009. Project completion is anticipated for August 2010.
- Cost:** The FY 2010 project budget is \$15.0 million, of which \$4.9 million, or 32% has been spent. The life-to-date project budget is \$22.2 million, of which \$8.6 million, or 39%, has been spent.
- Significant Issues:** None.
- Highlights:** The bore and jack operation within the college property has begun and is progressing well. CCL continues to install 36-inch pipe within Jamacha Road. Tie-ins for the new 8-inch and 12-inch are scheduled for April/May timeframe.

Flagship CIP Project in Construction



1296-3 Reservoir 2.0 MG (P2143)

This project was awarded to Natgun Corporation in February 2009.
This project will provide additional storage in the 1296 Pressure Zone.

Flagship CIP Project in Construction

❑ 1296-3 Reservoir 2.0 MG

Key

Component: A new 2.0 MG Concrete Reservoir will provide additional storage in the 1296 Pressure Zone.

Schedule: Notice to Proceed was issued to Natgun Corporation on February 10, 2009. Project is on schedule and is expected to be substantially complete in March 2010.

Cost: The FY 2010 project budget is \$2.0 million, of which \$1.2 million, or 57% has been spent. The life-to-date project budget is \$3.6 million, of which \$2.9 million, or 78%, has been spent.

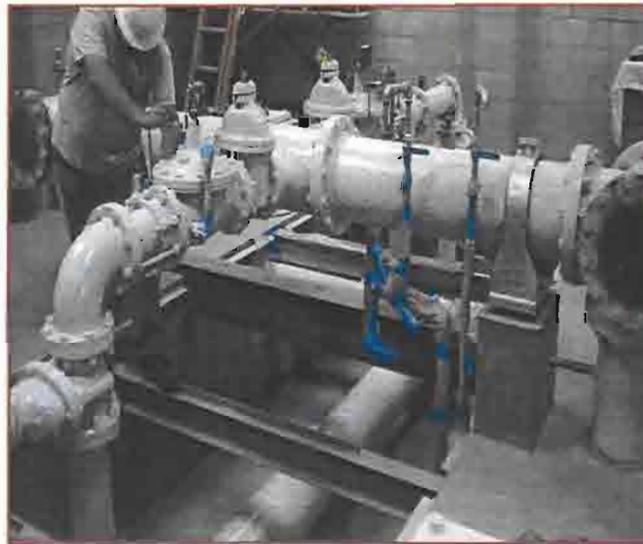
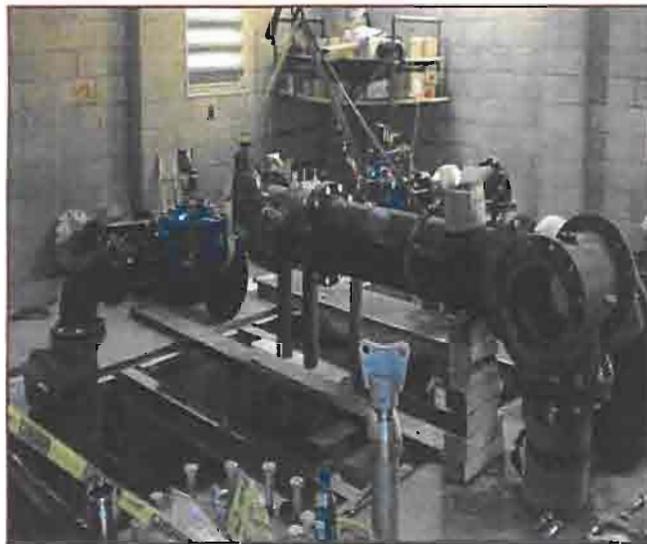
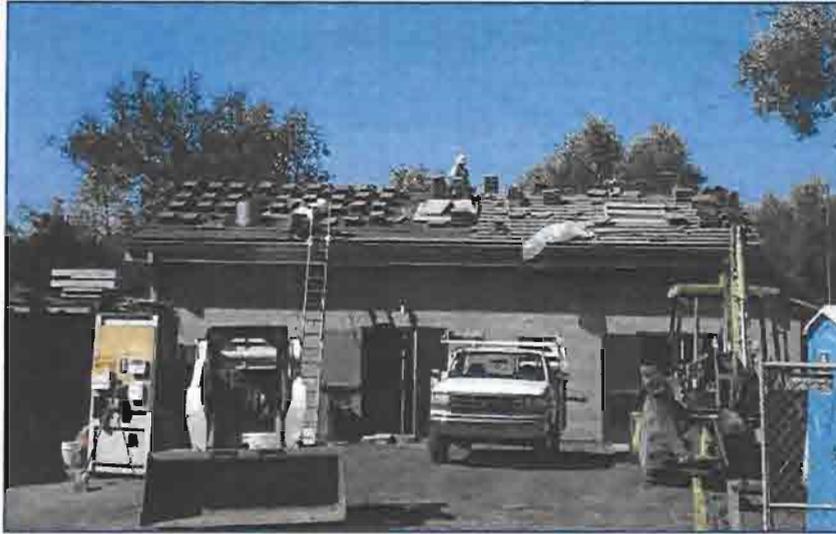
Significant

Issues: None.

Highlights: The design of this reservoir is a Type III concrete reservoir. The lifecycle cost of building a concrete reservoir is lower than a welded steel reservoir.

A solar power generating system was added to this project which includes a 75 square-foot photovoltaic panel for generating power, which is tied to the SDG&E power grid.

Flagship CIP Project in Construction



1485-1 Pump Station Replacement (P2172)

This project was awarded to SCW Contracting and was started in January 2009. This project consists of construction of a new pump station to replace the existing pump station and to expand capacity as projected within the Water Resources Master Plan.

Flagship CIP Project in Construction

□ 1485-1 Pump Station Replacement

- Key Component:** The existing pump station is near capacity and has reached the end of its useful life. The improved pump station systems and additional capacity are required to meet projected demands of the 1485 and higher pressure zones as projected within the Water Resources Master Plan.
- Schedule:** Notice to Proceed was issued to SCW Contracting on January 5, 2009. Construction started in January 2009. Project is approximately 72% complete. The project is scheduled for completion in March 2010.
- Cost:** The FY 2010 project budget is \$1.6 million, of which \$0.9 million, or 56%, has been spent. The life-to-date project budget is \$2.5 million, of which \$2.1 million, or 83%, has been spent.
- Significant Issues:** None.
- Highlights:** The new pump station will include SCADA equipment and will protect the existing equipment from the elements.

Consultant Contract Status

(through December 31, 2009)

Purchase Order Number	Consultant	CIP No.	Project Title	Original Contract Amount	Total Change Orders	Revised Contract Amount	Approved Payment To Date	% Change Orders	% Expenditures to Date	Date of Signed Contract	End Date of Contract
PLANNING											
709962	J C HEDEN AND ASSOCIATES INC	Varies	TEMPORARY LABOR SERVICES	\$ 150,000.00	\$ -	\$ 150,000.00	\$ 111,118.00	0.0%	74.1%	1/1/2009	7/27/2009 (COMPLETE)
711553	MWH AMERICAS INC.	P2010	NORTH-SOUTH SERVICES AREA INTERTIE STUDY	\$ 119,505.00	\$ -	\$ 119,505.00	\$ 28,870.75	0.0%	24.2%	10/22/2009	6/30/2010
707070	PBS&J	P1210	2009 MASTER PLAN UPDATE	\$ 499,748.00	\$ 46,222.00	\$ 545,970.00	\$ 544,917.94	9.2%	99.8%	8/7/2007	2/28/2010
DESIGN											
705134	ENGINEERING PARTNERS INC. THE	P2172	1485-1 PUMP STATION REPLACEMENT	\$ 24,120.00	\$ -	\$ 24,120.00	\$ 18,542.50	0.0%	76.9%	11/3/2006	12/31/2009 (COMPLETE)
706951, 711714	ENGINEERING PARTNERS INC. THE	Varies	ELECTRICAL SERVICES	\$ 100,000.00	\$ -	\$ 100,000.00	\$ 70,795.00	0.0%	70.8%	3/19/2007	6/30/2011
711649	ENGINEERING PARTNERS INC. THE	Varies	AS-NEEDED ELECTRICAL DESIGN SERVICES	\$ 100,000.00	\$ -	\$ 100,000.00	\$ -	0.0%	0.0%	10/7/2009	6/30/2011
711324	HDR	Varies	TEMPORARY LABOR SERVICES	\$ 150,000.00	\$ -	\$ 150,000.00	\$ 61,775.00	0.0%	41.2%	8/14/2009	6/30/2010
706174	LEE & RO INC	Varies	AS-NEEDED ENG DESIGN SVCS	\$ 175,000.00	\$ 15,000.00	\$ 190,000.00	\$ 190,000.00	8.6%	100.0%	3/29/2007	12/31/2009 (COMPLETE)
709237	LEE & RO INC	P2009	DESIGN OF 36-INCH PIPELINE	\$ 580,183.00	\$ 61,629.00	\$ 641,812.00	\$ 600,013.79	10.6%	93.5%	9/1/2008	12/31/2010
711650	LEE & RO INC	Varies	AS-NEEDED ENGINEERING DESIGN SERVICES	\$ 175,000.00	\$ 24,000.00	\$ 199,000.00	\$ 59,018.65	13.7%	29.7%	10/8/2009	6/30/2011
711676	MWH AMERICAS INC.	R2096, R2095, S2018	RWCWRF UPGRADE PROJECT	\$ 458,813.00	\$ -	\$ 458,813.00	\$ 15,416.31	0.0%	3.4%	10/14/2009	10/14/2011
711657	PBS&J	Varies	HYDRAULIC MODELING SERVICES	\$ 45,000.00	\$ -	\$ 45,000.00	\$ 2,706.50	0.0%	6.0%	11/20/2009	6/30/2011
	SAN-LO AERIAL	R2077	20-Inch RecPI - ALTA/OTAY MESA/SANYO	\$ 8,000.00	\$ -	\$ 8,000.00	\$ 8,000.00	0.0%	100.0%	6/24/2009	8/5/2009 (COMPLETE)
	SAN-LO AERIAL	R2058	20-Inch RecPI - AIRWAY/LA MEDIA	\$ 3,100.00	\$ -	\$ 3,100.00	\$ 3,100.00	0.0%	100.0%	8/17/2009	9/9/2009 (COMPLETE)
711680	SCHIFF & ASSOCIATES	Varies	PROFESSIONAL CORROSION SERVICES	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%	0.0%	11/20/2009	6/30/2011
705883, 706619	SOUTHERN CALIFORNIA SOIL	Varies	ON-CALL GEOTECHNICAL SERVICES	\$ 150,000.00	\$ -	\$ 150,000.00	\$ 144,721.37	0.0%	96.5%	12/6/2006	1/31/2011
711655	SOUTHERN CALIFORNIA SOIL	Varies	AS-NEEDED GEOTECHNICAL SERVICES	\$ 175,000.00	\$ -	\$ 175,000.00	\$ 4,101.57	0.0%	2.3%	10/7/2009	6/30/2011
CONSTRUCTION SERVICES											
710093	MWH CONSTRUCTORS INC	Varies	TEMPORARY LABOR SERVICES	\$ 150,000.00	\$ 130,000.00	\$ 280,000.00	\$ 148,225.00	86.7%	52.9%	1/1/2009	6/30/2010
707935	RBF CONSULTING	P2009	36-INCH PIPELINE	\$ 1,088,785.00	\$ -	\$ 1,088,785.00	\$ 656,578.75	0.0%	60.3%	1/28/2008	3/1/2010
708005, 711043	VALLEY CONSTRUCTION MANAGEMENT	Varies	AS-NEEDED CONSTRUCTION MANAGEMENT SVCS	\$ 175,000.00	\$ 23,897.50	\$ 198,897.50	\$ 168,187.50	13.7%	84.6%	1/16/2008	6/30/2010
ENVIRONMENTAL											
703828, 708867	BRG CONSULTING INC	P2143	1296-3 RESERVOIR ENV SVCS	\$ 125,000.00	\$ -	\$ 125,000.00	\$ 108,380.29	0.0%	86.7%	4/11/2006	6/30/2010
707071, 709114, 710920	JONES & STOKES ASSOCIATES	Varies	PROFESSIONAL ON-CALL ENVIRONMENTAL SVCS	\$ 300,000.00	\$ 25,000.00	\$ 325,000.00	\$ 275,924.63	8.3%	84.9%	7/13/2007	6/30/2010
709963	JONES & STOKES ASSOCIATES	P1253	SAN MIGUEL HABITAT MANAGEMENT AREA	\$ 987,807.00	\$ -	\$ 987,807.00	\$ 227,400.83	0.0%	23.0%	2/3/2009	12/31/2011
710733	JONES & STOKES ASSOCIATES	R2058/ R2077/ R2087	OTAY MESA RECYCLED WATER SUPPLY LINK PIPELINES	\$ 213,087.00	\$ -	\$ 213,087.00	\$ 71,239.98	0.0%	33.4%	5/1/2009	6/30/2010
708348	RECON	P1253	PREPARATION OF THE SUBAREA PLAN	\$ 270,853.00	\$ -	\$ 270,853.00	\$ 50,310.11	0.0%	18.6%	3/28/2008	3/28/2011
WATER RESOURCES											
710906	AECOM	P2481	MIDDLE SWEETWATER RIVER BASIN GROUNDWATER WELL PILOT PROJECT	\$ 1,065,037.00	\$ -	\$ 1,065,037.00	\$ 82,941.63	0.0%	7.8%	5/21/2009	5/31/2011
708381	CAMP DRESSER & McKEE INC	P2451	BI-NATIONAL DESALINATION FEASIBILITY STUDY	\$ 94,552.00	\$ 18,005.00	\$ 112,557.00	\$ 92,548.34	19.0%	82.2%	3/19/2008	6/30/2010
710471	MICHAEL R. WELCH	P2481	ENGINEERING PLANNING SVCS.	\$ 40,000.00	\$ -	\$ 40,000.00	\$ 11,340.00	0.0%	28.4%	3/25/2009	3/25/2010
707939	WESTIN ENGINEERING INC	P1210	ASSET MANAGEMENT PLAN	\$ 194,280.00	\$ 140,000.00	\$ 334,280.00	\$ 201,365.01	72.1%	60.2%	1/29/2008	6/30/2010
PUBLIC SERVICES											
707178, 710211	AECOM USA INC	P1438	PLAN CHECKS & INSPECTION SERVICE	\$ 300,000.00	\$ -	\$ 300,000.00	\$ 217,108.81	0.0%	72.4%	9/4/2007	3/7/2010
707604, 711287	AECOM USA INC	P1438	AS-NEEDED PLAN CHECK SERVICES	\$ 150,000.00	\$ -	\$ 150,000.00	\$ 43,829.64	0.0%	29.2%	11/13/2007	9/30/2010
Totals:				\$ 8,317,870.00	\$ 483,753.50	\$ 8,801,623.50	\$ 4,218,477.90	5.8%			

QA/QC Approved:

Name: Blk

Date: 2/14/10

Construction Contract Status

(through December 31, 2009)

CIP NO.	PROJECT TITLE	CONSTRUCTION CONTRACTOR	ORIGINAL CONTRACT AMOUNT	TOTAL CHANGE ORDERS	REVISED CONTRACT AMOUNT	TOTAL EARNED TO DATE	% OF CHANGE ORDERS *	% PROJECT COMPLETE	EST. COMP. DATE
P2191	850-4 Reservoir	Spieß Const Co	\$2,566,300	(\$250,778)	\$2,315,522	\$2,315,513	-9.77%	100%	Complete
R2081	20-Inch Lane Avenue Conversion	ARB	\$660,256	\$79,907	\$740,163	\$740,163	12.10%	100%	Complete
P2422	Interagency Water Meter Connection	Jose Pereira Eng	\$129,542	\$32,753	\$162,295	\$162,295	25.28%	100%	Complete
R2092	450-1 Reservoir Disinfection Facility	NEWest Const	\$342,865	\$59,483	\$402,348	\$402,348	17.35%	100%	Complete
P2143	1296-3 Reservoir 2.0 MG Water Storage Facility	Natgun Corp	\$2,373,220	\$5,373	\$2,378,593	\$1,818,706	0.23%	76%	March 2010
P2172	1485-1 Pump Station Replacement	SCW	\$1,530,000	\$26,690	\$1,556,690	\$526,325	1.74%	34%	March 2010
P2009/ P2038	Jamacha Rd. 36-Inch Pipeline & 12-Inch Pipeline Replacement	CCL Contracting	\$16,189,243	\$0	\$16,189,243	\$0	0.00%	0%	August 2010
P2009	Otay FCF No. 14 Temporary Reconnection	TC Construction	\$14,000	\$0	\$14,000	\$0	0.00%	0%	Complete
TOTALS:			\$23,805,426	(\$46,572)	\$23,758,854	\$5,965,350	-0.20%		

QA/QC Approved:

NAME: Bel [Signature]

DATE: 2/16/10

Expenditures

(through December 31, 2009)

(\$000)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09			LIFE-TO-DATE		Comments
			FY 2010 Budget	Expenses	Expense to Budget %	Budget	Balance	
CAPITAL FACILITY PROJECTS								
P2009	PL - 36-Inch, SDCWA Otay FCF No. 14 to Regulatory Site	Ripperger	\$ 15,000	\$ 4,859	32%	\$ 22,200	\$ 13,576	Project under construction.
P2010	PL - 24-Inch, Sweetwater Authority Perdue WTP to 36-Inch Main	Peasley	135	59	44%	4,000	3,917	Staff received a proposal from MWH Americas to accomplish the scope of work for development alternatives and to prepare cost estimates for South District to North District connection and potential supply from the SWA Perdue WTP. The Board approved of a professional services agreement in October 2009.
P2038	PL - 12-Inch, 978 Zone, Jamacha, Hidden Mesa, and Chase Upsize and Replacements	Kay	1,100	912	83%	2,500	384	Project under construction
P2040	Res - 1655-1 Reservoir 0.5 MG	Ripperger	1	-	0%	2,055	1,577	Project completed.
P2143	Res - 1296-3 Reservoir 2 MG	Kay	2,000	1,148	57%	3,640	790	Project under construction
P2172	PS - 1485-1 Pump Station Replacement	Kay	1,550	861	56%	2,475	411	Project under construction
P2181	PL - 30-Inch, 1296 Zone, Proctor Valley Road - Proctor Valley PS/Millar Ranch	Peasley	100	-	0%	4,200	4,200	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2185	Res - 640-1 Reservoir 20.0 MG	Ripperger	550	15	3%	28,750	635	Pump station modifications to begin after P2009 is complete.
P2191	Res - 850-4 Reservoir 2.2 MG	Kay	435	196	45%	3,435	97	Project complete
P2203	PL - 36-Inch, 1296 Zone, Proctor Valley Road - Millar Ranch/Pioneer	Peasley	120	-	0%	1,500	1,500	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2204	PL - 24-Inch, 1296 Zone, Pioneer Way - Proctor Valley/1296 Reservoirs	Peasley	100	-	0%	2,000	2,000	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2318	PL - 20-Inch, 657 Zone, Summit Cross-Tie and 36-Inch Main Connections	Kennedy	1	-	0%	600	530	Project to start design next FY.
P2367	PL - 12-Inch, 832 Zone, Steele Canyon Road - Via Caliente/Campo	Kay	15	1	7%	440	8	Project complete
P2391	PS - Perdue WTP Pump Station (5 MGD)	Peasley	200	9	5%	5,200	5,191	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2430	PL - 30-Inch, 980 Zone, Proctor Valley Road - PB Bndv/Proctor Valley PS	Peasley	150	-	0%	5,200	5,200	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2434	Rancho Del Rey Groundwater Well Development	Peasley	1,450	59	4%	3,650	2,488	Staff received three proposals from consultants to accomplish the scope of work for development of a groundwater well at the Rancho del Rey Well site. Staff plans to request Board approval of a professional services agreement in January 2010.
P2450	Otay River Groundwater Well Demineralization Project	Peasley	20	2	10%	11,030	11,023	Pending the outcome of the joint SWA/Otay study (CIP Number P2467) and environmental review, the planning work may begin to occur in about 2 to 3 years.

Expenditures (Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09			LIFE-TO-DATE		Comments
			FY 2010 Budget	Expenses	Expense to Budget %	Budget	Balance	
CAPITAL FACILITY PROJECTS								
P2451	Rosarito Desalination Facility Conveyance System	Peasley	500	75	15%	30,000	29,753	CDM completed the revision of the feasibility study which includes three technical memorandums on the Rosarito Desal concept. A final draft scope of work for a request for proposal for a preliminary design report and environmental documentation has been prepared.
P2465	Regulatory Site Material Storage Bins	Kay	10	2	20%	310	11	Project complete
P2466	Regional Training Facility	Coburn-Boyd	90	35	39%	252	60	Environmental compliance in progress, project will be completed in FY10.
P2467	San Diego Formation Groundwater Feasibility Study	Peasley	600	1	0%	1,800	1,189	This project is jointly funded by SWA and Otay. The SDCWA awarded a LISA grant to SWA to fund up to 50% of the cost of the effort. Monitoring wells in the Otay River have been completed by USGS. Data gathering on well information within the San Diego Formation continues. Otay River participation agreement between SWA and Otay has been approved.
P2471	850/657 PRS at La Presa Pump Station	Kennedy	80	16	20%	310	265	Project design is at 90%
P2472	Water Supply Feasibility Studies	Peasley	150	-	0%	175	153	This project is for water supply feasibility study efforts. MWH completed the preparation of a brief study including cost estimates for supply from the SWA Perdue WTP and the North District to South District Interconnection.
P2473	PS - 711-1 Pump Station Improvement	Kennedy	325	-	0%	425	422	Project to start design next FY
P2474	Fuel Storage Covers and Containment	Kennedy	100	1	1%	125	109	PDR complete.
P2475	Pump Station Fire Hydrant Installations	Kennedy	40	3	8%	50	40	PDR complete.
P2481	Middle Sweetwater River Basin Groundwater Well System	Peasley	1,000	104	10%	8,000	7,818	Groundwater development planning efforts continue on the Middle Sweetwater River Basin Groundwater Well Pilot Project including preparation of a draft community outreach plan and analysis of imported water supplied into the basin. Meetings with SWA are planned to come to an agreement on the quantity of imported water contributed to the groundwater supply.
P2482	Otay Mesa Lot 7 Groundwater Well System	Peasley	150	-	0%	3,200	3,200	Groundwater development planning efforts continue on the Otay Mesa Lot 7 Well with preparation of CEQA documentation.

Expenditures (Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09			LIFE-TO-DATE		Comments	
			FY 2010 Budget	Expenses	Expense to Budget %	Budget	Balance		
CAPITAL FACILITY PROJECTS									
P2487	Sir Francis Helix and Otay Valley Cal American Agency Interconnections	Kay	200	110	55%	250	1	Project complete	
P2488	Del Rio Road Helix and Otay Agency Interconnection	Kay	25	13	52%	150	137	Project in design	
P2489	Gillespie Drive Helix and Otay Agency Interconnection	Kay	25	4	16%	150	146	Project in design	
P2497	Solar Power Feasibility Study	Kennedy	50	1	2%	150	128	PDR complete	
P2498	Brine Disposal Pipeline Otay River Demineralization Plant to South Bay Outfall	Peasley	5	-	0%	5,600	5,600	The City of Chula Vista and Otay WD have developed a final scope of work, RFP, and a participation agreement to focus on the treatment facility and related requirements. The brine line is a part of that study effort (CIP Number R2093).	
R2048	RecPL - Otay Mesa Distribution Pipelines and Conversions	Ripperger	150	6	4%	2,000	1,985	In planning.	
R2053	RWCWRF - R.O. Building Remodel and Office Furniture	Kay	15	-	0%	590	21	Project complete	
R2058	RecPL - 16-Inch, 860 Zone, Airway Road - Otay Mesa/Alta	Kennedy	350	182	52%	3,000	2,415	Project in design	
R2077	RecPL - 24-Inch, 860 Zone, Alta Road - Alta Gate/Airway	Kennedy	295	178	60%	4,100	3,726	Project in design	
R2081	RecPL - 23-Inch, 944 Zone, Lane Avenue - Proctor Valley/Pond No. 1	Kay	70	-	0%	1,210	52	Project complete	
R2087	RecPL - 20-Inch, 944 Zone, Wueste Road - Olympic/Otay WTP	Kennedy	350	210	60%	4,500	4,118	Project in design	
R2088	RecPL - 20-Inch, 860 Zone, County Jail Roll Reservoir/860-1 Reservoir	Kennedy	5	-	0%	3,500	3,444	Project is in planning stage. Design to start in FY 2011.	
R2089	North District Recycled Water Regulatory Compliance	Coburn-Boyd	20	-	0%	220	20	Project is complete, will not use additional budgeted amount this FY.	
R2091	RecPS - 944-1 Pump Station Upgrade	Kennedy	500	71	14%	550	424	PDR complete.	
R2092	Dis - 450-1 Reservoir Disinfection Facility	Kay	70	131	187%	830	114	Project under construction	
R2093	MBR City of Chula Vista	Peasley	50	21	42%	5,000	4,971	The City of Chula Vista City counsel and the Otay WD Board of Directors have approved the MBR participation agreement to focus on the treatment facility and related requirements. The City of Chula Vista and Otay WD staff have interviewed and selected RMC to accomplish the scope of work which should start early in 2010.	
R2094	Potable Irrigation Meters to Recycled Water Conversions	Kennedy	500	72	14%	2,000	1,928	Project to start design next FY.	
R2097	RWCWRF - Salt Creek Live Stream Discharge	Coburn-Boyd	26	-	0%	320	287	Project will start in second half of FY.	
S2018	RWCWRF - Secondary Process Automation	Coburn-Boyd	50	27	54%	50	23	Cost increase due to change in scope of work after budget approval; budget will be adjusted next fiscal year to cover increased scope.	
Total Capital Facility Projects			Total:	28,728	9,384	33%	181,692	126,086	

Expenditures (Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09			LIFE-TO-DATE		Comments
			FY 2010 Budget	Expenses	Expense to Budget %	Budget	Balance	
REPLACEMENT/RENEWAL PROJECTS								
P2356	PL - 12-Inch, 803 Zone, Jamul Drive Permastran Pipeline Replacement	Kay	15	3	20%	765	12	Project complete
P2366	APCD Engine Replacements and Retrofits	Rahders	180	2	1%	2,834	1,185	Anticipating 100% expenditure pending CARB approval of current device being tested for use in on-road fleet.
P2382	Safety and Security Improvements	Munoz	70	87	124%	1,539	308	This CIP was under budgeted for the scope of work that was needed for this fiscal year.
P2416	SR-125 Utility Relocations	Kennedy	40	45	113%	900	(11)	Reimbursement is in pre-litigation.
P2440	I-905 Utility Relocations	Ripperger	200	65	33%	3,016	1,554	Caltrans driven.
P2453	SR-11 Utility Relocations	Kennedy	75		0%	500	497	Caltrans is in the preliminary design and will not select an option until later this year.
P2456	Air and Vacuum Valve Upgrades	Acuna	500	258	52%	2,624	856	We will use forecasted budget.
P2458	AMR Manual Meter Replacement	Keeran	1,400	1,125	80%	10,447	6,626	This project is on track.
P2477	Res - 624-1 Reservoir Cover Replacement	Kennedy	325	20	6%	450	423	Expect \$50K to be spent this FY to repair the existing cover. Testing completed this year indicates the full replacement can be delayed a couple years.
P2483	PS - 870-1 Pump Motor and Switch Gear Replacement	Anderson	130	2	2%	130	128	Has not begun yet.
P2484	Large Water Meter Replacement Program	Keeran	135	27	20%	535	508	Activity starting, expenses to follow soon.
P2485	SCADA Communication System and Software Replacement	Stalker	265	67	25%	915	848	Project ongoing.
P2486	Asset Management Plan Condition Assessment and Data Acquisition	Stevens	300	28	9%	800	772	Staff is continuing to meet.
P2490	1296-1 Reservoir Interior/Exterior Coating and Upgrades	Kay	340	22	6%	350	328	Project in design
P2491	850-3 Reservoir Exterior Coating	Kay	290	-	0%	300	300	Delayed for P2490/P2492
P2492	1296-2 Reservoir Interior/Exterior Coating and Upgrades	Kay	30	13	43%	600	587	Project in design
P2493	624-2 Reservoir Interior Coating and Upgrades	Kay	30	-	0%	950	950	Delayed for P2490/P2492
P2494	Multiple Species Conservation Plan	Coburn-Boyd	141	53	38%	226	173	Project ongoing.
P2497	San Miguel Habitat Management/Mitigation Area	Coburn-Boyd	225	75	33%	1,000	925	Project ongoing.
P2496	Otay Lakes Road Utility Relocations	Ripperger	75	15	20%	100	85	Project in design
R2086	RWCWRF Force Main Air/Vac Replacements and Road Improvements	Kay	40	3	8%	1,325	23	Project complete
R2095	RWCWRF - Filter Storage Reservoir Cover Replacement	Ripperger	75	1	1%	75	74	Consultant contract awarded to MWH.
R2096	RWCWRF - Blower System Rehabilitation/Replacement	Kennedy	800	33	4%	1,000	967	Consultant contract awarded to MWH.
S2012	SVSD Outfall and RSD Replacement and OM Reimbursement	Peasley	300	1	0%	3,030	2,532	The expenditures are typically billed by SVSD and paid within the fourth quarter of the fiscal year.
S2015	Calavo Lift Station Replacement	Kay	10	-	0%	560	1	Project complete
S2019	Avocado Boulevard 8-Inch Sewer Main Improvement	Kay	600	85	14%	1,632	1,547	Project in design
S2020	Calavo Drive 8-Inch Sewer Main Replacement	Kay	40	15	38%	350	335	Project in design
S2021	Jamacha Road 8-Inch Sewer Main Replacement	Kay	30	17	57%	150	133	Project in design

Expenditures (Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09			LIFE-TO-DATE		Comments
			FY 2010 Budget	Expenses	Expense to Budget %	Budget	Balance	
REPLACEMENT/RENEWAL PROJECTS								
S2022	Hidden Mesa Drive 8-Inch Sewer Main Rehabilitation	Kay	5	8	160%	50	42	Project in design
S2023	Calavo Drive Sewer Main Utility Relocation	Kay	50	6	12%	50	44	Project in design
Total Replacement/Renewal Projects		Total:	6,716	2,076	31%	37,203	22,752	
CAPITAL PURCHASE PROJECTS								
P2282	Vehicle Capital Purchases	Rahders	484	1	0%	4,311	2,504	Staff anticipates \$410K to be used for Vehicle Replacements in FY10.
P2285	Office Equipment and Furniture Capital Purchases	Dobrawa	40		0%	532	121	Purchase of 2 copiers is expected this qrt. \$40,000
P2286	Field Equipment Capital Purchases	Rahders	183	4	2%	1,075	410	Staff anticipates \$83K to be used for equipment replacements in FY10.
P2443	Information Technology Mobile Services	Jenkins	150	158	105%	1,352	532	Expect to spend 100%
P2461	Records Management System Upgrade	Jenkins	100	-	0%	256	100	Expect to spend 100%
P2469	Information Technology Network and Hardware	Jenkins	300	180	60%	1,900	1,342	Expect to spend 100%
P2470	Application Systems Development and Integration	Jenkins	430	161	37%	1,810	1,269	Expect to spend \$510K in FY10
P2478	Administration Building Engine/Generator Set	Anderson	120	108	90%	120	4	Genset installed.
P2479	Operations Yard Property Acquisition	Dobrawa	20	5	25%	370	-	No additional expenses are anticipated during this fiscal year.
Total Capital Purchase Projects		Total:	1,827	617	34%	11,726	6,282	
DEVELOPER REIMBURSEMENT PROJECTS								
P2325	PL - 10" to 12" Oversize, 1296 Zone, PB Road - Rolling Hills Hydro PS/PB Bndy	Charles	1	-	0%	50	50	
Total Developer Reimbursement Projects		Total:	1	-	0%	50	50	
GRAND TOTAL			\$ 37,272	\$ 12,077	32%	\$ 230,671	\$ 155,170	

QA/QC Approved:

Name: Buel Date: 2/16/10



STAFF REPORT

TYPE	Regular Board Meeting	MEETING	March 3, 2010		
MEETING:		DATE:			
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F.	N/A	DIV.	N/A
		NO:		NO.	
SUBJECT:	General Manager's Report				

GENERAL MANAGER:

Update on the design, construction, and environmental of the **36-Inch Potable Water Pipeline from FCF #14 to Regulatory Site** (CIP P2009) for the month of January 2010:

- The bore and jack operation within the college property is almost complete. All work within College will be complete by February 15. CCL continues to install 36-inch pipe within Jamacha Road and Via Rancho San Diego. Tie-ins for the new 8-inch and 12-inch are scheduled for March/April timeframe.

ADMINISTRATIVE SERVICES, INFORMATION TECHNOLOGY AND FINANCE:

Administrative Services:

Human Resources:

- **Otay Activities Committee Haiti Fundraiser** - The Otay Water District Activities Committee held a fundraiser during the month of February. Employees joined together to help get clean water to Haitians through the United Methodist Committee on Relief (UMCOR). The fundraiser started on February 3, 2010, with a fundraiser lunch and the opportunity to meet the Haitian singing group, Loange a'Dieu. Employees donated a total of \$2,233 towards the Water Purification Program through UMCOR.
- **New Hires** - There were no new hires in the month of February.

Purchasing and Facilities:

- **Purchase Orders** - There were 86 purchase orders processed in February 2010 for a total of \$314,726.22.

Water Conservation and School Education:

- **Water Waste Reporting** - In February (through the 22nd), there were a total of five reports of water waste, either phoned in or reported through the District's website. The water waste report listing the activity is attached.
- **School Education Update** - Two tours are scheduled in late February, involving 100 third graders and 16 parents from Eastlake Elementary School. Five more tours are scheduled to be conducted before the end of the 2010 school year and seventeen have been completed to date. Follow-up is planned with the schools to promote both the school poster contest and the photo contest, and staff is working with local high school guidance counselors to promote the District's own special district scholarship.
- **Large Landscape Program** - As part of the District's outreach to its potable irrigation accounts, letters were sent to all of the potable irrigation accounts providing them with their theoretical water budget for the calendar year and information on how they did last year. This mailing is part of the District's large landscape program outreach and will be included in the FY 09 & FY 10 report submitted to the California Urban Water Conservation Council in December.
- **Commercial Program Update** - Chula Vista Elementary School has asked for funding toward the installation of 102 waterless urinals at ten school sites within the District's service area. They have already tested the technology at a number of their sites and expect to complete the project by the end of March. Also, the District is very close to signing agreements with two of its larger commercial water users to participate in our pilot Commercial Process Improvement Program. This program involves providing partial funding toward the installation of a water saving process.
- **Water Conservation Program Outreach** - Staff sent out another thousand letters this month to our top water users (summer of (2009), promoting our residential survey programs, "Cash for Water Smart Plants" program, and the upcoming "Water Smart Plant Fair" on March 20th. We are also working to translate the "Water Smart Plant Fair" into Spanish and will be

distributing it wherever possible. To date, this fiscal year, we have sent out over 3,400 letters to our top residential customers. Letters are also mailed out to our commercial and large landscape customers. In February, the District's Customer Pipeline newsletter highlighted the rebates available to our residential customers, and District staff distributed flyers and postcards highlighting the upcoming Plant Fair. Staff also worked on a bill insert (to be distributed in early March), translated into both English and Spanish, that highlights the upcoming "Spring Garden Festival" on April 24th.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- **Telephones** - Staff is examining options for replacement of the District's telephone systems. The NEC 2000 PBX is at end of life and a joint team from Customer Service and IT are drafting the appropriate RFP. Quite likely, this change will also involve upgrading to a now standard Voice over IP technology.
- **Asset Management** - On February 16th, an executive steering committee reviewed progress regarding our asset management program. Approximately 85% of the required asset related information was successfully collected for our first pilot site (Copps Lane). On average, utilities are able to collect around 70% on a first effort, which is a positive first step in asset data collection for Otay. Next steps involve looking at business processes that maintain assets and the technology aspects of asset management.
- Staff continues to work on the implementation of improved software for the District's Treatment Plant. The "OPS 32" product is being installed and will be operational before the end of the fiscal year.
- **ToughBooks** - A user survey of staff using the new ToughBooks in the field, yielded positive results and indicates a significant improvement over the first generation of field equipment deployed five years ago.
- Staff continues to evaluate meter reading technology in order to stay abreast of industry trends. Currently, we are watching carefully to see what issues Padre Dam is encountering rolling out a fixed based network, and have met with the vendor of the Padre system, Datamatic, to keep us informed.

- On February 23rd, Geoff Stevens was a speaker at the AWWA Utility Management Conference in San Francisco. The topic was "Performance Management and Measurement".

FINANCE:

- **Internal Controls Audit** - As part of the Strategic Plan, a financial objective is to perform an in-depth review of internal controls of sensitive District operations. District staff has always been focused on insuring that appropriate controls are installed and performed to protect District assets. While the auditors perform a high level review of internal controls each year, an in-depth review has never been a part of the audit scope of work. As part of the strategic planning process, this type of review was recommended as a way to improve existing controls and/or improve the confidence in existing controls. Staff reviewed proposals from qualified firms and, under the General Manager's authority, have selected the District's current auditors to perform this work. Diehl, Evans & Co. has extensive experience in these special types of engagements and will review two specific areas under the current 2010 budget. The remaining areas for review will be performed in Fiscal Year 2011, assuming budget approval.
- **Update on Web Payments Options and Electronic Bill Presentation** - Staff is preparing the first phase of outreach to inform customers of the upcoming web payment and bill presentation service enhancements. Throughout the month of March, stuffers will be included in all customer bills and an announcement will be placed on the District's web page. The go-live date is planned for sometime in April when additional notifications will be made by e-mail to existing users of the District's web payment system. Over the next few months, staff will continue to explore additional methods to communicate and encourage the use of this much anticipated service to customers.
- The Otay Water District has been presented with the "Distinguished Budget Presentation Award" from the Government Finance Officers Association (GFOA) for the Fiscal Year 2009-2010 Operating and Capital Budget. The GFOA says, "This award is the highest form of recognition in governmental budgeting and represents a significant achievement by your organization". In addition, the California Society of Municipal Finance Officers (CSMFO) has awarded the "Excellence in Budgeting Award" to both the Operating and Capital Budgets for Fiscal Year 2009-2010.

- **The financial reporting for January 31, 2010 is as follows:** For the seven months ended January 31, 2010, there are total revenues of \$42,586,437 and total expenses of \$41,245,783. The revenues exceeded expenses by \$1,340,654.
- **The financial reporting for investments for January 31, 2010 is as follows:** The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of January 31, 2010 total \$68,464,717.43 with an average yield to maturity of 1.293%. The total earnings year-to-date are \$650,619.26.

ENGINEERING AND WATER OPERATIONS:

Engineering:

- **East County Regional Treated Water Improvement Program:** The San Diego County Water Authority (Water Authority) staff has initially concurred with the Otay Water District request to revise the take or pay beginning date related to the East County Regional Treated Water Improvement Program (ECRTWIP) for flows from the Helix Water District Levy Water Treatment Plant. The original date is March 2010 and the revised date is planned to be January 1, 2011. The ECRTWIP Agreement and the Otay Flow Control Facility Number 14 Improvement Agreement with the Water Authority will require modification. Draft amendments to both of the agreements have been developed, and are pending agreed upon terms.
- **The City of San Diego (City)** - District Legal Counsel is discussing the Community Plan Update and the City's desire to have the District do a Water Supply Assessment (WSA). The Community Plan Update has several options including the "No Change" option. The District's position is, a WSA is not required until a project has been defined.
- **1296-3 Reservoir** - Natgun's subcontractor, RSH, continues the construction of the site work facilities such as the inlet/outlet piping, drainage, surface improvements, and retaining walls. This reservoir is for increased capacity in the 1296 Pressure Zone, as required by the 2009 Master Plan. This project is on budget and expected to be completed in March 2010. (P2143)
- **1485-1 Pump Station Replacement** - SCW Contracting continues to work on the construction of the pump station building. The pumps have been delivered and installed for

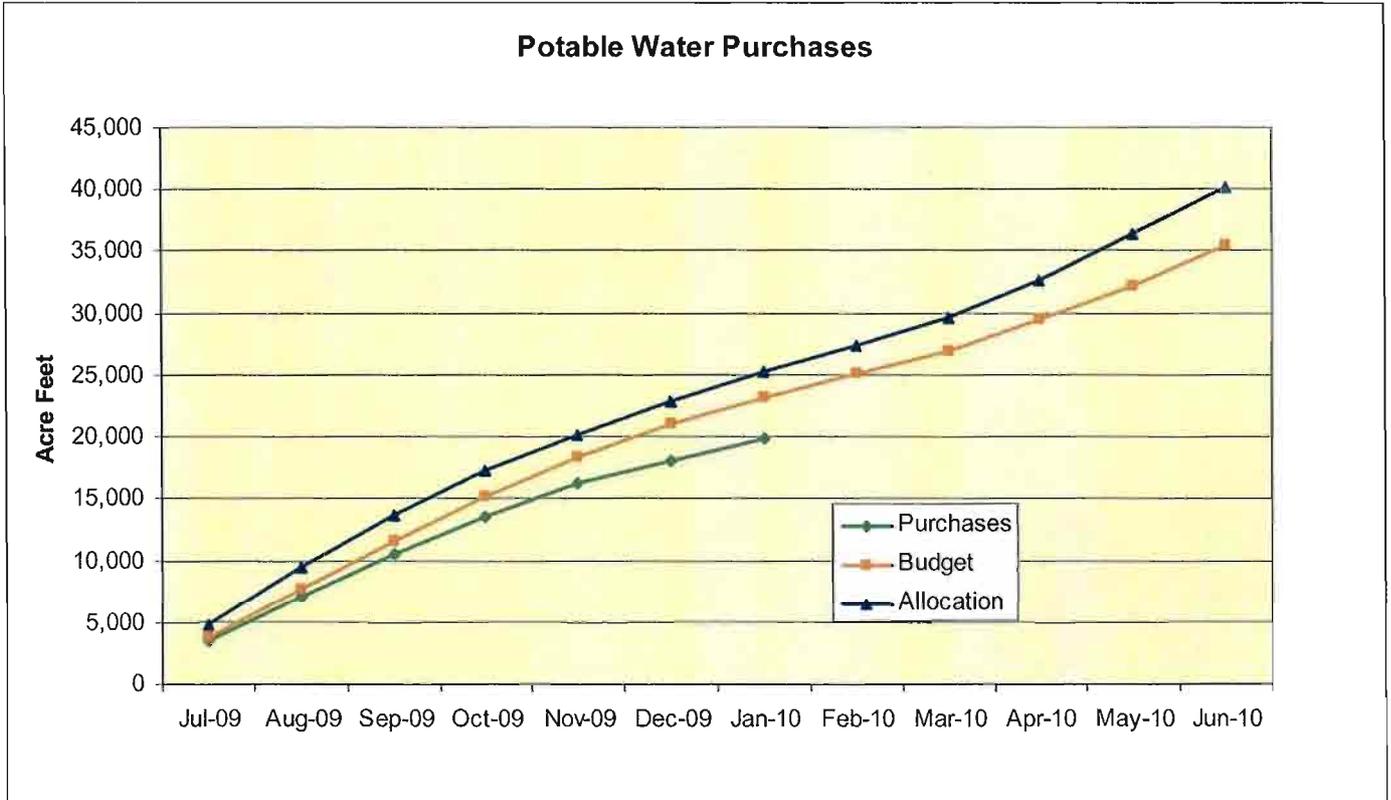
the new station. The existing pump station is exposed to the outside elements and is at the end of its useful life. The new pump station will be enclosed, provide more efficient pumps, and provide for future expansion when demands increase in the 1485 Zone. This project is on budget and expected to be completed in April 2010. (P2172)

- **Otay Mesa Recycled Water Supply Link** - Staff met with the County, City of San Diego, City of Chula Vista, and Caltrans to discuss the traffic control with each agency. The project includes installation of approximately 18,700 linear feet of 24-inch steel recycled water pipeline, 16,300 linear feet of 16-inch PVC recycled water pipeline, 900 linear feet of 8-inch PVC recycled water pipeline, and the installation a pressure reducing station. These projects will supply recycled water to Otay Mesa and start the conversion of irrigation services currently using potable water to recycled water. These projects are on budget and on schedule for construction award in late spring 2010. (R2034, R2058, R2077, R2087, R2088)
- For the month of January 2010, the District sold 9 meters (21.5 EDUs) generating \$121,030 in revenue. Projection for this period was 8.25 meters (21.9 EDUs) with budgeted revenue of \$134,950. Projected revenue from July 1, 2009 through June 30, 2010 is \$1,619,400.
- Approximately 21 linear feet of both CIP and developer project pipeline was installed in January 2010. The Construction Division performed quality control for these pipelines.
- The following table summarizes Engineering's Project purchases and change orders issued during the period of January 1 through January 31, 2010 that were within Staff signatory authority:

Date	Action	Amount	Contractor/ Consultant	Project
01-05-10	Check Request	\$8,251.24	Sweetwater Authority	Annual O&M estimate for multi-depth monitoring wells (aa000)
01-11-10	Check Request	\$1,113.00	San Diego Gas & Electric	La Presa Pump Station (P2471)
01-21-10	Check Request	\$2,612.87	Helix Water District	Otay 14 FCF connection at Lexington Avenue (P2009)

Water Operations:

- Total number of potable water meters is 47,957.
- The purchases for the month of January were 1,905.2 AF compared to January 2009 of 1,793.6 AF or 6.2% more than this month last year.



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

Total consumption was 122.9 acre-feet or 40,036,700 gallons and the average daily consumption was 1,291,506 gallons per day.

Total number of recycled water meters is 689.

Total recycled water consumption to date for FY 2010 is 3059.5 acre-feet.

- Wastewater flows for the month of January were as follows:
 - Total basin flow, gallons per day: 2,105,000.
 - Spring Valley Sanitation District Flow to Metro, gallons per day: 699,000.

- Total Otay flow, gallons per day: 1,406,000.
- Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 665,000.
- Flow to Metro from Otay Water District, gallons per day: 741,000.

For the month of January there were no new wastewater connections; total EDUs is 6,070.



General Manager

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Water Waste Report

	Broken Sprinklers	Leak	Overspray	Runoff due to Overwatering	Washing Down Paved Surfaces	Washing Vehicles without a bucket and hose nozzle	Watering after 10am and before 6pm	Total
April 2009	6		4	4	1		2	17
May 2009	7	23	9	6	1		1	47
June 2009	13	35	5	8	10	1	7	79
July 2009	6	24	9	17	4	4	6	70
August 2009	11	15	7	8	1	1	9	52
September 2009	6	17	5	7	2	1	3	41
October 2009	4	6	2	6	1		1	20
November 2009	1	6	7	11			1	26
December 2009	1	15	1	4			1	22
January 2010	1	2	1	4	1			9
February 2010	1		1	3				5
Total	57	143	51	78	21	7	31	388

**OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
FOR SEVEN MONTHS ENDED JANUARY 31, 2010**

	Annual Budget	YTD Actual	YTD Budget	YTD Variance	Var %
REVENUE:					
Water Sales *	\$ 37,870,000	\$ 19,926,994	\$ 23,958,800	\$ (4,031,806)	(16.8%)
Energy Charges	1,981,200	1,126,374	1,252,300	(125,926)	(10.1%)
System Charges	9,408,000	5,355,221	5,445,000	(89,779)	(1.6%)
Penalties	704,100	487,626	459,900	27,726	6.0%
MWD & CWA Fixed Charges	6,511,200	3,536,598	3,662,700	(126,102)	(3.4%)
Total Water Sales	<u>56,474,500</u>	<u>30,432,814</u>	<u>34,778,700</u>	<u>(4,345,886)</u>	<u>(12.5%)</u>
Reclamation Sales	7,602,500	4,581,045	4,948,800	(367,755)	(7.4%)
Sewer Charges	2,244,800	1,291,749	1,285,800	5,949	0.5%
Meter Fees	45,600	38,251	26,500	11,751	44.3%
Capacity Fee Revenues	1,397,000	635,404	814,900	(179,496)	(22.0%)
Betterment Fees for Maintenance	571,400	341,460	333,300	8,160	2.4%
Annexation Fees	120,500	254,835	70,500	184,335	261.5%
Non-Operating Revenues	1,585,600	2,026,875	887,800	1,139,075	128.3%
Tax Revenues	3,852,600	1,990,701	2,128,900	(138,199)	(6.5%)
Interest	322,900	118,904	188,400	(69,496)	(36.9%)
General Fund Draw Down	469,100	273,600	273,600	-	0.0%
Transfer from OPEB	1,030,000	600,800	600,800	-	0.0%
Total Revenue	<u>\$ 75,716,500</u>	<u>\$ 42,586,437</u>	<u>\$ 46,338,000</u>	<u>\$ (3,751,563)</u>	<u>(8.1%)</u>
EXPENSES:					
Potable Water Purchases	\$ 28,033,700	\$ 15,376,404	\$ 17,729,500	\$ 2,353,096	13.3%
Recycled Water Purchases	1,312,000	749,429	792,526	43,097	5.4%
CWA-Infrastructure Access Charge	1,344,900	768,088	768,148	60	0.0%
CWA-Customer Service Charge	1,148,800	638,356	641,963	3,607	0.6%
CWA-Emergency Storage Charge	2,246,600	1,121,586	1,129,926	8,340	0.7%
MWD-Capacity Res Charge	628,800	360,654	359,300	(1,354)	(0.4%)
MWD-Readiness to Serve Charge	1,140,700	555,464	665,457	109,993	16.5%
Subtotal Water Purchases	<u>35,855,500</u>	<u>19,569,981</u>	<u>22,086,819</u>	<u>2,516,838</u>	<u>11.4%</u>
Power Charges	2,637,100	1,505,129	1,578,308	73,180	4.6%
Payroll & Related Costs	17,212,800	9,546,558	9,734,806	188,248	1.9%
Material & Maintenance	3,801,600	1,880,254	1,979,600	99,346	5.0%
Administrative Expenses	4,874,900	2,173,117	2,457,557	284,440	11.6%
Legal Fees	454,300	223,844	265,008	41,164	15.5%
Expansion Reserve	1,610,000	939,200	939,200	-	0.0%
Betterment Reserve	3,810,000	2,222,500	2,222,500	-	0.0%
Replacement Reserve	3,660,000	2,135,000	2,135,000	-	0.0%
Transfer to Sewer General Fund	200,000	116,700	116,700	-	0.0%
Transfer Out/In Prop 1A	270,300	157,700	157,700	-	0.0%
Transfer to General Fund Reserve	1,330,000	775,800	775,800	-	0.0%
Total Expenses	<u>\$ 75,716,500</u>	<u>\$ 41,245,783</u>	<u>\$ 44,448,999</u>	<u>\$ 3,203,216</u>	<u>7.2%</u>
	<u>\$ -</u>	<u>\$ 1,340,654</u>	<u>\$ 1,889,001</u>	<u>\$ (548,347)</u>	

* September Water Sales reflect prorated customer credits paid in October.

**OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
JANUARY 31, 2010**

INVESTMENT OVERVIEW & MARKET STATUS:

The federal funds rate has remained constant now for over 13-months. On December 16, 2008, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was lowered from 1.00% to "a target range of between Zero and 0.25%" in response to the nation's ongoing financial crisis, as well as banking industry pressure to ease credit and stimulate the economy. This marked the ninth reduction in a row since September 18, 2007, when the rate was 5.25%. There have been no further changes made to the federal funds rate at the Federal Reserve Board's subsequent regular scheduled meetings, the most recent of which was held on January 27, 2010. They went on to say: "*The Committee continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.*"

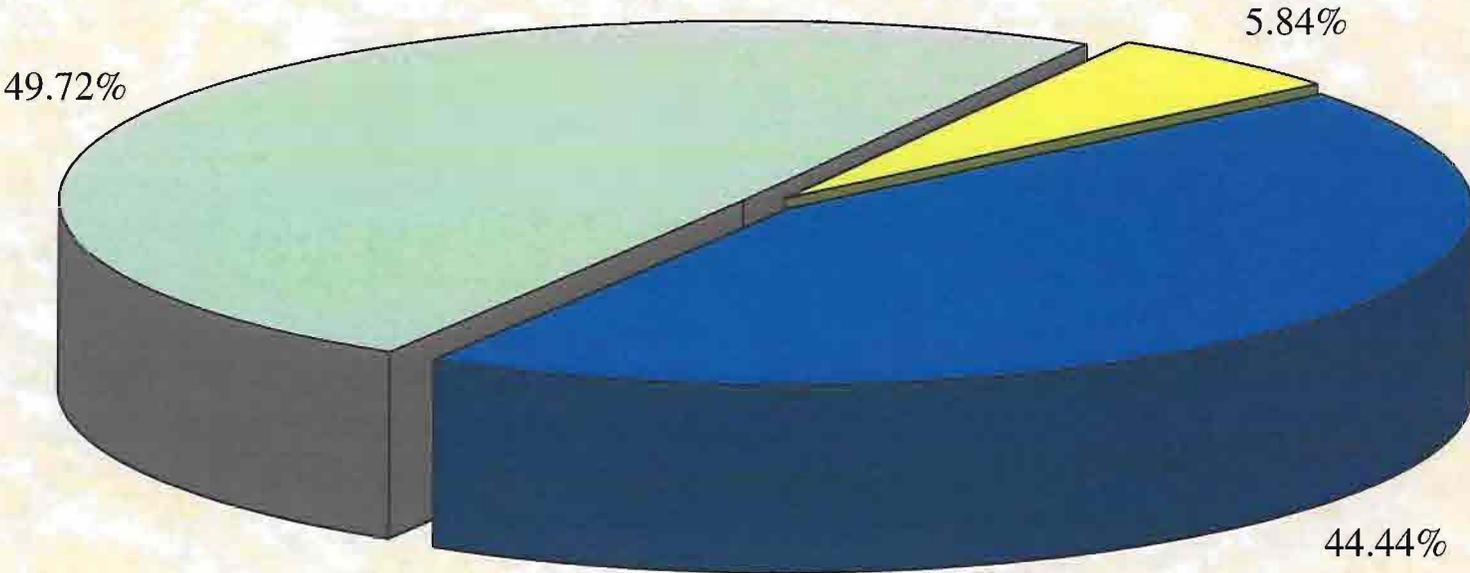
Despite the large drop in available interest rates, the District's overall effective rate of return at January 31st was 1.36%, which was a decrease of 11 basis points (0.11%) from the prior month. At the same time the LAIF return on deposits has dropped over the last several months, reaching an average effective yield of 0.56% for the month of January 2010. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of interest rate declines, no changes in investment strategy are being considered at this time.

In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

PORTFOLIO COMPLIANCE: January 31, 2010

	<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01:	Treasury Securities	100%	100%	0
8.02:	Local Agency Investment Fund (Operations)	\$40 Million	\$40 Million	\$7.58 Million
8.02:	Local Agency Investment Fund (Bonds)	100%	100%	0
8.03:	Federal Agency Issues	100%	100%	43.86%
8.04:	Certificates of Deposit	30%	15%	4.50%
8.05:	Short-Term Commercial Notes	25%	15%	0
8.06:	Medium-Term Commercial Debt	30%	15%	5.84%
8.07:	Money Market Mutual Funds	20%	15%	0
8.08:	San Diego County Pool	100%	100%	33.37%
12.0:	Maximum Single Financial Institution	100%	50%	1.34%

Otay Water District Investment Portfolio: 01/31/10

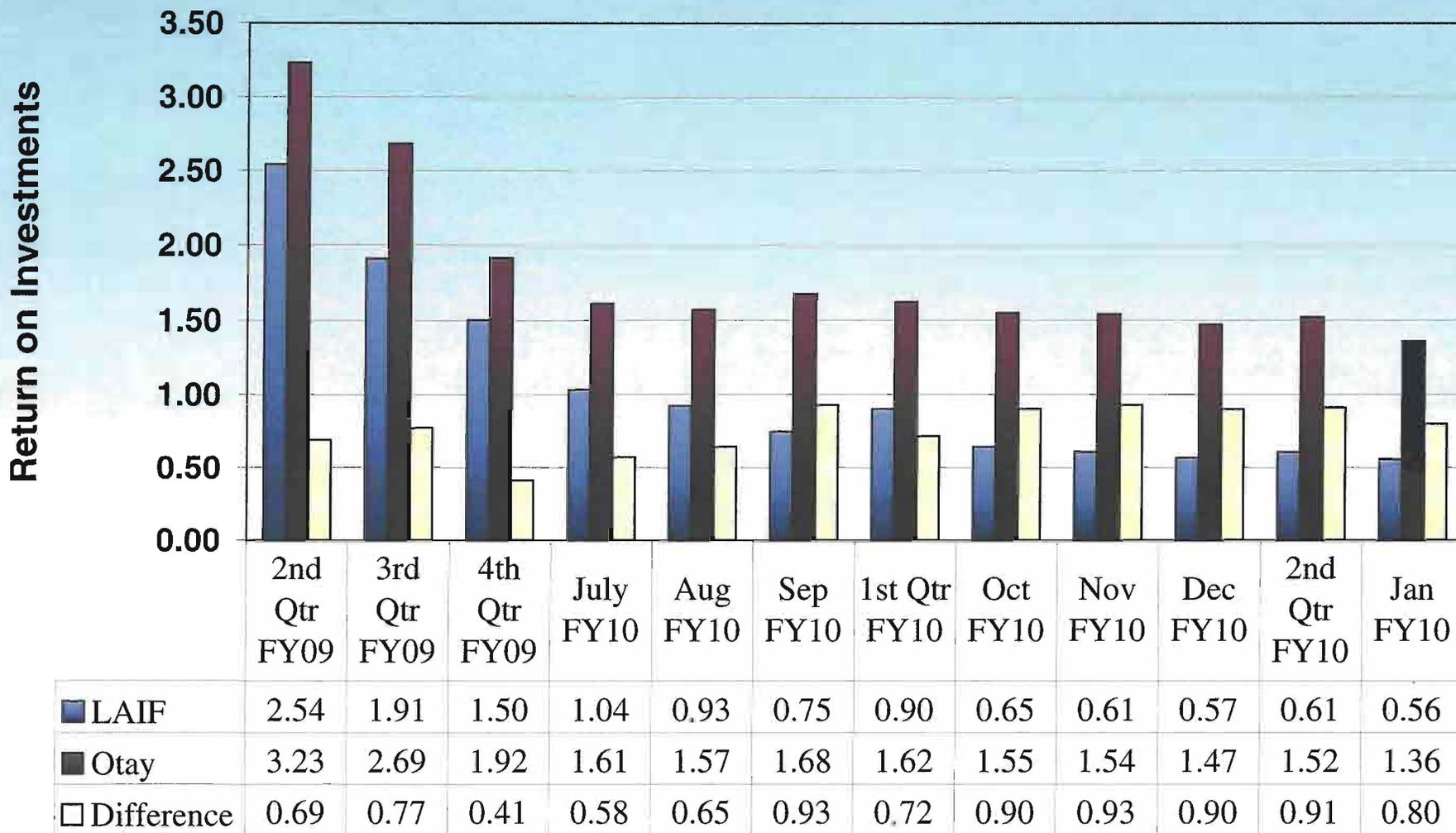


■ Banks (Passbook/Checking/CD) ■ Pools (LAIF & County) □ Agencies & Corporate Notes

Performance Measure F-12

Return on Investment

Target: Meet or Exceed 100% of LAIF



Month

■ LAIF ■ Otay □ Difference

OTAY
Portfolio Management
Portfolio Summary
January 31, 2010

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Corporate Notes	4,000,000.00	4,142,520.00	4,026,550.93	5.96	878	310	1.973	2.000
Federal Agency Issues- Callable	30,000,000.00	30,035,460.00	29,998,086.11	44.43	840	676	1.537	1.558
Certificates of Deposit - Bank	3,079,108.00	3,079,108.00	3,079,108.00	4.56	373	121	2.179	2.209
Local Agency Investment Fund (LAIF)	7,584,020.70	7,591,209.02	7,584,020.70	11.23	1	1	0.550	0.558
San Diego County Pool	22,824,323.33	22,700,224.89	22,824,323.33	33.81	1	1	0.978	0.992
	67,487,452.03	67,548,521.91	67,512,089.07	100.00%	443	325	1.293	1.310
Investments								
Cash								
Passbook/Checking (not included in yield calculations)	916,195.52	916,195.52	916,195.52		1	1	0.057	0.058
Total Cash and Investments	68,403,647.55	68,464,717.43	68,428,284.59		443	325	1.293	1.310

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	82,343.20	650,619.26
Average Daily Balance	71,367,765.72	73,356,138.78
Effective Rate of Return	1.36%	1.51%

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.



 Joseph Beachem, Chief Financial Officer

2-17-2010

OTAY
Portfolio Management
Portfolio Details - Investments
January 31, 2010

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 360	Days to Maturity	Maturity Date
Corporate Notes												
084664AF8	2094	Berkshire Hathaway Fin		03/10/2009	2,000,000.00	2,067,000.00	2,017,307.09	4.200		1.973	317	12/15/2010
36962G2S2	2044	General Electric Capital		11/16/2007	2,000,000.00	2,075,520.00	2,009,243.84	5.000	Aaa	1.973	303	12/01/2010
Subtotal and Average			4,027,756.73		4,000,000.00	4,142,520.00	4,026,550.93			1.973	310	
Federal Agency Issues- Callable												
31398AWJ7	2097	Fannie Mae		04/08/2009	2,000,000.00	2,004,380.00	2,000,000.00	1.875		1.849	431	04/08/2011
3136FHYA7	2101	Fannie Mae		06/08/2009	2,000,000.00	2,006,260.00	2,000,000.00	1.150		1.164	492	06/08/2011
3133XVBW0	2112	Federal Home Loan Bank		10/29/2009	2,000,000.00	2,003,120.00	2,000,000.00	1.500		1.479	1,183	04/29/2013
3133XVCD1	2113	Federal Home Loan Bank		10/27/2009	2,000,000.00	2,001,260.00	2,000,000.00	1.000		0.986	816	04/27/2012
3133XW4CO	2115	Federal Home Loan Bank		12/30/2009	2,000,000.00	1,993,760.00	1,998,086.11	1.250		1.299	697	12/30/2011
3133XWCZ0	2116	Federal Home Loan Bank		12/28/2009	2,000,000.00	2,003,120.00	2,000,000.00	1.000		0.986	1,061	12/28/2012
3128X8QH8	2095	Federal Home Loan Mortgage		03/16/2009	2,000,000.00	2,003,080.00	2,000,000.00	2.000		1.973	408	03/16/2011
3128X8WC2	2098	Federal Home Loan Mortgage		04/20/2009	2,000,000.00	2,005,180.00	2,000,000.00	1.750		1.726	443	04/20/2011
3128X9CG3	2109	Federal Home Loan Mortgage		09/02/2009	2,000,000.00	2,002,080.00	2,000,000.00	1.750		1.726	578	09/02/2011
3128X9GW4	2110	Federal Home Loan Mortgage		10/13/2009	2,000,000.00	2,003,740.00	2,000,000.00	1.750		1.726	802	04/13/2012
3128X9LJ7	2114	Federal Home Loan Mortgage		11/18/2009	2,000,000.00	2,000,720.00	2,000,000.00	1.500		1.479	655	11/18/2011
3136FHAA3	2091	Federal National Mortgage Assoc		02/11/2009	2,000,000.00	2,001,260.00	2,000,000.00	2.000		1.973	375	02/11/2011
31398AVL3	2093	Federal National Mortgage Assoc		03/02/2009	2,000,000.00	2,003,120.00	2,000,000.00	2.000		1.973	394	03/02/2011
31398AC91	2117	Federal National Mortgage Assoc		01/20/2010	2,000,000.00	2,001,260.00	2,000,000.00	1.500		1.479	718	01/20/2012
3136FJR45	2118	Federal National Mortgage Assoc		01/25/2010	2,000,000.00	2,003,120.00	2,000,000.00	1.250		1.233	1,089	01/25/2013
Subtotal and Average			30,836,756.72		30,000,000.00	30,035,460.00	29,998,086.11			1.537	676	
Certificates of Deposit - Bank												
2050003183-4	2121	California Bank & Trust		01/22/2010	79,108.00	79,108.00	79,108.00	1.380		1.380	720	01/22/2012
1006200563	2096	Neighborhood National Bank		02/05/2009	2,000,000.00	2,000,000.00	2,000,000.00	2.600		2.600	3	02/04/2010
1008995288	2119	Neighborhood National Bank		12/10/2009	1,000,000.00	1,000,000.00	1,000,000.00	1.400		1.400	311	12/09/2010
Subtotal and Average			3,079,108.00		3,079,108.00	3,079,108.00	3,079,108.00			2.179	121	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA		07/01/2004	7,584,020.70	7,591,209.02	7,584,020.70	0.558		0.550	1	
LAIF COPS07	9009	STATE OF CALIFORNIA		03/07/2007	0.00	0.00	0.00	1.530		1.509	1	
Subtotal and Average			9,337,491.75		7,584,020.70	7,591,209.02	7,584,020.70			0.550	1	

Portfolio OTAY

AP

PM (PRF_PM2) SymRept 6.41.200

OTAY
Portfolio Management
Portfolio Details - Investments
January 31, 2010

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 360	Days to Maturity	Maturity Date
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County		07/01/2004	22,824,323.33	22,700,224.89	22,824,323.33	0.992		0.978	1	
Subtotal and Average			22,783,171.19		22,824,323.33	22,700,224.89	22,824,323.33			0.978	1	
Total and Average			71,367,765.72		67,487,452.03	67,548,521.91	67,512,089.07			1.293	325	

OTAY
Portfolio Management
Portfolio Details - Cash
January 31, 2010

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 360	Days to Maturity
Union Bank											
UNION MONEY	9002	STATE OF CALIFORNIA		07/01/2004	17,501.60	17,501.60	17,501.60	0.050		0.049	1
PETTY CASH	9003	STATE OF CALIFORNIA		07/01/2004	2,800.00	2,800.00	2,800.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA		07/01/2004	868,491.48	868,491.48	868,491.48	0.060		0.059	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2004	27,402.44	27,402.44	27,402.44			0.000	1
UNION IOC	9008	STATE OF CALIFORNIA		05/01/2006	0.00	0.00	0.00	4.500		4.438	1
		Average Balance	0.00								1
Total Cash and Investments			71,367,765.72		68,403,647.55	68,464,717.43	68,428,284.59			1.293	325

OTAY
Activity Report
Sorted By Issuer
July 1, 2009 - January 31, 2010

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Berkshire Hathaway Fin										
Corporate Notes										
			Subtotal and Balance	2,000,000.00						2,000,000.00
			Issuer Subtotal	2.924%	2,000,000.00			0.00	0.00	2,000,000.00
Issuer: STATE OF CALIFORNIA										
Union Bank										
UNION MONEY	9002	STATE OF CALIFORNIA				0.050		50,657,695.40	52,650,207.62	
UNION OPERATING	9004	STATE OF CALIFORNIA				0.060		6,058,639.31	5,777,173.90	
PAYROLL	9005	STATE OF CALIFORNIA						2,414,353.12	2,411,927.94	
			Subtotal and Balance		2,624,817.15			59,130,687.83	60,839,309.46	916,195.52
Local Agency Investment Fund (LAIF)										
LAIF	9001	STATE OF CALIFORNIA				0.558		34,029,282.49	33,925,445.24	
			Subtotal and Balance		7,480,183.45			34,029,282.49	33,925,445.24	7,584,020.70
			Issuer Subtotal	12.427%	10,105,000.60			93,159,970.32	94,764,754.70	8,500,216.22
Issuer: California Bank & Trust										
Certificates of Deposit - Bank										
205003183	2066	California Bank & Trust				3.180	01/22/2010	0.00	79,108.00	
2050003183-4	2121	California Bank & Trust				1.380	01/22/2010	79,108.00	0.00	
			Subtotal and Balance		79,108.00			79,108.00	79,108.00	79,108.00
			Issuer Subtotal	0.116%	79,108.00			79,108.00	79,108.00	79,108.00
Issuer: Fannie Mae										
Federal Agency Issues- Callable										
			Subtotal and Balance		4,000,000.00					4,000,000.00

OTAY
Activity Report
July 1, 2009 - January 31, 2010

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer Subtotal			5.848%	4,000,000.00				0.00	0.00	4,000,000.00
Issuer: Federal Farm Credit Bank										
Federal Agency Issues- Callable										
31331GWK1	2100	Federal Farm Credit Bank				1.100	09/25/2009	0.00	2,000,000.00	
Subtotal and Balance								0.00	2,000,000.00	0.00
Issuer Subtotal			0.000%	2,000,000.00				0.00	2,000,000.00	0.00

Issuer: Federal Home Loan Bank

Federal Agency Issues- Callable

3133XTLP9	2099	Federal Home Loan Bank				1.525	09/04/2009	0.00	222,222.22	
3133XTLP9	2099	Federal Home Loan Bank					09/22/2009	0.00	444,444.44	
3133XTLP9	2099	Federal Home Loan Bank					09/28/2009	0.00	1,333,333.34	
3133XTQM1	2102	Federal Home Loan Bank				1.180	12/18/2009	0.00	2,000,000.00	
3133XTQ58	2103	Federal Home Loan Bank				1.240	01/25/2010	0.00	2,000,000.00	
3133XUEM1	2106	Federal Home Loan Bank				1.350	08/10/2009	2,000,000.00	0.00	
3133XUEM1	2106	Federal Home Loan Bank					11/30/2009	0.00	2,000,000.00	
3133XUGD9	2107	Federal Home Loan Bank				1.500	08/17/2009	2,000,000.00	0.00	
3133XUGD9	2107	Federal Home Loan Bank					11/17/2009	0.00	2,000,000.00	
3133XUKD4	2108	Federal Home Loan Bank				1.625	08/25/2009	2,000,000.00	0.00	
3133XUKD4	2108	Federal Home Loan Bank					11/25/2009	0.00	2,000,000.00	
3133XVAN1	2111	Federal Home Loan Bank				1.500	10/28/2009	2,000,000.00	0.00	
3133XVAN1	2111	Federal Home Loan Bank					01/28/2010	0.00	2,000,000.00	
3133XVBW0	2112	Federal Home Loan Bank				1.500	10/29/2009	2,000,000.00	0.00	
3133XVCD1	2113	Federal Home Loan Bank				1.000	10/27/2009	2,000,000.00	0.00	
3133XW4CO	2115	Federal Home Loan Bank				1.250	12/30/2009	2,000,000.00	0.00	
3133XWCZ0	2116	Federal Home Loan Bank				1.000	12/28/2009	2,000,000.00	0.00	
Subtotal and Balance								16,000,000.00	14,000,000.00	8,000,000.00
Issuer Subtotal			11.695%	6,000,000.00				16,000,000.00	14,000,000.00	8,000,000.00

Issuer: Federal Home Loan Mortgage

Federal Agency Issues- Callable

3128X8V33	2105	Federal Home Loan Mortgage				1.850	07/06/2009	2,000,000.00	0.00	
3128X8V33	2105	Federal Home Loan Mortgage					01/06/2010	0.00	2,000,000.00	
3128X9CG3	2109	Federal Home Loan Mortgage				1.750	09/02/2009	2,000,000.00	0.00	

OTAY
Activity Report
July 1, 2009 - January 31, 2010

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Federal Home Loan Mortgage									
Federal Agency Issues- Callable									
3128X9GW4	2110	Federal Home Loan Mortgage			1.750	10/13/2009	2,000,000.00	0.00	
3128X9LJ7	2114	Federal Home Loan Mortgage			1.500	11/18/2009	2,000,000.00	0.00	
Subtotal and Balance				4,000,000.00			8,000,000.00	2,000,000.00	10,000,000.00
Issuer Subtotal			14.619%	4,000,000.00			8,000,000.00	2,000,000.00	10,000,000.00
Issuer: Federal National Mortgage Assoc									
Federal Agency Issues- Callable									
3136F9WV1	2085	Federal National Mortgage Assoc			4.000	07/02/2009	0.00	2,000,000.00	
3136FHE43	2104	Federal National Mortgage Assoc			1.500	07/01/2009	2,000,000.00	0.00	
3136FHE43	2104	Federal National Mortgage Assoc				10/01/2009	0.00	2,000,000.00	
31398AC91	2117	Federal National Mortgage Assoc			1.500	01/20/2010	2,000,000.00	0.00	
3136FJR45	2118	Federal National Mortgage Assoc			1.250	01/25/2010	2,000,000.00	0.00	
Subtotal and Balance				6,000,000.00			6,000,000.00	4,000,000.00	8,000,000.00
Issuer Subtotal			11.695%	6,000,000.00			6,000,000.00	4,000,000.00	8,000,000.00
Issuer: General Electric Capital									
Corporate Notes									
Subtotal and Balance				2,000,000.00					2,000,000.00
Issuer Subtotal			2.924%	2,000,000.00			0.00	0.00	2,000,000.00
Issuer: Neighborhood National Bank									
Certificates of Deposit - Bank									
1005581024	2090	Neighborhood National Bank			3.150	12/10/2009	0.00	1,000,000.00	
1008995288	2119	Neighborhood National Bank			1.400	12/10/2009	1,000,000.00	0.00	
Subtotal and Balance				3,000,000.00			1,000,000.00	1,000,000.00	3,000,000.00
Issuer Subtotal			4.386%	3,000,000.00			1,000,000.00	1,000,000.00	3,000,000.00
Issuer: San Diego County									

OTAY
Activity Report
July 1, 2009 - January 31, 2010

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer: San Diego County										
San Diego County Pool										
SD COUNTY POOL	9007	San Diego County				0.992		301,583.07	17,011,561.95	
		Subtotal and Balance		39,534,302.21				301,583.07	17,011,561.95	22,824,323.33
		Issuer Subtotal	33.367%	39,534,302.21				301,583.07	17,011,561.95	22,824,323.33
		Total	100.000%	78,718,410.81				124,540,661.39	134,855,424.65	68,403,647.55

OTAY
GASB 31 Compliance Detail
Sorted by Fund - Fund
July 1, 2009 - January 31, 2010

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
LAIF	9001	99	Fair Value		7,489,943.17	0.00	79,282.49	79,282.49	0.00	-2,571.39	7,591,209.02
UNION MONEY	9002	99	Amortized		2,010,013.82	0.00	114.48	1,992,626.70	0.00	0.00	17,501.60
PETTY CASH	9003	99	Amortized		2,800.00	0.00	0.00	0.00	0.00	0.00	2,800.00
UNION OPERATING	9004	99	Amortized		587,026.07	0.00	1,946.56	1,946.56	0.00	0.00	868,491.48
PAYROLL	9005	99	Amortized		24,977.26	0.00	0.00	0.00	0.00	0.00	27,402.44
SD COUNTY POOL	9007	99	Fair Value		39,756,639.66	0.00	301,583.07	17,011,561.95	0.00	-346,435.89	22,700,224.89
UNION IOC	9008	99	Amortized		0.00	0.00	0.00	0.00	0.00	0.00	0.00
LAIF COPS07	9009	99	Fair Value		0.00	0.00	0.00	0.00	0.00	0.00	0.00
36962G2S2	2044	99	Fair Value	12/01/2010	2,058,720.00	0.00	0.00	0.00	0.00	16,800.00	2,075,520.00
205003183	2066	99	Amortized	01/22/2010	79,108.00	0.00	0.00	79,108.00	0.00	0.00	0.00
3136F9WV1	2085	99	Fair Value	07/02/2010	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0.00	0.00
1005581024	2090	99	Amortized	12/10/2009	1,000,000.00	0.00	0.00	1,000,000.00	0.00	0.00	0.00
3136FHAA3	2091	99	Fair Value	02/11/2011	2,013,760.00	0.00	0.00	0.00	0.00	-12,500.00	2,001,260.00
31398AVL3	2093	99	Fair Value	03/02/2011	2,014,380.00	0.00	0.00	0.00	0.00	-11,260.00	2,003,120.00
084664AF8	2094	99	Fair Value	12/15/2010	2,061,960.00	0.00	0.00	0.00	0.00	5,040.00	2,067,000.00
3128X8QH8	2095	99	Fair Value	03/16/2011	2,012,300.00	0.00	0.00	0.00	0.00	-9,220.00	2,003,080.00
1006200563	2096	99	Amortized	02/04/2010	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
31398AWJ7	2097	99	Fair Value	04/08/2011	2,009,380.00	0.00	0.00	0.00	0.00	-5,000.00	2,004,380.00
3128X8WC2	2098	99	Fair Value	04/20/2011	2,009,800.00	0.00	0.00	0.00	0.00	-4,620.00	2,005,180.00
3133XTLP9	2099	99	Fair Value	05/18/2011	2,001,880.00	0.00	0.00	2,000,000.00	0.00	-1,880.00	0.00
31331GWK1	2100	99	Fair Value	02/28/2011	1,996,260.00	0.00	0.00	2,000,000.00	0.00	3,740.00	0.00
3136FHYA7	2101	99	Fair Value	06/08/2011	1,996,260.00	0.00	0.00	0.00	0.00	10,000.00	2,006,260.00
3133XTQM1	2102	99	Fair Value	06/10/2011	1,996,260.00	0.00	0.00	2,000,000.00	0.00	3,740.00	0.00
3133XTQ58	2103	99	Fair Value	06/10/2011	1,998,120.00	0.00	0.00	2,000,000.00	0.00	1,880.00	0.00
3136FHE43	2104	99	Fair Value	07/01/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3128X8V33	2105	99	Fair Value	07/06/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133XUEM1	2106	99	Fair Value	08/10/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133XUGD9	2107	99	Fair Value	08/17/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133XUKD4	2108	99	Fair Value	08/25/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3128X9CG3	2109	99	Fair Value	09/02/2011	0.00	2,000,000.00	0.00	0.00	0.00	2,080.00	2,002,080.00
3128X9GW4	2110	99	Fair Value	04/13/2012	0.00	2,000,000.00	0.00	0.00	0.00	3,740.00	2,003,740.00

Portfolio OTAY
AP

OTAY
 GASB 31 Compliance Detail
 Sorted by Fund - Fund

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
3133XVAN1	2111	99	Fair Value	10/28/2011	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133XVBW0	2112	99	Fair Value	04/29/2013	0.00	2,000,000.00	0.00	0.00	0.00	3,120.00	2,003,120.00
3133XVCD1	2113	99	Fair Value	04/27/2012	0.00	2,000,000.00	0.00	0.00	0.00	1,260.00	2,001,260.00
3128X9LJ7	2114	99	Fair Value	11/18/2011	0.00	2,000,000.00	0.00	0.00	0.00	720.00	2,000,720.00
3133XW4CO	2115	99	Fair Value	12/30/2011	0.00	1,998,000.00	0.00	0.00	0.00	-4,240.00	1,993,760.00
3133XWCZ0	2116	99	Fair Value	12/28/2012	0.00	2,000,000.00	0.00	0.00	0.00	3,120.00	2,003,120.00
31398AC91	2117	99	Fair Value	01/20/2012	0.00	2,000,000.00	0.00	0.00	0.00	1,260.00	2,001,260.00
3136FJR45	2118	99	Fair Value	01/25/2013	0.00	2,000,000.00	0.00	0.00	0.00	3,120.00	2,003,120.00
1008995288	2119	99	Amortized	12/09/2010	0.00	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00
2050003183-4	2121	99	Amortized	01/22/2012	0.00	79,108.00	0.00	0.00	0.00	0.00	79,108.00
Subtotal					79,119,587.98	31,077,108.00	382,926.60	42,164,525.70	0.00	-338,107.28	68,464,717.43
Total					79,119,587.98	31,077,108.00	382,926.60	42,164,525.70	0.00	-338,107.28	68,464,717.43



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Sean Prendergast, Finance <i>SP</i> Supervisor, Payroll & AP	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Chief)	Joseph Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Accounts Payable Demand List		

PURPOSE:

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

FISCAL IMPACT:

SUMMARY	NET DEMANDS
CHECKS (2022099-2022468)	\$1,941,346.33
VOID CHECKS:	
CHECK #2021307	(\$2,467.52)
CHECK #2021419	(\$266.44)
CHECK #2021678	(\$12,120.05)
CHECK #2021907	(\$15,000.00)
CHECK #2022315	(\$43,820.00)
WIRE TO:	
DELTA HEALTH SYSTEMS - DENTAL & COBRA CLAIMS	\$6,126.28
JP MORGAN - REMARKETING FEE - 1ST QTR	\$2,654.14
LANDESBANK - CERTIFICATES OF PARTICIPATION	\$1,788.63
SAN DIEGO COUNTY WATER - CAP FEES - 2ND QTR	\$242,568.00
SAN DIEGO COUNTY WATER - WATER DELIVERIES	\$1,747,793.30
SPECIAL DIST RISK MGMT AUTH - INSURANCE PREMIUM	\$193,104.40
UNION BANK - PAYROLL TAXES	\$299,259.77
UNION BANK - CERT OF PARTICIPATION - SERIES 2007	\$835,666.26
UNION BANK - '93 CERTIFICATE OF PARTICIPATION	\$197,341.88
UNION BANK - GENERAL OBLIGATION BOND - ID 27	\$89,314.06
WAGWORKS - FLEXIBLE SPENDING ACCOUNT	
TOTAL CASH DISBURSEMENTS	\$5,483,289.04

RECOMMENDED ACTION:

That the Board receive the attached list of demands.

Jb/Attachment

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2022099 THROUGH 2022468
RUN DATES 2/3/2010 TO 2/24/2010

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2022112	02/03/10	08488	ABLEFORCE INC	2102	01/26/10	EMPLOYEE SERVICES	3,995.00	3,995.00
2022207	02/10/10	08488	ABLEFORCE INC	2117	02/02/10	EMPLOYEE SERVICES	3,230.00	3,230.00
2022298	02/17/10	08488	ABLEFORCE INC	2128	02/09/10	EMPLOYEE SERVICES	3,740.00	3,740.00
2022374	02/24/10	08488	ABLEFORCE INC	2140	02/16/10	EMPLOYEE SERVICES	3,825.00	3,825.00
2022299	02/17/10	05136	ADVANCED COMMUNICATIONS	2933 2920	01/26/10 01/26/10	CABLING FOR EXIT FOB AT TP CABLING PROJECT	4,875.00 364.71	5,239.71
2022300	02/17/10	11507	ADVANTAGE TITLE INC	060081549REF	02/11/10	UB REFUND	206.89	206.89
2022375	02/24/10	10821	AECOM INC	37017611	02/04/10	PROFESSIONAL ENGINEERING SERVICES	29,172.54	29,172.54
2022301	02/17/10	10090	AECOM USA INC	7071627	01/25/10	PLAN CHECKS & INSPECTION SERVICE	5,621.55	5,621.55
2022208	02/10/10	07732	AIRGAS SPECIALTY PRODUCTS INC	131147308 131147307 131147310 131147309	01/21/10 01/21/10 01/21/10 01/21/10	BULK AQUA AMMONIA 19% BULK AQUA AMMONIA 19% BULK AQUA AMMONIA 19% BULK AQUA AMMONIA 19%	2,180.99 1,707.16 948.64 379.75	5,216.54
2022376	02/24/10	00132	AIRGAS WEST INC	103216213	01/31/10	BREATHING AIR TREATMENT PLANT	26.93	26.93
2022209	02/10/10	01463	ALLIED ELECTRONICS INC	19726U00	01/13/10	ELECTRICAL PARTS	807.60	807.60
2022302	02/17/10	01463	ALLIED ELECTRONICS INC	21071X00	01/28/10	UPS	2,240.75	2,240.75
2022303	02/17/10	02362	ALLIED WASTE SERVICES #509	0509003851898 0509003853219 0509003853960	01/25/10 01/25/10 01/25/10	TRASH REMOVAL SERVICES ASBESTOS DISPOSAL CONTAINER RENTAL TRASH REMOVAL SERVICES TP	827.72 205.19 132.61	1,165.52
2022113	02/03/10	02966	AMERICAN INDUSTRIAL SUPPLY INC	119798	01/08/10	DEGREASER CHEMICAL	474.99	474.99
2022210	02/10/10	06166	AMERICAN MESSAGING	L1109570KB	02/01/10	PAGER SERVICES	235.95	235.95
2022377	02/24/10	00315	AMERICAN SOCIETY OF CIVIL	1040852894 1040793082	02/11/10 02/16/10	MEMBERSHIP RENEWAL MEMBERSHIP DUES	245.00 245.00	490.00
2022211	02/10/10	00107	AMERICAN WATER WORKS	7000173685 005803080210	11/05/09 02/08/10	MEMBERSHIP DUES MEMBERSHIP RENEWAL	5,213.00 28.00	5,241.00
2022378	02/24/10	00107	AMERICAN WATER WORKS	7000192866	01/15/10	BOOK & DVD	91.90	91.90
2022212	02/10/10	02518	AMERICAN WATER WORKS ASSN	001868	02/03/10	REGISTRATION FEES	1,120.00	1,120.00
2022379	02/24/10	00002	ANSWER INC	2651	02/22/10	TELEPHONE ANSWERING SERVICES	1,000.00	1,000.00

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2022099 THROUGH 2022468
RUN DATES 2/3/2010 TO 2/24/2010

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2022213	02/10/10	08967	ANTHEM BLUE CROSS EAP	40846	01/25/10	EMPLOYEE ASSISTANCE PROGRAM SERVICES	368.00	368.00
2022114	02/03/10	00108	ASSOCIATION OF CALIFORNIA	2203451370	01/22/10	REGISTRATION FEE	73.00	73.00
2022380	02/24/10	05758	AT&T	0821645728012510	01/25/10	OPTE MAN INTERNET BANDWIDTH	1,985.34	2,017.68
				33784130450210	02/07/10	PHONE SERVICE (HI HEAD P/S-SCADA)	32.34	
2022381	02/24/10	05758	AT&T	61942256050110	01/20/10	PHONE SVC (INTERAGENCY WTR MTR CONN)	33.64	33.64
2022382	02/24/10	07785	AT&T	000001143687	02/22/10	PHONE SERVICES	5,849.60	5,849.60
2022383	02/24/10	08330	AT&T INTERNET SERVICES	8547826250110	01/22/10	OPTE MAN INTERNET BANDWIDTH	1,200.00	1,200.00
2022175	02/10/10	11488	AVIV BADER	Ref002403178	02/09/10	UB Refund Cst #0000153934	13.62	13.62
2022176	02/10/10	11496	BANCROFT REALTY	Ref002403188	02/09/10	UB Refund Cst #0000157546	75.00	75.00
2022115	02/03/10	00145	BARRETT ENGINEERED PUMPS	069502	01/11/10	MARCH PUMP	541.03	541.03
2022116	02/03/10	06285	BARTEL ASSOCIATES LLC	10024	01/13/10	PROFESSIONAL CONSULTING SERVICES	10,025.00	10,025.00
2022214	02/10/10	08144	BEST BUY	001902	02/08/10	COMPUTER LOAN PROGRAM	614.10	614.10
2022215	02/10/10	06307	BIG SKY CONTRACTORS	001873	02/05/10	W/O REFUND D0013-XX9688	885.42	885.42
2022117	02/03/10	04806	BJ'S RENTALS	264080	01/12/10	CONCRETE	166.39	166.39
2022118	02/03/10	03458	BREITFELDER, LARRY	70131109	11/30/09	MILEAGE REIMBURSEMENT	112.20	158.40
				70131209	12/31/09	MILEAGE REIMBURSEMENT	46.20	
2022119	02/03/10	10970	BRENNTAG PACIFIC INC	BPI963143	01/14/10	SODIUM HYPOCHLORITE	587.62	587.62
2022216	02/10/10	10970	BRENNTAG PACIFIC INC	BPI964177	01/19/10	SODIUM HYPOCHLORITE	1,429.23	1,429.23
2022304	02/17/10	10970	BRENNTAG PACIFIC INC	BPI965711	01/25/10	SODIUM HYPOCHLORITE	1,326.88	2,590.57
				BPI967324	01/25/10	SODIUM HYPOCHLORITE	1,263.69	
2022384	02/24/10	10970	BRENNTAG PACIFIC INC	BPI967698	02/01/10	SODIUM HYPOCHLORITE	1,778.01	2,076.24
				BPI967697	02/01/10	SODIUM HYPOCHLORITE	298.23	
2022385	02/24/10	03679	BRG CONSULTING INC	10013214	01/31/10	CONSULTANT CONTRACT FOR ENV SVCS	660.00	660.00
2022217	02/10/10	01232	BRODING'S BATTERY	14601	01/20/10	REPAIR PARTS	41.27	41.27
2022386	02/24/10	08156	BROWNSTEIN HYATT FARBER	431226	11/30/09	LEGISLATIVE ADVOCACY	4,813.75	7,306.30
				431736	12/31/09	LEGISLATIVE ADVOCACY	2,492.55	
2022120	02/03/10	00223	C W MCGRATH INC	35278	01/08/10	CRUSHED ROCK	201.88	

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2022099 THROUGH 2022468
RUN DATES 2/3/2010 TO 2/24/2010

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
				35319	01/13/10	CRUSHED ROCK	57.70	259.58
2022305	02/17/10	00223	C W MCGRATH INC	35390	01/26/10	CRUSHED ROCK	205.46	
				35414	01/28/10	CRUSHED ROCK	104.22	
				35402	01/27/10	CRUSHED ROCK	83.97	
				35371	01/25/10	CRUSHED ROCK	45.98	439.63
2022387	02/24/10	00223	C W MCGRATH INC	35476	02/03/10	CRUSHED ROCK	89.98	89.98
2022388	02/24/10	00693	CALIFORNIA SPECIAL DISTRICTS	001928	02/16/10	QUARTERLY MEETING	78.00	78.00
2022218	02/10/10	00192	CALIFORNIA WATER ENVIRONMENT	310290110	02/04/10	CERTIFICATE RENEWAL	206.00	206.00
2022306	02/17/10	00192	CALIFORNIA WATER ENVIRONMENT	001911	02/10/10	CONFERENCE REGISTRATION	357.00	357.00
2022219	02/10/10	01243	CALIFORNIA-NEVADA SECTION	103950210	02/08/10	CERTIFICATE RENEWAL	180.00	180.00
2022307	02/17/10	01243	CALIFORNIA-NEVADA SECTION	001910	02/08/10	CERTIFICATION RENEWAL	80.00	80.00
2022121	02/03/10	01004	CALOLYMPIC SAFETY	065309	01/14/10	O2 SENSOR	193.41	193.41
2022389	02/24/10	04071	CAPITOL WEBWORKS LLC	22561	01/31/10	ELECTRONIC FILING FEE	45.00	45.00
2022390	02/24/10	02758	CARMEL BUSINESS SYSTEMS INC	7115	02/01/10	SCANNING ENGINEERING DRAWINGS	398.76	398.76
2022308	02/17/10	03232	CDW GOVERNMENT INC	RNG2592	01/26/10	HARD DRIVE	6,805.87	6,805.87
2022309	02/17/10	09801	CENTERBEAM INC	13562	02/11/10	NETWORK MONITORING	11,879.00	11,879.00
2022177	02/10/10	11494	CENTURY 21 ALL REAL ESTATE	Ref002403186	02/09/10	UB Refund Cst #0000156233	11.71	11.71
2022220	02/10/10	04349	CHAMBERS, JONATHAN	001901	02/09/10	TUITION REIMBURSEMENT	61.04	61.04
2022310	02/17/10	01828	CHICAGO TITLE COMPANY	204010485REF	02/11/10	UB REFUND	127.26	127.26
2022178	02/10/10	11481	CHRISTOPHER GOZE	Ref002403170	02/09/10	UB Refund Cst #0000126119	22.22	22.22
2022221	02/10/10	02026	CHULA VISTA ELEMENTARY SCHOOL	001874	02/08/10	W/O REFUND D0026-010256	13,074.57	13,074.57
2022222	02/10/10	04985	CITY OF CHULA VISTA	001875	02/08/10	W/O REFUND D0028-010005	2,065.03	2,065.03
2022311	02/17/10	03811	CITY OF EL CAJON	0000005544	01/25/10	FINALIZED PERMITS	1,071.32	1,071.32
2022122	02/03/10	03795	CITY TREASURER	001854	01/31/10	PAYMENT REFUND	230.00	230.00
2022391	02/24/10	04119	CLARKSON LAB & SUPPLY INC	1	01/31/10	BACTERIOLOGICAL SERVICES	1,353.00	
				48649	02/02/10	LABORATORY COMPLIANCE	80.00	1,433.00

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2022123	02/03/10	08160	COMPLETE OFFICE	11812060	01/12/10	BINDERS	132.02	
				11812061	01/13/10	BINDERS	40.72	172.74
2022223	02/10/10	08160	COMPLETE OFFICE	11833030	01/20/10	COPY PAPER	770.03	770.03
2022392	02/24/10	08160	COMPLETE OFFICE	11854930	01/29/10	OFFICE SUPPLIES	67.99	67.99
2022124	02/03/10	11056	CONCHAS, FREDERICK	001856	02/02/10	TUITION REIMBURSEMENT	171.00	171.00
2022393	02/24/10	11510	CONFERENCECALL.COM	2000111399	01/31/10	CONFERENCE CALLING	61.91	61.91
2022312	02/17/10	11370	CONNECTZONE	42454	01/25/10	WIFI CABLE	74.00	74.00
2022125	02/03/10	04398	CONSTRUCTION MANAGEMENT	001853	01/29/10	REGISTRATION FEES	60.00	60.00
2022224	02/10/10	03307	CONSTRUCTION MANAGEMENT	001903	02/04/10	CERT APPLICATION FEE	275.00	275.00
2022313	02/17/10	04398	CONSTRUCTION MANAGEMENT	001909	02/09/10	REGISTRATION FEES	1,250.00	1,250.00
2022225	02/10/10	03706	CONSUMERS PIPE & SUPPLY CO	S1121077001	01/15/10	METER PARTS	374.21	374.21
2022226	02/10/10	08346	COPART	001889	02/08/10	W/O REFUND D0051-XX9699	17,039.21	17,039.21
2022394	02/24/10	02643	CORE-ROSION PRODUCTS	201000034	01/29/10	NAOCL TANK	3,082.44	3,082.44
2022227	02/10/10	06518	CORKY MCMILLIN CONSTRUCTION	001869	02/05/10	REFUND MTR-06-133	50,270.00	50,270.00
2022228	02/10/10	06518	CORKY MCMILLIN CONSTRUCTION	001882	02/08/10	W/O REFUND D0032-XX9482	16,350.28	
				001884	02/08/10	W/O REFUND D0032-010056	15,912.72	
				001881	02/08/10	W/O REFUND D0032-XX9444	10,555.78	
				001883	02/08/10	W/O REFUND D0032-010054	3,204.54	
				001885	02/08/10	W/O REFUND D0032-010092	1,608.84	
				001880	02/08/10	W/O REFUND D0032-XX6420	1,238.44	
				001886	02/08/10	W/O REFUND D0032-010263	1,030.03	49,900.63
2022229	02/10/10	05559	CORNERSTONE	001887	02/08/10	W/O REFUND D0033-XX6345	640.18	640.18
2022395	02/24/10	02612	COUNCIL OF WATER UTILITIES	001930	02/11/10	MONTHLY MEETING	125.00	125.00
2022173	02/04/10	00193	COUNTY OF SAN DIEGO	001862	02/04/10	FILING FEE	2,842.25	2,842.25
2022126	02/03/10	00099	COUNTY OF SAN DIEGO - DPW	120411	01/06/10	EXCAVATION PERMITS	5,083.76	5,083.76
2022396	02/24/10	00099	COUNTY OF SAN DIEGO - DPW	121737	02/02/10	EXCAVATION PERMITS	3,358.08	3,358.08
2022397	02/24/10	11286	CPM PARTNERS INC	1003	02/01/10	PROFESSIONAL SERVICES	5,000.00	5,000.00
2022314	02/17/10	06827	CUYAMACA COLLEGE BOTANICAL	001912	02/10/10	SEMINAR REGISTRATION	85.00	85.00

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2022315	02/17/10	11150	DARNELL & ASSOCIATES INC	023964	01/15/10	TRAFFIC SERVICES	18,690.00	
				023967	01/15/10	TRAFFIC SERVICES	17,130.00	
				023963	01/15/10	TRAFFIC SERVICES	8,000.00	43,820.00
2022398	02/24/10	11150	DARNELL & ASSOCIATES INC	023964	01/15/10	TRAFFIC SERVICES	18,690.00	
				023967	01/15/10	TRAFFIC SERVICES	17,130.00	
				023963	01/15/10	TRAFFIC SERVICES	8,000.00	43,820.00
2022230	02/10/10	07680	DELTA HEALTH SYSTEMS	P100121	01/21/10	EMPLOYEE HEALTH	1,685.60	1,685.60
2022127	02/03/10	02733	DEPARTMENT OF CONSUMER AFFAIRS	808380110	01/27/10	LICENSE RENEWAL	200.00	200.00
2022128	02/03/10	03417	DIRECTV	1178309659	01/19/10	SATELLITE TV SERVICE	498.88	498.88
2022316	02/17/10	03417	DIRECTV	1189218188	02/05/10	SATELLITE TV SERVICE	513.88	513.88
2022399	02/24/10	10976	DRAKE CONTROLS - WEST LLC	51424	11/12/09	REPAIR PART	2,467.52	2,467.52
2022317	02/17/10	03152	DRIES, ROSEMARY F	001908	02/10/10	COMPUTER LOAN PROGRAM	1,504.84	1,504.84
2022400	02/24/10	11369	E S BABCOCK & SONS INC	AB003777150	02/04/10	LABORATORY SERVICES	618.00	
				AB002467150	02/02/10	LABORATORY SERVICES	468.00	1,086.00
2022231	02/10/10	06971	EASTLAKE COMPANY LLC	001895	02/08/10	W/O REFUND D0224-XX6273	921.60	
				001893	02/08/10	W/O REFUND D0182-XX6432	506.51	
				001894	02/08/10	W/O REFUND D0182-XX6433	377.28	1,805.39
2022232	02/10/10	11467	EASTLAKE MED CONDO DEV LLC	001888	02/08/10	W/O REFUND D0044-010077	133.93	133.93
2022179	02/10/10	11490	ED PREHODEN	Ref002403180	02/09/10	UB Refund Cst #0000154288	75.00	75.00
2022233	02/10/10	02447	EDCO DISPOSAL CORPORATION	1554580110	01/31/10	RECYCLING SERVICES	90.00	90.00
2022234	02/10/10	01012	EL CAJON FORD	C40259	01/20/10	KEYS MADE	130.01	130.01
2022235	02/10/10	07661	ELI RESEARCH INC	881228501109	02/04/10	SUBSCRIPTION FEE	400.00	400.00
2022318	02/17/10	08023	EMPLOYEE BENEFIT SPECIALISTS	0048734IN	01/31/10	ADMINISTRATION FEES FOR COBRA	555.00	555.00
2022319	02/17/10	03765	ENGINEERING PARTNERS INC, THE	0310023	01/26/10	1485-1 PUMP STATION IMPROVEMENTS (P2172)	2,057.50	2,057.50
2022129	02/03/10	03227	ENVIROMATRIX ANALYTICAL INC	0010231	01/11/10	LABORATORY SERVICES	45.00	45.00
2022236	02/10/10	03227	ENVIROMATRIX ANALYTICAL INC	0010366	01/18/10	LABORATORY SERVICES	955.00	955.00
2022320	02/17/10	03227	ENVIROMATRIX ANALYTICAL INC	0010516	01/25/10	LABORATORY SERVICES	295.00	295.00

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2022401	02/24/10	03227	ENVIROMATRIX ANALYTICAL INC	0020054	02/02/10	LABORATORY SERVICES	635.00	635.00
2022237	02/10/10	02259	ENVIRONMENTAL RESOURCE	566225	01/11/10	LABORATORY SUPPLIES	527.10	527.10
2022238	02/10/10	03725	ENVIRONMENTAL SYSTEMS RESEARCH	92114653	01/15/10	GIS CONSULTANT SERVICES	7,703.84	7,703.84
2022239	02/10/10	11231	EQUIPCO SALES & SERVICE	S41532	12/23/09	EQUIPMENT RENTAL	301.60	301.60
2022321	02/17/10	11231	EQUIPCO SALES & SERVICE	01658750 S41548	01/19/10 12/28/09	EQUIPMENT RENTAL EQUIPMENT RENTAL	1,200.00 131.91	1,331.91
2022402	02/24/10	11231	EQUIPCO SALES & SERVICE	01660090	01/29/10	EQUIPMENT RENTAL	2,146.48	2,146.48
2022130	02/03/10	02639	EW TRUCK & EQUIPMENT	245950	01/08/10	REPAIR PART	18.64	18.64
2022131	02/03/10	03757	FANDEL ENTERPRISES INC	1378	01/12/10	CONSULTING SERVICES	4,710.00	4,710.00
2022403	02/24/10	03757	FANDEL ENTERPRISES INC	1382	02/03/10	CONSULTING SERVICES	1,800.00	1,800.00
2022322	02/17/10	00645	FEDEX	949054325	02/05/10	OVERNIGHT PICK-UP & DELIVERY MAIL SVCS	7.45	7.45
2022132	02/03/10	03546	FERGUSON WATERWORKS # 1082	03357292	01/14/10	INVENTORY	411.08	411.08
2022240	02/10/10	03546	FERGUSON WATERWORKS # 1082	0327568 0337764 0337813	01/05/10 01/21/10 01/21/10	8' GATE CAPS INVENTORY UNIT TOOLS	3,371.25 837.38 351.26	4,559.89
2022404	02/24/10	03546	FERGUSON WATERWORKS # 1082	0338561 0338415 0338834 0338836 0338074 03368121	01/29/10 01/29/10 01/29/10 01/29/10 01/29/10 01/29/10	INVENTORY INVENTORY INVENTORY INVENTORY VALVE EXTENSIONS INVENTORY	4,078.87 3,925.17 2,705.27 2,675.25 112.56 79.01	13,576.13
2022180	02/10/10	11498	FIELD ASSET SERVICES	Ref002403191	02/09/10	UB Refund Cst #0000158298	75.00	75.00
2022405	02/24/10	08893	FIRST AMERICAN DATA TREE	90034010	01/31/10	ONLINE MAP PURCHASING SERVICE	99.00	99.00
2022323	02/17/10	11505	FIRST AMERICAN TITLE COMPANY	625511705REF	02/11/10	UB REFUND	368.25	368.25
2022241	02/10/10	04066	FIRST CHOICE SERVICES - SD	034505	01/19/10	COFFEE SUPPLIES	333.45	333.45
2022406	02/24/10	04066	FIRST CHOICE SERVICES - SD	043698	02/01/10	COFFEE SUPPLIES	264.59	264.59
2022242	02/10/10	00035	FISHER SCIENTIFIC	0320579	01/19/10	LABORATORY SUPPLIES	151.50	151.50
2022407	02/24/10	00035	FISHER SCIENTIFIC	9331844	01/04/10	LABORATORY SUPPLIES	675.26	675.26

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2022408	02/24/10	02591	FITNESS TECH INC	6333	02/01/10	MAINTENANCE FOR FITNESS EQUIPMENT	125.00	125.00
2022099	02/03/10	01612	FRANCHISE TAX BOARD	Ben2402891	02/04/10	PAYROLL DEDUCTION	75.00	75.00
2022100	02/03/10	02344	FRANCHISE TAX BOARD	Ben2402893	02/04/10	PAYROLL DEDUCTION	50.00	50.00
2022324	02/17/10	01612	FRANCHISE TAX BOARD	Ben2403300	02/18/10	PAYROLL DEDUCTION	75.00	75.00
2022325	02/17/10	02344	FRANCHISE TAX BOARD	Ben2403302	02/18/10	PAYROLL DEDUCTION	50.00	50.00
2022133	02/03/10	06291	GARCIA CALDERON & RUIZ LLP	3284	01/28/10	LEGAL SERVICES	36,077.65	36,077.65
2022181	02/10/10	11495	GARY KENT AND ASSOC	Ref002403187	02/09/10	UB Refund Cst #0000157357	68.91	68.91
2022409	02/24/10	06276	GIFFORD ENGINEERING INC	50564	02/02/10	INSTALL RADIO	380.00	380.00
2022134	02/03/10	11288	GOOD PEOPLE EMPLOYMENT	00035279	01/24/10	TEMPORARY SERVICES	1,540.70	1,540.70
2022326	02/17/10	11288	GOOD PEOPLE EMPLOYMENT	00035537 00035407	02/07/10 01/31/10	TEMPORARY SERVICES TEMPORARY SERVICES	1,736.00 1,736.00	3,472.00
2022182	02/10/10	11478	GRACE COTHERN	Ref002403167	02/09/10	UB Refund Cst #0000068771	13.75	13.75
2022135	02/03/10	00101	GRAINGER INC	9158894601 9158106170	01/13/10 01/12/10	METER PARTS UNIT TOOLS	1,182.00 934.52	2,116.52
2022327	02/17/10	00101	GRAINGER INC	9168282003	01/26/10	MISC HARDWARE	78.30	78.30
2022410	02/24/10	00101	GRAINGER INC	9155384663 9175163683 9153283537 9174024324 9180436322 9171900120 9163628259 9153702627 9153702635 9163628267 9153076832	01/08/10 02/03/10 01/05/10 02/02/10 02/24/10 01/31/10 01/20/10 01/06/10 01/06/10 01/20/10 01/05/10	LOCKS REPAIR MATERIAL TOOLS MAINTENANCE ITEMS BATTERIES MISC HARDWARE REPAIR ITEMS FIBER OPTICS FIBER OPTICS REPAIR ITEMS TOOLS	579.77 220.64 159.52 148.84 146.00 140.85 89.47 38.76 21.14 18.24 5.88	1,569.11
2022243	02/10/10	03289	GRANGER, WILLIAM E	15710210	02/02/10	TRAVEL EXPENSE	392.36	392.36
2022244	02/10/10	01576	GRAYBAR ELECTRIC CO INC	945714394 945714393	01/20/10 01/20/10	VULCANIZING TAPE VULCANIZING TAPE	237.39 235.84	473.23
2022411	02/24/10	02187	GREENSCAPE	2325 2339	02/01/10 02/04/10	LANDSCAPING SERVICES TREE REPAIR	6,090.00 546.00	6,636.00

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2022412	02/24/10	00174	HACH COMPANY	6589207	02/01/10	HACH APA6000	429.55	429.55
2022328	02/17/10	02629	HANSON AGGREGATES INC	609435 609594	01/25/10 01/27/10	CRUSHED AGGREGATES & ROCK CRUSHED AGGREGATES & ROCK	853.28 211.55	1,064.83
2022413	02/24/10	02629	HANSON AGGREGATES INC	610194 610079	02/04/10 02/03/10	CRUSHED AGGREGATES & ROCK CRUSHED AGGREGATES & ROCK	354.94 105.15	460.09
2022414	02/24/10	00201	HARRINGTON INDL PLASTICS LLC	004A3005	01/29/10	PVC PARTS	932.50	932.50
2022136	02/03/10	00169	HAWTHORNE POWER SYSTEMS	PC100026045 PS100179206 PS100179135	01/12/10 01/08/10	CREDIT MEMO REPAIR PART REPAIR PART	(15.23) 3,083.51 471.73	3,540.01
2022245	02/10/10	06640	HD SUPPLY WATERWORKS LTD	0006598	01/15/10	VICTAULIC FITTINGS FOR WWTP	630.75	630.75
2022183	02/10/10	11482	HEATHER HEMMINGWAY	Ref002403171	02/09/10	UB Refund Cst #0000126374	60.46	60.46
2022246	02/10/10	04472	HECTOR I MARES-COSSIO	58 59	12/31/09 01/01/10	BI-NATIONAL CONSULTANT SERVICES CONSULTANT SERVICES	3,600.00 3,600.00	7,200.00
2022329	02/17/10	00062	HELIX WATER DISTRICT	001861	01/28/10	VAC TRUCK	38,000.00	38,000.00
2022330	02/17/10	02096	HELIX WATER DISTRICT	HWD020910otayjr	02/09/10	REIMB FOR PRE SCHOOL KIT	60.00	60.00
2022415	02/24/10	00062	HELIX WATER DISTRICT	174639860210 178540010210	02/09/10 02/09/10	WATER BILL - RUSSELL SQ WATER BILL - AVOCADO BLVD	42.20 40.10	82.30
2022416	02/24/10	00713	HEWLETT-PACKARD COMPANY	711581	11/20/09	NETWORK ADAPTERS	266.44	266.44
2022101	02/03/10	11278	HIGH 5 TEAM SALES	711735	01/12/10	SIGNS	1,730.60	1,730.60
2022417	02/24/10	11278	HIGH 5 TEAM SALES	711820	02/25/10	RECOGNITION JACKETS	45.19	45.19
2022331	02/17/10	06843	HI-TECH AIR CONDITIONING	6356 21456	01/27/10 01/26/10	DATA CENTER AC MAINTENANCE DATA CENTER AC MAINTENANCE	648.75 237.50	886.25
2022418	02/24/10	06843	HI-TECH AIR CONDITIONING	6355	12/30/09	DATA CENTER AC MAINTENANCE	648.75	648.75
2022247	02/10/10	01109	HOME DEPOT CREDIT SERVICES	5181682	02/04/10	SHOVELS	98.80	98.80
2022419	02/24/10	06540	HORIZON CRANE SERVICE LLC	5377	02/04/10	CRANE RENTAL	607.50	607.50
2022248	02/10/10	04477	HORTON CONTINENTAL	001876	02/08/10	W/O REFUND D0030-XX6301	806.82	806.82
2022249	02/10/10	06301	HVAC ENGINEERING INC	5595	08/11/09	DESIGN SERVICES	240.00	240.00
2022250	02/10/10	01649	IDEXX DISTRIBUTION INC	241160401	01/14/10	LABORATORY SUPPLIES	2,686.43	2,686.43

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2022251	02/10/10	08969	INFOSEND INC	41255	01/20/10	EBPP SET-UP	5,995.00	5,995.00
2022332	02/17/10	08969	INFOSEND INC	41308	01/25/10	EBPP SET-UP	5,000.00	5,000.00
2022420	02/24/10	11515	INFRASTRUCTURE RESOURCES LLC	CGA1804	02/17/10	REGISTRATION FEES	1,500.00	1,500.00
2022421	02/24/10	02372	INTERIOR PLANT SERVICE INC	33427	01/31/10	PLANT SERVICES	169.00	169.00
2022333	02/17/10	03812	INTERNATIONAL DIARIES	100976	01/27/10	POCKET DIARY/PLANNER	19.90	19.90
2022252	02/10/10	03250	INTERNATIONAL PUBLIC MGMT	001864	02/04/10	REGISTRATION FEES	65.00	65.00
2022422	02/24/10	11514	INTERNATIONAL RIGHT OF WAY	001901	02/16/10	MEMBERSHIP APPLICATION	240.00	240.00
2022253	02/10/10	11469	JACKSON PENDO DEVELOPMENT	001896	02/08/10	W/O REFUND D0273-XX9698	173.53	173.53
2022423	02/24/10	03077	JANI-KING OF CALIFORNIA INC	SDO02100235	02/01/10	OFF-SITE JANITORIAL SERVICES	1,042.00	1,042.00
2022254	02/10/10	10563	JCI JONES CHEMICALS INC	458284 458245	02/04/10	CREDIT MEMO CHLORINE FOR TREATMENT PLANT	(3,000.00) 4,651.65	1,651.65
2022334	02/17/10	10563	JCI JONES CHEMICALS INC	457323 454533	12/23/09	CREDIT MEMO CHLORINE FOR TREATMENT PLANT	(3,000.00) 4,684.65	1,684.65
2022424	02/24/10	10991	JEFF GARDNER	200160686REF	02/17/10	CUSTOMER REFUND	267.14	267.14
2022184	02/10/10	11449	JEFF JENKEL	Ref002403189	02/09/10	UB Refund Cst #0000157617	34.35	34.35
2022255	02/10/10	06849	JEYCO PRODUCTS INC	474255 474389	01/13/10 01/20/10	WAREHOUSE SUPPLIES WAREHOUSE SUPPLIES	881.15 150.06	1,031.21
2022137	02/03/10	11465	JIM BENWAY	001857	02/02/10	PROPERTY DAMAGE CLAIM	133.50	133.50
2022185	02/10/10	11493	JOE SOUTHWICK	Ref002403185	02/09/10	UB Refund Cst #0000155392	9.79	9.79
2022186	02/10/10	11499	JOHANNA ILOG	Ref002403192	02/09/10	UB Refund Cst #0000158706	75.00	75.00
2022187	02/10/10	11473	JOHN YOUNG	Ref002403162	02/09/10	UB Refund Cst #0000021376	70.93	70.93
2022425	02/24/10	01735	JOHNSON, PAMELA A	001927	02/17/10	SAFETY BOOTS	65.83	65.83
2022256	02/10/10	03172	JONES & STOKES ASSOCIATES	0068184 68354 0068178 0068183	01/19/10 01/21/10 01/19/10 01/19/10	ON-CALL ENVIRONMENTAL SVCS ON-CALL ENVIRONMENTAL SVCS ON-CALL ENVIRONMENTAL SVCS ON-CALL ENVIRONMENTAL SVCS	2,757.50 2,123.96 960.00 543.10	6,384.56
2022335	02/17/10	03172	JONES & STOKES ASSOCIATES	0068355	01/21/10	P1253 SAN MIGUEL HABITAT MGMT AREA	37,555.41	

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				0068180	01/19/10	ENVIRONMENTAL CONSULTING SERVICES	18,302.15	
				0068177	01/19/10	ON-CALL ENVIRONMENTAL SVCS	957.50	56,815.06
2022138	02/03/10	02449	JOSEPH G POLLARD CO INC	1265248IN	01/13/10	UNIT TOOLS	753.98	
				1265309IN	01/14/10	DECHLOR TABLETS	566.85	1,320.83
2022257	02/10/10	10416	KINGSCOTE CHEMICALS INC	300170	01/21/10	DYE TESTING	128.89	128.89
2022139	02/03/10	05840	KIRK PAVING INC	4488	01/11/10	ANNUAL AS NEEDED PAVING SERVICES	9,917.60	
				4487	01/11/10	ANNUAL AS NEEDED PAVING SERVICES	2,546.60	12,464.20
2022426	02/24/10	05840	KIRK PAVING INC	4499	02/03/10	ANNUAL AS NEEDED PAVING SERVICES	4,774.38	4,774.38
2022258	02/10/10	04996	KNOX ATTORNEY SERVICE INC	526370	01/20/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526371	01/20/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526369	01/20/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526372	01/20/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526373	01/20/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526772	01/21/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				526771	01/21/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	200.20
2022427	02/24/10	04996	KNOX ATTORNEY SERVICE INC	528502	01/29/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				528506	01/29/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	
				528503	01/29/10	DELIVERY OF BOARD & COMMITTEE PACKETS	28.60	85.80
2022140	02/03/10	06497	LAKESIDE LAND COMPANY	234234	01/13/10	ASPHALT	47.24	
				234184	01/12/10	ASPHALT	29.08	76.32
2022336	02/17/10	06497	LAKESIDE LAND COMPANY	234463	01/26/10	ASPHALT	113.96	
				234419	01/25/10	ASPHALT	29.15	
				234512	01/27/10	ASPHALT	25.55	168.66
2022141	02/03/10	05632	LARSON, BRAD	001847	01/26/10	TUITION REIMBURSEMENT	256.00	256.00
2022188	02/10/10	11427	LAUREN WALTON	Ref002403183	02/09/10	UB Refund Cst #0000155001	28.40	28.40
2022337	02/17/10	11506	LAWYERS TITLE COMPANY	209156314REF	02/11/10	UB REFUND	303.46	303.46
2022259	02/10/10	06490	LEONEL GURROLA	001897	02/08/10	W/O REFUND D0579-010229	2,893.91	2,893.91
2022428	02/24/10	11513	LUIS CARRILLO	250369543REF	02/18/10	CUSTOMER REFUND	536.20	536.20
2022189	02/10/10	11475	LYDIA JEFFERSON	Ref002403164	02/09/10	UB Refund Cst #000048881	23.83	23.83
2022190	02/10/10	11487	MAGNOLIA WATERMAN	Ref002403177	02/09/10	UB Refund Cst #0000147644	67.10	67.10
2022338	02/17/10	00628	MANHATTAN NATIONAL LIFE	001922	02/17/10	VOLUNTARY LIFE INSURANCE	343.42	343.42

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2022191	02/10/10	11480	MARIA GUADALUPE RINCON	Ref002403169	02/09/10	UB Refund Cst #0000094128	26.39	26.39
2022429	02/24/10	02902	MARSTON+MARSTON INC	201021	02/01/10	PUBLIC & COMMUNITY OUTREACH RELATIONS	1,720.00	1,720.00
2022142	02/03/10	02882	MAYER REPROGRAPHICS INC	0051566IN	01/13/10	REPROGRAPHIC SERVICES	715.38	715.38
2022260	02/10/10	02882	MAYER REPROGRAPHICS INC	0051768IN	01/21/10	REPROGRAPHIC SERVICES	912.44	912.44
2022143	02/03/10	05212	MC CORMICK, MARINELLI	001846	01/26/10	COMPUTER LOAN PROGRAM	1,471.03	1,471.03
2022261	02/10/10	01183	MCMASTER-CARR SUPPLY CO	44571004	01/06/10	PLUMBING SUPPLIES	115.92	115.92
2022339	02/17/10	01183	MCMASTER-CARR SUPPLY CO	45770463 45770457	01/25/10 01/25/10	REPAIR PARTS RECYCLED RECYCLED PARTS	1,152.00 178.54	1,330.54
2022430	02/24/10	01183	MCMASTER-CARR SUPPLY CO	46511937 46250522	02/02/10 01/29/10	AIR-VAC STRAINER PARTS FOR RECLAIMED VALVE	314.08 261.55	575.63
2022262	02/10/10	09990	MCMILLIN LAND DEVELOPMENT INC	001877 001878 001879	02/08/10 02/08/10 02/08/10	W/O REFUND D0031-XX9208 W/O REFUND D0031-XX9287 W/O REFUND D0032-XX6267	18,624.36 774.31 551.79	19,950.46
2022192	02/10/10	11477	MICHAEL STEINMAN	Ref002403166	02/09/10	UB Refund Cst #0000063838	33.79	33.79
2022340	02/17/10	01577	MINARIK CORPORATION	10730908DD	01/27/10	PLC MODULE	406.83	406.83
2022431	02/24/10	00887	MIRAMAR TRUCK CENTER-SAN DIEGO	CM259173A CM259173 8823 260018	01/28/10 01/06/10	CREDIT MEMO CREDIT MEMO STERLING TRUCK REPAIR PARTS	(100.05) (52.18) 107,582.13 112.71	107,542.61
2022193	02/10/10	11491	MIRANDA STAPLES	Ref002403182	02/09/10	UB Refund Cst #0000154976	25.22	25.22
2022263	02/10/10	00237	MISSION JANITORIAL & ABRASIVE	18988300	01/21/10	JANITORIAL SUPPLIES	911.97	911.97
2022432	02/24/10	00237	MISSION JANITORIAL & ABRASIVE	19096000 18988301	01/29/10 01/29/10	JANITORIAL SUPPLIES JANITORIAL SUPPLIES	313.72 68.84	382.56
2022433	02/24/10	02619	MITCHELL1	RL4164734	01/28/10	PROGRAM RENEWAL ACCT #805673	1,499.00	1,499.00
2022144	02/03/10	07348	MSA SYSTEMS INC	16440	01/11/10	RFID-TAGS	1,440.28	1,440.28
2022434	02/24/10	03623	MWH AMERICAS INC	1319105 1319096	01/31/10 01/31/10	PROFESSIONAL SERVICES RWCWRF UPGRADE	26,002.84 6,587.32	32,590.16
2022264	02/10/10	10202	MWH CONSTRUCTORS INC	1316066	01/19/10	TEMPORARY LABOR SERVICES	18,550.00	18,550.00
2022341	02/17/10	02293	MWH SOFT INC	000012556	01/25/10	TRAINING REGISTRATION FEE	1,600.00	1,600.00

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2022194	02/10/10	11474	MYRON COOK	Ref002403163	02/09/10	UB Refund Cst #0000046889	27.19	27.19
2022342	02/17/10	09881	NATGUN CORPORATION	08C5512	01/28/10	P2143 1296-3 RESERVOIR 2.0 MG	23,696.10	23,696.10
2022102	02/03/10	03523	NATIONAL DEFERRED COMPENSATION	Ben2402877	02/04/10	DEFERRED COMP PLAN	9,761.12	9,761.12
2022343	02/17/10	03523	NATIONAL DEFERRED COMPENSATION	Ben2403286	02/18/10	DEFERRED COMP PLAN	9,507.94	9,507.94
2022435	02/24/10	09884	NATIONAL SAFETY COMPLIANCE INC	45288	01/31/10	RANDOM DRUG TESTING	1,045.32	1,045.32
2022436	02/24/10	05494	NEXTEL OF CALIFORNIA INC	901500243041	02/12/10	GIS (AIR-TRAK) CELLULAR SERVICE	3,916.27	3,916.27
2022145	02/03/10	00510	OFFICE DEPOT INC	504375205001 504378170001	01/12/10 01/12/10	OFFICE SUPPLIES OFFICE SUPPLIES	121.35 3.46	124.81
2022265	02/10/10	00510	OFFICE DEPOT INC	505761153001 505079990001 505548935001	01/21/10 01/15/10 01/20/10	DISHWASHING SOAP OFFICE SUPPLIES WIRE TAGS	139.37 60.49 38.43	238.29
2022344	02/17/10	00510	OFFICE DEPOT INC	505956149001 506817195001 505956877001 506475453001 506819985001	01/22/10 01/28/10 01/22/10 01/26/10 01/28/10	OFFICE SUPPLIES OFFICE SUPPLIES OFFICE SUPPLIES OFFICE SUPPLIES OFFICE SUPPLIES	168.46 119.59 35.69 7.61 2.78	334.13
2022437	02/24/10	00510	OFFICE DEPOT INC	507501488001 507454988001	02/02/10 02/02/10	CALCULATORS OFFICE SUPPLIES	185.42 25.99	211.41
2022146	02/03/10	00496	ONESOURCE DISTRIBUTORS LLC	S3234455001	01/13/10	WIRE MARKERS	116.18	116.18
2022266	02/10/10	00496	ONESOURCE DISTRIBUTORS LLC	S3244571001	01/20/10	CH HEATERS	67.61	67.61
2022345	02/17/10	00496	ONESOURCE DISTRIBUTORS LLC	S3244571002	01/25/10	CH HEATERS	67.14	67.14
2022147	02/03/10	10508	ORANGE COUNTY WATER ASSN INC	001852	01/25/10	MEMBERSHIP RENEWAL	50.00	50.00
2022267	02/10/10	11468	OTAY INVESTORS LLC	001890 001891	02/08/10 02/08/10	W/O REFUND D0097-XX9471 W/O REFUND D0097-000001	53,013.66 774.02	53,787.68
2022268	02/10/10	02334	OTAY LANDFILL	009057	01/31/10	WASTE DISPOSAL SERVICES	692.40	692.40
2022269	02/10/10	10038	OTAY MESA PROPERTY LP	001892	02/08/10	W/O REFUND D0098-XX6454	53.51	53.51
2022103	02/03/10	03101	OTAY WATER DISTRICT	Ben2402879	02/04/10	PAYROLL DEDUCTION - ASSN DUES	770.00	770.00
2022346	02/17/10	03101	OTAY WATER DISTRICT	Ben2403288	02/18/10	PAYROLL DEDUCTION - ASSN DUES	763.00	763.00

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2022347	02/17/10	01002	PACIFIC PIPELINE SUPPLY	135696	01/26/10	INVENTORY	22,620.00	22,620.00
2022270	02/10/10	03017	PACIFIC SAFETY COUNCIL	66816 66833	01/05/10 01/14/10	SAFETY TRAINING SAFETY TRAINING	50.00 45.00	95.00
2022148	02/03/10	09984	PADRE DAM'S SANTEE LAKES	201002486	01/21/10	PICNIC RESERVATION	595.00	595.00
2022195	02/10/10	11479	PATRICIO RODRIGUEZ	Ref002403168	02/09/10	UB Refund Cst #0000088024	174.59	174.59
2022271	02/10/10	11472	PAUL HANSEN EQUIPMENT	001900	02/08/10	W/O REFUND D0744-090065	383.72	383.72
2022438	02/24/10	05497	PAYPAL INC	6476133	01/31/10	ON-LINE PAYMENT SERVICES	578.10	578.10
2022149	02/03/10	03308	PBS&J	1066887	01/12/10	PROFESSIONAL CONSULTING SERVICES	3,565.00	3,565.00
2022272	02/10/10	03308	PBS&J	1067432	01/15/10	PROFESSIONAL SERVICES	1,722.00	1,722.00
2022439	02/24/10	03649	PECK S HEAVY FRICTION INC	75730	02/03/10	REPAIR PART	230.35	230.35
2022273	02/10/10	08398	PEERLESS MATERIALS COMPANY	8745	01/20/10	WIPING RAGS	250.13	250.13
2022196	02/10/10	11486	PEGGY TOMASELLO	Ref002403176	02/09/10	UB Refund Cst #0000146969	75.00	75.00
2022197	02/10/10	11423	PEGGY TOMASELO	Ref002403181	02/09/10	UB Refund Cst #0000154613	25.77	25.77
2022440	02/24/10	03790	PENHALL COMPANY	24075 24068	02/03/10 02/03/10	FLAT SAW CUTTING SERVICES FLAT SAW CUTTING SERVICES	505.00 225.00	730.00
2022348	02/17/10	10514	PENSA, RHIANNA	001907	02/10/10	TUITION REIMBURSEMENT	325.00	325.00
2022104	02/03/10	00137	PETTY CASH CUSTODIAN	001855	02/02/10	PETTY CASH REIMBURSEMENT	1,224.48	1,224.48
2022349	02/17/10	00137	PETTY CASH CUSTODIAN	001918	02/17/10	PETTY CASH REIMBURSEMENT	315.04	315.04
2022274	02/10/10	11471	PICK YOUR PART AUTO RECYCLING	001899	02/08/10	W/O REFUND D0739-090063	193.09	193.09
2022150	02/03/10	03253	PIPEHORN UTILITY TOOL CO INC	IN61	01/14/10	CABLES	40.00	40.00
2022275	02/10/10	03253	PIPEHORN UTILITY TOOL CO INC	IN56	01/13/10	CABLES	40.00	40.00
2022441	02/24/10	00053	PITNEY BOWES INC	339271	02/07/10	PRINTER SERVICE	343.00	343.00
2022442	02/24/10	10662	PROFESSIONAL MAINTENANCE	74160	02/01/10	JANITORIAL SERVICES	2,675.00	2,675.00
2022151	02/03/10	06641	PRUDENTIAL OVERALL SUPPLY	30070731 30070730 30070732 30070369	01/14/10 01/14/10 01/14/10 01/13/10	ADMIN/OPS UNIFORMS ADMIN/OPS MATS, TOWELS AND SUPPLIES ADMIN/OPS MATS, TOWELS AND SUPPLIES ADMIN/OPS MATS, TOWELS AND SUPPLIES	322.55 154.74 112.93 94.96	

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				30065298	12/23/09	ADMIN/OPS MATS, TOWELS AND SUPPLIES	94.96	
				30070733	01/14/10	ADMIN/OPS UNIFORMS	57.78	
				30070368	01/13/10	ADMIN/OPS UNIFORMS	52.49	
				30065297	12/23/09	ADMIN/OPS UNIFORMS	52.49	942.90
2022276	02/10/10	06641	PRUDENTIAL OVERALL SUPPLY	30072351	01/21/10	ADMIN/OPS UNIFORMS	326.55	
				30072350	01/21/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	154.74	
				30072352	01/21/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	112.93	
				30072353	01/21/10	ADMIN/OPS UNIFORMS	65.20	659.42
2022350	02/17/10	06641	PRUDENTIAL OVERALL SUPPLY	30074005	01/28/10	ADMIN/OPS UNIFORMS	332.03	
				30074004	01/28/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	154.74	
				30074006	01/28/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	124.16	
				30073640	01/27/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	94.96	
				30074007	01/28/10	ADMIN/OPS UNIFORMS	57.78	
				30073639	01/27/10	ADMIN/OPS UNIFORMS	47.13	810.80
2022443	02/24/10	06641	PRUDENTIAL OVERALL SUPPLY	30075641	02/04/10	ADMIN/OPS UNIFORMS	334.88	
				30075640	02/04/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	158.16	
				30075642	02/04/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	123.43	
				30075294	02/03/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	99.89	
				30072007	01/20/10	ADMIN/OPS MATS, TOWELS AND SUPPLIES	94.96	
				30075643	02/04/10	ADMIN/OPS UNIFORMS	63.71	
				30072006	01/20/10	ADMIN/OPS UNIFORMS	56.49	
				30075293	02/03/10	ADMIN/OPS UNIFORMS	49.10	980.62
2022277	02/10/10	00078	PUBLIC EMPLOYEES RETIREMENT	Ben2402873	02/04/10	PERS CONTRIBUTION	131,956.22	131,956.22
2022444	02/24/10	00078	PUBLIC EMPLOYEES RETIREMENT	Ben2403282	02/18/10	PERS CONTRIBUTION	131,062.11	131,062.11
2022152	02/03/10	09804	PUBLICIA PRESS LTD	201010023	01/11/10	BUSINESS CARDS	38.06	38.06
2022153	02/03/10	02041	RBF CONSULTING	9120020	01/08/10	CIP P2009 - 36 INCH PIPELINE	72,215.00	72,215.00
2022445	02/24/10	02041	RBF CONSULTING	10010007	02/01/10	CIP P2009 - 36 INCH PIPELINE	60,530.00	60,530.00
2022446	02/24/10	04552	REA & PARKER RESEARCH	001872	02/02/10	CUSTOMER SURVEYS	7,250.00	7,250.00
2022198	02/10/10	11489	REAL HOME SERVICES & SOLUTIONS	Ref002403179	02/09/10	UB Refund Cst #0000153942	6.16	6.16
2022154	02/03/10	01890	RECON	40092	01/08/10	P1253 - PREPARATION OF THE SUBAREA PLAN	656.12	656.12
2022447	02/24/10	06645	RELIABLE ELEVATOR INC	20396	02/01/10	ELEVATOR SERVICE & MAINTENANCE	430.00	430.00
2022448	02/24/10	00164	REXEL	800899193	02/03/10	ELECTRICAL SUPPLIES	64.81	
				800897483	02/02/10	ELECTRICAL SUPPLIES	42.47	107.28
2022199	02/10/10	11497	ROLLING HILLS RANCH LLC	Ref002403190	02/09/10	UB Refund Cst #0000157775	836.08	836.08

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2022155	02/03/10	02142	RUPE'S HYDRAULICS	P118818	01/14/10	REBUILD CYLINDER	2,198.43	2,198.43
2022156	02/03/10	00217	RW LITTLE CO INC	95483	01/12/10	METER SPOOL	300.00	300.00
2022157	02/03/10	05130	SAFARI MICRO INC	182385	01/08/10	HEADSET	235.99	235.99
2022278	02/10/10	05130	SAFARI MICRO INC	182792	01/21/10	HEADSET	471.98	471.98
2022449	02/24/10	05130	SAFARI MICRO INC	183064	01/29/10	BACKUP TAPES	2,827.50	
				183273	01/30/10	WIRELESS Mouses	174.00	
				183272	01/30/10	HP PRINTER ADAPTER	50.03	3,051.53
2022351	02/17/10	02683	SAFECHECKS INC	0512487	01/08/10	CHECK STOCK	815.42	815.42
2022450	02/24/10	03687	SAFETY-KLEEN SYSTEMS INC	0040629911	01/27/10	TANK SERVICE	171.42	171.42
2022158	02/03/10	10930	SAGE DESIGNS INC	09125493	01/14/10	FIRETIDE RADIOS	32.63	32.63
2022279	02/10/10	10930	SAGE DESIGNS INC	1001013	01/20/10	850-4 RADIOS	16,331.14	
				1001029	01/20/10	WIRELESS RADIO	4,969.01	
				10010012	01/14/10	RADIO ANTENNA	3,095.97	
				10010011	01/08/10	RADIO ANTENNA	1,085.73	25,481.85
2022352	02/17/10	06286	SAN DIEGO ASSOCIATION OF	AR163283	01/26/10	DEMOGRAPHICS ESTIMATES	100.00	100.00
2022280	02/10/10	02586	SAN DIEGO COUNTY ASSESSOR	2009197	02/09/10	COUNTY ASSESSOR DATA	125.00	125.00
2022281	02/10/10	02680	SAN DIEGO COUNTY TREASURER	6480102701	02/04/10	PROPERTY TAX	96.36	96.36
2022451	02/24/10	04661	SAN DIEGO COUNTY WATER	001924	02/11/10	MEMBERSHIP RENEWAL	30.00	30.00
2022159	02/03/10	00121	SAN DIEGO GAS & ELECTRIC	001850	01/26/10	UTILITY EXPENSES	28,308.22	
				001845	01/28/10	UTILITY EXPENSES	26,133.84	
				001849	01/25/10	UTILITY EXPENSES	542.73	54,984.79
2022282	02/10/10	00121	SAN DIEGO GAS & ELECTRIC	001870	02/04/10	UTILITY EXPENSES	47,000.96	
				001871	01/27/10	UTILITY EXPENSES	34,317.19	81,318.15
2022452	02/24/10	00121	SAN DIEGO GAS & ELECTRIC	001936	02/18/10	UTILITY EXPENSES	8,286.41	8,286.41
2022283	02/10/10	05335	SANTA ANA RIVER BASIN SECTION	001867	02/03/10	REGISTRATION FEE	25.00	25.00
2022284	02/10/10	11470	SANYIKA LLC	001898	02/08/10	W/O REFUND D0716-090046	47.95	47.95
2022453	02/24/10	07442	SCHULTZ, ALEXANDER	001926	02/19/10	TRAVEL REIMBURSEMENT	337.02	337.02
2022285	02/10/10	07783	SCRIPPS CENTER FOR EXECUTIVE	18855	01/15/10	EXECUTIVE PHYSICAL	3,456.06	3,456.06

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2022200	02/10/10	11492	SD REO	Ref002403184	02/09/10	UB Refund Cst #0000155322	6.37	6.37
2022353	02/17/10	05983	SIEMENS WATER TECHNOLOGIES	7828779 2983423	01/22/10 01/28/10	BIOXIDE FOR TREATMENT PLANT COLUMN EXCHANGES	1,060.31 199.08	1,259.39
2022286	02/10/10	00258	SLOAN ELECTRIC COMPANY	0056829	12/21/09	PUMP REPAIR	800.00	800.00
2022354	02/17/10	03592	SOFTCHOICE CORPORATION	2261048	01/25/10	NETWORK SECURITY	5,360.00	5,360.00
2022201	02/10/10	11500	SOUTHBAY YMCA	Ref002403193	02/09/10	UB Refund Cst #0000158800	563.57	563.57
2022287	02/10/10	03103	SOUTHCOAST HEATING &	C42362	01/14/10	AIR CONDITIONING MAINTENANCE	1,013.00	1,013.00
2022160	02/03/10	06853	SOUTHERN CALIFORNIA SOIL	353140	12/31/09	ON CALL GEOTECHNICAL SERVICES	3,443.07	3,443.07
2022288	02/10/10	06853	SOUTHERN CALIFORNIA SOIL	353286	01/15/10	ON CALL GEOTECHNICAL SERVICES	581.46	581.46
2022355	02/17/10	06853	SOUTHERN CALIFORNIA SOIL	353291	01/15/10	GEOTECHNICAL SERIVCES	11,125.72	11,125.72
2022161	02/03/10	04404	SOUTHERN CALIFORNIA WATER	001851	01/21/10	MEMBERSHIP DUES	25.00	25.00
2022289	02/10/10	03760	SPANKY'S PORTABLE SERVICES INC	833223 833291 833221 833222	01/15/10 01/18/10 01/15/10 01/15/10	PORTABLE TOILET RENTAL PORTABLE TOILET RENTAL PORTABLE TOILET RENTAL PORTABLE TOILET RENTAL	80.06 80.06 80.06 80.06	320.24
2022356	02/17/10	03760	SPANKY'S PORTABLE SERVICES INC	834052	01/27/10	PORTABLE TOILET RENTAL	80.06	80.06
2022357	02/17/10	03516	SPECIAL DISTRICT RISK	31700	01/28/10	LIABILITY INSURANCE	609.51	609.51
2022454	02/24/10	03516	SPECIAL DISTRICT RISK	GC4005	02/24/10	INSURANCE DEDUCTIBLE	500.00	500.00
2022358	02/17/10	10343	SPECIALTY DOORS AND AUTOMATION	33887SD	01/27/10	REPLACEMENT DOOR	1,087.50	1,087.50
2022290	02/10/10	02354	STANDARD ELECTRONICS	13465 13464 13466	01/13/10 01/13/10 01/13/10	SECURITY SERVICE & REPAIRS SECURITY SERVICE & REPAIRS SECURITY SERVICE & REPAIRS	639.06 392.94 127.50	1,159.50
2022291	02/10/10	05968	STAPLES BUSINESS ADVANTAGE	3130630977 3130630976	01/16/10 01/16/10	TONER CARTRIDGES TONER CARTRIDGE	218.87 96.70	315.57
2022105	02/03/10	06299	STATE DISBURSEMENT UNIT	Ben2402883	02/04/10	PAYROLL DEDUCTION	237.69	237.69
2022106	02/03/10	06303	STATE DISBURSEMENT UNIT	Ben2402887	02/04/10	PAYROLL DEDUCTION	836.30	836.30
2022107	02/03/10	08533	STATE DISBURSEMENT UNIT	Ben2402885	02/04/10	PAYROLL DEDUCTION	841.01	841.01

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2022359	02/17/10	06299	STATE DISBURSEMENT UNIT	Ben2403292	02/18/10	PAYROLL DEDUCTION	237.69	237.69
2022360	02/17/10	06303	STATE DISBURSEMENT UNIT	Ben2403296	02/18/10	PAYROLL DEDUCTION	836.30	836.30
2022361	02/17/10	08533	STATE DISBURSEMENT UNIT	Ben2403294	02/18/10	PAYROLL DEDUCTION	841.01	841.01
2022108	02/03/10	02261	STATE STREET BANK & TRUST CO	Ben2402875	02/04/10	DEFERRED COMP PLAN	6,061.31	6,061.31
2022362	02/17/10	02261	STATE STREET BANK & TRUST CO	Ben2403284	02/18/10	DEFERRED COMP PLAN	6,061.31	6,061.31
2022202	02/10/10	11483	STEVEN FISCHER	Ref002403172	02/09/10	UB Refund Cst #0000143667	30.06	30.06
2022292	02/10/10	06841	SUPERIOR ENVIRONMENTAL	1001034	01/20/10	DATA CENTER CLEANING SERVICES	725.00	725.00
2022293	02/10/10	10339	SUPREME OIL COMPANY	345556	01/15/10	DIESEL FUEL	9,770.08	19,118.00
				345555	01/15/10	UNLEADED FUEL	9,347.92	
2022203	02/10/10	11476	SUSAN DAY	Ref002403165	02/09/10	UB Refund Cst #0000061584	44.79	44.79
2022162	02/03/10	00408	SWEETWATER AUTHORITY	0516E4	01/14/10	OTAY RIVER GROUNDWATER DESALINATION	146,843.50	146,843.50
2022163	02/03/10	02799	TARULLI TIRE INC - SAN DIEGO	20042112	01/11/10	TIRE SERVICE	228.81	435.59
				20042114	01/11/10	TIRE SERVICE	142.31	
				20042113	01/11/10	TIRE SERVICE	21.49	
				20042151	01/13/10	TIRE SERVICE	21.49	
				20042152	01/13/10	TIRE SERVICE	21.49	
2022455	02/24/10	02799	TARULLI TIRE INC - SAN DIEGO	20042415	01/29/10	TIRE SERVICE	467.59	859.69
				20042351	01/27/10	TIRE SERVICE	210.09	
				20042414	01/29/10	TIRE SERVICE	182.01	
2022174	02/04/10	03374	TEK-COLLECT INC	110385	12/31/09	COLLECTION SERVICES	15,000.00	15,000.00
2022363	02/17/10	03374	TEK-COLLECT INC	113013	01/27/10	SOFTWARE MAINTENANCE	75.00	75.00
2022164	02/03/10	11464	THOMAS W LUBIC	050032812REF	02/02/10	CUSTOMER REFUND	4,213.44	4,213.44
2022204	02/10/10	11484	TIM WATSON	Ref002403174	02/09/10	UB Refund Cst #0000144698	20.25	20.25
2022294	02/10/10	11289	TLC STAFFING	IVC050000040784	01/29/10	CWA INTERN	270.00	270.00
2022456	02/24/10	11289	TLC STAFFING	IVC050000040960	02/12/10	CWA INTERN	270.00	270.00
2022457	02/24/10	04977	T-MOBILE	4150860450210	02/01/10	CELL PHONE SERVICES	384.42	384.42
2022165	02/03/10	08159	TORRES, LEONEL G	001858	01/29/10	TRAVEL EXPENSE	496.40	496.40
2022364	02/17/10	03074	TRAFFIC CONTROL SERVICE INC	957591	01/27/10	TRAFFIC CONES	220.38	220.38

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2022458	02/24/10	00427	UNDERGROUND SERVICE ALERT OF	120100447	02/01/10	UNDERGROUND TRENCH SERVICE ALERTS	202.50	202.50
2022166	02/03/10	00075	UNION TRIBUNE PUBLISHING CO	0010339638	01/14/10	NOTICE OF INTENT AD	675.75	675.75
2022365	02/17/10	00075	UNION TRIBUNE PUBLISHING CO	0010343932	01/27/10	AVAILABILITY NOTICE	358.40	358.40
2022167	02/03/10	08262	UNITED RENTALS NORTHWEST INC	85596347001	01/12/10	CONCRETE	182.87	
				85633830001	01/14/10	CONCRETE	179.44	
				85567468001	01/11/10	CONCRETE	140.29	502.60
2022366	02/17/10	08262	UNITED RENTALS NORTHWEST INC	85781603001	01/25/10	CONCRETE	179.44	179.44
2022459	02/24/10	08262	UNITED RENTALS NORTHWEST INC	85925953001	02/03/10	CONCRETE	231.10	
				81594519001	12/21/09	CONCRETE	119.63	350.73
2022109	02/03/10	05417	UNITED STATES DEPARTMENT	Ben2402889	02/04/10	PAYROLL DEDUCTION	100.00	100.00
2022367	02/17/10	05417	UNITED STATES DEPARTMENT	Ben2403298	02/18/10	PAYROLL DEDUCTION	100.00	100.00
2022168	02/03/10	00350	UNITED STATES POSTAL SERVICE	104339510110	01/22/10	REIMBURSE POSTAGE MACHINE	2,100.00	2,100.00
2022460	02/24/10	00350	UNITED STATES POSTAL SERVICE	104339510210	02/18/10	REIMBURSE POSTAGE MACHINE	2,100.00	2,100.00
2022368	02/17/10	07662	UNITEDHEALTHCARE SPECIALTY	100480000028	02/17/10	BASIC LIFE/AD&D & SUPP LIFE INS	5,856.55	5,856.55
2022369	02/17/10	03212	UNUM LIFE INSURANCE	Ben2403278	02/18/10	LONG TERM DISABILITY	5,661.16	5,661.16
2022169	02/03/10	07674	US BANK CORPORATE PAYMENT	001859	11/23/09	DISTRICT EXPENSES	84.28	
				001860	01/22/10	DISTRICT EXPENSES	30.00	114.28
2022295	02/10/10	07674	US BANK CORPORATE PAYMENT	001866	12/22/09	DISTRICT EXPENSES	3,724.56	
				001905	01/22/10	DISTRICT EXPENSES	2,597.32	
				001904	01/22/10	DISTRICT EXPENSES	432.36	
				001865	01/22/10	DISTRICT EXPENSES	195.09	6,949.33
2022370	02/17/10	07674	US BANK CORPORATE PAYMENT	001919	01/22/10	DISTRICT EXPENSES	6,476.95	6,476.95
2022461	02/24/10	07674	US BANK CORPORATE PAYMENT	001925	01/22/10	DISTRICT EXPENSES	1,024.30	1,024.30
2022462	02/24/10	06829	US SECURITY ASSOCIATES INC	771966	01/31/10	AFTER HOURS SECURITY SVCS	197.80	197.80
2022371	02/17/10	02674	USA BLUE BOOK	977095	01/25/10	TRANSDUCERS	1,076.80	1,076.80
2022463	02/24/10	08028	VALLEY CONSTRUCTION MANAGEMEN	SD080216	01/31/10	AS-NEEDED CONSTRUCTION MGMT SVCS	8,390.00	8,390.00
2022205	02/10/10	11485	VANESSA RHODES	Ref002403175	02/09/10	UB Refund Cst #0000144701	154.63	154.63

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2022110	02/03/10	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2402881	02/04/10	DEFERRED COMP PLAN	6,470.12	6,470.12
2022111	02/03/10	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2402871	02/04/10	401A PLAN	13,399.78	13,399.78
2022372	02/17/10	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2403290	02/18/10	DEFERRED COMP PLAN	6,470.12	6,470.12
2022373	02/17/10	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2403280	02/18/10	401A PLAN	11,261.34	11,261.34
2022464	02/24/10	03329	VERIZON WIRELESS	0836537890	01/21/10	AIR-CARD SERVICES	10,933.74	10,933.74
2022465	02/24/10	01994	VORTEX	16843	01/25/10	FILTER DISPOSAL	50.00	50.00
2022170	02/03/10	10340	WAGeworks INC	81297	01/01/10	FLEXIBLE SPENDING	638.00	638.00
2022466	02/24/10	10340	WAGeworks INC	82194	02/01/10	FLEXIBLE SPENDING	633.75	633.75
2022467	02/24/10	00190	WEST PAYMENT CENTER	819652046	12/04/09	SUBSCRIPTION FEE	129.42	129.42
2022171	02/03/10	03131	WESTERN HOSE & GASKET	212778	01/14/10	HOSE	175.60	175.60
2022296	02/10/10	00125	WESTERN PUMP INC	0083874IN	01/15/10	APCD TESTING	400.00	400.00
2022297	02/10/10	03692	WESTIN ENGINEERING INC	34574	12/01/09	CIP P1210 - ASSET MANAGEMENT PLAN	9,772.29	9,772.29
2022468	02/24/10	03692	WESTIN ENGINEERING INC	34992	02/02/10	CIP P1210 - ASSET MANAGEMENT PLAN	28,049.06	28,049.06
2022172	02/03/10	04574	WRA & ASSOCIATES INC	1	01/14/10	RISK ANALYSIS	2,581.25	2,581.25
2022206	02/10/10	11406	YVONNE WAYMIRE	Ref002403173	02/09/10	UB Refund Cst #0000144115	53.19	53.19
GRAND TOTAL							1,941,346.33	1,941,346.33