

OTAY WATER DISTRICT

BOARD OF DIRECTORS MEETING  
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD  
SPRING VALLEY, CALIFORNIA

**WEDNESDAY**  
**August 1, 2012**  
**3:30 P.M.**

**AGENDA**

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. APPROVE THE MINUTES OF THE REGULAR BOARD MEETINGS OF JULY 11, 2012
5. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

**CONSENT CALENDAR**

6. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:
  - a) ADOPT ORDINANCE NO. 534 AMENDING THE DISTRICT'S CODE OF ORDINANCES SECTION 28, CONNECTION FEES AND CHARGES FOR POTABLE OR RECLAIMED WATER SERVICE; APPENDIX A, SCHEDULE OF FEES AND CHARGES, SECTION 28.02; AND SECTION 27, REQUIREMENTS AND LIMITATIONS FOR OBTAINING WATER SERVICE, EFFECTIVE SEPTEMBER 1, 2012
  - b) APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH NEWest CONSTRUCTION, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT, IN AN AMOUNT NOT-TO-EXCEED \$87

- c) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO RDO EQUIPMENT COMPANY, INC. IN THE AMOUNT OF \$102,515.50 FOR THE PURCHASE OF ONE (1) JOHN DEERE BACKHOE
- d) ADOPT RESOLUTION NO. 4201 OF THE DISTRICT'S CODE OF ORDINANCE AMENDING POLICY NO. 25, THE RESERVE POLICY, WHICH INCLUDES UPDATED GLOSSARY DEFINITIONS
- e) RECEIVE THE DISTRICT'S INVESTMENT POLICY (POLICY NO. 27) FOR REVIEW AND TO RE-DELEGATE AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607

#### ACTION ITEMS

##### 7. BOARD

- a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

#### REPORTS

##### 8. GENERAL MANAGER'S REPORT

- a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

##### 9. DIRECTORS' REPORTS/REQUESTS

##### 10. PRESIDENT'S REPORT/REQUESTS

##### 11. ADJOURNMENT



**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
July 11, 2012**

1. The meeting was called to order by President Lopez at 3:32 p.m.

2. ROLL CALL

Directors Present: Gonzalez, Lopez and Robak

Directors Absent: Croucher (due to a work commitment) and Thompson (out-of-town on pre-scheduled vacation)

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, General Counsel Daniel Shinoff, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Information Technology Geoff Stevens, Chief of Administration Rom Sarno, Chief of Water Operations Pedro Porras and District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETINGS OF MAY 2 AND JUNE 6, 2012, AND SPECIAL BOARD MEETING OF MAY 15, 2012

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

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

to approve the minutes of the regular board meetings of May 2 and June 6, 2012 and special board meeting of May 15, 2012.

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

No one wished to be heard.

General Manager Watton introduced new employees to the District, Mr. Daniel Martin, Engineering Manager, who joins the District from SANDAG and Mr. Jose Martinez, Utilities Services Manager, who comes to the District from SAIC and the U.S. Navy.

CONSENT ITEMS

7. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

Director Robak requested that item 6d be pulled for discussion.

Upon a motion by Director Robak, seconded by President Lopez and carried with the following vote:

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

to approve the following remaining consent calendar items:

- a) APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH TC CONSTRUCTION, INC. IN AN AMOUNT NOT-TO-EXCEED \$42,412.96 FOR THE LA PRESA SYSTEM IMPROVEMENTS PROJECT
- b) ADOPT RESOLUTION NO. 4200 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS FOR FISCAL YEAR 2012-2013 TO BE COLLECTED THROUGH PROPERTY TAX BILLS
- c) ADOPT RESOLUTION NO. 4202 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 FOR FISCAL YEAR 2012-2013

- e) CAST VOTES TO ELECT REPRESENTATIVES TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION BOARD OF DIRECTORS, REGION 6, SEATS A AND C

President Lopez presented Item 6d for discussion.

- d) APPROVE AGREEMENTS WITH THE FOLLOWING:
  - ABLEFORCE, INC., IN THE AMOUNT OF \$170,000 FOR PROGRAMMING SERVICES FOR FINANCIAL AND REPORTING SYSTEMS ENHANCEMENTS
  - ONE YEAR O&M SERVICE AGREEMENTS FOR FY 2013 WITH:
    - i. GTC SYSTEMS, INC., IN THE AMOUNT OF \$78,000 FOR NETWORK MANAGEMENT AND MONITORING SERVICES
    - ii. AT&T IN THE AMOUNT OF \$99,000 FOR LOCAL AND LONG DISTANCE TELEPHONE AND INTERNET SERVICE
    - iii. VERIZON WIRELESS IN THE AMOUNT OF \$81,000 FOR CELL PHONE DEVICE CONVERSION AND WIRELESS SERVICES
    - iv. SOFT CHOICE IN THE AMOUNT OF \$83,546 FOR SOFTWARE LICENSES UNDER THE MICROSOFT ENTERPRISE AGREEMENT
    - v. TYLER TECHNOLOGIES IN THE AMOUNT OF \$139,710 TO COVER THE COSTS OF A SOFTWARE MAINTENANCE AGREEMENT, ANNUAL SUPPORT, AND CONSULTING SERVICES (O&M \$119,710/CIP P2470 \$20,000)

Director Robak indicated that he recalled that the District had approved internet services and inquired which company was selected and if AT&T was providing the same service. General Manager Watton indicated that the contract was with Cox Communications for two years of service. Cox Communications would provide redundancy services to back-up AT&T. The two services are separate (AT&T and Cox Communications). Because the Cox Communications contract was already approved, it was not listed in staffs' report. It was noted that AT&T also provides telephone services.

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

Ayes: Directors Gonzalez, Lopez and Robak  
Noes: None

Abstain: None  
Absent: Directors Croucher and Thompson

to approve staffs' recommendation.

## ACTION ITEMS

### 8. BOARD

#### a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

District Secretary Cruz indicated that dates for a joint agency board meeting with Helix WD, Padre Dam MWD and Sweetwater Authority are currently being considered in October. She also noted that the District's Special Board Meeting for a Board Workshop has been scheduled on Tuesday, September 11, 2012.

President Lopez indicated that if members of the board have any items they wished discussed at the joint agency board meeting, to please share them with him.

## INFORMATIONAL ITEMS

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

#### a) REPORT ON THE FINDINGS OF THE 2012 CUSTOMER AWARENESS AND OPINION SURVEY

Communications Officer Armando Buelna indicated that an objective within the District's Strategic Business Plan is the conducting of customer opinion surveys so the District may gain a better understanding of customer attitudes, awareness and opinions, specifically, as they are related to the District's programs and services. He stated the ultimate goal of the surveys is to improve customer service. In March 2012 the board was presented the draft questionnaires for the General Customer Satisfaction and Opinion and the Call Center Surveys. At that meeting, the board directed staff to reduce the margin of error for the General Customer Satisfaction and Opinion Survey from +/- 5.7% to +/-4.5%. He noted, in order to reduce the margin of error to +/-4.5%, the number of respondents to the General Customer Satisfaction and Opinion Survey was increased from 300 (number of respondents to the 2011 survey) to 480 in this year's survey.

He stated that the Call Center Survey differs from the General Customer Satisfaction and Opinion Survey in that respondents were from a list of customers who have had contact with the District's call center within the past six (6) months. The margin of error for this survey is +/-5.4%. He indicated that the General Customer Satisfaction and Opinion Survey was conducted from March 14 to 23 and the Call Center Survey was conducted from late March through early April by Rea &

Parker Research. He stated that Drs. Rea and Parker would present the findings of both surveys.

Dr. Parker presented the findings of the General Customer Satisfaction and Opinion Survey and indicated that his presentation will include graphs and charts which represent the statistics from the surveys. He stated the basic finding of the survey is that there is, and always has been, a high level of satisfaction with the Otay WD and it is even better in 2012. He stated that 92% of the respondents are very confident or somewhat confident that there will be enough water and this has been holding steady for many years now. Dr. Parker reviewed the findings in detail (reference attached copies of presentation and Attachment A to staffs' reports which provides notes from the District's Finance, Administration and Communications Committee's discussion regarding the findings of the survey).

Director Gonzalez inquired if the District could develop a mobile application for customers to pay their water bill. Communications Officer Buelna indicated that staff is working with the District's billing vendor, InfoSend, to try and develop an 'App.' It is possible, however, it is still new technology. InfoSend is looking into developing the 'App'.

b) REPORT ON THE FINDINGS OF THE 2012 CUSTOMER AWARENESS AND OPINION SURVEY

Dr. Louis Rea presented the findings of the Call Center Customer Satisfaction Survey. He noted the differences in the characteristics of the respondents to the call center survey versus the general customer survey. He indicated the respondents were more Hispanic, had a lower median income and were a little younger in age than the respondents to the General Customer Survey. He stated that the percentage of customers who place a call to the Call Center is declining and the main purpose customers contact the call center is for billing issues as opposed to repair issues as was the main reason in the last survey. He noted that the average number of calls customers must make to achieve a resolution to their issue has been declining since 2006. Dr. Rea reviewed the findings in detail (reference attached copies of presentation and Attachment A to staffs' reports which provides notes from the District's Finance, Administration and Communications Committee's discussion regarding the findings of the survey).

Director Robak inquired how the respondents' characteristics compare to the District's service area demographics. Dr. Parker indicated that, in theory, the random selection of respondents should represent the demographics of the District's service area. He noted that, however, there is likely differences as respondents are screened, in that, they must be a customer of the District for at least one (1) year, must have a telephone number in the system so they may be contacted by phone, must be at least 18 years of age and the survey excludes renters who do not receive a water bill from the District directly (they are billed through their HOA's).

Director Robak also inquired about respondents' opinion/confidence in automated meters. Dr. Parker indicated that the survey did not include questions concerning customers opinions regarding automated meters. General Manager Watton noted that there were a couple of customers who opposed the automated meters as they felt the radio frequency associated with reading the meter impacted their health. It was discussed that over 99% of the District's customers have been converted to the automated read meters. There is approximately 200 meters of 49,000 that still need to be replaced.

General Counsel Dan Shinoff left at 4:41 p.m. and the District's Attorney, Richard Romero, sat in for Mr. Shinoff.

President Lopez indicated that continuing the customer surveys are very important to the District and he commended Drs. Rea and Parker for their good work on the surveys.

c) INFORMATIONAL FOLLOW-UP REPORT TO FISCAL YEAR 2013  
BUDGET WORKSHOP

Chief Financial Officer Beachem indicated that this item is being presented as a follow-up to the board's request for additional information at the Board Budget Workshop held on May 15, 2012. He presented information responding to the board's requests (reference Attachment A to staffs' report which provides notes from the District's Finance, Administration and Communications Committee's discussion regarding this item).

Directors Robak and Gonzalez thanked staff for providing the additional information. Director Gonzalez indicated that the information shows that the District is working to benefit its constituents and is trying to find ways to improve services.

President Lopez commended staff and thanked them for following up on the board's requests.

## REPORTS

### 10. GENERAL MANAGER'S REPORT

#### SAN DIEGO COUNTY WATER AUTHORITY (CWA) UPDATE

General Manager Watton indicated with regard to the Poseiden Desalination Project that it is projected that an acre foot of water will cost approximately \$2,300+. CWA is currently reviewing the project and Otay staff has been asked to provide feedback on CWA's assumptions concerning the project. He indicated that staff would be providing an update on the Poseiden project for the board in the next meeting or two. He noted that CWA's rate increase has been published at 7%, but it likely will be 10% to 11%. He also shared that CWA discussions have included the lawsuit with Metropolitan Water District (MWD) and the IID matters. CWA has continued to

prevail in court on procedural issues with MWD. MWD is still trying to attribute the IID transfer for some of the water cost. He indicated that, however, the IID water transfer has nothing to do with CWA's lawsuit. CWA's lawsuit is with regard to how MWD's rates are structured. MWD's rate structure is not configured properly Under Propositions 26 and 218. He indicated that if members of the board hear comments about the lawsuits or have questions, to please feel free to call either Director Croucher or himself.

General Manager Watton also highlighted information from his report that included an update on the District's sewer treatment plant, Water-Smart Plants Program, the employee recognition luncheon, that District forms are being made available on-line, that Chief of Information Technology Geoff Stevens and GIS Manager Ming Zhou will be presenting at the ESRI conference later this month, the transitioning of meter reading staff members to the Operations Department, and an update on water purchases and sales.

He indicated if members of the board have an interest in touring the District's newly upgraded treatment plant, to please let him know and staff will schedule a tour. He also indicated that the District received a letter from the California Department of Public Health wherein they commended the District's staff for their "continued diligence and conscientiousness placed in generating quality data from the laboratory." He stated that the District does not get such comments from the regulatory agencies very often and when they are received, he liked to share them with the board.

## 11. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that he had read an article that SANDAG had purchased a large property in Jamul for \$18 million (SANDAG paid \$10 million and Homeland Security provided \$8 million). He stated that the land is not developable and felt that the public did not receive a good investment.

Director Gonzalez indicated that he had attended a Hispanic Chamber event and a Latino Community Breakfast. He also shared that he completed the installation of a water conserving landscape at his residence which included the removal of grass from his front and back yards.

## 12. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of June 2012 (a list of meetings he attended is attached). He shared that the Water Conservation Garden will be presenting a film, "Watershed," in their amphitheatre on Saturday, July 28, at 8:15 p.m. He stated that Robert Redford is the executive producer of the film and he encouraged the board and staff to attend. He indicated that the Water Conservation Garden is also hosting other concerts and that a list is available on their website. He indicated that it is hoped that the Garden would become self-sufficient and that he was pleased with the new personnel hired by the Garden.

He also shared that he attended a couple of CSDA sponsored webinars (“What every Public Agency Should Know about Prevailing Wage” and “Proposition 218, Proposition 26 and Rate Setting”). He stated they were very informative and it was very worthwhile to take some of these seminars.

13. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:18 p.m.

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President

ATTEST:

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District Secretary

**President's Report  
July 11, 2012 Board Meeting**

**A) Meetings attended during the Month of *June* 2012:**

- 1) **June 1:** Board Agenda Briefing. Met with General Manager Watton and General Counsel Daniel Shinoff to review items that will be presented at the June Board meeting.
- 2) **June 6:** Attended the District's Regular Board Meeting
- 3) **June 7:** Attended a meeting of the Metro Commission.
  - a) Discussed various Metro Commission matters that included the consideration to approve the San Diego Recycled Water Study and the FY 2011-2012 Budget (Metro Commission agenda attached).
- 4) **June 13:** Attended the Water Conservation Garden Board Meeting.
  - a) Discussed the Garden's FY 2012-2013 Budget and the Garden Operating Agreement (Water Conservation Garden agenda attached).
- 5) **June 14:** Participated in a CSDA sponsored Webinar titled, "What every Public Agency should know about Prevailing Wage."
- 6) **June 15:** Committee Agenda Briefing. Met with General Manager Watton to review items that will be presented at the June Committee meetings.
- 7) **June 19:** Participated in a CSDA sponsored Webinar titled, "Proposition 218, Proposition 26 and Rate Setting."
- 8) **June 20:** Attended a meeting of the Engineering, Operations and Water Resources Committee.
  - a) Reviewed, discussed, and made recommendation on items that will be presented at the July board meeting.
- 9) **June 21:** Attended a meeting of the Finance, Administration and Communications Committee.
  - a) Reviewed, discussed, and made recommendation on items that will be presented at the July board meeting.
- 10) **June 29:**
  - a) **Agenda Briefing Meeting.** Attendees: Mark Watton and Jeff Morris
    - (i) Discussed items to be presented at the July 2012 board meeting.



**STAFF REPORT**

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Rita Bell, Finance Manager Bob Kennedy, Senior Civil Engineer	PROJECT:	DIV.NO. All
APPROVED BY: (Chief)	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> Rod Posada, Chief, Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Ordinance No. 534 Amending the District's Code of Ordinances Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; Appendix A, Schedule of Fees and Charges, Section 28.02; and Section 27, Requirements and Limitations for Obtaining Water Service, Effective September 1, 2012		

**GENERAL MANAGER'S RECOMMENDATION:**

That the Board adopt Ordinance No. 534 to amend the District's Code of Ordinances Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; Appendix A, Schedule of Fees and Charges, Section 28.02; and Section 27, Requirements and Limitations for Obtaining Water Service, effective September 1, 2012.

**PURPOSE:**

To present to the Board revisions to the District's Code of Ordinances Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; Appendix A, Section 28.02, Installation Charges for Water Meter and Water Service Laterals, to update the District's meter fees and installation charges due to changes in material and labor costs; and to update Section 27, Requirements and Limitations for Obtaining Water Service.

**ANALYSIS:**

**Background**

Water meter fees and installation charges have not been updated since January 2002, when the automated meter reading (AMR) program was implemented. At this time, an AMR fee of \$147 was created to cover the higher cost of the AMR meters. Currently, about 48,200 of the approximately 48,500 District customer accounts have AMR water meters. These numbers reflect meters that were either replaced over the past ten years with an AMR meter or installed as a new AMR meter. Having a separate AMR fee is no longer necessary since all new meters sold are AMR.

By the end of Fiscal Year 2013, it is anticipated that all of the District's water meters will be AMR with some exceptions, such as temporary and fire service meters.

Since January 2002, meter technology regulations such as no-lead meters and installation methods have changed, making this an appropriate time to reexamine the method and cost involved with purchasing and installing meters.

In addition, staff evaluated Section 27, "Requirements for Obtaining Water Service," and is proposing changes. It is proposed to add Section 27.02G Phased Projects. This change will provide a developer option to phase the delivery of water meters based on the project implementation to build-out. It is also proposed to revise Section 27.03 "Manufacturers Recommended Maximum Flow Rate for District Meters." This change reflects advancements in equipment implemented by the District to capture volumes through the meters at both the high and low end of the meter spectrum.

**Proposed Fees and Installation Charges**

Historic meter costs, including additional parts, were based on the technology of the day and meters were priced by size only. Since many things have changed over the years, a review and update of these meters and fees was necessary.

The proposed meter fees are based on the actual purchase costs of the meters and the ancillary parts needed to install these meters. The meters and materials are based on size and service type which is categorized as Potable Non-Irrigation, Potable/Recycled Irrigation, and Combined Fire and Domestic.

The proposed installation charges are based on the District's standard labor rates (including fringe and overhead charges) for the salaries of Meter Maintenance Workers or Utility Crew as of July 1, 2012. The weight and configuration of current meters from ¾" up to 2" require the same amount of time to install, based on the Meter Shop's most recent experience. Therefore, the proposed installation charge of \$96 will be the same for ¾" to 2" meters. Meters that are 3" to 4" require an installation fee of \$578, based on two hours of labor for two Meter Maintenance Workers. The installation for a 6" meter is \$913, based on two hours of labor for three Meter Maintenance Workers. Lastly, the 8" and 10" meter installation fee of \$1,400 is based on a Utility Crew's average cost to install these meters.

The following table shows the existing and proposed installation fees and the elimination of the AMR fees:

Meter Size	Current Installation Fees			Proposed Fee	Change
	Install Fee	AMR Fee	Total		
¾"	\$ 60.00	\$ 147.00	\$ 207.00	\$ 96.00	\$ (111.00)
1"	60.00	147.00	207.00	96.00	(111.00)
1.5"	103.00	147.00	250.00	96.00	(154.00)
2"	240.00	147.00	387.00	96.00	(291.00)
3"	300.00	147.00	447.00	578.00	131.00
4"	300.00	147.00	447.00	578.00	131.00
6"	300.00	147.00	447.00	913.00	466.00
8"	300.00	147.00	447.00	1,400.00	953.00
10"	300.00	147.00	447.00	1,400.00	953.00

All fees within the Code of Ordinances are listed in Appendix A. Proposed meter fees and installation charges are listed in Exhibit IV of the Attachments, which reflects the pending changes to Appendix A. Additionally, similar to Capacity and Annexation Fees, the recommendation is to increase meter fees on a quarterly basis, using the *Engineering News Record (ENR) Construction Cost Index* for the Los Angeles Region, to ensure fees keep up with current costs. The benefit of increasing the fees on a quarterly basis, tied to this index, is that they will maintain a more up-to-date full cost recovery in the interim periods between another fee review, which should be conducted at least every five years to keep up with changes in meter and installation costs and technologies.

**FISCAL IMPACT:**  Joseph R. Beachem, Chief Financial Officer

Based on projected potable and recycled water meter sales, the fiscal impact for Fiscal Year 2013 is an increase in meter fee revenues of approximately \$16,700.

There is no fiscal impact for Section 27.

**STRATEGIC GOAL:**

To ensure that the costs of service are kept current, this revenue source will help the District meet its fiscal responsibility to its ratepayers.

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

None.

Attachments:

- A) Committee Action Form
- B) Ordinance No. 534
  - Exhibit I Strike-through Section 28
  - Exhibit II Proposed Section 28
  - Exhibit III Strike-through Appendix A
  - Exhibit IV Proposed Appendix A
  - Exhibit V Strike-through Section 27
  - Exhibit VI Proposed Section 27

## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Adopt Ordinance No. 534 Amending the District's Code of Ordinances Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; Appendix A, Schedule of Fees and Charges, Section 28.02; and Section 27, Requirements and Limitations for Obtaining Water Service, Effective September 1, 2012
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### COMMITTEE ACTION:

The Engineering, Operations, and Water Resources and the Finance, Administration and Communications Committees reviewed this item at meetings held on July 17 and 19, respectively, and the following comments were made:

- Staff requested that the Board adopt Ordinance No. 534 amending the District's Code of Ordinances Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; Appendix A, Schedule of Fees and Charges, Section 28.02; and Section 27, Requirements and Limitations for obtaining Water Services effective September 1, 2012.
- Staff is proposing to update the District's meter and installation fees. It was indicated that water meter fees and installation charges have not been updated since the implementation of the District's automated meter reading (AMR) program in January 2002. As the AMR project will be completed this fiscal year it was felt that it was a good time to update the fees.
- In discussion with meter shop staff, the cost to install meters has changed quite a bit. A few of the new meters are much lighter in weight now and require only one (1) staff person to install instead of two (2). Staff also found that meter costs have changed and felt a review and update of these fees are necessary. The historic meter costs, including additional parts, were based on the technology of the day and many things have changed. There is also a new requirement that new installed meters be lead free. The new proposed meter fees are based on the actual purchase cost of meters.
- Staff noted that all fees within the Code of Ordinances are listed in Appendix A. Proposed meter fees and installation charges are listed in Exhibit IV.

- Staff recommended that the meter fees be adjusted on a quarterly basis using the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Region, similar to capacity and annexation fees, to ensure fees keep up with current costs. In response to an inquiry by the Committee, staff indicated that the District refers to the ENR because it is reliable and tracks labor and construction costs.
- A change to Section 27, "Requirements for Obtaining Water Service," was proposed to add subsection G to section 27.02, entitled "Phased Projects," that would provide an option for developers to phase in the delivery of water meters to their projects. The Engineering Operations and Water Resources Committee suggested that staff modify the language in the new proposed subsection to delete reference to "multi-family" allowing all projects to utilize this option. It was indicated that the District received feedback from developers requesting to buy meters one at a time as they receive funds.
- Staff also recommended changes to Section 27.03 entitled "Manufactures Recommended Maximum Flow Rate for District Meters" as follows:
  - Update the recommended maximum rate of flow for meters 3-inch and larger
  - Delete compound meters as the District no longer installs these types of meters due to advancement in meter technology
- In response to a question by the committee, staff stated that the District utilizes one supplier for small meters (3/4" and 1"), Master Meter, as the District receives a very good price on the meters through its contract for the Automatic Meter Reading program. Large meters are sourced from several suppliers depending on the application.
- The committee noted that staff had updated any references to "Reclaimed" to "Recycled" in the proposed changes and inquired if the change would be reflected throughout the District's Code of Ordinances or if the change would be presented as each Section is presented with proposed updates. Staff indicated that staff would update the Code

to reflect "recycled" as each section is presented for proposed changes. Recycled has become the standard term in the industry and the District is updating the Code to reflect this.

- The Finance Administration and Communications Committee (FA&C Committee) indicated, as the Engineering Operations and Water Resource Committee (EO&WR Committee) had also reviewed this item and made recommendation, the FA&C Committee would received this item as informational and leave the recommendation of this item as proposed by the EO&WR Committee.

Following the discussion, the EO&WR Committee supported staffs' recommendation and presentation to the full board as a consent item.

ORDINANCE NO. 534

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AMENDING SECTION 28, CONNECTION FEES AND CHARGES FOR POTABLE OR RECLAIMED WATER SERVICE; APPENDIX A, SCHEDULE OF FEES AND CHARGES, SECTION 28.02; AND SECTION 27, REQUIREMENTS AND LIMITATIONS FOR OBTAINING WATER SERVICE

BE IT ORDAINED by the Board of Directors of Otay Water District that the District's Code of Ordinances, Section 28, Connection Fees and Charges for Potable or Reclaimed Water Service; and Appendix A, Section 28.02, Installation Charges for Water Meter and Water Service Laterals; and Section 27, Requirements and Limitations for Obtaining Water Service (per Exhibits II, IV and VI) be replaced.

NOW, THEREFORE, BE IT RESOLVED that the new proposed Section 28, Connection Fees and Charges for Potable or Recycled Water Service; Appendix A, Section 28.02, Installation Charges for Water Meter and Water Service Laterals; and Section 27, Requirements and Limitations for Obtaining Water Service of the Code of Ordinances shall become effective September 1, 2012.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 1st day of August 2012, by the following roll call vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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President

ATTEST:

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District Secretary

SECTION 28

CONNECTION FEES AND CHARGES FOR POTABLE OR ~~RECLAIMED~~  
~~RECYCLED~~ WATER SERVICE

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28.01 COLLECTION OF FEES AND CHARGES

A. Fees and Charges to be paid by the Customer.

The following fees and charges shall be paid by the customer to connect to a District water system for potable water or ~~reclaimed~~ ~~recycled~~ water service; these are in addition to the fees and charges in Section 9 and 25. Fees and charges shall include, but not be limited to, District fees, San Diego County Water Authority fees, applicable zone charge and charges for work performed by District personnel on behalf of the customer. These charges may include the installation by District personnel of a water service lateral, and inspections required due to the requirement of a back flow device. These charges may also include a meter fee, installation fee (where laterals exist), lateral fee, meter box fee, and excavation permit fee.

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B. Basis for Determination of Connection Fees and Charges.

The fees and charges shall be determined as follows:

For permanent water meters, including potable or recycled irrigation service, the total water connection fee shall be determined on the basis of the demand to be placed on the District water system. The extent of demand will be determined on the basis of the size of the water meter, as set forth in Section 27 of the Code. For fire service, as outlined in Section 38.03 of the Code, the size and fee would be set based on water use requirements without additional fire capacity. The water connection fee will be determined by multiplying the demand factor for the meter size, as set forth below, by the total of the District-wide capacity fee and applicable zone charge.

<u>Meter Size</u>	<u>Demand Factor</u>
3/4"	1
1	2-1/2
1-1/2"	5
2"	8
3"	16
4"	25
6"	50
8"	80
10"	115

1. The District-wide capacity fee and the applicable zone charge shall constitute the "base rate." For fees or charges after July 1, 2010, the base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the *Engineering News Record Construction Cost Index for the Los Angeles Region*. The ENR Construction Cost Index of 9777.19 (as of July 1, 2009) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 10, 2009 to the date of payment. (See Appendix A, 28.01 B.1. for fees.)
  
2. The District-wide new water supply fee shall constitute the "base rate." For fees or charges after July 1, 2010, the base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the *Engineering News Record Construction Cost Index for the Los Angeles Region*. The ENR Construction Cost Index of 9777.19 (as of July 1, 2009) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 10, 2009 to the date of payment. (See Appendix A, 28.01 B.2. for fees.)

28.02 INSTALLATION CHARGES FOR WATER METER AND WATER SERVICE LATERALS

The determination of the water meter or service lateral size shall be based upon the information provided by the customer as detailed in Section 27 of the Code. The meter fees and installation charges are set forth in Appendix A, 28.02.

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Where a ~~water meter larger than 2-inch or a~~ new water lateral is required, a customized, written estimate of the District's costs will be prepared.

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The customer shall deposit the estimated costs with the District prior to commencement of the work. If actual costs incurred by the District are less than the amount deposited, the District shall refund the excess to the customer. If the actual costs incurred exceed the amount deposited, the customer shall reimburse the District for the additional costs.

A. The meter fees and installation charges shall be set effective ~~August~~ September 1, 2012, and then adjusted in the same manner as capacity fees as described in Section 28.01 B.1 above (See Appendix A, 28.01 B.2. for fees).

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28.03 METER FEE REFUND

A. If a water meter/service has been paid for but not installed, a customer may receive a refund of the District's capacity fee and charges. If San Diego County Water Authority capacity fees have been paid to San Diego County Water Authority, the customer shall request a refund from San Diego County Water Authority.

B. If the customer wants to change the meter/service size, they will be credited with the number of equivalent dwelling units they have previously purchased and will be refunded any balance per Section 28.03 A, above. If additional equivalent dwelling units are required, the customer will be charged based on 28.01 and 28.02.

C. If a water meter/service has been previously paid and installed, and the customer requests a different meter size, the customer shall pay for the new meter and installation fees, plus any differential in capacity and new water supply fees as described in Section 28.03 B above.

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SECTION 28 CONNECTION FEES AND CHARGES FOR POTABLE OR RECYCLED WATER SERVICE

28.01 COLLECTION OF FEES AND CHARGES

A. Fees and Charges to be paid by the Customer.

The following fees and charges shall be paid by the customer to connect to a District water system for potable water or recycled water service; these are in addition to the fees and charges in Section 9 and 25. Fees and charges shall include, but not be limited to, District fees, San Diego County Water Authority fees, applicable zone charge and charges for work performed by District personnel on behalf of the customer. These charges may include the installation by District personnel of a water service lateral, and inspections required due to the requirement of a back flow device. These charges may also include a meter fee, installation fee (where laterals exist), lateral fee, meter box fee, and excavation permit fee.

B. Basis for Determination of Connection Fees and Charges.

The fees and charges shall be determined as follows:

For permanent water meters, including potable or recycled irrigation service, the total water connection fee shall be determined on the basis of the demand to be placed on the District water system. The extent of demand will be determined on the basis of the size of the water meter, as set forth in Section 27 of the Code. For fire service, as outlined in Section 38.03 of the Code, the size and fee would be set based on water use requirements without additional fire capacity. The water connection fee will be determined by multiplying the demand factor for the meter size, as set forth below, by the total of the District-wide capacity fee and applicable zone charge.

<u>Meter Size</u>	<u>Demand Factor</u>
3/4"	1
1	2-1/2
1-1/2"	5
2"	8
3"	16
4"	25
6"	50
8"	80
10"	115

1. The District-wide capacity fee and the applicable zone charge shall constitute the "base rate." For fees or charges after July 1, 2010, the base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the *Engineering News Record Construction Cost Index for the Los Angeles Region*. The ENR Construction Cost Index of 9777.19 (as of July 1, 2009) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 10, 2009 to the date of payment. (See Appendix A, 28.01 B.1. for fees.)
  
2. The District-wide new water supply fee shall constitute the "base rate." For fees or charges after July 1, 2010, the base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the *Engineering News Record Construction Cost Index for the Los Angeles Region*. The ENR Construction Cost Index of 9777.19 (as of July 1, 2009) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 10, 2009 to the date of payment. (See Appendix A, 28.01 B.2. for fees.)

28.02

INSTALLATION CHARGES FOR WATER METER AND WATER SERVICE LATERALS

The determination of the water meter or service lateral size shall be based upon the information provided by the customer as detailed in Section 27 of the Code. The meter fees and installation charges are set forth in Appendix A, 28.02.

Where a new water lateral is required, a customized, written estimate of the District's costs will be prepared.

The customer shall deposit the estimated costs with the District prior to commencement of the work. If actual costs incurred by the District are less than the amount deposited, the District shall refund the excess to the customer. If the actual costs incurred exceed the amount deposited, the customer shall reimburse the District for the additional costs.

- A. The meter fees and installation charges shall be set effective September 1, 2012, and then adjusted in the same manner as capacity fees as described in Section 28.01 B.1 above (See Appendix A, 28.01 B.2. for fees).

28.03

METER FEE REFUND

- A. If a water meter/service has been paid for but not installed, a customer may receive a refund of the District's capacity fee and charges. If San Diego County Water Authority capacity fees have been paid to San Diego County Water Authority, the customer shall request a refund from San Diego County Water Authority.
- B. If the customer wants to change the meter/service size, they will be credited with the number of equivalent dwelling units they have previously purchased and will be refunded any balance per Section 28.03 A, above. If additional equivalent dwelling units are required, the customer will be charged based on 28.01 and 28.02.
- C. If a water meter/service has been previously paid and installed, and the customer requests a different meter size, the customer shall pay for the new meter and installation fees, plus any differential in capacity and new water supply fees as described in Section 28.03 B above.

Otay Water District							
Appendix A							
Section #	Code #	Fee Description	Meter Size			Charges	
9	9.04 A.1.	District Annexation Processing Fee				\$744.00	
	9.04 B.	Annexation Fees for Water Annexations into Otay Water District Boundaries				District-wide Annexation Fee	
			3/4"			\$1,556.00	
			1"			\$3,890.00	
			1-1/2"			\$7,780.00	
			2"			\$12,448.00	
			3"			\$24,896.00	
			4"			\$38,900.00	
			6"			\$77,800.00	
			8"			\$124,480.00	
			10"			\$178,940.00	
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts				\$5,741.00	
10	10.01	Filing of Petition				\$50.00	
23	23.04	Backflow Certification					
		- Second Notification				\$10.00	
		- Third Notification				\$25.00	
		- Reconnection (service resumed)				\$50.00	
		- Initial Filing Fee (New applicants for addition to the list of approved backflow prevention device testers)				\$25.00	
		- Renewal Filing Fee (to remain on list of approved backflow prevention device testers)			Annually	\$10.00	
25	25.03 A.	Set-up Fees for Accounts				\$10.00	

Section #	Code #	Fee Description	Meter Size	Charges		
25	25.03 C.	Monthly Fixed System Charges, MWD & CWA Charges <sup>(1)</sup>	Meter Size	System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
			3/4"	\$14.58	\$14.01	\$28.59
			1"	\$18.52	\$23.33	\$41.85
			1-1/2"	\$28.37	\$46.74	\$75.11
			2"	\$40.18	\$74.74	\$114.92
			3"	\$71.68	\$149.48	\$221.16
			4"	\$107.13	\$233.58	\$340.71
			6"	\$205.59	\$467.09	\$672.68
			8"	\$323.73	\$747.39	\$1,071.12
			10"	\$461.57	\$1,070.74	\$1,532.31
25	25.03 E.1.(b)	Domestic Residential Water Rates <sup>(1)</sup>		Unit	Charge	
				0 - 5	\$1.58	
				6-10	\$2.45	
				11-22	\$3.19	
				23 or more	\$4.92	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit <sup>(1)</sup>		0-4	\$2.43	
				5-9	\$3.15	
				10 or more	\$4.85	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates <sup>(1)</sup>	under 10"	0-173	\$2.59	
				174-831	\$2.66	
				832 or more	\$2.70	
			10" & larger	0-7,426	\$2.59	
				7,427-14,616	\$2.66	
				14,617 or more	\$2.70	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$3.53	
				50-132	\$3.60	
				133 or more	\$3.66	

<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges					
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates <sup>(1)</sup>	1.5" & 2"	0-144	\$3.53				
				145-355	\$3.60				
				356 or more	\$3.66				
			3" & larger	0-1,044	\$3.53				
				1,045-8,067	\$3.60				
				8,068 or more	\$3.66				
			25	25.03 E.5.(c)	Recycled Water Rates <sup>(1)</sup>	3/4" - 1"	0-42	\$3.02	
							43-97	\$3.06	
							98 or more	\$3.12	
1.5" & 2"	0-168	\$3.02							
	169-402	\$3.06							
	403 or more	\$3.12							
3" & 4"	0-403	\$3.02							
	404-820	\$3.06							
	821 or more	\$3.12							
6" & larger	0-7,916	\$3.02							
	7,917-16,357	\$3.06							
	16,358 or more	\$3.12							
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates <sup>(1)</sup>				1" & smaller	0-49	\$7.06	
							50-132	\$7.20	
							133 or more	\$7.32	
			1.5" & 2"	0-144	\$7.06				
				145-355	\$7.20				
				356 or more	\$7.32				
			3" & larger	0-1,044	\$7.06				
				1,045-8,067	\$7.20				
				8,068 or more	\$7.32				

(1) Water rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges	
25	25.03 E.8.(b)	Tank Trucks Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
			1.5" & 2"	0-144	\$7.06
				145-355	\$7.20
				356 or more	\$7.32
			3" & larger	0-1,044	\$7.06
				1,045-8,067	\$7.20
				8,068 or more	\$7.32
25	25.03 E.9.(c)	Application Fee for Water Service Outside District Boundaries			\$500.00
25	25.03 E.9.(d)	Water Rate for Service Outside District Boundaries <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
			1.5" & 2"	0-144	\$7.06
				145-355	\$7.20
				356 or more	\$7.32
			3" & larger	0-1,044	\$7.06
				1,045-8,067	\$7.20
				8,068 or more	\$7.32
25	25.03 E.10.(b)	Application Fee for Water Service Outside an Improvement District			\$275.00
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
(1) Water rates on all billing cycles beginning in calendar year 2012					

Section #	Code #	Fee Description	Meter Size	Charges					
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District (continued) <sup>(1)</sup>	1.5" & 2"	0-144	\$7.06				
				145-355	\$7.20				
				356 or more	\$7.32				
			3" & larger	0-1,044	\$7.06				
				1,045-8,067	\$7.20				
				8,068 or more	\$7.32				
			25	25.03 E.11.(c)	Fire Service Monthly Charge			\$30.11	
			25	25.03 E.12.(b)	Additional Water Service for Property Not Subject to District Taxes		per unit	\$0.293	
			25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7 <sup>(1)</sup>	1" & smaller	0-49	\$7.06	
50-132	\$7.20								
133 or more	\$7.32								
1.5" & 2"	0-144	\$7.06							
	145-355	\$7.20							
	356 or more	\$7.32							
3" & larger	0-1,044	\$7.06							
	1,045-8,067	\$7.20							
	8,068 or more	\$7.32							
25	25.03 F.	Energy Charges for Pumping Water <sup>(1)</sup>		Per 100 ft of lift over 450 ft per unit	\$0.045				
25	25.03 G.1.	Additional Water Charge for Service in the North District		Per unit charge except for the first 5 units of residential	\$0.08				
(1) Water rates on all billing cycles beginning in calendar year 2012									

Section #	Code #	Fee Description	Meter Size	Charges			
25	25.03 H.1.	Additional Water Charges for Service in the Improvement District 9 Water Service Zone		Per unit charge except for the first 5 units of residential	\$0.27		
25	25.03 H.2.	Additional Monthly System Fee for Improvement District 9			\$2.00		
25	25.03 I.1.(a)	Additional Water Charges for Services in Improvement District 3		Per unit charge except for the first 5 units of residential	0.19 per H.C.F.	Effective Jan 1, 2011	
				"	0.20 per H.C.F.	Effective Jan 1, 2012	
				"	0.21 per H.C.F.	Effective Jan 1, 2013	
25	25.03 I.1.(b)	Additional Water Charges for Services in Improvement District 10		Per unit charge except for the first 5 units of residential	0.27 per H.C.F.	Effective Jan 1st 2011-2018	
25	25.03 I.1.(c)	Additional Water Charges for Services in La Presa		Per unit charge except for the first 5 units of residential	0.08 per H.C.F.	Effective Jan 1st 2011-2013	
25	25.04 A.	Deposits for Non-Property Owners	3/4"		\$75.00		
			1"		\$150.00		
			1-1/2"		\$200.00		
			2"		\$360.00		
			3"		\$800.00		
			4"		\$1,350.00		
			6"		\$3,300.00		
			8"		\$4,400.00		
			10"		\$5,500.00		

Section #	Code #	Fee Description	Meter Size	Charges			
28	28.01 B.1.	Capacity Fees and Zone Charge			District-wide Capacity Fee		
		- I.D.'s 1,2,3,5,7,9,10,19,20,22,22/27 (excluding Triad), and 25 (only I.D.'s 5,7,10,19,22, and 22/27 require reclaimed irrigation meters).	3/4"		\$7,900.00		
			1"		\$19,750.00		
			1-1/2"		\$39,500.00		
			2"		\$63,200.00		
			3"		\$126,400.00		
			4"		\$197,500.00		
			6"		\$395,000.00		
			8"		\$632,000.00		
			10"		\$908,500.00		
		- 22/27 TRIAD	3/4"		\$5,912.00		
			1"		\$14,780.00		
			1-1/2"		\$29,560.00		
			2"		\$47,296.00		
			3"		\$94,592.00		
			4"		\$147,800.00		
			6"		\$295,600.00		
			8"		\$472,960.00		
			10"		\$679,880.00		
28	28.01 B.2.	New Water Supply Fee					
		- All IDs including Triad	3/4"		\$910.00		
			1"		\$2,275.00		
			1-1/2"		\$4,550.00		
			2"		\$7,280.00		
			3"		\$14,560.00		
			4"		\$22,750.00		
			6"		\$45,500.00		
			8"		\$72,800.00		
			10"		\$104,650.00		
28	28.02	Installation Charges for Water Meter and Water Service Laterals	Meter Size	Meter-Fee	Meter-Box	Installation	Total-Fee
			3/4"	\$59.00	\$47.00	\$60.00	\$166.00
			1"	\$117.00	\$47.00	\$60.00	\$224.00
			1-1/2"	\$250.00	\$61.00	\$103.00	\$414.00

Section #	Code #	Fee Description	Meter Size	Charges			
28	28.02	Installation Charges for Water Meter and Water Service Laterals (continued)	Meter Size				
			2"	\$475.00	\$61.00	\$240.00	\$776.00
			3"	\$653.00	\$1,770.00	\$300.00	\$2,723.00
			4"	\$1,370.00	\$1,770.00	\$300.00	\$3,440.00
			6"	\$2,500.00	\$1,770.00	\$300.00	\$4,570.00
			8"	\$3,737.00	\$2,760.00	\$300.00	\$6,797.00
			10"	\$5,060.00	\$2,760.00	\$300.00	\$8,120.00
31	31.02 D.1.	Requirement of Temporary Meter for Service		minimum/per day	\$25.00		
31	31.03 A.1.	Requirement of Deposit for Temporary Meters					
			3/4"		\$150.00		
			1"		\$180.00		
			1-1/2"		\$330.00		
			2"		\$2,046.00		
			3"		\$850.00		
			4"		\$1,986.00		
			6"		\$2,465.00		
		- Construction Trailer Temporary Meter	2"		\$2,046.00		
		- Tank Truck Temporary Meter (Ordinance No. 372)	2"		\$850.00		
31	31.03 A.4.	Temporary Meter Install & Removal			\$128.00		
31	31.03 A.5.	Temporary Meter Move Fee (includes backflow certification)	3/4" - 2"		\$64.00		
			3" and larger	No backflow test	\$64.00		
33	33.07 A.	Customer Request for Meter Test (Deposit)	5/8", 3/4" & 1"		\$25.00		
			1-1/2" & 2 "		\$50.00		
			3" & Larger		\$125.00		
34	34.01 D.2.	Returned Check Charges			\$25.00		

Section #	Code #	Fee Description	Meter Size	Charges			
34	34.02 B.	Late Payment Charge			5% of Delinquent Balance		
34	34.02 G.1.(d)	Delinquency Tag			\$10.00		
34	34.02 G.3.(a)	Meter "Turn-On" Charge		During regular business hours	\$35.00		
34	34.02 G.3.(b)	Meter "Turn-On" Charge		After regular business hours	\$65.00		
53	53.04 C.1.	Sewer Connection Fee - Russell Square			\$7,500.00		
53	53.04 C.2.	Monthly Sewer Service Charge - Russell Square			\$200.00		
53	53.11 A.	Set-up Fees for Accounts			\$10.00		
53	53.11 B.2.	Residential Sewer Charges <sup>(2)</sup>		Rate multiplied by winter average units	\$1.77		
53	53.11 B.3.	Residential Sewer Charges Base Fee <sup>(2)</sup>	5/8" & 3/4"		\$12.26		
			1" & larger		\$17.88		
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History <sup>(2)</sup>	5/8" & 3/4"		\$34.83		
			1" & larger		\$40.45		
53	53.11.C.4.	Winter Averaging - Sewer					
		- Single Residential		15 units - 15% discount = 12.75 units			
		- Multi-Residential		6 units - 15% discount = 5.1 units			

<sup>(2)</sup> Sewer rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges
53	53.11 D.2.	Multi-Residential Rate Charges - Sewer <sup>(2)</sup>		Rate multiplied by winter average units \$1.77
53	53.11 E.6.	Public Schools Sewer Rate <sup>(2)</sup>		Per ASU (Based on Student Count) \$41.75
53	53.11 F.1.	Monthly Service Charge for Commercial and Institutional Sewer <sup>(2)</sup>		Per ASU \$41.75
60	60.03	Issuance of Availability Letters for Water and/or Sewer Service		\$75.00
72	72.04 A.1.	Locking or Removing Damaged or Tampered Meters		
		- To Pull and Reset Meter	3/4" - 2"	\$170.00
		- Broken Curbstop or Tabs	3/4" - 1"	\$192.00
		- If Customer uses Jumper	3/4" - 1"	\$149.00
		- Broken Lock/Locking Device	3/4" - 1"	\$56.00
		- Cap Lock (Welded)	3/4" - 1"	\$158.00
		- Broken Curbstop or Tabs	1.5" - 2"	\$265.00
		- To Pull and Reset Meter	3"	\$351.00
		- To Pull and Reset Meter	4"	\$454.00
		- To Pull and Reset Meter	6"	\$454.00
		- To Pull and Reset Meter	8"	\$600.00
		- To Pull and Reset Meter	10"	\$600.00
72	72.05 D. A.	Type I Fine		
		- First Violation		\$100.00
		- Second Violations		\$200.00
		- Third or each additional violation of that same ordinance or requirement within a twelve-month period		\$500.00

(2) Sewer rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges
		Type II Fine	Will not exceed per each day the violation is identified or continues.	\$5,000.00
		Type III Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00
		Type IV Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00
State Water Code	#71630 & Annual Board Resolution #4142	Water Availability/Standby Annual Special Assessment Charge	Less than one-acre all I.D.s & Outside an I.D.	\$10.00
			Per acre in I.D. 1, 5, & Outside an I.D.	\$10.00
			Per acre in I.D. 2,3,7,9,10,19,20,22,25,& 27	\$30.00
			Less than one-acre Outside I.D. and greater than one mile from District facilities.	\$3.00
			Per acre for outside I.D. & greater than one mile from District facilities.	\$3.00
State Water Code	#71630 & Annual Board Resolution #4142	Sewer Availability/Standby Annual Special Assessment Charge	Less than one acre I.D. 4, 14, & 18	\$10.00
			Per acre I.D. 4, 14, & 18	\$30.00

Section #	Code #	Fee Description	Meter Size	Charges		
Annual Board Resolution		General Obligation Bond Annual Tax Assessment	Per \$1000 of assessed value for I.D. 27	\$0.005		
<b>Policies</b>						
5		Copies of Identifiable Public Records		\$0.10/page		
		Cassette Tape Duplication		\$2.00/tape		
		Yearly Subscription Service for Agendas and Ratified Minutes		\$20.00/year or \$0.50/meeting		
		Yearly Subscription Service for Board Packet and Ratified Minutes		\$100.00/year for first copy and \$200.00/year for each copy thereafter		

Otay Water District							
Appendix A							
Section #	Code #	Fee Description	Meter Size		Charges		
9	9.04 A.1.	District Annexation Processing Fee			\$744.00		
	9.04 B.	Annexation Fees for Water Annexations into Otay Water District Boundaries			District-wide Annexation Fee		
			3/4"		\$1,556.00		
			1"		\$3,890.00		
			1-1/2"		\$7,780.00		
			2"		\$12,448.00		
			3"		\$24,896.00		
			4"		\$38,900.00		
			6"		\$77,800.00		
			8"		\$124,480.00		
			10"		\$178,940.00		
	9.04 C.4.	Annexation Fees for Annexations to Sewer Improvement Districts			\$5,741.00		
10	10.01	Filing of Petition			\$50.00		
23	23.04	Backflow Certification					
		- Second Notification			\$10.00		
		- Third Notification			\$25.00		
		- Reconnection (service resumed)			\$50.00		
		- Initial Filing Fee (New applicants for addition to the list of approved backflow prevention device testers)			\$25.00		
		- Renewal Filing Fee (to remain on list of approved backflow prevention device testers)		Annually	\$10.00		
25	25.03 A.	Set-up Fees for Accounts			\$10.00		

Section #	Code #	Fee Description	Meter Size	Charges		
				System Charge	MWD & CWA Fixed Charge	Total Fixed Charge
25	25.03 C.	Monthly Fixed System Charges, MWD & CWA Charges <sup>(1)</sup>	Meter Size			
			3/4"	\$14.58	\$14.01	\$28.59
			1"	\$18.52	\$23.33	\$41.85
			1-1/2"	\$28.37	\$46.74	\$75.11
			2"	\$40.18	\$74.74	\$114.92
			3"	\$71.68	\$149.48	\$221.16
			4"	\$107.13	\$233.58	\$340.71
			6"	\$205.59	\$467.09	\$672.68
			8"	\$323.73	\$747.39	\$1,071.12
			10"	\$461.57	\$1,070.74	\$1,532.31
25	25.03 E.1.(b)	Domestic Residential Water Rates <sup>(1)</sup>		Unit	Charge	
				0 - 5	\$1.58	
				6-10	\$2.45	
				11-22	\$3.19	
				23 or more	\$4.92	
25	25.03 E.2.(b)	Multiple Residential Water Rates - Per Dwelling Unit <sup>(1)</sup>		0-4	\$2.43	
				5-9	\$3.15	
				10 or more	\$4.85	
25	25.03 E.3.(b)	Business and Publicly-Owned Water Rates <sup>(1)</sup>	under 10"	0-173	\$2.59	
				174-831	\$2.66	
				832 or more	\$2.70	
			10" & larger	0-7,426	\$2.59	
				7,427-14,616	\$2.66	
				14,617 or more	\$2.70	
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$3.53	
				50-132	\$3.60	
				133 or more	\$3.66	

<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges					
25	25.03 E.4.(c)	Irrigation and Commercial Agricultural Using Potable Water Rates (continued) <sup>(1)</sup>	1.5" & 2"	0-144	\$3.53				
				145-355	\$3.60				
				356 or more	\$3.66				
			3" & larger	0-1,044	\$3.53				
				1,045-8,067	\$3.60				
				8,068 or more	\$3.66				
			25	25.03 E.5.(c)	Recycled Water Rates <sup>(1)</sup>	3/4" - 1"	0-42	\$3.02	
							43-97	\$3.06	
							98 or more	\$3.12	
1.5" & 2"	0-168	\$3.02							
	169-402	\$3.06							
	403 or more	\$3.12							
3" & 4"	0-403	\$3.02							
	404-820	\$3.06							
	821 or more	\$3.12							
6" & larger	0-7,916	\$3.02							
	7,917-16,357	\$3.06							
	16,358 or more	\$3.12							
25	25.03 E.6.(b)	Temporary and Construction Water Service Rates <sup>(1)</sup>				1" & smaller	0-49	\$7.06	
							50-132	\$7.20	
							133 or more	\$7.32	
			1.5" & 2"	0-144	\$7.06				
				145-355	\$7.20				
				356 or more	\$7.32				
			3" & larger	0-1,044	\$7.06				
				1,045-8,067	\$7.20				
				8,068 or more	\$7.32				

<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges	
25	25.03 E.8.(b)	Tank Trucks Water Rates <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
			1.5" & 2"	0-144	\$7.06
				145-355	\$7.20
				356 or more	\$7.32
			3" & larger	0-1,044	\$7.06
				1,045-8,067	\$7.20
				8,068 or more	\$7.32
25	25.03 E.9.(c)	Application Fee for Water Service Outside District Boundaries			\$500.00
25	25.03 E.9.(d)	Water Rate for Service Outside District Boundaries <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
			1.5" & 2"	0-144	\$7.06
				145-355	\$7.20
				356 or more	\$7.32
			3" & larger	0-1,044	\$7.06
				1,045-8,067	\$7.20
				8,068 or more	\$7.32
25	25.03 E.10.(b)	Application Fee for Water Service Outside an Improvement District			\$275.00
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District <sup>(1)</sup>	1" & smaller	0-49	\$7.06
				50-132	\$7.20
				133 or more	\$7.32
			1.5" & 2"	0-144	\$7.06
				145-355	\$7.20
				356 or more	\$7.32
<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012					

Section #	Code #	Fee Description	Meter Size	Charges		
25	25.03 E.10.(c)	Water Rate for Service Outside Improvement District (continued) <sup>(1)</sup>	3" & larger	0-1,044	\$7.06	
				1,045-8,067	\$7.20	
				8,068 or more	\$7.32	
25	25.03 E.11.(c)	Fire Service Monthly Charge			\$30.11	
25	25.03 E.12.(b)	Additional Water Service for Property Not Subject to District Taxes		per unit	\$0.293	
25	25.03 E.13.(b)	Interim Service Water Rate in Improvement District 7 <sup>(1)</sup>	1" & smaller	0-49	\$7.06	
				50-132	\$7.20	
				133 or more	\$7.32	
			1.5" & 2"	0-144	\$7.06	
				145-355	\$7.20	
				356 or more	\$7.32	
			3" & larger	0-1,044	\$7.06	
				1,045-8,067	\$7.20	
				8,068 or more	\$7.32	
25	25.03 F.	Energy Charges for Pumping Water <sup>(1)</sup>		Per 100 ft of lift over 450 ft per unit	\$0.045	
25	25.03 G.1.	Additional Water Charge for Service in the North District		Per unit charge except for the first 5 units of residential	\$0.08	
25	25.03 H.1.	Additional Water Charges for Service in the Improvement District 9 Water Service Zone		Per unit charge except for the first 5 units of residential	\$0.27	
25	25.03 H.2.	Additional Monthly System Fee for Improvement District 9			\$2.00	
<sup>(1)</sup> Water rates on all billing cycles beginning in calendar year 2012						

Section #	Code #	Fee Description	Meter Size	Charges		
				Per unit charge except for the first 5 units of residential		Effective
25	25.03 I.1.(a)	Additional Water Charges for Services in Improvement District 3		0.19 per H.C.F.		Effective Jan 1, 2011
				"	0.20 per H.C.F.	Effective Jan 1, 2012
				"	0.21 per H.C.F.	Effective Jan 1, 2013
25	25.03 I.1.(b)	Additional Water Charges for Services in Improvement District 10		0.27 per H.C.F.		Effective Jan 1st 2011-2018
25	25.03 I.1.(c)	Additional Water Charges for Services in La Presa		0.08 per H.C.F.		Effective Jan 1st 2011-2013
25	25.04 A.	Deposits for Non-Property Owners	3/4"		\$75.00	
			1"		\$150.00	
			1-1/2"		\$200.00	
			2"		\$360.00	
			3"		\$800.00	
			4"		\$1,350.00	
			6"		\$3,300.00	
			8"		\$4,400.00	
			10"		\$5,500.00	
28	28.01 B.1.	Capacity Fees and Zone Charge			District-wide Capacity Fee	
		- I.D.'s 1,2,3,5,7,9,10,19,20,22,22/27 (excluding Triad), and 25 (only I.D.'s 5,7,10,19,22, and 22/27 require reclaimed irrigation meters).	3/4"		\$7,900.00	
			1"		\$19,750.00	
			1-1/2"		\$39,500.00	
			2"		\$63,200.00	
			3"		\$126,400.00	
			4"		\$197,500.00	
			6"		\$395,000.00	
			8"		\$632,000.00	
			10"		\$908,500.00	

Section #	Code #	Fee Description	Meter Size	Charges			
28	28.01 B.1.	- 22/27 TRIAD	3/4"		\$5,912.00		
			1"		\$14,780.00		
			1 -1/2"		\$29,560.00		
			2"		\$47,296.00		
			3"		\$94,592.00		
			4"		\$147,800.00		
			6"		\$295,600.00		
			8"		\$472,960.00		
			10"		\$679,880.00		
28	28.01 B.2.	New Water Supply Fee	3/4"		\$910.00		
		- All IDs including Triad	1"		\$2,275.00		
			1-1/2"		\$4,550.00		
			2"		\$7,280.00		
			3"		\$14,560.00		
			4"		\$22,750.00		
			6"		\$45,500.00		
			8"		\$72,800.00		
			10"		\$104,650.00		
28	28.02	Installation Charges for Water Meter and Water Service Laterals	Meter Size	Meter Cost	Installation	Total	Meter Box/Vault (if Needed)
		Potable (Non-Irrigation)	3/4" x 7.5"	\$202.30	\$96.00	\$298.30	\$81.50
			3/4" x 9"	\$215.39	\$96.00	\$311.39	\$81.50
			1"	\$261.05	\$96.00	\$357.05	\$81.50
			1.5"	\$424.31	\$96.00	\$520.31	\$184.76
			2"	\$607.99	\$96.00	\$703.99	\$184.76
			3"	\$1,894.74	\$578.00	\$2,472.74	\$3,295.81
			4"	\$3,290.86	\$578.00	\$3,868.86	\$3,295.81
			6"	\$5,684.21	\$913.00	\$6,597.21	\$3,295.81
			8"	\$7,102.00	\$1,400.00	\$8,502.00	\$4,728.07
			10"	\$10,214.00	\$1,400.00	\$11,614.00	\$4,728.07
		Potable/Recycled Irrigation	3/4" x 7.5"	\$202.30	\$96.00	\$298.30	\$207.70
			3/4" x 9"	\$215.39	\$96.00	\$311.39	\$207.70
			1"	\$261.05	\$96.00	\$357.05	\$207.70
			1.5"	\$424.31	\$96.00	\$520.31	\$207.70
			2"	\$607.99	\$96.00	\$703.99	\$207.70
			3"	\$1,311.35	\$578.00	\$1,889.35	\$3,295.81
			4"	\$2,553.00	\$578.00	\$3,131.00	\$3,295.81

Section #	Code #	Fee Description	Meter Size	Charges			
		Potable/Recycled Irrigation (continued)	6"	\$4,596.23	\$913.00	\$5,509.23	\$3,295.81
			8"	\$6,123.00	\$1,400.00	\$7,523.00	\$4,728.07
			10"	\$8,689.00	\$1,400.00	\$10,089.00	\$4,728.07
		Combined Fire and Domestic	4"	\$7,829.25	\$578.00	\$8,407.25	\$3,295.81
			6"	\$10,420.05	\$913.00	\$11,333.05	\$3,295.81
			8"	\$15,150.00	\$1,400.00	\$16,550.00	\$4,728.07
			10"	\$20,674.74	\$1,400.00	\$22,074.74	\$4,728.07
31	31.02 D.1.	Requirement of Temporary Meter for Service		minimum/per day	\$25.00		
31	31.03 A.1.	Requirement of Deposit for Temporary Meters					
			2"		\$2,046.00		
			4"		\$1,986.00		
			6"		\$2,465.00		
		- Construction Trailer Temporary Meter	2"		\$2,046.00		
		- Tank Truck Temporary Meter (Ordinance No. 372)	2"		\$850.00		
31	31.03 A.4.	Temporary Meter Install & Removal			\$128.00		
31	31.03 A.5.	Temporary Meter Move Fee (includes backflow certification)	3/4" - 2"		\$64.00		
			3" and larger	No backflow test	\$64.00		
33	33.07 A.	Customer Request for Meter Test (Deposit)	5/8", 3/4" & 1"		\$25.00		
			1-1/2" & 2"		\$50.00		
			3" & Larger		\$125.00		
34	34.01 D.2.	Returned Check Charges			\$25.00		
34	34.02 B.	Late Payment Charge			5% of Delinquent Balance		
34	34.02 G.1.(d)	Delinquency Tag			\$10.00		

Section #	Code #	Fee Description	Meter Size	Charges		
34	34.02 G.3.(a)	Meter "Turn-On" Charge		During regular business hours	\$35.00	
34	34.02 G.3.(b)	Meter "Turn-On" Charge		After regular business hours	\$65.00	
53	53.04 C.1.	Sewer Connection Fee - Russell Square			\$7,500.00	
53	53.04 C.2.	Monthly Sewer Service Charge - Russell Square			\$200.00	
53	53.11 A.	Set-up Fees for Accounts			\$10.00	
53	53.11 B.2.	Residential Sewer Charges <sup>(2)</sup>		Rate multiplied by winter average units	\$1.77	
53	53.11 B.3.	Residential Sewer Charges Base Fee <sup>(2)</sup>	5/8" & 3/4"		\$12.26	
			1" & larger		\$17.88	
53	53.11 B.4.	Monthly Residential Sewer Rate Without Consumption History <sup>(2)</sup>	5/8" & 3/4"		\$34.83	
			1" & larger		\$40.45	
53	53.11.C.4.	Winter Averaging - Sewer				
		- Single Residential		15 units - 15% discount = 12.75 units		
		- Multi-Residential		6 units - 15% discount = 5.1 units		
53	53.11 D.2.	Multi-Residential Rate Charges - Sewer <sup>(2)</sup>		Rate multiplied by winter average units	\$1.77	
53	53.11 E.6.	Public Schools Sewer Rate <sup>(2)</sup>		Per ASU (Based on Student Count)	\$41.75	
53	53.11 F.1.	Monthly Service Charge for Commercial and Institutional Sewer <sup>(2)</sup>		Per ASU	\$41.75	

<sup>(2)</sup> Sewer rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges
60	60.03	Issuance of Availability Letters for Water and/or Sewer Service		\$75.00
72	72.04 A.1.	Locking or Removing Damaged or Tampered Meters		
		- To Pull and Reset Meter	3/4" - 2"	\$170.00
		- Broken Curbstop or Tabs	3/4" - 1"	\$192.00
		- If Customer uses Jumper	3/4" - 1"	\$149.00
		- Broken Lock/Locking Device	3/4" - 1"	\$56.00
		- Cap Lock (Welded)	3/4" - 1"	\$158.00
		- Broken Curbstop or Tabs	1.5" - 2"	\$265.00
		- To Pull and Reset Meter	3"	\$351.00
		- To Pull and Reset Meter	4"	\$454.00
		- To Pull and Reset Meter	6"	\$454.00
		- To Pull and Reset Meter	8"	\$600.00
		- To Pull and Reset Meter	10"	\$600.00
72	72.05 D. A.	Type I Fine		
		- First Violation		\$100.00
		- Second Violations		\$200.00
		- Third or each additional violation of that same ordinance or requirement within a twelve-month period		\$500.00
		Type II Fine	Will not exceed per each day the violation is identified or continues.	\$5,000.00
		Type III Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00
		Type IV Fine	Fine up to amount specified per each day the violation is identified or continues.	\$500.00

<sup>(2)</sup> Sewer rates on all billing cycles beginning in calendar year 2012

Section #	Code #	Fee Description	Meter Size	Charges
State Water Code	#71630 & Annual Board Resolution #4142	Water Availability/Standby Annual Special Assessment Charge	Less than one-acre all I.D.s & Outside an I.D.	\$10.00
			Per acre in I.D. 1, 5, & Outside an I.D.	\$10.00
			Per acre in I.D. 2,3,7,9,10,19,20,22,25,& 27	\$30.00
			Less than one-acre Outside I.D. and greater than one mile from District facilities.	\$3.00
			Per acre for outside I.D. & greater than one mile from District facilities.	\$3.00
State Water Code	#71630 & Annual Board Resolution #4142	Sewer Availability/Standby Annual Special Assessment Charge	Less than one acre I.D. 4, 14, & 18	\$10.00
			Per acre I.D. 4, 14, & 18	\$30.00
Annual Board Resolution		General Obligation Bond Annual Tax Assessment	Per \$1000 of assessed value for I.D. 27	\$0.005
<b>Policies</b>				
5		Copies of Identifiable Public Records		\$0.10/page
		Cassette Tape Duplication		\$2.00/tape
		Yearly Subscription Service for Agendas and Ratified Minutes		\$20.00/year or \$0.50/meeting
		Yearly Subscription Service for Board Packet and Ratified Minutes		\$100.00/year for first copy and \$200.00/year for each copy thereafter

EXHIBIT V

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SECTION 27 REQUIREMENTS AND LIMITATIONS FOR OBTAINING WATER SERVICE

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27.01 REQUIREMENT FOR WATER/SEWER PERMIT AND PAYMENT OF FEES, CHARGES, AND DEPOSITS

A. Requirement for Water/Sewer Permits. Water meters shall not be installed nor water service furnished until an application, in the form of a water/sewer permit, has been executed by the customer at the District office.

B. Requirement for Payment of Fees, Charges and Deposits. Payment of all required fees, charges and deposits shall be made by the customer at the time the water meter is purchased. A customer requesting water service shall pay the fees, charges, and deposits as set forth in Section 28 of this Code.

C. Requirement for a Building Permit. A customer requesting permanent water service shall be required to present a valid building permit for the property issued by the appropriate governmental agency, except that a building permit is not required by a customer requesting permanent water service to: 1) install and maintain landscaping prior to the construction of a building; 2) perform mass grading operations; or 3) to satisfy conditions imposed by other government agencies, including a single meter for grading for four lots or less which are part of the same parcel map. Government agencies shall be exempt from the requirement of presenting a valid building permit.

D. Requirement for a Service Lateral. The customer requesting water service shall either have an existing service lateral or purchase a new lateral installation at the time of the meter purchase.

E. Commercial Parcels - 5,000 square feet or Larger Irrigated Landscape. When a customer requests water service on a parcel of land with irrigated landscape equal to 5,000 square feet or more, a separate meter will be required for irrigation purposes on the site.

F. Reclaimed/Recycled Water Service Areas. In areas designated as ~~reclaimed~~recycled water service areas, the customer shall be required to install a separate ~~reclaimed~~recycled water service lateral and meter to supply irrigation to the parcel.

G. Second Meter For Indoor Use. Any customer who obtained a single meter prior to October 17, 1990, a second meter for indoor use may be obtained, without paying water capacity fees, San Diego County Water Authority fees and applicable zone charges on the second meter, if the following criteria are met:

1. The additional meter is solely for the purpose of isolating current domestic (indoor) water use from that used for outdoor landscaping. The additional meter shall be on a separate lateral.

2. All costs of on-site plumbing changes, including approved back-flow prevention devices, will be the responsibility of the customer.

3. The customer acknowledges that adding a second meter will result in a second water bill and associated monthly system fee.

4. The customer will be required to pay all fees and charges prior to meter installation.

#### 27.02 SIZE OF WATER METER

A water meter shall be sized to ensure that the maximum demand (in gallons per minute) will not exceed 80% of the manufacturer's recommended maximum flow rate, as shown in Section 27.03. In no case shall the water meter size be less than  $\frac{3}{4}$ -inch. The size of the water meter and service lateral required for water service shall be determined by the General Manager as follows:

A. Detached Single-Family Residential Dwelling Unit. The customer may submit calculated maximum demand (in gallons per minute), provided that maximum demand must be no more than twenty four (24) gallons per minute for a  $\frac{3}{4}$ -inch meter.

B. Apartments, Condominiums, Mobile Home Parks and other Multiple Family Residential Dwelling Units with Individual Meters. The calculated maximum demand shall be per Section 27.02A.

C. Business, Commercial, Industrial, Apartments, Condominiums, Mobile Home Parks and other Multiple-Family Residential Dwelling Units. The customer shall submit building plans signed by a licensed building architect. The plans shall list the number of fixture units, the parcel size (in acres), and the calculated maximum demand (in gallons per minute) to be placed on each water meter.

D. Irrigation. The customer shall submit irrigation plans signed by a licensed landscape architect. The plans shall indicate the calculated maximum demand (in gallons per minute) to be placed on each water meter and the total area to be irrigated (in square feet). The plans must also be in compliance with the requirements of Section 27.05.

E. Other. In the case of other types of service not included above, the customer shall submit information as requested by the General Manager. Any customer may request and purchase a separate meter to isolate landscaping from indoor use.

F. Requirement for Multiple Meters. The General Manager may require multiple meters when it is in the best interest of the District.

G. Phased Projects. Should the developer choose to phase a project and determines the use of a smaller meter is practical within the initial phase, they must provide fixture unit calculations for review and approval by the District for each phase of development including the build-out of the project. The developer shall provide a letter to the District stating they acknowledge the initial meter is temporary and that they understand that they must purchase a larger meter, paying all applicable meter upsize fees when they connect future phases to this system. At Plan Review and Submittal the developer shall show fixture count and meter size for each of the phases to final build-out.

27.03 MANUFACTURERS RECOMMENDED MAXIMUM FLOW RATE FOR DISTRICT METERS

Customers are cautioned to control the rates of flow of water through District meters. Operation of a meter at flows in excess of the manufacturer's recommendations will cause severe damage to operating parts. Rated capacities for meters used in this District are as follows:

ORDINARY METERS

<u>Meter Size Recommended In Inches</u>	<u>Manufacturer's Maximum Rate in U. S. Gallons per Minute</u>
3/4	30
1	50
1-1/2	100
2	160
3	<del>530</del> 500
4	<del>1350</del> 1000
6	<del>2700</del> 2000
8	<del>3500</del> 3400
10	<del>6500</del> 5000

~~COMPOUND METERS  
(Multi family, Apartments etc.)~~

<del>2</del>	<del>285</del>
<del>3</del>	<del>480</del>

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<del>4</del>	<del>750</del>
<del>6</del>	<del>1700</del>

27.04      RESALE OR DISTRIBUTION OF WATER

No customer may resell or redistribute any portion of the water furnished by the District except as provided below:

- A. Use of Submeters for Resale or Redistribution of water. Owners or operators of mobile home parks, apartments, condominium complexes, industrial complexes and land used for agricultural purposes may resell water furnished by the District through the use of a submetering system under the following conditions: (1) owners and operators shall comply with State law (California Code of Regulations Section 4090) prohibiting any surcharge on the water rate; (2) the water system on the private property side of the master meter, including the submeters, shall be solely the responsibility of the owner or operator; and (3) the owner or operator shall clearly delineate on the bill that any cost associated with the submeters is a cost imposed by the property owner or operator and not by Otay Water District.
- B. Ratio Utility Billing Systems. To the extent permitted under law, owners or operators of multi-unit structures where submeters have not been installed may elect to implement a Ratio Utility Billing System (RUBS) or alternative billing system to determine proportionate shares of water charges and bill tenants accordingly.

27.05      CONSERVATION AND LOCAL SUPPLY USE REQUIREMENTS

The requirements below apply to all new residential and commercial developments or redevelopments. The landscape requirements also apply to any re-landscaping that is subject to review by the District, the County of San Diego, City of Chula Vista or the City of San Diego.

- 1. Indoor Fixtures and Appliances. All water fixtures and appliances installed, including the ones in the following list, must be high-efficiency:
  - Toilets and urinals
  - Faucets
  - Showerheads
  - Clothes Washers
  - Dishwashers

"High-efficiency" means fixtures and appliances that comply with the most efficient specifications under the EPA WaterSense® or Energy Star programs,<sup>1</sup> as in effect at the time installation commences.

2. Landscape requirements. Only "Smart" irrigation controllers<sup>2</sup> may be installed and only low-water use plants may be used in non recreational landscapes. All landscapes must also be designed and managed consistent with requirements of the local agency within which the property is located, be it the County of San Diego, the City of Chula Vista or the City of San Diego.

a. Installed smart irrigation controllers shall be properly programmed/scheduled according to the manufacturer's instructions and/or site specific conditions based on soil type, plant type, irrigation type, weather and/or reference evapotranspiration data.

b. Two irrigation schedules shall be prepared, one for the initial establishment period of three months or until summer hardened, and one for the established landscape, which incorporates the specific water needs of the plants and turf throughout the calendar year. The schedules shall be continuously available on site to those responsible for the landscape maintenance and posted at the smart controller.

c. Any Covenants, Conditions, and Restrictions (CC&Rs) pertaining to a new subdivision/development shall not limit or prohibit the use and maintenance of low water use plant materials and the use of artificial turf, and shall require property owners to design and maintain their landscapes consistent with the applicable City and County's regulations.

d. Dedicated irrigation meters shall be installed in:

- All parks and common areas with 5,000 square feet or more of irrigated landscape

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<sup>1</sup> Certified EPA WaterSense® products, and Energy Star products, are at least 20% more efficient than the applicable federal standards.

<sup>2</sup> Smart Irrigation Controller means a controller that uses real time, soil moisture or weather data to automatically adjust irrigation run-times. Furthermore, to qualify as a Smart Irrigation Controller, the device must be certified by the Irrigation Association and/or the EPA WaterSense® program.

- Commercial sites with 5,000 square feet or more of irrigated landscape

e. In compliance with Section 23.03 of this Code of Ordinance, pressure regulators must be installed when and where appropriate to maximize the life expectancy and efficiency of the irrigation system.

5. New commercial developments must install separate, dual-distribution systems for potable and recycled water.

6. The requirements of this Section shall not be interpreted in any way to limit the owner's obligation to comply with any other applicable federal, state, or local laws or regulations.

## EXHIBIT VI

### SECTION 27 REQUIREMENTS AND LIMITATIONS FOR OBTAINING WATER SERVICE

#### 27.01 REQUIREMENT FOR WATER/SEWER PERMIT AND PAYMENT OF FEES, CHARGES, AND DEPOSITS

A. Requirement for Water/Sewer Permits. Water meters shall not be installed nor water service furnished until an application, in the form of a water/sewer permit, has been executed by the customer at the District office.

B. Requirement for Payment of Fees, Charges and Deposits. Payment of all required fees, charges and deposits shall be made by the customer at the time the water meter is purchased. A customer requesting water service shall pay the fees, charges, and deposits as set forth in Section 28 of this Code.

C. Requirement for a Building Permit. A customer requesting permanent water service shall be required to present a valid building permit for the property issued by the appropriate governmental agency, except that a building permit is not required by a customer requesting permanent water service to: 1) install and maintain landscaping prior to the construction of a building; 2) perform mass grading operations; or 3) to satisfy conditions imposed by other government agencies, including a single meter for grading for four lots or less which are part of the same parcel map. Government agencies shall be exempt from the requirement of presenting a valid building permit.

D. Requirement for a Service Lateral. The customer requesting water service shall either have an existing service lateral or purchase a new lateral installation at the time of the meter purchase.

E. Commercial Parcels - 5,000 square feet or Larger Irrigated Landscape. When a customer requests water service on a parcel of land with irrigated landscape equal to 5,000 square feet or more, a separate meter will be required for irrigation purposes on the site.

F. Recycled Water Service Areas. In areas designated as recycled water service areas, the customer shall be required to install a separate recycled water service lateral and meter to supply irrigation to the parcel.

G. Second Meter for Indoor Use. Any customer who obtained a single meter prior to October 17, 1990, a second meter for indoor use may be obtained, without paying water capacity fees, San Diego County Water Authority fees and applicable zone charges on the second meter, if the following criteria are met:

1. The additional meter is solely for the purpose of isolating current domestic (indoor) water use from that used for outdoor landscaping. The additional meter shall be on a separate lateral.

2. All costs of on-site plumbing changes, including approved back-flow prevention devices, will be the responsibility of the customer.

3. The customer acknowledges that adding a second meter will result in a second water bill and associated monthly system fee.

4. The customer will be required to pay all fees and charges prior to meter installation.

#### 27.02 SIZE OF WATER METER

A water meter shall be sized to ensure that the maximum demand (in gallons per minute) will not exceed 80% of the manufacturer's recommended maximum flow rate, as shown in Section 27.03. In no case shall the water meter size be less than  $\frac{3}{4}$ -inch. The size of the water meter and service lateral required for water service shall be determined by the General Manager as follows:

A. Detached Single-Family Residential Dwelling Unit. The customer may submit calculated maximum demand (in gallons per minute), provided that maximum demand must be no more than twenty four (24) gallons per minute for a  $\frac{3}{4}$ -inch meter.

B. Apartments, Condominiums, Mobile Home Parks and other Multiple Family Residential Dwelling Units with Individual Meters. The calculated maximum demand shall be per Section 27.02A.

C. Business, Commercial, Industrial, Apartments, Condominiums, Mobile Home Parks and other Multiple-Family Residential Dwelling Units. The customer shall submit building plans signed by a licensed building architect. The plans shall list the number of fixture units, the parcel size (in acres), and the calculated maximum demand (in gallons per minute) to be placed on each water meter.

D. Irrigation. The customer shall submit irrigation plans signed by a licensed landscape architect. The plans shall indicate the calculated maximum demand (in gallons per minute) to be placed on each water meter and the total area to be irrigated (in square feet). The plans must also be in compliance with the requirements of Section 27.05.

E. Other. In the case of other types of service not included above, the customer shall submit information as

requested by the General Manager. Any customer may request and purchase a separate meter to isolate landscaping from indoor use.

F. Requirement for Multiple Meters. The General Manager may require multiple meters when it is in the best interest of the District.

G. Phased Projects. Should the developer choose to phase a multi-family project and determines the use of a smaller meter is practical within the initial phase, they must provide fixture unit calculations for review and approval by the District for each phase of development including the build-out of the project. The developer shall provide a letter to the District stating they acknowledge the initial meter is temporary and that they understand that they must purchase a larger meter, paying all applicable meter upsize fees when they connect future phases to this system. At Plan Review and Submittal the developer shall show fixture count and meter size for each of the phases to final build-out.

27.03 MANUFACTURERS RECOMMENDED MAXIMUM FLOW RATE FOR DISTRICT METERS

Customers are cautioned to control the rates of flow of water through District meters. Operation of a meter at flows in excess of the manufacturer's recommendations will cause severe damage to operating parts. Rated capacities for meters used in this District are as follows:

ORDINARY METERS

<u>Meter Size</u> <u>Recommended</u> <u>In Inches</u>	<u>Manufacturer's</u> <u>Maximum Rate in U. S. Gallons</u> <u>per Minute</u>
3/4	30
1	50
1-1/2	100
2	160
3	500
4	1000
6	2000
8	3400
10	5000

27.04        RESALE OR DISTRIBUTION OF WATER

No customer may resell or redistribute any portion of the water furnished by the District except as provided below:

- A. Use of Submeters for Resale or Redistribution of water. Owners or operators of mobile home parks, apartments, condominium complexes, industrial complexes and land used for agricultural purposes may resell water furnished by the District through the use of a submetering system under the following conditions:
- (1) owners and operators shall comply with State law (California Code of Regulations Section 4090) prohibiting any surcharge on the water rate;
  - (2) the water system on the private property side of the master meter, including the submeters, shall be solely the responsibility of the owner or operator; and
  - (3) the owner or operator shall clearly delineate on the bill that any cost associated with the submeters is a cost imposed by the property owner or operator and not by Otay Water District.
- B. Ratio Utility Billing Systems. To the extent permitted under law, owners or operators of multi-unit structures where submeters have not been installed may elect to implement a Ratio Utility Billing System (RUBS) or alternative billing system to determine proportionate shares of water charges and bill tenants accordingly.

27.05        CONSERVATION AND LOCAL SUPPLY USE REQUIREMENTS

The requirements below apply to all new residential and commercial developments or redevelopments. The landscape requirements also apply to any re-landscaping that is subject to review by the District, the County of San Diego, City of Chula Vista or the City of San Diego.

1. Indoor Fixtures and Appliances. All water fixtures and appliances installed, including the ones in the following list, must be high-efficiency:

- Toilets and urinals
- Faucets
- Showerheads
- Clothes Washers
- Dishwashers

"High-efficiency" means fixtures and appliances that comply with the most efficient specifications under the EPA

WaterSense® or Energy Star programs,<sup>1</sup> as in effect at the time installation commences.

2. Landscape requirements. Only "Smart" irrigation controllers<sup>2</sup> may be installed and only low-water use plants may be used in non recreational landscapes. All landscapes must also be designed and managed consistent with requirements of the local agency within which the property is located, be it the County of San Diego, the City of Chula Vista or the City of San Diego.

a. Installed smart irrigation controllers shall be properly programmed/scheduled according to the manufacturer's instructions and/or site specific conditions based on soil type, plant type, irrigation type, weather and/or reference evapotranspiration data.

b. Two irrigation schedules shall be prepared, one for the initial establishment period of three months or until summer hardened, and one for the established landscape, which incorporates the specific water needs of the plants and turf throughout the calendar year. The schedules shall be continuously available on site to those responsible for the landscape maintenance and posted at the smart controller.

c. Any Covenants, Conditions, and Restrictions (CC&Rs) pertaining to a new subdivision/development shall not limit or prohibit the use and maintenance of low water use plant materials and the use of artificial turf, and shall require property owners to design and maintain their landscapes consistent with the applicable City and County's regulations.

d. Dedicated irrigation meters shall be installed in:

- All parks and common areas with 5,000 square feet or more of irrigated landscape
- Commercial sites with 5,000 square feet or more of irrigated landscape

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<sup>1</sup> Certified EPA WaterSense® products, and Energy Star products, are at least 20% more efficient than the applicable federal standards.

<sup>2</sup> Smart Irrigation Controller means a controller that uses real time, soil moisture or weather data to automatically adjust irrigation run-times. Furthermore, to qualify as a Smart Irrigation Controller, the device must be certified by the Irrigation Association and/or the EPA WaterSense® program.

e. In compliance with Section 23.03 of this Code of Ordinance, pressure regulators must be installed when and where appropriate to maximize the life expectancy and efficiency of the irrigation system.

5. New commercial developments must install separate, dual-distribution systems for potable and recycled water.

6. The requirements of this Section shall not be interpreted in any way to limit the owner's obligation to comply with any other applicable federal, state, or local laws or regulations.



**STAFF REPORT**

TYPE MEETING:	Regular Board	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Daniel Kay Associate Civil Engineer	PROJECT:	R2096- DIV. NO. 3 001103
	Dan Martin Engineering Manager		
	Ron Ripperger Engineering Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Rod Posada, Chief of Engineering <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Change Order No. 2 to the Contract with NEWest Construction, Inc. for the Ralph W. Chapman Water Reclamation Facility Upgrades Project		

**GENERAL MANAGER'S RECOMMENDATION:**

That the Otay Water District (District) Board of Directors (Board) approve Change Order No. 2 to the existing contract with NEWest Construction, Inc. (NEWest) for the Ralph W. Chapman Water Reclamation Facility (RWCWRF) Upgrade Project, in an amount not-to-exceed \$87 (see Exhibit A for Project location).

**COMMITTEE ACTION:**

Please see Attachment A.

**PURPOSE:**

To obtain Board authorization for the General Manager to execute Change Order No. 2 in an amount not-to-exceed \$87 to the contract with NEWest for the RWCWRF Upgrade Project.

**ANALYSIS:**

At the July 15, 2011 Board Meeting the Board awarded a construction contract to NEWest Construction for the RWCWRF Upgrades Project. The RWCWRF Upgrades Project consists of several main components. The first is the modification of the treatment process at the facility to improve the reduction of total nitrogen in the treatment plant effluent. The second component is the upgrade of the facility's blowers and aeration piping. The third component is the enhancement of the level of automation at the facility. The fourth and final component of the Project is the replacement of the damaged filter backwash storage reservoir floating cover at the facility.

At the March 7, 2012 Board Meeting, the Board approved Change Order No. 1 (Exhibit B) to the contract for a net increase of \$17,896. Change Order No. 2 (Exhibit C) includes a variety of items including relocation of the heat exchangers, repairing the leaks on the existing air piping, and credits for unused allowances. Staff and the District's construction manager, SAIC, reviewed, negotiated, and agreed to the costs included in this Change Order pending Board approval.

The following is a table summarizing the value of each item. The "General Location" (Exhibit A) column depicts the general location for each item as shown in Exhibit A:

Item	Description	General Location (Exhibit A)	Amount
1	Heat Exchangers Relocation	2	\$17,265
2	Relocate Floating Mixers for Better Maintenance	4 & 5	\$6,832
3	Repair Leaking Gaskets on Existing Air Piping	4 & 5	\$42,007
4	Cable Substitution	2	<\$24,500>
5	Unused Allowance for Bid Item 17, Unknown Utilities	N/A	<\$601>
6	Unused Allowance for Bid Item 18, Agency Permit Fees	N/A	<\$12,438>
7	Increase Allowance for Bid Item 19, Patching Aeration Basin	N/A	\$5,194
8	Unused Allowance for Bid Item 20, Electrical and Controls	N/A	<\$31,785>
9	Unused Allowance for Bid Item 22, Disposal of Regulated Waste	N/A	<\$5,000>
10	Increase Allowance for Bid Item 23, Misc. Structural Repairs	N/A	\$3,113
	<b>TOTAL</b>		<b>\$87</b>

Change Order No. 2 is a net increase to NEWests' contract of \$87.

NEWest is approximately 95% complete with the Project. There are punch list items, clean up, and programming left to complete, but NEWest's contract is expected to be substantially complete in late July. This change order will reconcile the contract with NEWest and will be the closeout change order for the Project. The treatment plant is on line with staff adjusting the processes to operate the plant as designed.

**FISCAL IMPACT:**  Joe Beachem, Chief Financial Officer

The total budget for CIP R2096, as approved in the FY 2013 budget, is \$4,995,000. Total expenditures, plus outstanding commitments and forecast, are \$4,989,582.

Based on a review of the financial budget, the Project Manager anticipates that the budget is sufficient to support the Project. See Attachment B for budget detail.

Finance has determined that 100% of the funding is available from the Replacement Fund for CIP R2096.

**STRATEGIC GOAL:**

This Project supports the District's Mission statement, "To provide customers with the best quality water, wastewater, and recycled water service in a professional, effective, and efficient manner."

**LEGAL IMPACT:**

None.

DK/RR:jf

P:\WORKING\CIP R2096 - RWCWRF Upgrade Project\Staff Reports\NEWest Change Order No. 2 Staff Report\BD 08-01-2012, Change Order, No. 2 to NEWest Construction, (DK-RR).docx

Attachments: Attachment A - Committee Action  
Attachment B - Budget Detail  
Exhibit A - Location Map  
Exhibit B - Change Order No. 1  
Exhibit C - Change Order No. 2



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b> R2096-001103	Change Order No. 2 to the Contract with NEWest Construction, Inc. for the Ralph W. Chapman Water Reclamation Facility Upgrades Project
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### COMMITTEE ACTION:

The Engineering, Operations, and Water Resources reviewed this item at a meeting held on July 17, 2012 and the following comments were made:

- Staff requested that the Board approve Change Order No. 2 to the existing contract with NEWest Construction, Inc. (NEWest) for the Ralph W. Chapman Water Reclamation Facility (RWCWRF) Upgrade Project, in an amount not-to-exceed \$87.
- Staff stated that at the July 15, 2011 Board meeting, the Board awarded a contract to NEWest in the amount of \$3,499,000 for the Upgrade Project that consisted of several components to upgrade and increase efficiency of the treatment processes at the plant. Staff noted the Project's four (4) main components which are provided on page 2 of the staff report and indicated that the treatment plant is currently on line with staff adjusting the processes to operate the plant as designed.
- It was noted that Change Order No. 1 was approved at the March 7, 2012 Board meeting for a net increase of \$17,896.
- Staff indicated that Change Order No. 2 consists of ten (10) items including relocation of heat exchangers for the blower room, repairing leaks on the existing air piping, and credits for unused allowances. The table on page 2 of the staff report summarizes the items and Exhibit A indicates each of the items' general location.
- It was noted that in total, Change Order No. 2 represents a net \$87 increase to NEWest's contract. Staff noted that this change order will reconcile the contract and be the closeout change order for the Project.

- The Committee commended staff and stated that it was very impressive that the large project had only two (2) change orders and came in on budget.
- In response to the Committee's inquiry regarding Item 4 in Change Order No. 2, Cable Substitution, staff indicated that the Project's original contract specified for the use of a belden cable which is a proprietary communications cable that meets high signal tolerances over long distances, but is costly. Staff indicated that a cable substitution was included in the change order to switch from belden cables to the use of lake cables that cost less and would satisfy the needs of the project.
- The Committee inquired about Item 3 in Change Order No. 2, Repair Leaking Gaskets on Existing Air Piping. Staff indicated that the District installed an all new underground aeration piping system as part of the project and when it was tested, staff recognized that the above ground piping had significant leaks especially in the gasket and valve areas. It is believed that the leaks were caused by the pressure created in the new aeration system by the new blowers. NEWest rectified the problem by replacing joints that would be able to hold pressure for the new aeration system. Staff stated that the cost of Item 3 was based on materials and the number of laborers and hours that it would take to complete the work.
- During the discussion, the Committee asked staff to report on how the Otay Water District's incidence of project contract change orders compares with the industry. Staff agreed to research the item and report back to the Board. The following is provided in response to the Committee's inquiry regarding the industry standard for change orders:

At the national level articles published in 2002 by the American Society of Civil Engineers (ASCE) titled "Benchmarking in Construction Industry" and by McGraw-Hill titled "Mitigation of Risk in Construction: Strategies for Reducing Risk and Maximizing Profitability" surveyed the infrastructure industry regarding change orders for infrastructure projects. In these articles, they respectively reported an average range of 9 to 11 percent for change orders on projects.

At the water industry level, the American Water Works Association (AWWA), Pacific North West Section, presented information that was more specific towards the projects that the Otay Water District implements. In May 2008, the AWWA presented anticipated change order incident rates for the construction of above ground water facilities such as pump

stations, reservoirs, and treatment plants and below ground water facilities such as pipelines. The following table compares the AWWA reported range of change order incidence in these two categories to the Otay Water District's change order incident rate in the same categories over the last three fiscal years (FY 2010 to FY 2012):

Description	AWWA Change Order Incident Rate	Otay Water District Change Order Incident Rate
Above Ground Water Facilities	1.5% to 5%	1.4%
Below Ground Water Facilities	5% to 10%	1.9%

At the local level, staff worked with the local water agencies to determine their overall incidence of change orders over the last three fiscal years. The change order incidence reported by the responding agencies fell in a range of 4 to 5 percent over this time period. The District's overall change order incidence rate, excluding allowances over this same time period, was 1.7%.

The District's change order incident rate is well within the industry standard for all the categories listed above as well as the local water agencies that were surveyed.

Following the discussion, the EO&WR Committee supported staffs' recommendation and presentation to the full board as a consent item.



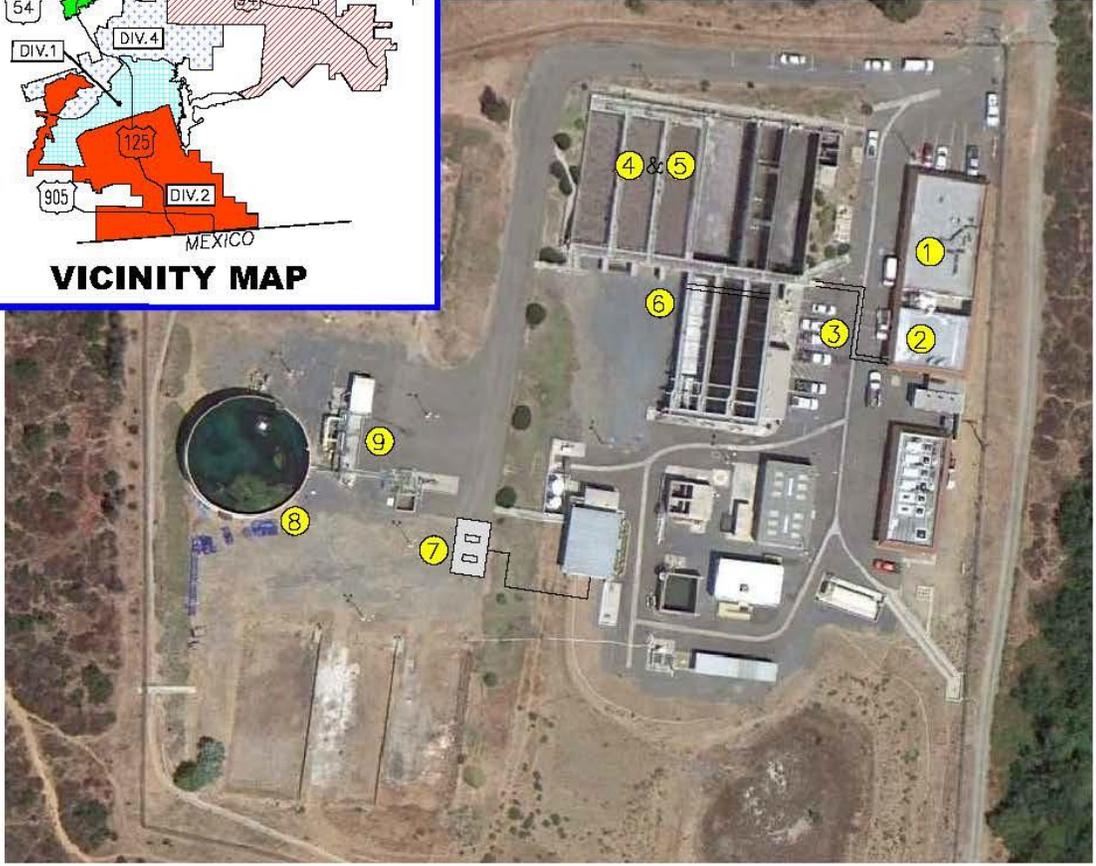
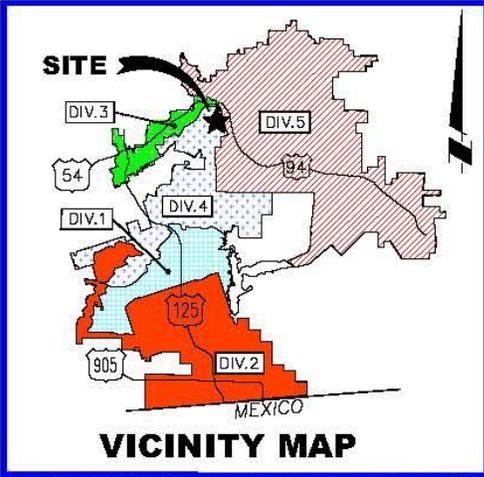
## ATTACHMENT B

<b>SUBJECT/PROJECT:</b>	Change Order No. 2 to the Contract with NEWest Construction, Inc. for the Ralph W. Chapman Water Reclamation Facility Upgrades Project
R2096-001103	

r2096 - RWCWRF - Upgrades and Modifications					Date Updated: July 02, 2012
<i>Budget</i>	<i>Committed</i>	<i>Expenditures</i>	<i>Outstanding Commitment &amp; Forecast</i>	<i>Projected Final Cost</i>	<i>Vendor/Comments</i>
<b>4,995,000</b>					
<b>Planning</b>					
<b>Addl subprojects</b>					
Labor	76,056	76,056	-	76,056	
Professional Legal Fees	4,916	4,916	-	4,916	STUTZ ARTIANO SHINOFF
	603	603	-	603	GARCIA CALDERON & RUIZ LLP
Regulatory Agency Fees	50	50	-	50	PETTY CASH CUSTODIAN
Consultant Contracts	325,846	325,846	-	325,846	MWH AMERICAS INC
	12,775	12,775	-	12,775	MWH CONSTRUCTORS INC
	678	678	-	678	US BANK CORPORATE PAYMENT
Service Contracts	10,860	10,860	-	10,860	E S BABCOCK & SONS INC
	250	250	-	250	UNION TRIBUNE PUBLISHING CO
	68	68	-	68	SAN DIEGO DAILY TRANSCRIPT
Infrastructure Equipment	2,984	2,984	-	2,984	WALTERS WHOLESALE ELECTRIC CO
<b>Total Planning</b>	435,088	435,088	-	435,088	
<b>Design</b>					
Labor	101,398	101,398	-	101,398	
Mileage Reimbursement	16	16	-	16	PETTY CASH CUSTODIAN
Consultant Contracts	267,163	246,688	20,475	267,163	MWH AMERICAS INC
	3,500	3,500	-	3,500	MWH CONSTRUCTORS INC
	8,470	8,470	-	8,470	MTGL INC
	4,209	4,209	-	4,209	WRA & ASSOCIATES INC
	580	580	-	580	VALLEY CONSTRUCTION MANAGEMENT
	499	499	-	499	SCHIFF ASSOCIATES
Service Contracts	4,395	4,395	-	4,395	MAYER REPROGRAPHICS INC
	2,400	2,400	-	2,400	PHOTO GEODETIC CORPORATION
	708	708	-	708	SAN DIEGO UNION-TRIBUNE LLC
	227	227	-	227	SAN DIEGO DAILY TRANSCRIPT
Infrastructure Equipment	331	-	331	331	MATERIALS
<b>Total Design</b>	393,564	373,089	20,475	393,895	



P:\WORKING\R2096-RWCWRF UPGRADE PROJECT\GRAPHICS\EXHIBITS-FIGURES\1-25-12-RWCWRF SITE EXHIBIT A



**LEGEND**

- ① SCADA SYSTEM IMPROVEMENTS
- ② NEW TURBO BLOWERS (3) FOR AERATION SYSTEM
- ③ NEW PIPING FROM BLOWERS TO AERATION BASINS
- ④ AERATION BASIN UPGRADES FOR NITROGEN REMOVAL
- ⑤ NEW PARKSON AERATION PANELS IN BASINS
- ⑥ SEDIMENTATION TANKS SKIMMER REPLACEMENT
- ⑦ NEW AIR SCOUR FACILITY & PIPING FOR TERTIARY FILTERS
- ⑧ NEW FLOATING COVER FOR FILTER WATER STORAGE TANK
- ⑨ GRIT CHAMBER ENHANCEMENT



**OTAY WATER DISTRICT**

RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT

CIP# R2096

**EXHIBIT A**

# EXHIBIT B

OTAY WATER DISTRICT  
2554 SWEETWATER SPRINGS BLVD., SPRING VALLEY, CA. 91978, (619) 670-2222

## CONTRACT/P.O. CHANGE ORDER No. 1

PROJECT/ITEM: RWCWRF Upgrade Project  
CONTRACTOR/VENDOR: NEWest Construction Company, Inc. REF.CIP No.: R2096  
APPROVED BY: Board REF. P.O. No: 714949 & 715213 DATE: 1/23/12

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### DESCRIPTION:

There are eight (8) items as part of this change order resulting in a net increase of \$17,896.00

- Item 1 – Hand chip and remove the previously unknown concrete encasement/slurry around the existing air pipe approximately from station 0+00 to 0+89.29.
  - Item 2 – Slurry backfill FRP located below asphalt approximately from station 1+67 to 1+25 as shown on C-5.
  - Item 3 – Install additional bolts to redwood planks at the interface with the concrete basin per RFI 20 response.
  - Item 4 – Perform work as described in RFI 45 (Revised) and the recommendations of the geotechnical reports dated May 20, 2011 with the exception of the 4- inch sewer line.
  - Item 5 – Provide and install a second 2-inch conduit with the same routing as shown in the response to RFI 52. The existing conduit shall be abandoned.
  - Item 6 – Procure and install revised blowers, VFDs and control equipment for the Air Scour Blower system per project correspondence.
  - Item 7 – Procure and install revised stainless steel support cables per response to RFI No.3.
  - Item 8 – Delete Bid Item Number 21 – Dewatering Allowance.
- 

### REASON:

Item 1 – Drawing C-4 does not show the existing air pipe to be backfilled with concrete slurry and therefore required extensive and slow hand chipping and removal of the slurry to prevent from damaging the nearby chlorine lines and the adjacent air piping which could result in unplanned shutdown of the treatment plant. This item results in a cost of \$24,500.

Item 2 – Drawing C-5 shows the 8-inch air line from existing connection to new air scour location; however, there is an existing electrical duct bank that runs the length of the new trench. From the top of the electric duct bank to finish grade is approximately 2 feet. Via response to RFI 29, the airline shall run on top of the duct bank with structural encasement. This item results in a cost of \$7,235.

Item 3 – Detail 2 on Drawing 1S-1 and Detail 6 on Drawing 1S-2 shows one L bracket, which indicates there is no connection to the L bracket near each wall at every other plank. Per the response to RFI 20, the contractor shall provide on bolted connection for each plank to L3x3 at concrete walls and a bolted connection to every other plank at HSS 5x7 columns where 1/4x3 plates are on each side of plank. This item results in a cost of \$12,098.

Item 4 – The location of the new Filter Backwash Blower Building has been revised since MTGL performed their geotechnical investigation and presented their findings and recommendations in a report dated November 3, 2010. The new location is underlain by approximately 13 feet of existing fill with the upper layer at variable densities. MTGL provided the following recommendations in light of the new location: provide a depth of at least 5 feet removal and recompaction of the existing soil at the new location, install a layer of geogrid, Tensar BX1200 or equivalent, at the bottom of the removal, the lateral limit of grading should extend a minimum of 5 feet beyond the footprint of the mat foundation, and soil should be recompacted to at least 95 percent relative compaction. In the response to RFI 45, the contractor was directed to perform the recommendations listed in MTGL's report dated May 20, 2011 with the exception of relocating the existing 4-inch sewer line. Also, as discussed in the field and as shown on the attached sketch, the air scour pad should be shifted approximately 5 feet south and 5 feet west so no compaction and excavation conflicts exist with performing the recommendation of the geotechnical report. This item results in a cost of \$8,865.

Item 5 - The Contractor submitted RFI 52 requesting clarification of the conduit routing to be used to install a new 2-inch conduit from the MCB to MCC-F. The response to RFI 52 included a revised conduit run, which was different than that specified on Drawing E-1 resulting in different conduit lengths which could result in unbalanced parallel circuit loads and possible equipment damage. Therefore, to mitigate this risk an additional 2-inch conduit and conductor is to be installed and the existing conduit will be available as a spare independent circuit. This item results in a cost of \$19,082

Item 6 - After extensive review by the equipment supplier, the contractor, and operations staff, it was determined that an alternative to the equipment and control systems specified in contract documents could be used to satisfy the required operating parameters of the Air Scour blower system while resulting in a savings to the district. This item results in a credit of <\$57,194>.

Item 7 - The contractor submitted RFI 3 indicating the original stainless steel cable specified by contract documents would not allow for the needed bending radius. The designer agreed and specified a substitute cable requiring a larger diameter. This item results in a cost of \$8,310

Item 8 - The contractor has not encountered ground water for any excavation, therefore this allowance item is no longer needed. This item results in a credit of <\$5,000>.

Summary - This change order reflects eight items (six cost and two credit items) resulting in a net increase to the contract in the amount of \$17,896.00.

**CHANGE P.O. TO READ:**

There are two (2) Purchase Orders for this contract. One for NEWest (PO#714949) and retention account for California Bank & Trust (PO#715213). Revise the Purchase Orders as follows:  
 PO#714949: Revise Contract to add \$16,106.40 for a total Contract amount of \$3,165,206.40  
 PO#715213: Revise Contract to add \$1,789.60 for a total Contract amount of \$351,689.60

ORIGINAL CONTRACT/P.O. AMOUNT:	\$	\$3,499,000.00
ADJUSTED AMOUNT FROM PREVIOUS CHANGE:	\$	0.00
TOTAL COST OF THIS CHANGE ORDER:	\$	17,896.00
NEW CONTRACT/P.O. AMOUNT IS:	\$	\$3,516,896.00
ORIGINAL CONTRACT COMPLETION DATE:		May 31, 2012
CONTRACT/P.O. TIME AFFECTED BY THIS CHANGE:		No
REVISED CONTRACT COMPLETION DATE:		May 31, 2012

IT IS UNDERSTOOD WITH THE FOLLOWING APPROVALS, THAT THE CONTRACTOR/VENDOR IS AUTHORIZED AND DIRECTED TO MAKE THE HEREIN DESCRIBED CHANGES. IT IS ALSO AGREED THAT THE TOTAL COST FOR THIS CHANGE ORDER CONSTITUTES FULL AND COMPLETE COMPENSATION FOR OBLIGATIONS REQUIRED BY THE CONTRACT/P.O. ALL OTHER PROVISIONS AND REQUIREMENTS OF THE CONTRACT/P.O. REMAIN IN FULL FORCE AND EFFECT.

**CONTRACTOR/VENDOR:**

SIGNATURE: [Signature]  
 NAME: Mark Jenette  
 TITLE: Project Manager DATE: 2/6/12  
 COMPANY & ADDRESS: NEWest Construction  
7847 Dunbrook Rd. Ste C  
San Diego, CA 92126

**STAFF APPROVALS:**

PROJ. MGR: [Signature] DATE: 1/30/12  
 DIV. MGR: [Signature] DATE: 1/31/12  
 CHIEF: [Signature] DATE: 1/31/12  
 ASST. GEN. MANAGER: [Signature] DATE: 2/8/12  
 DISTRICT APPROVAL:  
 GEN. MANAGER: [Signature] DATE: 2/10/2012

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 ACCTS PAYABLE,  INSPECTION,  PROJ. MGR.,  ENGR. SECRETARY,  PURCHASING,  PROJECT BINDER

# EXHIBIT C

OTAY WATER DISTRICT  
2554 SWEETWATER SPRINGS BLVD., SPRING VALLEY, CA. 91978, (619) 670-2222

## CONTRACT/P.O. CHANGE ORDER No. 2

PROJECT/ITEM: RWCWRF Upgrade Project  
CONTRACTOR/VENDOR: NEWest Construction Company, Inc. REF.CIP No.: R2096  
APPROVED BY: Board REF. P.O. No.:714949, 715213 DATE: 7/10/2012

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### DESCRIPTION:

There are ten (10) items as part of this change order resulting in a net cost of \$87.

- Item 1 – Install and mount high speed air blower heat exchangers in the revised locations.
- Item 2 – Relocate floating mixer anchors to facilitate maintenance.
- Item 3 – Replace all identified leaking gaskets and coupling on air piping.
- Item 4 – Provide and install proposed Lake cable in lieu of Beldin cable.
- Item 5 – Reduce Bid Item 17 (Unknown Utility Allowance) to reconcile contract.
- Item 6 – Reduce Bid Item 18 (Agency Permit Fee Allowance) to reconcile contract.
- Item 7 – Increase Bid Item 19 (Patching Aeration Basin Allowance) to reconcile contract.
- Item 8 – Reduce Bid Item 20 (Electrical and Controls Allowance) to reconcile contract.
- Item 9 – Reduce Bid Item 22 (Disposal of Regulated Waste Allowance) to reconcile contract.
- Item 10 – Increase Bid Item 23 (Misc Structural Repair Allowance) to reconcile contract.

### REASON:

Item 1 – Prior to installation it was determined the heat exchangers for the high speed blowers needed to be located on the south exterior wall of the blower room for operation and maintenance purposes requiring additional electrical equipment and structural supports. This item results in a cost of \$17,265.

Item 2 – The floating mixers were installed per contract documents and manufacturer recommendations however, the anchoring disconnects needed to be raised 1 ft to allow for long term maintenance. This item results in a cost of \$6,832.

Item 3 – During air testing of newly install FRP air piping the project team discovered existing air leaks that would need to be repaired during the shutdown condition to prevent an unplanned facility shutdown in the future. This condition was unknown prior to shutdown due to the previously low operating pressures of the old facility design. This item results in a cost of \$42,007.

Item 4 – During the submittal process the contractor identified and proposed the replacement of a signal cable (Lake) that would result in a cost savings and not impact operation. This item results in a credit of <\$24,500>.

Item 5 – Allowance Bid Item 17 – Unknown or Unidentified Utility Allowance (\$40,000) was not used in its entirety and must be reconciled. This items results in a credit of <\$601>.

Item 6 – Allowance Bid Item 18 – Agency and Vendor Inspection and Permit Fees (\$20,000) was not used in its entirety and must be reconciled. This items results in a credit of <\$12,438>.

Item 7 – Additional concrete patching was required in the Aeration basins, therefore additional funds were needed to increase Allowance Bid Item 19 – Patching of Spalled Areas in Concrete Walls and Floors of the Aeration Basins (\$20,000) to complete all identified patching in the aeration basins. This items results in a cost of \$5,194.

Item 8 – Allowance Bid Item 20 – Electrical and Control Systems Additions (\$40,000) was not used in its entirety and must be reconciled. This items results in a credit of <\$31,785>.

**Item 9** – Allowance Bid Item 22 – Disposal of Regulated Waste Material (\$5,000) was not used in its entirety and must be reconciled. This items results in a credit of <\$5,000>.

**Item 10** – The aeration basin handrails had to be modified to install the Rototork valves. Additional funds were needed to increase Allowance Bid Item 23 – Miscellaneous Structural Modifications, to complete the handrail modifications. This items results in a cost of \$3,113.

**Summary** – This change order reflects ten items (five cost and five credit items) resulting in a net cost to the contract in the amount of \$87.

**CHANGE P.O. TO READ:**

Revise contract to add \$87 for a total contract amount of \$3,516,983.00

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ORIGINAL CONTRACT/P.O. AMOUNT:	\$	\$3,499,000.00
ADJUSTED AMOUNT FROM PREVIOUS CHANGE:	\$	17,896.00
TOTAL COST OF THIS CHANGE ORDER:	\$	87.00
NEW CONTRACT/P.O. AMOUNT IS:	\$	\$3,516,983.00
ORIGINAL CONTRACT COMPLETION DATE:		May 31, 2012
CONTRACT/P.O. TIME AFFECTED BY THIS CHANGE:		Yes
REVISED CONTRACT COMPLETION DATE:		July 31, 2012

IT IS UNDERSTOOD WITH THE FOLLOWING APPROVALS, THAT THE CONTRACTOR/VENDOR IS AUTHORIZED AND DIRECTED TO MAKE THE HEREIN DESCRIBED CHANGES. IT IS ALSO AGREED THAT THE TOTAL COST FOR THIS CHANGE ORDER CONSTITUTES FULL AND COMPLETE COMPENSATION FOR OBLIGATIONS REQUIRED BY THE CONTRACT/P.O. ALL OTHER PROVISIONS AND REQUIREMENTS OF THE CONTRACT/P.O. REMAIN IN FULL FORCE AND EFFECT.

**CONTRACTOR/VENDOR:**

SIGNATURE:   
NAME: Mark Jenke  
TITLE: Project Manager DATE: 7/10/12  
COMPANY & ADDRESS: 7847 Dunbrook Rd.  
Ste C San Diego  
CA 92126

**STAFF APPROVALS:**

PROJ. MGR : \_\_\_\_\_ DATE: \_\_\_\_\_  
DIV. MGR : \_\_\_\_\_ DATE: \_\_\_\_\_  
CHIEF: \_\_\_\_\_ DATE: \_\_\_\_\_  
ASST. GM : \_\_\_\_\_ DATE: \_\_\_\_\_

**DISTRICT APPROVAL:**

GEN. MANAGER: \_\_\_\_\_ DATE: \_\_\_\_\_

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## CHANGE ORDER LOG

CIP Title - RWCWRF Upgrades

Project: R2096

Consultant/Contractor: NEWest Construction, Inc.

Subproject: 001103

		APPROVED			
C.O.	AMOUNT	BY	DATE	DESCRIPTION	TYPE C.O.
1	\$17,896.00	Board	3/7/2012	Concrete Encasement Removal, Slurry Backfill FRP, Additional Bolts & Planks for Concrete Basin, Overexcavate Filter Backwash Blower Facility Pad, Additional Conduit from MCB to MCC, VE Credit for Blowers, Stainless Steel Support Cables, Deletion of Allowance Item No. 21- Dewatering	Owner Initiated
2	\$87.00	Board		Contract Reconciliation. Credits for unused allowances, cable substitution credit, repair of existing aeration piping, and modifications to floating mixers	Owner Initiated
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Total C.O.'s To Date: \$17,983.00 0.5%

Original Contract Amount: \$3,499,000.00

Current Contract Amount: \$3,516,983.00

Month	Net C.O.\$	Limit	Authorization	Absolute C.O.\$	C.O. %
7/12	\$87.00	\$2,000	Insp		0.0%
		\$5,000	PM/Sr. Engr.		0.0%
		\$10,000	DivM		0.0%
		\$15,000	Chief		0.0%
		\$25,000	AGM		0.0%
		\$50,000	GM		0.0%
		>\$50000	Board	\$87.00	0.0%



**STAFF REPORT**

TYPE MEETING:	Regular Board	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Jose Martinez, Utility Services Manager	PROJECT:	Various DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Pedro Porras, Chief of Water Operations <input checked="" type="checkbox"/> German Alvarez, Asst. General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Approval to Purchase Replacement Backhoe		

**GENERAL MANAGER'S RECOMMENDATION:**

That the Board authorize the General Manager to issue a purchase order to RDO Equipment Company Inc. in the amount of \$102,515.50 for the purchase of one (1) John Deere Backhoe.

**COMMITTEE ACTION:**

See Attachment "A".

**PURPOSE:**

To obtain Board authorization to purchase a John Deere Backhoe.

**ANALYSIS:**

Included in the approved FY 2013 budget is one (1) new Backhoe. The Backhoe is a replacement scheduled to be utilized by the Utility Maintenance Staff.

Currently, the District's essential equipment includes six (6) backhoes, the oldest being unit #1565, a model year 1987 680 Case Backhoe. Due to the age of this machine this unit is to be replaced with a new APCD emissions compliant machine. Funding for this purchase has been included in the CIP P2366.

Based on system operation evaluations of work flow by the Construction/Maintenance supervision and management, it is recommended that 1 new John Deere model 330 Backhoe be purchased and the older Case Backhoe be declared surplus.

It should be noted that the existing backhoe is 25 years old. This replacement will noticeably reduce the District's diesel emissions output and will be in compliance with APCD regulations. Purchase price includes the John Deere Backhoe (\$81,389.00), an Okada Breaker (\$13,753.00) and applicable taxes (\$7,373.51) for a total purchase price of \$102,515.51.

In accordance with District policy, bids were solicited for the backhoe. Three (3) bids were received. Prices received include all applicable fees and taxes and delivery.

Dealer	Bid	Bid Price
RDO Equipment Company	2012 John Deere 310SJ	\$102,515.51
Pape Machinery	2012 John Deere 310SJ	\$110,676.49
Blaine Equipment Co.	2012 John Deere 310SJ	\$112,045.99

**FISCAL IMPACT:**             Joe Beachem, Chief Financial Officer

The original projected cost for the purchase of this equipment is \$105,000. The actual cost of the vehicle will be \$102,515.51, to be charged against the APCD Replacement and Retrofits CIP P2366. The total cost in this equipment will not exceed budgeted funding.

The total FY13 project budget for the CIP P2366 APCD Replacement and Retrofits is \$120,000. Existing expenditures and current encumbrances for the CIP, including the vehicle purchased under this request if approved, is \$117,515.51. Based on the Utility Service Manager's evaluation, the CIP P2366 budget is sufficient to complete the budgeted purchase.

The Finance Department has determined that 100% of the funds are available in the replacement fund.

Expenditure Summary:

For FY-13, two items are proposed for purchased under this CIP.

FY13 Equipment Replacement CIP P2366 Budget:	<b>\$120,000.00</b>
1. Proposed Equipment Purchase: Backhoe	\$102,515.51
2. Proposed Replacement Light Tower	\$15,000.00
Total, Projected Expenditures of Equipment Replacements FY13, P2366 Budget:	\$117,515.51

**STRATEGIC GOAL:**

Have adequate equipment to operate the system to meet demand twenty-four hours a day, seven days a week.

**LEGAL IMPACT:**

None.

Attachments: Attachment A - Committee Action



## ATTACHMENT A

SUBJECT/PROJECT:	
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### COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on May 16, 2012 and the following comments were made:

- The purchase of a backhoe is included in the approved Fiscal Year 2013 budget.
- Currently, the District has six (6) backhoes. The requested backhoe will replace a 25 year old backhoe which will be surplus. An Okada breaker has been added to the purchase as it was recognized during a recent water main break, that a breaker was needed onsite during emergencies should staff need to break additional concrete or cobble.
- Per the District's policy, bids were solicited and three (3) bids were received. Staff recommends that RDO Equipment Company be selected as the lowest responsive bidder.
- It was discussed that the breaker would enhance the safety of the staff as it could be utilized, as opposed to the crews climbing into trenches, to break concrete, thrust blocks, etc.
- It was noted that, each year, APCD implements new regulations and it is likely that more trucks and equipment will need to be surplus because they do not meet the new regulations.
- The committee inquired if there was a reason that a specific John Deer backhoe was identified as opposed to opening the bid to different manufacturers of backhoes. It was indicated that the five other District backhoes are John Deer and the controls on a Case backhoe are opposite to the John Deer. Because the District's employees are trained and familiar with the John Deer backhoe, the District preferred to stay with the John Deer brand to keep it consistent.

- In response to an inquiry from the committee, staff indicated that the vendors solicited to bid were all local to the southwest region. RDO Equipment Company is the only John Deere dealer in San Diego County and in the majority of the southwest region. It was noted that the District did purchase in the recent past a utility truck from a vendor located in the Midwest.

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



## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Rita Bell, Finance Manager	PROJECT:	DIV.NO. All
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Resolution No. 4201 of the District's Code of Ordinances Amending Policy No. 25, the Reserve Policy, which Includes Updated Glossary Definitions		

**GENERAL MANAGER'S RECOMMENDATION:**

That the Board adopt Resolution No. 4201 of the District's Code of Ordinances amending Policy No. 25, the Reserve Policy, which includes updated glossary definitions.

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

Please see Attachment A.

**PURPOSE:**

To present to the Board three revisions of the Reserve Policy. First, to remove the State Loan Assessment wording in Section 2.2, c. as the loan has been paid in full. Second, to modify the definition of Late Charges/Penalties. Lastly, to modify the definition of Water Rates. The two definitions are in the Reserve Policy Glossary and are changed to reflect current practices.

**BACKGROUND:**

In March 2006, the Reserve Policy was updated to reflect industry best practices, clearly defining the sources and uses of the District's funds and establishing the minimums, maximums, and targets for each of the funds. In May 2010, the Board adopted a new capacity fee and annexation fee methodology, as well as a new water supply fee. As a result of these Board approved changes, the new sources and uses of fees were incorporated into the Reserve Policy.

**ANALYSIS:**

In October 2010, the District made the final payment on the Sewer State Loan. Accordingly, the District no longer collects a fee on

the county tax roll to pay for this debt. Therefore, it is being proposed that paragraph 2.2.c. "State Loan Assessment (Restricted)" be removed from the Reserve Policy.

As part of continuous quality assurance review performed by staff, some necessary changes to the glossary definitions were identified and are being recommended for Board approval.

In 2008, the Board approved the elimination of charges for contacting customers and notifying them of past due status. The definition of "Late Charges/Penalties" in the Glossary was not updated at that time to reflect this change. The proposed definition has been modified to delete the phone contact charges and also modified to add other penalties for infringements. The District charges penalties for infringements such as broken curb stops, and meter reset fees. This modification is necessary for completeness of the definition. The proposed definition of "Late Charges/Penalties" in the Glossary states that charges and penalties are imposed on customer accounts for late payments, returned payments, and other infringements of the District's Code of Ordinances.

In 2009, the Board approved moving from a flat rate structure for non-residential customers to a tiered rate structure. In this structure, water rates are based on meter size and amount of Units consumed. The glossary's definition of "Water Rates" for non-residential customers was not updated at that time to reflect this change. This update to the Reserve Policy modifies the Glossary definition to reflect the current inclining block rate structure.

The proposed policy is in alignment with the District's financial plan and is an integral part of the annual rate model update which impacts the District's rates and fees.

**FISCAL IMPACT:** \_\_\_\_\_

None.

**STRATEGIC GOAL:**

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

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

None.

Attachments:

- A) Committee Action Form
- B) Resolution No. 4201
  - Exhibit I Strike-through Policy No. 25
  - Exhibit II Proposed Policy No. 25



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Adopt Resolution No. 4201 of the District's Code of Ordinances Amending Policy No. 25, the Reserve Policy, which Includes Updated Glossary Definitions
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### COMMITTEE ACTION:

The Finance, Administration and Communications Committees reviewed this item at meetings held on July 19, 2012 and the following comments were made:

- Staff indicated that Board of Directors Policy 25, Reserve Policy, was implemented in 2006 and, at that time, staff looked at industry practices and created a policy that established the uses of District funds and the minimums, maximums and targets for each of the funds.
- The policy was updated in May 2010 when the board adopted new capacity and annexation fee methodologies, and a new water supply fee. These changes were reflected in the Reserve Policy at that time.
- Staff is proposing additional revisions to the policy as follows:
  - Remove the sewer State loan from the policy as it has been paid off.
  - Update the definition of "Late Charges/Penalties" in the Reserve Policy glossary to match current practice.
    - In 2008 the District changed how late and penalty fees are collected and these changes are being reflected in the policy.
  - Update the definition of "Water Rate" in the glossary to reflect the current tiered rate structure for all customer types.
    - In 2009 the District changed its rate structure so that all customer types are billed using a tiered

rate structure. The glossary is being updated to reflect this change.

- The committee inquired about the change in the capacity and annexation fee methodologies. Staff indicated that the capacity fee and annexation fee methodologies were changed from the *Buy-In Methodology*, where the District considers future customers and future expansion costs, to the *Combined Methodology* where all existing assets, all future assets, all existing customers and all future customers are considered. This change in methodology required a change in how the District accounts for the money placed in the reserve funds. The Reserve Policy was updated in 2009 to match this change.
- The committee suggested that staff strike the last sentence in the definition of "Water Rates" on page 48 of the strike-thru copy of the policy which states:

"A unit of water is 100 cubic feet or 748 gallons of water."

and add "Unit" as a glossary term with the definition as stated in the sentence. The term "Unit" should then be capitalized throughout the policy. Staff indicated that this was a good suggestion and would make the changes as suggested.

- The committee commended staff on their work on the policy and felt that it was very thorough and a good governance document.

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

RESOLUTION NO.4201

A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE OTAY WATER DISTRICT AMENDING  
RESERVE POLICY NO.25 OF THE  
DISTRICT'S CODE OF ORDINANCES

WHEREAS, the Otay Water District Board of Directors have been presented with an amended Reserve Policy No. 25 of the District's Code of Ordinances for the financial management of the Otay Water District; and

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

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

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

PASSED, APPROVED AND ADOPTED by the Board of Directors of Otay Water District at a board meeting held this 1st day of August 2012, by the following vote:

Ayes:  
Noes:  
Abstain:  
Absent:

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
District Secretary

OTAY WATER DISTRICT BOARD OF DIRECTORS POLICY			
Subject	Policy Number	Date Adopted	Date Revised
RESERVE POLICY	25	2/10/93	<del>11/3/10</del> 8/1/12

**1.0 The District**

The Otay Water District is a California municipal water district, authorized in 1956 by the State Legislature under the provisions of the Municipal Water District Act of 1911. The District is a "revenue neutral" public agency; meaning each end user pays their fair share of the District's costs of water acquisition, construction of infrastructure, and the operation and maintenance of the public water facilities.

The District provides water service within its boundaries, and provides sewer and recycled water service within certain portions of the District. As such, the District operates three distinct business segments:

- Potable water
- Recycled water
- Sewer

Each of these business segments has an identifiable customer base. In addition, the developer community, large and small, makes up a significant class of customer for each business segment. As a result, the District has four distinct customer service types:

- Developers
- Potable water users
- Recycled water users
- Sewer users

The District has established practices and developed computer systems that have enabled the District to maintain a clear separation between the service costs relating to each of its four customer service types. Regardless of customer class, financial principles regarding cost allocation and fund accounting are fundamental to the District's Reserve Policy. These principles are derived from the statements of the Governmental Accounting Standards Board (GASB), and from oversight and advisory bodies such as the California State Auditor, the Little Hoover Commission, and the Government Finance Officers Association (GFOA). These have significant impacts on how the finances of

**OTAY WATER DISTRICT  
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
RESERVE POLICY	25	2/10/93	<del>11/3/10</del> 8/1/12

the District are organized and how financial processes work within the organization.

**1.1 The District's Use of Financial Resources**

All of the District's expenditures fall into two broad categories: operating costs and capital expenditures. The operating costs include costs relating to the purchase and delivery of potable and recycled water, and the transportation and treatment of sewage. The capital expenditures support the construction of infrastructure necessary to deliver services. The District uses various funds to support the operating and capital efforts. Operations and maintenance is financed only by rates and charges, also called pay-as-you-go, while capital infrastructure is financed using two financing methods: pay-as-you-go and debt issuance (requiring annual debt service). The Capital Improvement Program (CIP) and the two funding methods support the construction, betterment, and replacement of infrastructure in all three business areas: potable, recycled, and sewer.

The District establishes different funds to track revenues allocated to different activities. Once established, each fund receives financial resources up to the levels defined in this policy. Every year, as a part of the annual budget process, the District's rate model is updated for each fund with the current fund balances and the estimated revenues and expenditures for the next six years. The expenditure requirements and financial resources are then evaluated to ensure that the existing fund balances and additional revenues are sufficient within the current budget cycle and for the next five years to maintain target fund levels. If a deficit is identified, then options for transfers, shifting CIP projects, debt, cost saving measures, and/or rate increases are evaluated.

**1.2 The District's Capital Improvement Program (CIP)**

The planning, design, and construction costs of all capital facilities within the three business segments are allocated to four cost types and corresponding fund categories: New Water Supply, Expansion, Replacement, and/or Betterment. The allocation to these four cost types is defined in the District's Capital Improvement Program (CIP) and is determined by an engineering analysis that identifies which type of customer will benefit from each facility, planned or existing. The costs of the capital

**OTAY WATER DISTRICT  
BOARD OF DIRECTORS POLICY**

Subject	Policy Number	Date Adopted	Date Revised
RESERVE POLICY	25	2/10/93	<del>11/3/10</del> 8/1/12

improvements are borne by either existing users or by the developing areas, or by a combination of the two, as applicable. This Reserve Policy protects both the existing users and the developing areas from incurring unwarranted costs. Developing areas are not required to finance facilities that are replacement or betterment and established areas are not required to replace facilities before they are worn out because of new development. However, to ensure a fair allocation of costs, each facility has the potential to be classified into any or all of the four cost types. In addition to these cost types there are occasional CIPs that may be billable to a third party, if for example a third party requires a District facility be relocated. Paragraphs a through d below, describe how the costs of capital facilities are financed through various fees.

a. New Water Supply

The portion of a new supply project that benefits new users is financed from the reserves in the New Water Supply Fund category. These reserves are primarily derived from proceeds of the new water supply fee. The New Water Supply Fund is restricted, meaning the amounts credited to this fund are accounted for separately and are used solely for the planning, design, and construction of the new water supply expansion facilities. Debt financing may also be a temporary financial resource to finance new water supply projects. The District has a Debt Policy (Policy No. 45) that guides the debt issuance process. Any debt proceeds used for this purpose would be restricted in nature and tracked separately. General use reserves may also be placed in the Designated New Water Supply Fund and used for water supply projects.

b. Expansion

The portion of a CIP project that benefits new users is financed from the reserves in the Expansion Fund category. These reserves are primarily derived from proceeds of the "incremental" portion of the capacity fees collected within developing areas. Capacity fees are accounted for separately and used for the planning, design, and construction of expansion facilities. Additionally, expansion may be financed by annexation fees or the "buy-in" portion of the capacity fee. Both of these fees are restricted for CIP purposes, but not specifically for expansion. Debt financing may also be a temporary financial resource for expansion

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projects. General use reserves may also be placed in the Designated Expansion Fund and used for expansion projects.

c. Replacement

The portion of a CIP project that benefits existing users by replacing an existing facility is financed from the reserves in the Replacement Fund category. Replacement of facilities may be financed with proceeds of annexation fees, the "buy-in" portion of the capacity fees, general use reserves held in the Designated Replacement Fund and debt proceeds. The various funding sources available for replacement projects is anticipated to provide the necessary flexibility to begin projects while any necessary debt financing is being obtained.

d. Betterment

Facilities that improve reliability, meet new regulations, or create increased levels of service are considered betterment facilities that benefit existing users. The reserves in the Better Fund category are used to finance these projects or portions of projects. Certain user rates, charges, and betterment fees are restricted geographically for betterment of facilities, but may also be used for general maintenance of facilities in that area. Proceeds of the annexation fee and the "buy-in" portion of the capacity fees may also be used to finance betterment projects. General use reserves may be placed in the Designated Betterment Fund and used for betterment projects.

*1.21 Relocations*

Occasionally, relocation of a District facility is required by a third party. If the District has a superior easement the relocation cost will be paid by the third party, but only to the extent that the District does not benefit from the relocation. When relocation is required, a CIP project may be created which is wholly or partially financed by a third party. On occasion, the District will require that its own facilities be relocated. Depending on the nature of the facilities, the financial resources for these projects could be from new water supply, expansion, replacement, betterment or third party financing. Each project is individually negotiated with the third party based on the facts and circumstances of the relocation. Occasionally, the District will improve the facilities that are being relocated. When determining how to allocate costs to various funds the following

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guideline is suggested: if a project has more than five years of useful life remaining, an incremental cost view should be considered; if the project has less than five years of useful life remaining, a pro-rata cost approach should be considered. Also, the likelihood the District will benefit from an asset's life extension should be evaluated prior to allocating costs.

*1.22 Oversizing*

If deemed reasonable by the District, in connection with the construction of backbone facilities, a developer may be required to oversize new facilities for future development. The developer is reimbursed for incremental oversizing costs as per Policy No. 26. These reimbursements are not available for the distribution system within a development which is an obligation of the developer.

*1.23 Exclusion of Developed Areas from Expansion Costs*

Developed areas are assumed to have sufficient supply and capacity to meet their current requirements as provided by the developers. In addition, they are considered to have borne capital financial costs that are at least proportionate to the benefits they have received from capital facilities. Accordingly, no regional capital financing costs are allocated to these areas so that they will not incur any costs for newly developing areas, except for capital projects that produce district-wide benefit or cost savings.

*1.24 Improvement Districts (IDs)*

Improvement Districts (IDs) are established to facilitate the financing of particular improvements by the specific beneficiaries. The District has a number of improvement districts that were established for General Obligation (GO) debt repayment. Most GO debt has been paid off and it is unlikely that the District will issue additional GO debt. Improvement districts continue to be used for other purposes: 1) to distinguish sewer customers from water customers on the county tax roll; 2) to place parcels on the county tax roll for the collection of availability fees; or 3) for charging special water rates.

Over the years, the District moved to a district-wide perspective of financing improvements. This philosophy is evident by the district-wide capacity and annexation fees. The District also uses district-wide water rates. As time goes on, it is expected

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that IDs will continue to outgrow their purpose and their use will diminish.

**1.3 The Purpose of the Policy**

Public entities accumulate and maintain reserves to ensure both financial stability and continuous availability of services. Financial stability and the resulting improved credit quality allow the public entity to weather times of uncertainty and the impact of negative events, both major and minor. Reserves allow for the ongoing maintenance of property and timely payment of expenses even when such expenses exceed money available from a single fiscal period. In the final analysis, the type and level of reserves are driven by the type and magnitude of uncertainty faced by the public entity.

A "reserve" has a number of meanings, as follows:

- Working capital is required to insure timely payment of obligations.
- A buffer against volatility in revenues.
- Liquidity is required to obtain other goods and services (e.g., bank services).
- Designated money to protect creditors.
- Money set aside to replace assets at the end of their useful lives.
- Money set aside to repair or replace assets damaged or destroyed at unanticipated times.

It is important to note that reserves, fund balance, and net assets are not the same. Fund balance and net assets are accounting terms and may not always be in the form of cash or liquid investments. Fund balances and net assets may not always be reserves unless a designation of all or a portion of fund balance is made. In addition, the term fund balance was replaced by net assets as codified by the Governmental Accounting Standards Board (GASB).

In short, reserves are the liquid assets of the District, accumulated and maintained for application to finance contingent future activities, whether known or unanticipated, operating or

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capital in nature. The District's Reserve Policy governs the management and use of these financial resources. Few policies have a more significant impact on the financial health and stability of the District. This policy explains several key financial concepts used by the District and provides some background information to the overall strategies and practices utilized. The District has a fiduciary obligation to its customers, to manage and direct the use of public funds for the purpose of providing water and sewer services in an efficient and financially sound manner.

**1.4 Policy Guidelines**

In 2000, the Little Hoover Commission reviewed the levels of reserve funds for special districts in California and prepared a report reflecting that special districts were accumulating unreasonable levels of funds. As a proactive response, the California Special Districts Association (CSDA) prepared Reserve Guidelines for its members. The Reserve Guidelines were significant in noting that reserve levels need to be in context of the organization's overall business model and capital improvement plan.

There are a number of potential events which the District should consider in the development of reserves:

- Economic Uncertainty - performance of the regional economy and the impact of that performance on demand for water.
- Weather - the amount of rainfall and the impact of weather on the availability and the cost of water as well as the demand for water.
- Government Mandates - the impact of federal and state regulation, particularly environmental regulation.
- Tax Changes - limitations on the District's taxing and spending powers through the passage of a voter referendum, the impound of District property taxes or the removal of the District's power to levy property taxes, further increases to Educational Revenue Augmentation Fund (ERAF) contributions or changes in calculation methodology.

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- Operating Costs - increases in operating and maintenance costs because of inflation, labor agreement or other modification.
- Force Majeure - unanticipated expenditures resulting from natural disasters or intentional acts.
- Emergency Maintenance - unanticipated expenditures resulting from unexpected failure of assets (e.g., rupture in the primary transmission system).
- Unexpected Variation in Cash Flow - the incidence of additional costs or decreased revenues that require short-term borrowing in the absence of sufficient financial resources.

The California State Auditor has, in its oversight role, offered a number of quality recommendations for the development of reserve policies as outlined in its report entitled, "California's Independent Water Districts: Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable," dated June 2004, Report No. 2003-137. All of these recommendations have been incorporated into this policy in an effort to address key issues surrounding the management and use of District reserves. The detailed objectives as identified by the State Auditor are as follows:

- Distinguish between restricted and unrestricted reserves.
- Establish distinct purposes for all reserves.
- Set target levels, including minimums and maximums, for the accumulation of reserves.
- Identify the events or conditions that prompt the use of reserves.
- Conform to plans to acquire or build capital assets.
- Receive Board approval and that it is in writing.
- Require periodic review of reserve balances and rationale for maintaining them.

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Yet, the State Auditor's report acknowledges that the California Constitution (Article XIII B, Section 5) is vague in its provisions governing the accumulation and use of reserves.<sup>1</sup>

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<sup>1</sup> California State Auditor, Bureau of State Audits, "California's Independent Water Districts: Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable," dated June 2004, 2003-137; p. 8.

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Specifically, the Constitution states that "each entity of the government can establish contingency, emergency, unemployment, reserve, sinking fund...or similar funds as it shall deem reasonable and proper."<sup>2</sup> Similarly, the State's Water Code does not impose any requirements as to specific or recommended reserve fund levels. As a result, the public finance community as a whole has yet to settle on any real objective standards for the level of reserve funds appropriate for governmental enterprises. This lack of consensus as to specific standards is indicative of the wide variance of the financial and operations context for different districts and different contingencies justifying reserves.

The Government Finance Officers Association (GFOA) in its "Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund" (2002) states that in establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors. These include:

- The predictability of its revenues and the volatility of its expenditures (*i.e.*, higher levels of the unreserved fund balances may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (*i.e.*, the availability of resources in other funds may reduce the amount of the unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund).
- Liquidity (*i.e.*, a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (*i.e.*, governments may wish to maintain higher levels of the unreserved fund balance to

<sup>2</sup> California Constitution, Article XIII B, Section 5.

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compensate for any portion of unreserved fund balance already designated for a specific purpose).

In the preparation of this policy, each of the CSDA guidelines and the GFOA recommendations has been considered. In addition, all seven objectives provided by the State Auditor are specifically addressed for each reserve. The District wholly supports the State Auditor's efforts to bring a high-level of quality to reserve governance and establishing a standard of performance.

The District recognizes that the customer pays for services provided. Quality management requires that periodic valuations be performed so that fees and charges can be set at appropriate levels to recover the cost of service. The District's Reserve Policy has been drafted with consideration of the GFOA, CSDA, and State Auditor's general guidelines as provided above. In addition, the District has adopted the following principles in the management of its financial resources:

- Reserves are held and used only for the purpose for which they are collected. This is done to maintain equity among customers.
- Each of the service types is tracked separately so that expenditures and revenues can be monitored and evaluated for each customer type. This provides the District with the necessary information to appropriately charge for each of the services.
- Separation of operations and maintenance from capital expenditures occurs within each of the service types. This is done because the financing of these expenditures is often on different timelines or use different reserves.
- The District will hold its reserves at responsible and prudent levels. This policy sets minimum, maximum, and target levels for each of the various funds. This has been done so that the District can maintain reserves to meet the purpose for which the funds were established. The levels are set by reference to line items in the District's financial statements and approved budgets. This allows reserve levels to adjust to the District's changing financial circumstances.
- Debt financing of facilities provides intergenerational equity and maintains rates at reasonable levels. This equity

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is accomplished with long-term financing which spreads the cost of facilities over the life of the facilities. The burden to pay for facilities is then paid by those who use them. The District could amass significant reserves by pre-collecting financial resources in a Replacement Reserve Fund allowing the District to cash finance all replacements. However, this would require significant rate increases burdening the current customers and creating reserve levels difficult to defend to the ratepayers or other oversight entities.

These concepts are fundamental to the way the District manages its funds and have a direct impact on the way rates and charges are set. The District performs annual budget evaluations and updates its rate model on an annual basis to monitor and adjust the various funds and revenue sources. The separation, tracking, and projecting of the various funds and expenditures create the essential information necessary for the equitable rate structure maintained by the District. The annual review preserves the balance between services provided and the fees charged. This review also insures that reserves will be available to continue to serve the District's customers.

**Financial Sources**

**2.0 Developers**

a. Meter Installation Charges (General Use)

Meter fees are charges collected for new water service connections. Fees vary depending upon meter size and type of service. The costs associated with meter installations are included in the Operating Expenses section of the budget. These charges are financed by developers.

b. Developer Deposits (General Use)

These deposits are for the engineering and operations services provided to developers. They are tracked separately for each developer and any excess amount is returned to the developer.

c. Annexation Fees (Restricted)

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Annexation fees<sup>3</sup> are collected as a condition of annexing into the District's potable and recycled water facilities. Since the existing facilities have been built and maintained by developers or customers within the District, the annexation fee is calculated based on the present value of all property taxes (1% property tax and availability fees) paid by existing and prior customers. The annexation fee insures that future users finance a portion of facilities that were sized, built, and maintained for both existing and future users. Proceeds of annexation fees are restricted and can be used for expansion, replacement, or betterment projects. These reserves may be shifted back and forth as financing needs change.

d. Annexation Fees (Unrestricted)

A sewer annexation fee is collected when property is annexed into an improvement district. This fee is calculated using the "buy-in" basis and therefore is unrestricted.

e. New Water Supply Fee (Restricted)

New water supply fees<sup>4</sup> are based on the cost of the expansion portion of new water supply projects divided by the number of future equivalent dwelling units (EDU). The new water supply fee covers the cost of planning, design, construction, and financing associated with facilities for the District's new supply needs. These fees are paid by developers. The proceeds of this fee may be used only for new potable or recycled water supply projects. Although the fees collected are not restricted separately, one portion for potable and the other for recycled, they are tracked separately.

f. Capacity Fees (Restricted)

Capacity fees<sup>4</sup> are based on the value of existing and future facilities divided by the number of existing and future equivalent dwelling units. This method of calculating capacity fees is called the combined method, where the "buy-in" portion of the capacity fee covers costs to repay existing customers for the facilities that they have built, and where the "incremental" portion of the capacity fee covers the cost of future expansion facilities. The "buy-in"

<sup>3</sup> Code of Ordinances, Section 9.

<sup>4</sup> Code of Ordinances, Section 28

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portion of the capacity fee is restricted to pay for planning, design, construction, and financing associated with expansion, replacement or betterment facilities. The "buy-in" portion may be shifted back and forth between expansion, betterment or replacement as the financing needs change. The "incremental" portion of the capacity fee is limited to planning, design, construction, and financing exclusively for expansion facilities (excluding new water supply expansion).

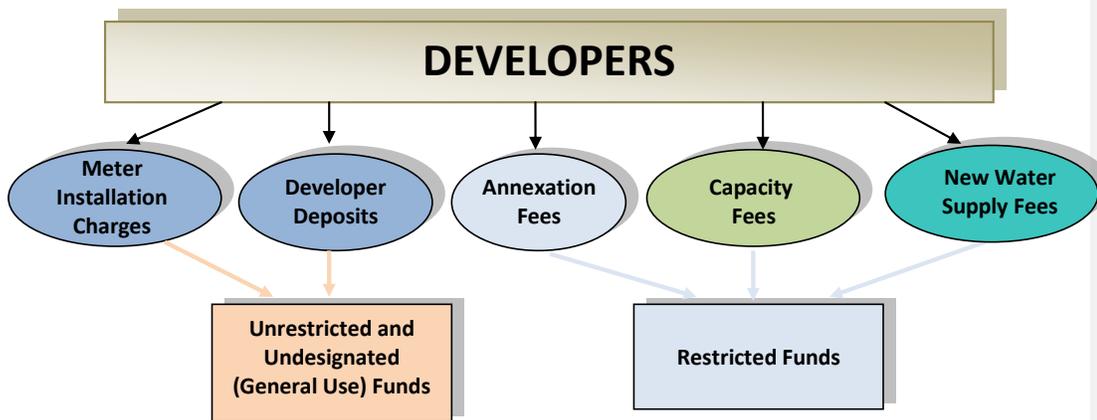
Facility needs are based on projected land use planning. Changes in anticipated future land use occur and can alter projected facility requirements. Thus, both the anticipated facilities needs and their projected costs change over time as regulatory agencies make changes to land use. The District periodically reviews the capacity fee calculation to accommodate such variations. These fees are paid by developers.

The District's construction of infrastructure occurs prior to the addition of EDUs. This sequence serves two purposes: one it ensures that the District can serve the pending construction as it is completed; and two, it is more efficient to oversize many facilities at the outset rather than build for the current need and then reconstruct when the future need is realized. As a result of this strategy, the District has financed construction with bond financing as the existing expansion reserves are depleted.

The capacity fee is calculated based on the combined recycled and potable water systems needs. This methodology is used because the two water systems work hand-in-hand. All capacity fees can be used for either potable or recycled but must be tracked to distinguish between the "buy-in" and "incremental" portions as described above. So, while capacity fees are not restricted separately by potable and recycled, they are tracked separately.

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**Diagram 2.0: Flow of Funds - Developer Sources**



## 2.1 Customers/Users

### a. Uniform Rates and Charges (General Use)

Charges to users for water, sewer, and recycled water are uniform throughout the District for similar customer types.

### b. Monthly System Fees (General Use)

This is a fixed revenue source that is charged monthly. The amount of the charge is based on the meter size.

### c. Energy Charges (General Use)

The energy pumping fee is a charge per ~~+~~Unit of water for each 100 feet of lift, or fraction thereof, above the base elevation of 450 feet. This charge is placed on the monthly water bills of all water customers.

### d. Penalties (General Use)

Penalties are added to the monthly water and sewer bills for late charges, locks, etc.

### e. Pass-through Fixed Charges (General Use)

A fixed monthly charge to the District's customers intended to collect sufficient funds to pass-through the increased

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fixed costs from the County Water Authority (CWA) and the Metropolitan Water District (MWD).

f. Special Rates and Charges (Restricted)

In addition to the uniform water charges, the District currently has five special water rates and one sewer rate. The five water rates are for construction, installation, and maintenance of water storage reservoirs, pump stations, and water lines. Each of these rates and charges must be used within the respective geographic areas from which they are collected. These special charges are listed below:

- North District water charge (Code section 25.03G)
- ID 9 water charge (Code section 25.03H)
- ID 3 water charge (Code section 25.03I)
- ID 10 water charge (Code section 25.03I)
- La Presa water charge (Code section 25.03I)
- Russell Square sewer charge (Code section 53.04C)

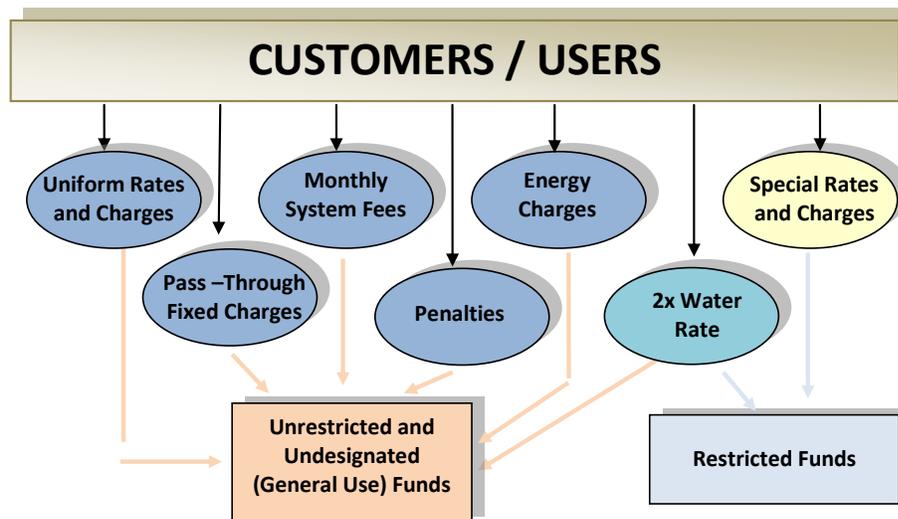
When these rates were established they were for the specific purpose of constructing, installing, and maintaining the water and sewer systems in the areas in which the fees were collected. Therefore, these are restricted reserves by geographic area as well as by purpose. These rates and charges can also be used for maintenance; unlike the availability fees (discussed in 2.2 B.). These six special rates and charges along with availability fees are tracked separately, by geographic area, so they can be individually evaluated to maintain the targeted reserve levels. To meet this need, each special rate and charge is accounted for in a "sub-fund" of the Betterment Fund.

g. Temporary Meter Fees (General Use/Restricted)

Water charges, in lieu of capacity fees, are charged on temporary meters. This is done because temporary meters use system capacity but they are not charged a capacity fee. Temporary water use is charged at two times the water rate with the added charge placed in the Restricted Expansion Fund. The primary users of these temporary meters are developers; however, general customers also use these for various purposes.

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**Diagram 2.1: Flow of Funds - Customer Sources**



## 2.2 County-Collected Taxes and Fees

### a. General Levy Property Tax Receipts (1% Property Tax) (General Use)

In 1978, Proposition 13 limited the levy of ad valorem property taxes on real property to one percent of the assessed value of such property. Subsequent legislation, AB 8, established that the receipts from the one percent levy were to be distributed to taxing agencies proportionate to each agency's general levy receipts prior to Proposition 13. Taxes received are for general use.

### b. Availability Charges (General Use/Restricted)

The District levies availability charges each year in developed and undeveloped areas. Current legislation provides that any amount up to \$10 per parcel is general use and any amount over \$10 per parcel is restricted to be expended in and for the improvement district (ID) within which it is collected. Accordingly, the District may use availability charges in excess of \$10 toward costs of water

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and sewer facilities which are either, expansion, betterment, or replacement of facilities consistent with the purpose of the ID in which they are collected. This portion of the proceeds of availability charges is geographically restricted and restricted by purpose. As costs are incurred on these projects the respective IDs are charged, reducing the reserves. To the extent that availability charges are not used for the purpose for which they are collected, they must be returned to the property owners that paid them. The District has historically used these reserves for betterment capital facilities thus, the restricted reserves are accounted for in "sub-funds" of the Betterment Fund (see 2.1 f.).

~~e. State Loan Assessment (Restricted)~~

~~The District assesses a charge per unit of sewer service each year on the sewer customers. This is collected via the county tax roll and is specifically collected for the repayment of the state loan. When this loan is paid off the charge will be removed.~~

~~d.~~ c. Improvement District General Obligation (GO) Bond Assessments (Restricted)

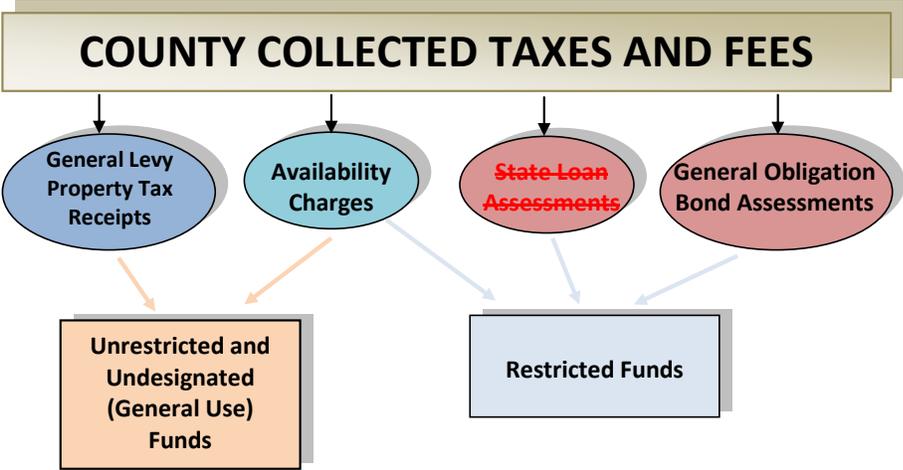
The District has historically issued general obligation (GO) debt and establishes an improvement district for the repayment of that debt. When this financing method is used, the county tax roll can be used to collect special taxes or assessments within the ID to pay the debt obligation. The proceeds of the debt are restricted for the purpose as defined in the bond documents.

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**Diagram 2.2: Flow of Funds – County Collection Sources**



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### 2.3 Miscellaneous Income

a. Miscellaneous Rents and Leases (General Use)

Revenues received from the rental and lease of District property are general use revenues. Not only are they periodic revenues, but there is also a one-time fee charged with the setup of each new lease. The District incurs expenses related to these rents and leases. The one-time fees are calculated to recover the costs to setup the leases.

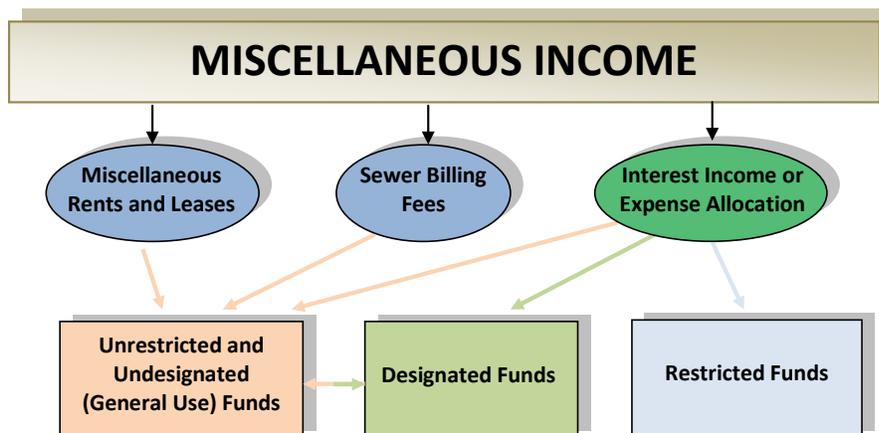
b. Sewer Billing Fees (General Use)

Sewer billing fees are general use revenues. The District provides processing and billing services to the City of Chula Vista to bill and collect from their customers for sewer service. These fees are to recover the cost the District incurs to provide this service.

c. Interest Income or Expense Allocation (General Use, Designated, and Restricted)

Interest income (expense) will be allocated every month based upon each fund's month-ending balance. In this way, each fund receives credit for interest earned by that fund and each fund with a negative balance is charged for the use of the other fund's reserves.

**Diagram 2.3: Flow of Funds – Miscellaneous Income Sources**



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**2.4 Debt Issuance**

a. Loans (General/Restricted Use)

As the District determines that additional financing is required for a particular purpose, the option of borrowing is considered. The determination to borrow is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action. As an option to bond indebtedness, loans are available to satisfy short-term financing needs. These loans may or may not be contractually restricted for a particular purpose.

b. General Obligation (GO) Bonds (Restricted)

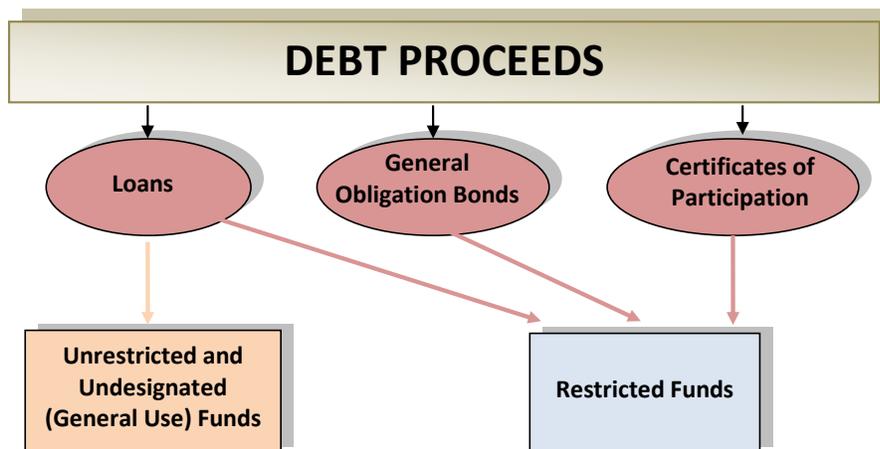
As the District becomes more developed it becomes less likely that general obligation debt will be used as it requires a vote of the public to be approved. Bond proceeds are restricted for the construction of those facilities identified in the GO bond issuance. Occasionally, specific portions of bond proceeds may be allocated for the repayment of the principal and interest, also called debt service, on these bonds. As the District determines that additional financing is required for a particular purpose, the option of debt issuance is considered. The determination to issue debt is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action.

c. Certificates of Participation (COPs) (Restricted)

General revenues of the District are pledged as security for Certificates of Participation (COPs) indebtedness. If the District determines that additional financing is required for a particular purpose, the option of debt issuance is considered. The determination to issue debt is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action. This form of financing has become the industry's preferred form of financing as it does not require a vote of the general public.

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**Diagram 2.4: Flow of Funds – Debt Issuance Sources**



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**2.5 Inter-fund Transfers**

Each year in the budgeting process, future fund levels are projected for the next six years. Based on these projections transfers are recommended. Reserves may be transferred between Unrestricted or Designated Funds and the General Fund (see 4.0 "Funding Levels" and 4.1 "Fund Transfers"). Reserves may not be transferred to or from any of the restricted funds unless it is between two restricted funds with a shared purpose.

**Fund Types and Categories**

**3.0 General Funds**

a. Purpose

The General Fund is neither restricted nor designated. The District maintains one General Fund for each business segment (water, sewer, and recycled). This fund holds the working capital and emergency operating reserves. While the General Fund has a short-term focus to finance the District's annual operations, it is supported by the six-year rate model. This fund is primarily used to finance the operations of the District; however, it can be used for any District purpose.

This fund can be used to supplement the District's rates and charges and be a temporary source of revenue to balance the Operating Budget. This fund can also be used to avoid spikes in the rates or significant and abrupt increases. It is an industry practice to have a fund that can be used to stabilize rates. This would only occur if there was a temporary need for reserves that would smooth out a rate spike or to ramp up what would otherwise be a dramatic rate increase.

The General Fund also plays a role in the debt planning of the District. This fund is viewed by the debt markets as a commitment by the District to ensure financial stability of the rates and charges of the District. The District is anticipated to need a number of debt issuances over the years and this fund will help the District not only to stabilize

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rate fluctuations but also to access low cost financing for future projects.

b. Sources

Meter installation charges, temporary meter fees, uniform rates and charges, monthly system fees, energy charges, penalties, pass-through fixed charges, general levy property tax receipts, availability charges, miscellaneous rents and leases, sewer billing fees, interest income or expense allocation, loans, and a portion of the temporary water sales.

The sewer general fund receives sewer charges, penalties, availability charges, sewer annexation fees (calculated on the "buy-in" basis), and interest income or expense allocation.

c. Funding Levels

- I. **Minimum Level** - The minimum reserve level for each business segment of the General Fund is three months of operating budget expenses (evaluated separately for each segment).

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II. **Maximum Level** - The maximum reserve level for the General Fund is nine months of operating budget expenses. In the event that this fund exceeds the seven month level, the excess will be evaluated or transferred to one or more of the designated funds.

III. **Target Level** - The target level of reserves is three months of operating budget expenses. In the event that the fund drops below the target level, rate increases or fund transfers would be considered.

**3.1 Designated Other Post Employment Benefits (OPEB) Fund**

a. Purpose

Designated Other Post Employment Benefits (OPEB) reserves are "general use" reserves that have been set apart by Board action to finance the medical benefits of qualified retirees as outlined in the District's benefits plan. This District fund holds only a portion of the total OPEB reserves. The other portion is held in a trust at CalPERS and is restricted for the purpose of financing the OPEB liability. The two portions are considered jointly when looking at target reserve levels. Every two years, the fund is evaluated by an actuary to update the annual financing requirements. Changes in the actuarial valuation may result from changes in benefit levels, employee population, health insurance costs, or general market conditions. The reserves held by the District are currently designated and may be placed into the CalPERS trust to legally restrict the funds, removing the District's legal access to these reserves.

b. Sources

The OPEB liability may be financed by general use reserves coming from user rates and charges, either from an operating budget expenditure or from interfund transfers. Transfers of unrestricted reserves may come from the various designated funds or from the General Fund. As a part of the normal budget process, annual operating revenues have been sufficient to finance the ongoing needs of this designated fund. While debt financing is also an option, the District has only used user rates and charges to finance this fund.

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c. Funding Levels

- I. **Minimum Level** - The minimum reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. When considering the reserve level of this fund, both the District held OPEB reserves and CalPERS held OPEB reserves must be considered jointly.
  
- II. **Maximum Level** - The maximum reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. In the event that the two funds, as described above, exceed the OPEB liability, the District will reduce the annual funding levels as defined by the actuarial study.
  
- III. **Target Level** - The target reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. In the event that the two funds, as described above, fall below the OPEB liability, the District will increase the annual funding levels as defined by the actuarial study.

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**3.2 New Water Supply Fund Category**

a. Purpose

The New Water Supply Fund category is to finance the expansion portion of new water supply projects and is therefore to be paid by developers. When considering the reserve level of the New Water Supply category; the New Water Supply Fund, the New Water Supply Debt Fund, and the Designated New Water Supply Fund all work in concert and must be considered jointly.

b. Sources

The New Water Supply Fund receives reserves only from the new water supply fee. Other funds within the new water supply category of funds receive debt proceeds and general use reserves through a designation to this category.

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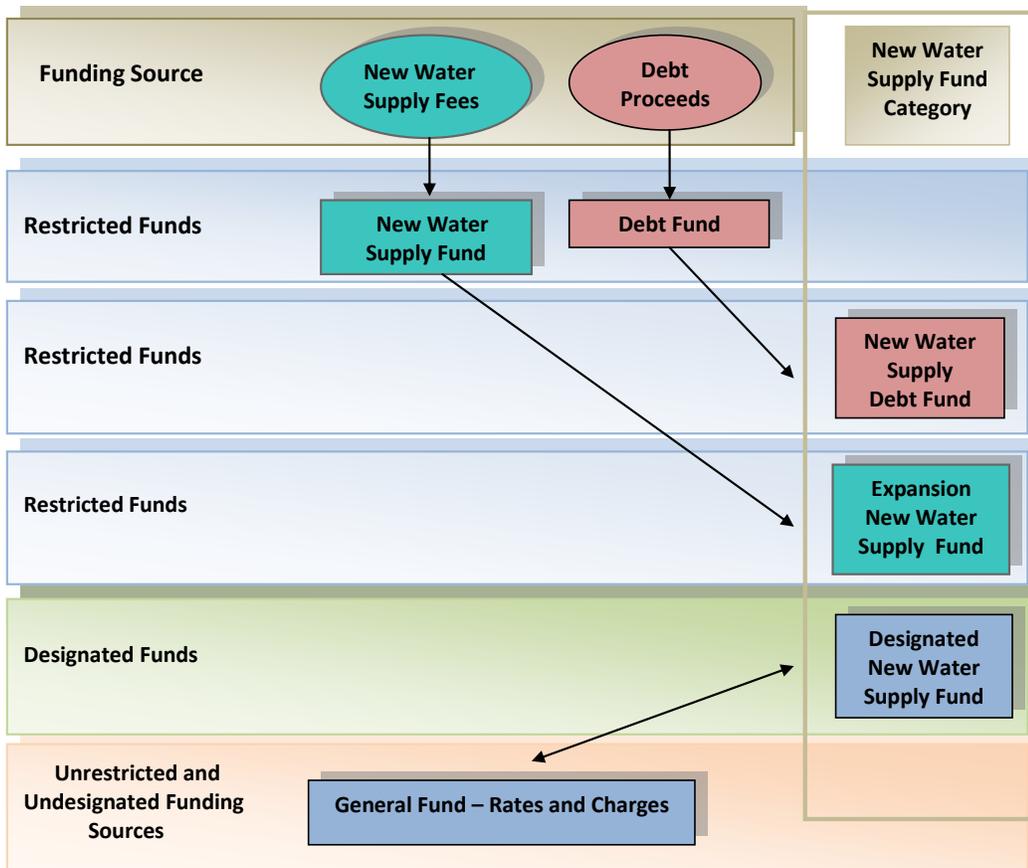
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c. Funding Levels

- I. **Minimum Level** - As the District matures the CIP will move to purely replacement projects. As the District moves through its lifecycle the need for new water supply reserves will decrease and may be reduced to zero.
  
- II. **Maximum Level** - The maximum reserve level for the new water supply category of funds is limited to five years of the unfinanced new water supply facilities as described in the District's CIP Budget. To determine the unfinanced amount, the total new water supply financing needs must be reduced by the projected new water supply revenues, general fund designations, and bond financing. If the combined new water supply reserves exceed the target level, the District should consider transferring designated reserves to meet other purposes, reduce the new water supply fee, or change the timing of the new water supply projects.
  
- III. **Target Level** - In order to facilitate debt financing of the new water supply, it is important that the various new water supply funds retain an overall reserve level of six months, prior to any attempt to obtain debt financing. This reserve level allows the District the time necessary to issue additional debt without depleting new water supply reserves. If the combined new water supply reserve levels drop below six months of expenditures, this would trigger a transfer of general use reserves, a bond sale, or a change in the timing of new water supply projects. Bond proceeds would be placed in the Restricted New Water Supply Debt Fund while transfers would be placed in the Designated New Water Supply Fund.

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**Diagram 3.2: New Water Supply Fund Category**



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### 3.3 Expansion Fund Category

a. Purpose

The Expansion Fund category is to finance the expansion portion of capital projects and therefore is to be paid for by developers. When considering the reserve levels of the expansion category, the following funds work in concert and must be considered jointly: the Expansion Fund, Expansion Debt Fund, Annexation Fund (potable and recycled only), Capital Improvement Fund, and the Designated Expansion Fund. Potable and recycled reserves are considered jointly while sewer is evaluated separately.

b. Sources

The Expansion Fund is financed by water charges in lieu of capacity fees (for temporary meters) and the "incremental" portion of the capacity fee. The other funds in this category may also be financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, and the general fund through a designation of reserves.

c. Funding Levels

- I. Minimum Level** - As the District matures the CIP will move to purely replacement and betterment projects. As the District moves through this lifecycle the need for expansion reserves will decrease and may be reduced to zero.
- II. Maximum Level** - The maximum reserve level for the expansion category of funds is limited to five years of unfinanced expansion facilities as described in the District's CIP Budget. To determine the unfinanced amount, the total financing needs must be reduced by the projected expansion revenues, bond financing, and any restricted or general fund revenues allocated to this fund category. If the combined expansion reserves exceed target levels, the District should consider reducing capacity fees, reallocating

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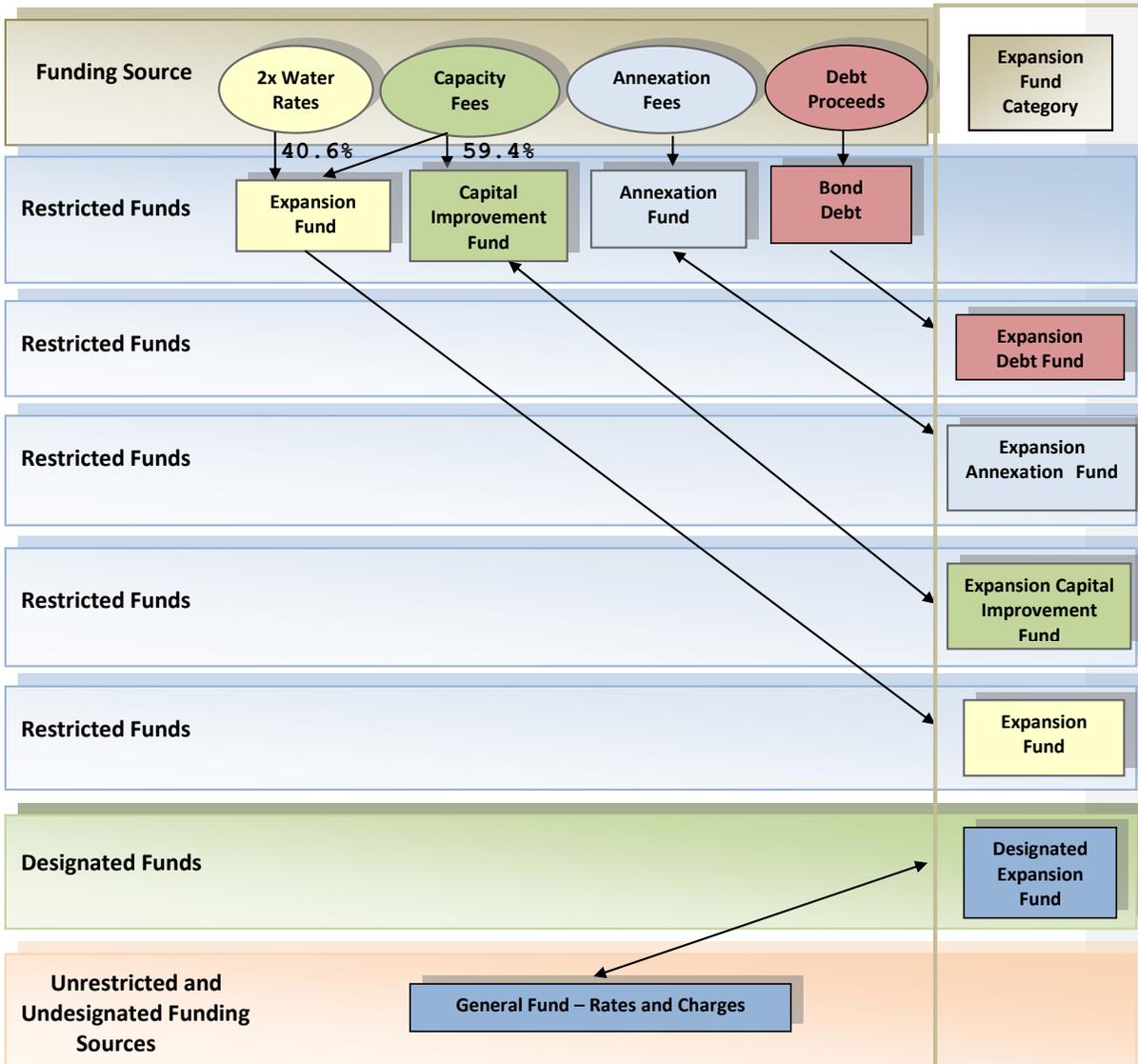
restricted or designated funds to meet other purposes, or shifting the timing of expansion projects.

**III. Target Level** - The target level is six months of expansion expenditures. It is important that the expansion reserves remain at a minimum of six months of expansion expenditures. This reserve level allows the District the time necessary to issue additional debt without depleting expansion reserves. If the combined expansion reserves drop below six months of expenditures this would trigger a transfer of general use reserves, a bond sale, an adjustment to the timing of expansion projects, or a reallocation of restricted reserves. Bond proceeds would be placed in the Restricted Bond Fund, transfers of general use reserves would be placed in the Designated Expansion Fund, and transfers of restricted reserves would be placed in either the Expansion Annexation Fund or the Expansion Capital Improvement Fund.

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**Diagram 3.3: Expansion Fund Category**



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### 3.4 Replacement Fund Category

a. Purpose

The Replacement Fund category is to finance replacement projects. When considering the reserve levels of the replacement category of funds, the following funds work in concert and must be considered jointly: the Annexation Fund, Debt Fund, Capital Improvement Fund, and the Designated Replacement Fund. The purpose of these reserves is to pay for the replacement of capital infrastructure and capital purchases. These reserves are not to be used for the replacement of non-capital items.

With the District's development of its financial systems and the greater need and ability to separate and track reserves, the replacement reserves have been separated into three funds: water, recycled, and sewer.

Projects undertaken solely for the purpose of replacing major capital equipment or facilities, i.e., where the cost exceeds \$10,000 for capital purchases or \$20,000 for infrastructure items, generally these are not considered normal maintenance. When the cost is below \$10,000, the costs are financed annually as operational maintenance. As charges are incurred on replacement projects the reserves are deducted from the respective Replacement Funds on a monthly basis.

b. Sources

The various funds in this category are financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, and general fund designations.

c. Funding Levels

- I. **Minimum Level** - The minimum reserve level of this category of funds is 3% of the historical level of existing assets as identified in the District's current financial statements. Potable, recycled, and sewer replacement are evaluated separately.
- II. **Maximum Level** - The maximum reserve level of this category of funds is 6% of existing assets. If the

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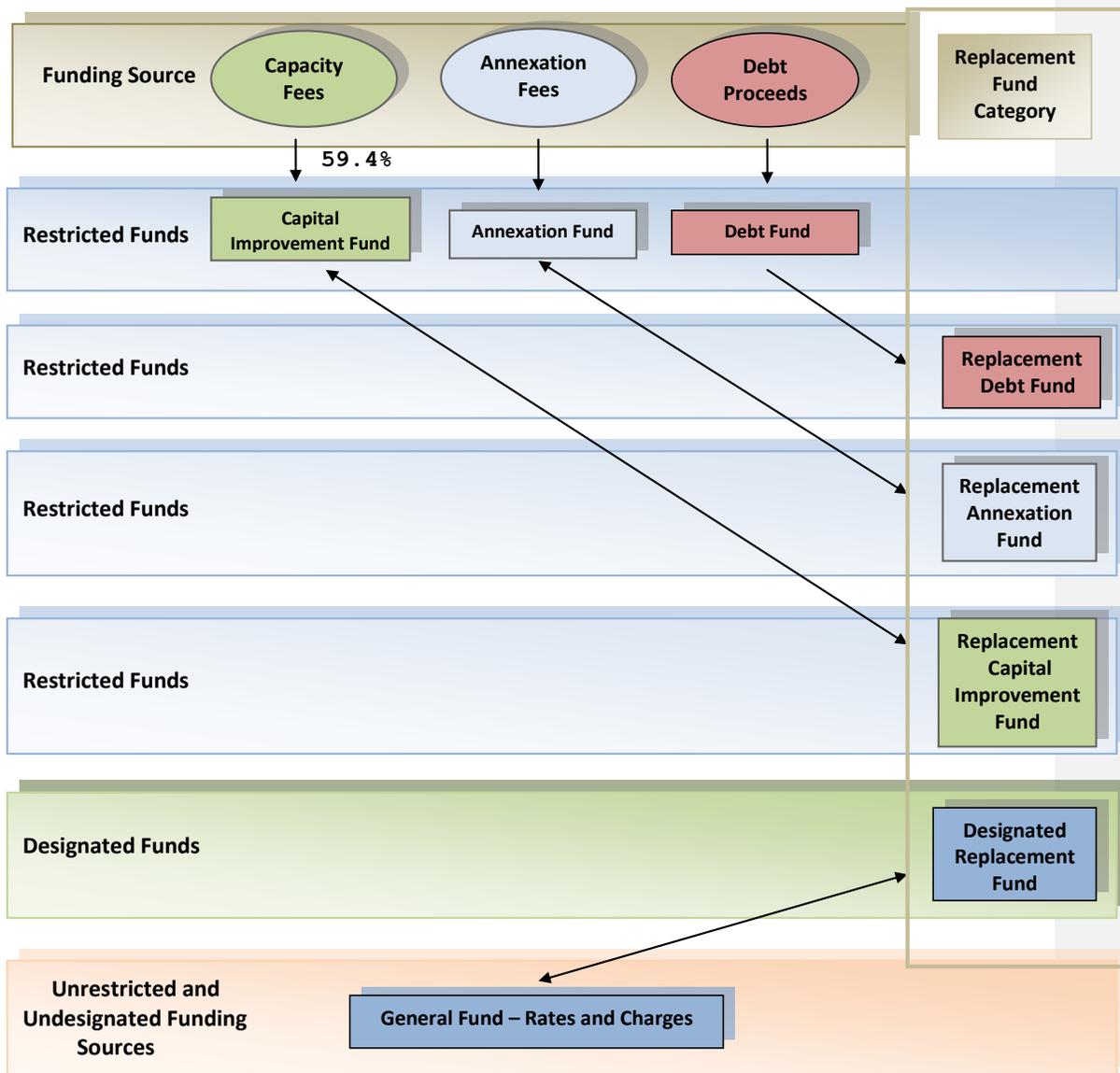
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combined replacement reserves exceed target levels, the District should consider transferring annexation fees or the "buy-in" portion of the capacity fee to meet other purposes. Another consideration would be to shift the timing of replacement projects.

- III. **Target Level** - The target reserve level of this category of funds is 4% of existing assets. In the event that the reserves fall below the recommended target level, the District should consider transferring annexation fees or the "buy-in" portion of the capacity fee. The District should also consider shifting the timing of replacement projects or issuing debt to support the planned level of facility replacement. The District will act based on the annual six-year rate model, to insure that at the end of that planning horizon the reserves exceed the minimum level and is approaching the target level.

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**Diagram 3.4: Replacement Fund Category**



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### 3.5 Betterment Fund Category

a. Purpose

The Betterment Fund category is to finance the betterment portion of capital projects with a portion going to maintenance of the potable, recycled, and sewer systems. The District maintains separate Betterment Fund categories, one for each improvement district. An improvement district is a legally defined geographic area usually established for the purpose of bond financing of facilities. The betterment reserves within these funds are restricted by law for use within the improvement district in which the fees were collected (Water Code 71631.6). However, the legal restriction of this reserve depends upon the particular revenue source. (See Section 2.1 f. for a review of the special rates and availability fees).

When considering the reserve levels of the betterment category of funds, the following funds work in concert and must be considered jointly: the Betterment Fund, Annexation Fund, Debt Fund, Capital Improvement Fund, and Designated Betterment Fund.

b. Sources

The Betterment Fund category receives restricted revenues by improvement district via special water rates and from availability fees collected through the county tax roll. Betterment may also be financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, as well as the general fund through a designation of reserves.

c. Funding Levels

I. **Minimum Level** - As the District matures the CIP will move to purely replacement projects. As the District moves through this lifecycle the need for betterment reserves will decrease and may be reduced to zero.

II. **Maximum Level** - The maximum reserve level for the betterment category of funds is limited to five years of unfinanced betterment facilities as

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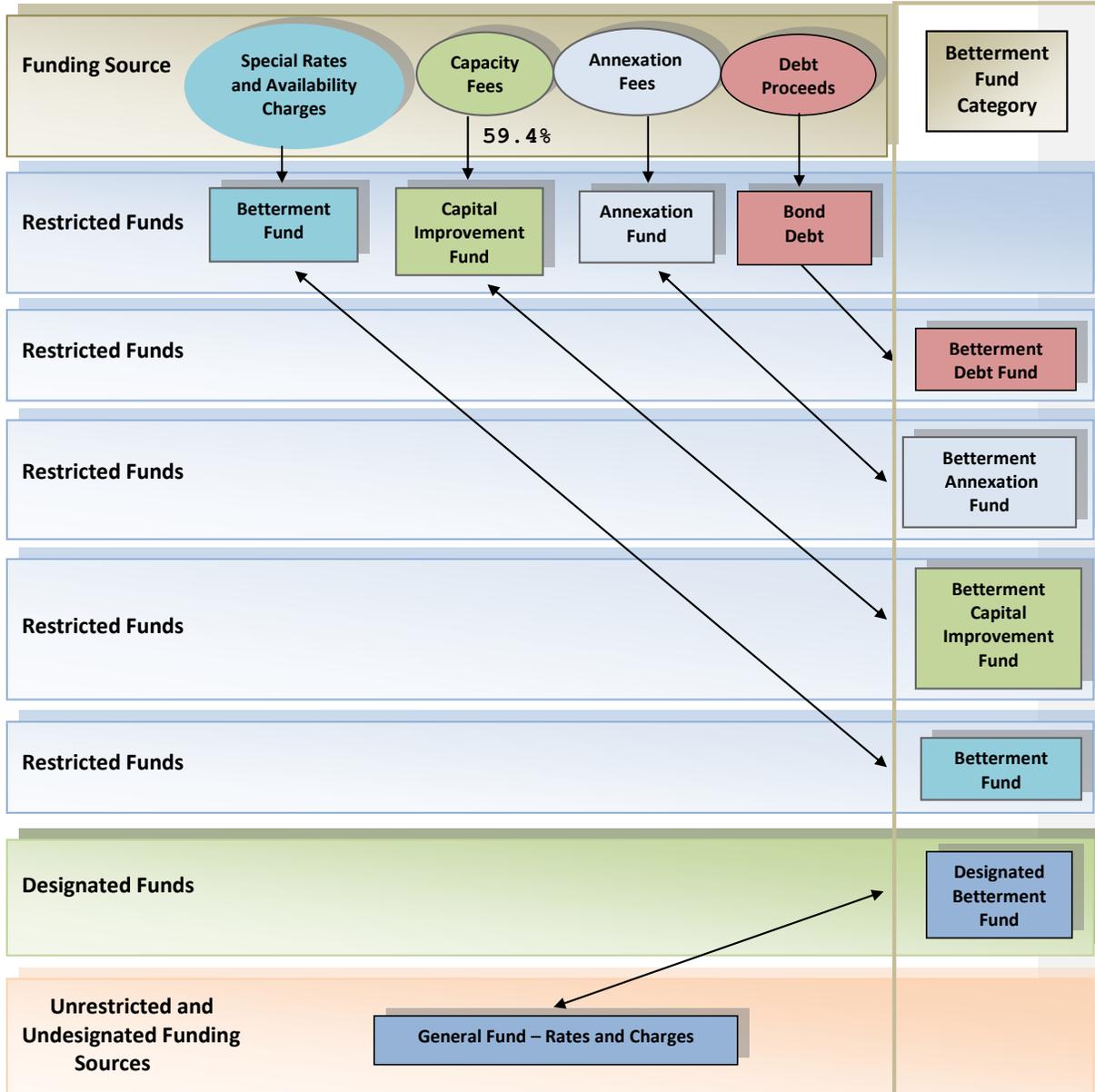
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described in the District's CIP Budget. To determine the unfinanced amount, the total financing need must be reduced by the projected betterment revenues, bond financing, annexation, and general fund designations. If this maximum is exceeded, then the District should evaluate reductions in the special water rates and availability fees, transferring designated reserves to meet other purposes, or shifting the timing of betterment projects.

- III. **Target Level** - The target is six months of betterment expenditures. It is important that the betterment reserves remain at a minimum of six months of betterment expenditures. This reserve level allows the District the time necessary to issue additional debt without depleting betterment reserves. If the combined betterment reserves drop below six months of expenditures this would trigger a transfer of general use reserves, a bond sale, or an adjustment to the timing of betterment projects. Bond proceeds would be placed in the Betterment Bond Fund while transfers would be placed in the Designated Betterment Fund.

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**Diagram 3.5: Betterment Fund Category**



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**Diagram 3.6: Fund Targets**

Fund or Fund Category	Actions to Consider if below Target	Target	Maximum
New Supply Fund Category	New supply fee increase, bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	Nexus of cost to fee
Expansion Fund Category	Capacity fee increase, bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	Nexus of cost to fee
Replacement Fund Category	Bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = 4% of infrastructure	Nexus of cost to fee
Betterment Fund Category	Bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	5 years unfunded needs
Debt Reserve Fund	Increase tax collection or rates	One semi-annual payment	Two semi-annual payments
OPEB Fund	Fund transfers	Full funding	Full funding
General Fund	Rate increase or fund transfers	Three months of operating budget expenses	Nine months of operating budget expenses

Note: The annexation fee for sewer is a general fund revenue.

**Additional Restricted Funds**

**4.0 Capital Improvement Fund**

a. Purpose

The "Capital Improvement Fund's sole purpose is to track the "buy-in" portion of the capacity fee and to ensure these fees are expended solely for the purpose for which they were

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collected. In this case it is to pay for facilities that were in existence at the time this fee was established. These fees may be used for expansion, replacement, or betterment projects or any debt related to these categories. These fees may also be used for either the potable or the recycled systems. As capacity fees are collected, the "buy-in" portion of the fee is allocated as needed to one of three capital improvement funds, one in each of the Expansion, Replacement, and Betterment Fund categories. These reserves are used to pay debt or offset any negative balance within these three categories of funds. These fees may not be used to finance the New Water Supply category, as there were no new water supply facilities in existence at the time the new methodology for capacity fees was established.

b. Sources

The "buy-in" portion of the capacity fee collected after June 30, 2010.

c. Funding Levels

There are no minimums, maximums, or target levels for these reserves on an individual basis. The allocation of this fee to the various capital improvement funds is dependent on the overall reserve levels within each fund category.

**4.1 Annexation Fund**

a. Purpose

The Annexation Fund's sole purpose is to track the potable and recycled annexation fees collected and to ensure these fees are expended solely for the purpose for which they were collected. The annexation fees may be used for expansion, replacement, or betterment projects or any debt related to these categories. These fees may be used for either the potable or recycled systems. These reserves may not be used to finance the New Water Supply category, as it was not in existence at the time the fee was established. As these fees are collected they are allocated as needed to one of three capital improvement funds, one in each of the Expansion, Replacement, and Better Fund categories.

b. Sources

Potable and recycled annexation fees collected after

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June 30, 2010.

c. Uses

There are no minimums, maximums, or target levels for these reserves on an individual basis. The allocation of this fee to the various Annexation Funds is dependent on the overall reserve levels within each fund category.

**4.2 Debt Reserve Fund**

a. Purpose

The Debt Reserve Fund is established to hold the proceeds from the various debt issuances. There are two types of debt, General Obligation bonds and Certificates of Participation bonds. The proceeds are transferred to the New Water Supply, Expansion, Replacement, or Betterment Debt Funds as they are expended for various facilities within those fund categories. As repayment of the debt occurs, the balances within these individual funds are reduced so that the financial impact of issuing debt is tracked within the category for which the debt was issued.

b. Sources

Debt proceeds.

c. Uses

There are no minimums, maximums, or target levels for this fund on an individual basis. This fund is available on an as needed basis to fund CIP projects for new water supply, expansion, replacement, or betterment. From a funding level perspective, these reserves are evaluated in the context of all the various funds within each fund category.

**Fund Transfers**

**5.0 Funding Levels**

As described in the preceding sections, the District maintains reserves for its operating and capital activities. These reserves can be of three types: 1) undesignated or general use reserves, 2) designated, and 3) restricted for a specific purpose. The restricted reserves can be restricted geographically and/or by purpose. The District maintains various funds to track the

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various designations and restrictions. The source of the money for each fund was discussed along with the purpose, source of funds, and levels. Key characteristics of these funds are the target levels, minimums, and maximums. The funding levels must be viewed in the context of the economic environment, political environment, and in light of the District's rate model. The District's six-year rate model not only shows the current balance but also shows the trend of the fund balances. Often the trend of the fund is a greater indicator of financial stability than is the current balance.

The rate model is updated each year with the budget process and evaluates each fund over the next six years. The rate model will take into account the general economic environment, looking at the development rate, supply rate increases, the possibility of raising rates, capital infrastructure spending, and strategic plan initiatives. The fund balances may at times be over or under the target amount. This is not only acceptable but expected. The rate model provides an empirical estimate of the conformance between the projected District's financial activities and the guidelines of this policy.

**5.1 Fund Transfers**

Reserves within the District's various designated funds come from interfund transfers of unrestricted general use reserves. It is important to note that the District has the ability to use general use reserves for any business purpose. General use reserves may be transferred to and from any unrestricted fund for any business need. Designated reserves are general use reserves which have been set aside for a specific purpose by Board action. These reserves can only be used for the purpose they were designated, or with Board action they may be used for any other business purpose. While general use reserves may be used for any restricted purpose they may not be transferred to Restricted Funds due to the sensitivity of the tracking of restricted reserves. If reserves are needed for a restricted purpose they are transferred to a Designated Fund within the fund category with that particular purpose. Reserves restricted to a fund category may only be used within that category and may not be transferred to another category. For example, the new water supply fee and the "incremental" portion of the capacity fee are restricted reserves for a specific purpose, and may not be transferred to another

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category as no other category has the same purpose. However, the "buy-in" portion of the capacity fees and annexation fees are restricted for purposes that are shared by more than one category of funds and may therefore be transferred to a restricted fund within another fund category as long as it shares the same purpose.

In many situations reserve transfers are expected as some fund categories will exceed their maximums or drop below their minimums. Only fund categories that are below the stated target are eligible to receive transferred reserves. Fund categories that exceed their maximums are first to be considered for transfers out, followed by funds that exceed their targets. Funds that exceed their minimums are also available for reserve transfers out, but only when other options are not available.

The rationale for prioritizing reserve transfers is based on the immediacy of the need and the availability of reserves from other funding sources. For example, the General Fund is first to receive reserves when it drops below its target or minimum levels. This is because of the immediate and ongoing nature of the expenditures that are served by this fund. The operation of the District is first and foremost of the objectives of the District. On the other end of the spectrum, the Replacement Fund has a long-term perspective and will be used to partially finance replacement assets for many years to come. Debt financing is available to respond to this long term, foreseeable, and planned cash flow. This fund is less likely to have immediate needs and has other financing options.

When making the determination of when transfers are necessary, all funds within a fund category work as a group. The combined balance of the restricted and designated funds is looked at when determining whether the fund category requires additional funding from the Restricted Capital Improvement Fund, Restricted Annexation Fund, Restricted Debt Fund, or the General Fund. Because the Capital Improvement Fund and Annexation Fund may finance expansion, replacement or betterment reserves may be transferred between these fund categories, but only back and forth within its own type of restricted fund.

As an example, if during the rate model update process it was determined that the Expansion Funds (designated and restricted)

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would drop and stay below the minimum during the six-year planning horizon, this would trigger a bond sale, a transfer of general use reserves, and/or a transfer of restricted reserves. If in the cash planning process, it was anticipated that the General Fund would remain above target during the planning horizon and that the trend did not present a problematic underfunded status, then General Fund reserves would be considered available for transfer prior to making proceeds available from a bond sale. Also, if during this period the Betterment Fund category was anticipated to exceed its maximum, then reserves from either the Designated Betterment Fund, the Annexation Fund, or the Capital Improvement Fund would be transferred to the corresponding Expansion Fund prior to a bond sale. All funds are evaluated to determine which has the greatest need or availability of reserves before any reserve transfer recommendation is presented to the Board.

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### GLOSSARY

The Reserve Policy contains terminology that is unique to public finance and budgeting. The following glossary provides assistance in understanding these terms.

Annexation Fees: When water service is requested for land outside the boundaries of the District, the land to be serviced must first be annexed. For sewer service the land must be annexed into an improvement district within the District.

Assets: Resources owned or held by Otay Water District that has monetary value.

Availability Fees: The District levies charges each year in developed areas to be used for upgrades, betterment, or replacement and in undeveloped areas to provide a source of funding for planning, mapping, and preliminary design of facilities to meet future development. Current legislation provides that any availability charge in excess of \$10.00 per acre shall be used only for the purpose of the improvement district for which it was assessed.

Betterment Fees: In addition to other applicable water rates and charges, water customers pay a fee based on water service zone or Improvement District. These fees are restricted for use in the area where they are collected and may be used for the construction and maintenance of facilities.

Bond: A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are authorized in a District bond resolution. The most common types of bonds are General Obligation (GO) bonds and Certificates of Participation (COPs). These are frequently used for construction of large capital projects such as buildings, reservoirs, pipelines and pump stations.

Capital Equipment: Fixed assets such as vehicles, marine equipment, computers, furniture, technical instruments, etc. which have a life expectancy of more than two years and a value over \$10,000.

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Capital Improvement Program: A long-range plan of the District for the construction, rehabilitation and modernization of the District-owned and operated infrastructure.

CWA: The County Water Authority was organized in 1944 under the State County Water Authority Act for the primary purpose of importing Colorado River water to augment the local water supplies of the Authority's member agencies. The Authority purchases water from the Metropolitan Water District of Southern California (MWD) which imports water from the Colorado River and the State Water Project.

Debt Service: The District's obligation to pay the principal and interest of bonds and other debt instruments according to a predetermined payment schedule.

Expenditures/Expenses: These terms refer to the outflow of funds paid or to be paid for an asset, goods, or services obtained regardless of when actually paid for. (Note: An encumbrance is not an expenditure). An encumbrance reserves funds to be expended in a future period.

Fund: An account used to track the collection and use of monies for a specifically defined purpose.

Fund Balance: The current funds on hand resulting from the historical collection and use of monies. The difference between assets and liabilities reported in the District's Operating Fund plus residual equities or balances and changes therein, from the results of operations.

Interest Income: Earnings from the investment portfolio. Per District Policy Number 25, interest income will be allocated to the various funds each month based upon each fund's prior month-ending balance.

Late Charges/Penalties: Charges and penalties are imposed on customer accounts for late payments, returned ~~checks~~ payments, and ~~related telephone contacts~~ other infringements of the District's Code of Ordinances.

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1% Property Tax: In 1978, Proposition 13 limited general levy property tax rates for all taxing authorities to a total rate of 1% of full cash value. Subsequent legislation, AB 8, established that the receipts from the 1% levy were to be distributed to taxing agencies according to approximately the same proportions received prior to Proposition 13. Funds received are to be used for facilities construction or debt service on bonds sold to build facilities.

Operating Budget: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted for separately in the Capital Budget. The Operating Budget also identifies planned non-operating revenues and expenses.

Revenue: Monies that the District receives as income. It includes such items as water sales and sewer fees. Estimated revenues are those expected to be collected during the fiscal year.

System Fees: Each water service customer pays a monthly system charge for water system replacement, maintenance, and operation expenses. The charge is based on the size of the meter and class of service.

Taxes: California Water Code Section 72091 authorizes the District, as a municipal water district, to levy ad valorem property taxes which are equal to the amount required to make annual payments for principal and interest on General Obligation bonds approved by the voters prior to July 1, 1978.

Unit: A Unit of water is 100 cubic feet or 748 gallons of water.

Water Rates: Rates vary among classes of service and are measured in ~~Units~~. The water rates for residential customers are based on an accelerated block structure. As more ~~Units~~ are consumed, a higher ~~Unit~~ rate is charged. Effective in 2009, all non-residential customers are charged for water based on a tiered rate structure in which water rates are based on meter size and amount of Units consumed. All non-residential customers are charged a

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~~flat rate per unit. A unit of water is 100 cubic feet or 748 gallons of water.~~

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## 1.0 The District

The Otay Water District is a California municipal water district, authorized in 1956 by the State Legislature under the provisions of the Municipal Water District Act of 1911. The District is a "revenue neutral" public agency; meaning each end user pays their fair share of the District's costs of water acquisition, construction of infrastructure, and the operation and maintenance of the public water facilities.

The District provides water service within its boundaries, and provides sewer and recycled water service within certain portions of the District. As such, the District operates three distinct business segments:

- Potable water
- Recycled water
- Sewer

Each of these business segments has an identifiable customer base. In addition, the developer community, large and small, makes up a significant class of customer for each business segment. As a result, the District has four distinct customer service types:

- Developers
- Potable water users
- Recycled water users
- Sewer users

The District has established practices and developed computer systems that have enabled the District to maintain a clear separation between the service costs relating to each of its four customer service types. Regardless of customer class, financial principles regarding cost allocation and fund accounting are fundamental to the District's Reserve Policy. These principles are derived from the statements of the Governmental Accounting Standards Board (GASB), and from oversight and advisory bodies such as the California State Auditor, the Little Hoover Commission, and the Government Finance Officers Association (GFOA). These have significant impacts on how the finances of the District are organized and how financial processes work within the organization.

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**1.1 The District's Use of Financial Resources**

All of the District's expenditures fall into two broad categories: operating costs and capital expenditures. The operating costs include costs relating to the purchase and delivery of potable and recycled water, and the transportation and treatment of sewage. The capital expenditures support the construction of infrastructure necessary to deliver services. The District uses various funds to support the operating and capital efforts. Operations and maintenance is financed only by rates and charges, also called pay-as-you-go, while capital infrastructure is financed using two financing methods: pay-as-you-go and debt issuance (requiring annual debt service). The Capital Improvement Program (CIP) and the two funding methods support the construction, betterment, and replacement of infrastructure in all three business areas: potable, recycled, and sewer.

The District establishes different funds to track revenues allocated to different activities. Once established, each fund receives financial resources up to the levels defined in this policy. Every year, as a part of the annual budget process, the District's rate model is updated for each fund with the current fund balances and the estimated revenues and expenditures for the next six years. The expenditure requirements and financial resources are then evaluated to ensure that the existing fund balances and additional revenues are sufficient within the current budget cycle and for the next five years to maintain target fund levels. If a deficit is identified, then options for transfers, shifting CIP projects, debt, cost saving measures, and/or rate increases are evaluated.

**1.2 The District's Capital Improvement Program (CIP)**

The planning, design, and construction costs of all capital facilities within the three business segments are allocated to four cost types and corresponding fund categories: New Water Supply, Expansion, Replacement, and/or Betterment. The allocation to these four cost types is defined in the District's Capital Improvement Program (CIP) and is determined by an engineering analysis that identifies which type of customer will benefit from each facility, planned or existing. The costs of the capital improvements are borne by either existing users or by the developing areas, or by a combination of the two, as applicable.

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This Reserve Policy protects both the existing users and the developing areas from incurring unwarranted costs. Developing areas are not required to finance facilities that are replacement or betterment and established areas are not required to replace facilities before they are worn out because of new development. However, to ensure a fair allocation of costs, each facility has the potential to be classified into any or all of the four cost types. In addition to these cost types there are occasional CIPs that may be billable to a third party, if for example a third party requires a District facility be relocated. Paragraphs a through d below, describe how the costs of capital facilities are financed through various fees.

a. New Water Supply

The portion of a new supply project that benefits new users is financed from the reserves in the New Water Supply Fund category. These reserves are primarily derived from proceeds of the new water supply fee. The New Water Supply Fund is restricted, meaning the amounts credited to this fund are accounted for separately and are used solely for the planning, design, and construction of the new water supply expansion facilities. Debt financing may also be a temporary financial resource to finance new water supply projects. The District has a Debt Policy (Policy No. 45) that guides the debt issuance process. Any debt proceeds used for this purpose would be restricted in nature and tracked separately. General use reserves may also be placed in the Designated New Water Supply Fund and used for water supply projects.

b. Expansion

The portion of a CIP project that benefits new users is financed from the reserves in the Expansion Fund category. These reserves are primarily derived from proceeds of the "incremental" portion of the capacity fees collected within developing areas. Capacity fees are accounted for separately and used for the planning, design, and construction of expansion facilities. Additionally, expansion may be financed by annexation fees or the "buy-in" portion of the capacity fee. Both of these fees are restricted for CIP purposes, but not specifically for expansion. Debt financing may also be a temporary financial resource for expansion projects. General use reserves may also be placed in the Designated Expansion Fund and used for expansion projects.

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c. Replacement

The portion of a CIP project that benefits existing users by replacing an existing facility is financed from the reserves in the Replacement Fund category. Replacement of facilities may be financed with proceeds of annexation fees, the "buy-in" portion of the capacity fees, general use reserves held in the Designated Replacement Fund and debt proceeds. The various funding sources available for replacement projects is anticipated to provide the necessary flexibility to begin projects while any necessary debt financing is being obtained.

d. Betterment

Facilities that improve reliability, meet new regulations, or create increased levels of service are considered betterment facilities that benefit existing users. The reserves in the Better Fund category are used to finance these projects or portions of projects. Certain user rates, charges, and betterment fees are restricted geographically for betterment of facilities, but may also be used for general maintenance of facilities in that area. Proceeds of the annexation fee and the "buy-in" portion of the capacity fees may also be used to finance betterment projects. General use reserves may be placed in the Designated Betterment Fund and used for betterment projects.

*1.21 Relocations*

Occasionally, relocation of a District facility is required by a third party. If the District has a superior easement the relocation cost will be paid by the third party, but only to the extent that the District does not benefit from the relocation. When relocation is required, a CIP project may be created which is wholly or partially financed by a third party. On occasion, the District will require that its own facilities be relocated. Depending on the nature of the facilities, the financial resources for these projects could be from new water supply, expansion, replacement, betterment or third party financing. Each project is individually negotiated with the third party based on the facts and circumstances of the relocation. Occasionally, the District will improve the facilities that are being relocated. When determining how to allocate costs to various funds the following guideline is suggested: if a project has more than five years of useful life remaining, an incremental cost view should be

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considered; if the project has less than five years of useful life remaining, a pro-rata cost approach should be considered. Also, the likelihood the District will benefit from an asset's life extension should be evaluated prior to allocating costs.

*1.22 Oversizing*

If deemed reasonable by the District, in connection with the construction of backbone facilities, a developer may be required to oversize new facilities for future development. The developer is reimbursed for incremental oversizing costs as per Policy No. 26. These reimbursements are not available for the distribution system within a development which is an obligation of the developer.

*1.23 Exclusion of Developed Areas from Expansion Costs*

Developed areas are assumed to have sufficient supply and capacity to meet their current requirements as provided by the developers. In addition, they are considered to have borne capital financial costs that are at least proportionate to the benefits they have received from capital facilities. Accordingly, no regional capital financing costs are allocated to these areas so that they will not incur any costs for newly developing areas, except for capital projects that produce district-wide benefit or cost savings.

*1.24 Improvement Districts (IDs)*

Improvement Districts (IDs) are established to facilitate the financing of particular improvements by the specific beneficiaries. The District has a number of improvement districts that were established for General Obligation (GO) debt repayment. Most GO debt has been paid off and it is unlikely that the District will issue additional GO debt. Improvement districts continue to be used for other purposes: 1) to distinguish sewer customers from water customers on the county tax roll; 2) to place parcels on the county tax roll for the collection of availability fees; or 3) for charging special water rates.

Over the years, the District moved to a district-wide perspective of financing improvements. This philosophy is evident by the district-wide capacity and annexation fees. The District also uses district-wide water rates. As time goes on, it is expected that IDs will continue to outgrow their purpose and their use will diminish.

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**1.3 The Purpose of the Policy**

Public entities accumulate and maintain reserves to ensure both financial stability and continuous availability of services. Financial stability and the resulting improved credit quality allow the public entity to weather times of uncertainty and the impact of negative events, both major and minor. Reserves allow for the ongoing maintenance of property and timely payment of expenses even when such expenses exceed money available from a single fiscal period. In the final analysis, the type and level of reserves are driven by the type and magnitude of uncertainty faced by the public entity.

A "reserve" has a number of meanings, as follows:

- Working capital is required to insure timely payment of obligations.
- A buffer against volatility in revenues.
- Liquidity is required to obtain other goods and services (e.g., bank services).
- Designated money to protect creditors.
- Money set aside to replace assets at the end of their useful lives.
- Money set aside to repair or replace assets damaged or destroyed at unanticipated times.

It is important to note that reserves, fund balance, and net assets are not the same. Fund balance and net assets are accounting terms and may not always be in the form of cash or liquid investments. Fund balances and net assets may not always be reserves unless a designation of all or a portion of fund balance is made. In addition, the term fund balance was replaced by net assets as codified by the Governmental Accounting Standards Board (GASB).

In short, reserves are the liquid assets of the District, accumulated and maintained for application to finance contingent future activities, whether known or unanticipated, operating or capital in nature. The District's Reserve Policy governs the management and use of these financial resources. Few policies

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have a more significant impact on the financial health and stability of the District. This policy explains several key financial concepts used by the District and provides some background information to the overall strategies and practices utilized. The District has a fiduciary obligation to its customers, to manage and direct the use of public funds for the purpose of providing water and sewer services in an efficient and financially sound manner.

**1.4 Policy Guidelines**

In 2000, the Little Hoover Commission reviewed the levels of reserve funds for special districts in California and prepared a report reflecting that special districts were accumulating unreasonable levels of funds. As a proactive response, the California Special Districts Association (CSDA) prepared Reserve Guidelines for its members. The Reserve Guidelines were significant in noting that reserve levels need to be in context of the organization's overall business model and capital improvement plan.

There are a number of potential events which the District should consider in the development of reserves:

- Economic Uncertainty - performance of the regional economy and the impact of that performance on demand for water.
- Weather - the amount of rainfall and the impact of weather on the availability and the cost of water as well as the demand for water.
- Government Mandates - the impact of federal and state regulation, particularly environmental regulation.
- Tax Changes - limitations on the District's taxing and spending powers through the passage of a voter referendum, the impound of District property taxes or the removal of the District's power to levy property taxes, further increases to Educational Revenue Augmentation Fund (ERAF) contributions or changes in calculation methodology.
- Operating Costs - increases in operating and maintenance costs because of inflation, labor agreement or other modification.

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- Force Majeure - unanticipated expenditures resulting from natural disasters or intentional acts.
- Emergency Maintenance - unanticipated expenditures resulting from unexpected failure of assets (e.g., rupture in the primary transmission system).
- Unexpected Variation in Cash Flow - the incidence of additional costs or decreased revenues that require short-term borrowing in the absence of sufficient financial resources.

The California State Auditor has, in its oversight role, offered a number of quality recommendations for the development of reserve policies as outlined in its report entitled, "California's Independent Water Districts: Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable," dated June 2004, Report No. 2003-137. All of these recommendations have been incorporated into this policy in an effort to address key issues surrounding the management and use of District reserves. The detailed objectives as identified by the State Auditor are as follows:

- Distinguish between restricted and unrestricted reserves.
- Establish distinct purposes for all reserves.
- Set target levels, including minimums and maximums, for the accumulation of reserves.
- Identify the events or conditions that prompt the use of reserves.
- Conform to plans to acquire or build capital assets.
- Receive Board approval and that it is in writing.
- Require periodic review of reserve balances and rationale for maintaining them.

Yet, the State Auditor's report acknowledges that the California Constitution (Article XIII B, Section 5) is vague in its provisions governing the accumulation and use of reserves.<sup>1</sup>

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<sup>1</sup> California State Auditor, Bureau of State Audits, "California's Independent Water Districts: Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable," dated June 2004, 2003-137; p. 8.

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Specifically, the Constitution states that "each entity of the government can establish contingency, emergency, unemployment, reserve, sinking fund...or similar funds as it shall deem reasonable and proper."<sup>2</sup> Similarly, the State's Water Code does not impose any requirements as to specific or recommended reserve fund levels. As a result, the public finance community as a whole has yet to settle on any real objective standards for the level of reserve funds appropriate for governmental enterprises. This lack of consensus as to specific standards is indicative of the wide variance of the financial and operations context for different districts and different contingencies justifying reserves.

The Government Finance Officers Association (GFOA) in its "Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund" (2002) states that in establishing a policy governing the level of unreserved fund balance in the general fund, a government should consider a variety of factors. These include:

- The predictability of its revenues and the volatility of its expenditures (*i.e.*, higher levels of the unreserved fund balances may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- The availability of resources in other funds as well as the potential drain upon general fund resources from other funds (*i.e.*, the availability of resources in other funds may reduce the amount of the unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund).
- Liquidity (*i.e.*, a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- Designations (*i.e.*, governments may wish to maintain higher levels of the unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a specific purpose).

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<sup>2</sup> California Constitution, Article XIII B, Section 5.

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In the preparation of this policy, each of the CSDA guidelines and the GFOA recommendations has been considered. In addition, all seven objectives provided by the State Auditor are specifically addressed for each reserve. The District wholly supports the State Auditor's efforts to bring a high-level of quality to reserve governance and establishing a standard of performance.

The District recognizes that the customer pays for services provided. Quality management requires that periodic valuations be performed so that fees and charges can be set at appropriate levels to recover the cost of service. The District's Reserve Policy has been drafted with consideration of the GFOA, CSDA, and State Auditor's general guidelines as provided above. In addition, the District has adopted the following principles in the management of its financial resources:

- Reserves are held and used only for the purpose for which they are collected. This is done to maintain equity among customers.
- Each of the service types is tracked separately so that expenditures and revenues can be monitored and evaluated for each customer type. This provides the District with the necessary information to appropriately charge for each of the services.
- Separation of operations and maintenance from capital expenditures occurs within each of the service types. This is done because the financing of these expenditures is often on different timelines or use different reserves.
- The District will hold its reserves at responsible and prudent levels. This policy sets minimum, maximum, and target levels for each of the various funds. This has been done so that the District can maintain reserves to meet the purpose for which the funds were established. The levels are set by reference to line items in the District's financial statements and approved budgets. This allows reserve levels to adjust to the District's changing financial circumstances.
- Debt financing of facilities provides intergenerational equity and maintains rates at reasonable levels. This equity is accomplished with long-term financing which spreads the cost of facilities over the life of the facilities. The burden to pay for facilities is then paid by those who use

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them. The District could amass significant reserves by pre-collecting financial resources in a Replacement Reserve Fund allowing the District to cash finance all replacements. However, this would require significant rate increases burdening the current customers and creating reserve levels difficult to defend to the ratepayers or other oversight entities.

These concepts are fundamental to the way the District manages its funds and have a direct impact on the way rates and charges are set. The District performs annual budget evaluations and updates its rate model on an annual basis to monitor and adjust the various funds and revenue sources. The separation, tracking, and projecting of the various funds and expenditures create the essential information necessary for the equitable rate structure maintained by the District. The annual review preserves the balance between services provided and the fees charged. This review also insures that reserves will be available to continue to serve the District's customers.

**Financial Sources**

**2.0 Developers**

a. Meter Installation Charges (General Use)  
Meter fees are charges collected for new water service connections. Fees vary depending upon meter size and type of service. The costs associated with meter installations are included in the Operating Expenses section of the budget. These charges are financed by developers.

b. Developer Deposits (General Use)  
These deposits are for the engineering and operations services provided to developers. They are tracked separately for each developer and any excess amount is returned to the developer.

c. Annexation Fees (Restricted)  
Annexation fees<sup>3</sup> are collected as a condition of annexing into the District's potable and recycled water facilities. Since the existing facilities have been built and maintained by developers or customers within the District, the

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<sup>3</sup> Code of Ordinances, Section 9.

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annexation fee is calculated based on the present value of all property taxes (1% property tax and availability fees) paid by existing and prior customers. The annexation fee insures that future users finance a portion of facilities that were sized, built, and maintained for both existing and future users. Proceeds of annexation fees are restricted and can be used for expansion, replacement, or betterment projects. These reserves may be shifted back and forth as financing needs change.

d. Annexation Fees (Unrestricted)

A sewer annexation fee is collected when property is annexed into an improvement district. This fee is calculated using the "buy-in" basis and therefore is unrestricted.

e. New Water Supply Fee (Restricted)

New water supply fees<sup>4</sup> are based on the cost of the expansion portion of new water supply projects divided by the number of future equivalent dwelling units (EDU). The new water supply fee covers the cost of planning, design, construction, and financing associated with facilities for the District's new supply needs. These fees are paid by developers. The proceeds of this fee may be used only for new potable or recycled water supply projects. Although the fees collected are not restricted separately, one portion for potable and the other for recycled, they are tracked separately.

f. Capacity Fees (Restricted)

Capacity fees<sup>4</sup> are based on the value of existing and future facilities divided by the number of existing and future equivalent dwelling units. This method of calculating capacity fees is called the combined method, where the "buy-in" portion of the capacity fee covers costs to repay existing customers for the facilities that they have built, and where the "incremental" portion of the capacity fee covers the cost of future expansion facilities. The "buy-in" portion of the capacity fee is restricted to pay for planning, design, construction, and financing associated with expansion, replacement or betterment facilities. The "buy-in" portion may be shifted back and forth between expansion, betterment or replacement as the financing needs change. The

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<sup>4</sup> Code of Ordinances, Section 28

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“incremental” portion of the capacity fee is limited to planning, design, construction, and financing exclusively for expansion facilities (excluding new water supply expansion).

Facility needs are based on projected land use planning. Changes in anticipated future land use occur and can alter projected facility requirements. Thus, both the anticipated facilities needs and their projected costs change over time as regulatory agencies make changes to land use. The District periodically reviews the capacity fee calculation to accommodate such variations. These fees are paid by developers.

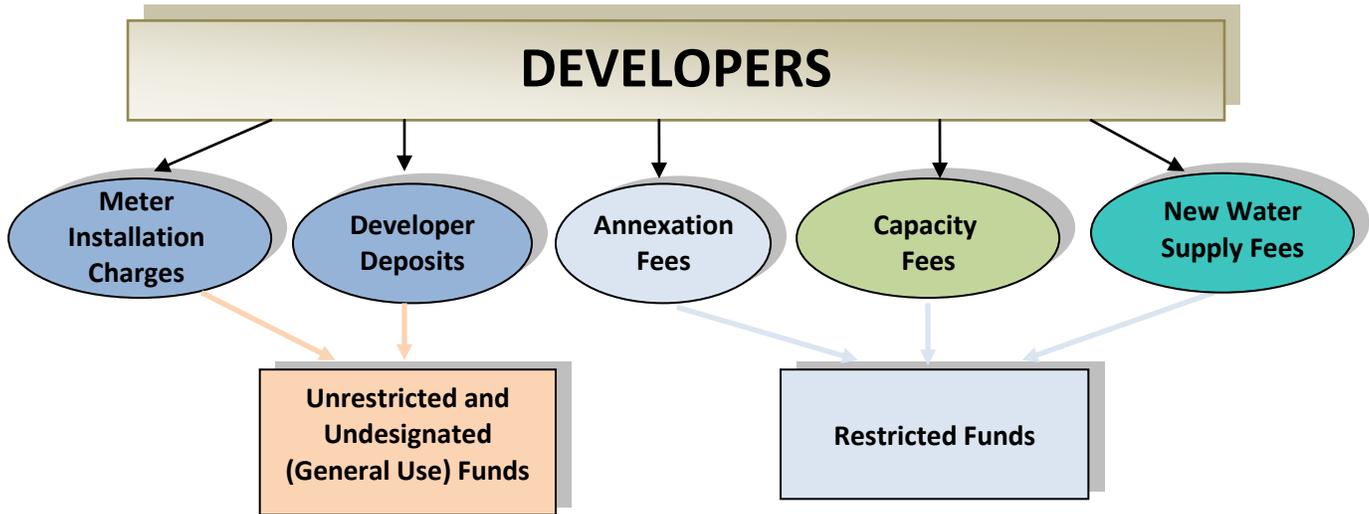
The District’s construction of infrastructure occurs prior to the addition of EDUs. This sequence serves two purposes: one it ensures that the District can serve the pending construction as it is completed; and two, it is more efficient to oversize many facilities at the outset rather than build for the current need and then reconstruct when the future need is realized. As a result of this strategy, the District has financed construction with bond financing as the existing expansion reserves are depleted.

The capacity fee is calculated based on the combined recycled and potable water systems needs. This methodology is used because the two water systems work hand-in-hand. All capacity fees can be used for either potable or recycled but must be tracked to distinguish between the “buy-in” and “incremental” portions as described above. So, while capacity fees are not restricted separately by potable and recycled, they are tracked separately.

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**Diagram 2.0: Flow of Funds - Developer Sources**



**2.1 Customers/Users**

a. Uniform Rates and Charges (General Use)

Charges to users for water, sewer, and recycled water are uniform throughout the District for similar customer types.

b. Monthly System Fees (General Use)

This is a fixed revenue source that is charged monthly. The amount of the charge is based on the meter size.

c. Energy Charges (General Use)

The energy pumping fee is a charge per Unit of water for each 100 feet of lift, or fraction thereof, above the base elevation of 450 feet. This charge is placed on the monthly water bills of all water customers.

d. Penalties (General Use)

Penalties are added to the monthly water and sewer bills for late charges, locks, etc.

e. Pass-through Fixed Charges (General Use)

A fixed monthly charge to the District's customers intended to collect sufficient funds to pass-through the increased

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fixed costs from the County Water Authority (CWA) and the Metropolitan Water District (MWD).

f. Special Rates and Charges (Restricted)

In addition to the uniform water charges, the District currently has five special water rates and one sewer rate. The five water rates are for construction, installation, and maintenance of water storage reservoirs, pump stations, and water lines. Each of these rates and charges must be used within the respective geographic areas from which they are collected. These special charges are listed below:

- North District water charge (Code section 25.03G)
- ID 9 water charge (Code section 25.03H)
- ID 3 water charge (Code section 25.03I)
- ID 10 water charge (Code section 25.03I)
- La Presa water charge (Code section 25.03I)
- Russell Square sewer charge (Code section 53.04C)

When these rates were established they were for the specific purpose of constructing, installing, and maintaining the water and sewer systems in the areas in which the fees were collected. Therefore, these are restricted reserves by geographic area as well as by purpose. These rates and charges can also be used for maintenance; unlike the availability fees (discussed in 2.2 B.). These six special rates and charges along with availability fees are tracked separately, by geographic area, so they can be individually evaluated to maintain the targeted reserve levels. To meet this need, each special rate and charge is accounted for in a "sub-fund" of the Betterment Fund.

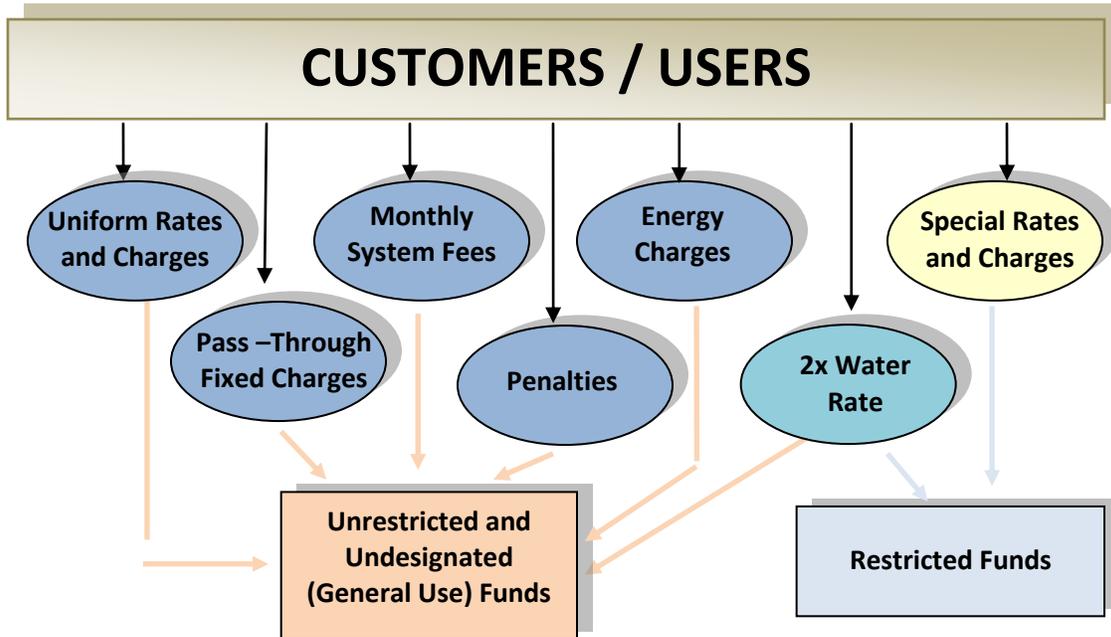
g. Temporary Meter Fees (General Use/Restricted)

Water charges, in lieu of capacity fees, are charged on temporary meters. This is done because temporary meters use system capacity but they are not charged a capacity fee. Temporary water use is charged at two times the water rate with the added charge placed in the Restricted Expansion Fund. The primary users of these temporary meters are developers; however, general customers also use these for various purposes.

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**Diagram 2.1: Flow of Funds - Customer Sources**



**2.2 County-Collected Taxes and Fees**

a. General Levy Property Tax Receipts (1% Property Tax) (General Use)

In 1978, Proposition 13 limited the levy of ad valorem property taxes on real property to one percent of the assessed value of such property. Subsequent legislation, AB 8, established that the receipts from the one percent levy were to be distributed to taxing agencies proportionate to each agency's general levy receipts prior to Proposition 13. Taxes received are for general use.

b. Availability Charges (General Use/Restricted)

The District levies availability charges each year in developed and undeveloped areas. Current legislation provides that any amount up to \$10 per parcel is general use and any amount over \$10 per parcel is restricted to be expended in and for the improvement district (ID) within which it is collected. Accordingly, the District may use availability charges in excess of \$10 toward costs of water

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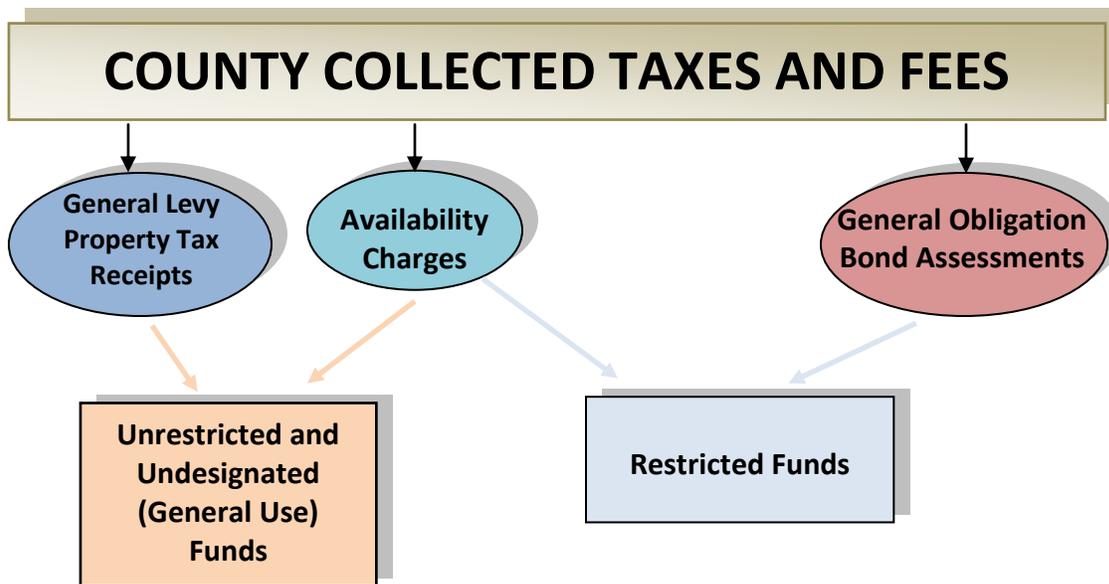
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and sewer facilities which are either, expansion, betterment, or replacement of facilities consistent with the purpose of the ID in which they are collected. This portion of the proceeds of availability charges is geographically restricted and restricted by purpose. As costs are incurred on these projects the respective IDs are charged, reducing the reserves. To the extent that availability charges are not used for the purpose for which they are collected, they must be returned to the property owners that paid them. The District has historically used these reserves for betterment capital facilities thus, the restricted reserves are accounted for in "sub-funds" of the Betterment Fund (see 2.1 f.).

c. Improvement District General Obligation (GO) Bond Assessments (Restricted)

The District has historically issued general obligation (GO) debt and establishes an improvement district for the repayment of that debt. When this financing method is used, the county tax roll can be used to collect special taxes or assessments within the ID to pay the debt obligation. The proceeds of the debt are restricted for the purpose as defined in the bond documents.

**Diagram 2.2: Flow of Funds – County Collection Sources**



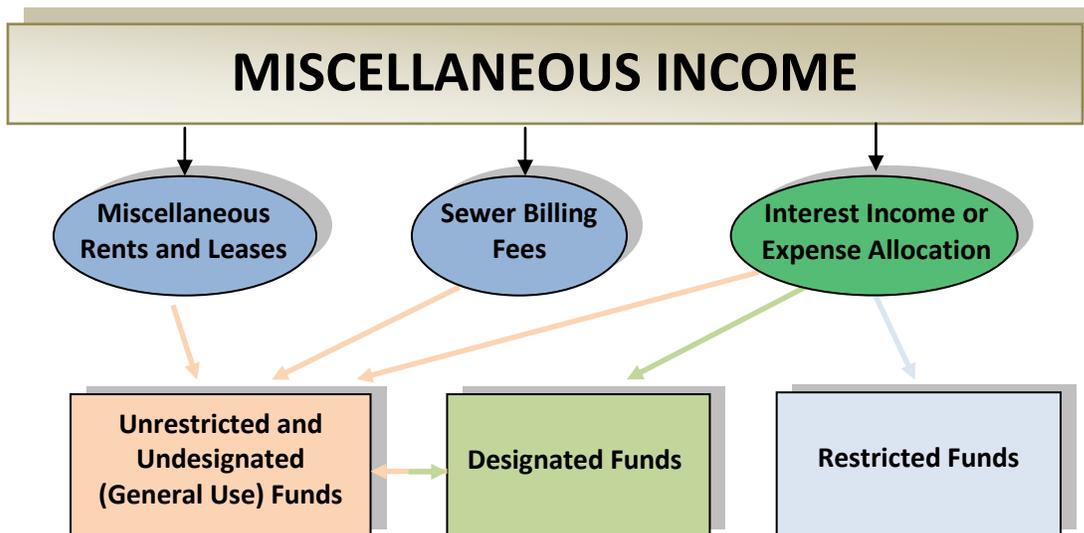
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**2.3 Miscellaneous Income**

- a. Miscellaneous Rents and Leases (General Use)  
Revenues received from the rental and lease of District property are general use revenues. Not only are they periodic revenues, but there is also a one-time fee charged with the setup of each new lease. The District incurs expenses related to these rents and leases. The one-time fees are calculated to recover the costs to setup the leases.
  
- b. Sewer Billing Fees (General Use)  
Sewer billing fees are general use revenues. The District provides processing and billing services to the City of Chula Vista to bill and collect from their customers for sewer service. These fees are to recover the cost the District incurs to provide this service.
  
- c. Interest Income or Expense Allocation (General Use, Designated, and Restricted)  
Interest income (expense) will be allocated every month based upon each fund's month-ending balance. In this way, each fund receives credit for interest earned by that fund and each fund with a negative balance is charged for the use of the other fund's reserves.

**Diagram 2.3: Flow of Funds – Miscellaneous Income Sources**



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**2.4 Debt Issuance**

a. Loans (General/Restricted Use)

As the District determines that additional financing is required for a particular purpose, the option of borrowing is considered. The determination to borrow is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action. As an option to bond indebtedness, loans are available to satisfy short-term financing needs. These loans may or may not be contractually restricted for a particular purpose.

b. General Obligation (GO) Bonds (Restricted)

As the District becomes more developed it becomes less likely that general obligation debt will be used as it requires a vote of the public to be approved. Bond proceeds are restricted for the construction of those facilities identified in the GO bond issuance. Occasionally, specific portions of bond proceeds may be allocated for the repayment of the principal and interest, also called debt service, on these bonds. As the District determines that additional financing is required for a particular purpose, the option of debt issuance is considered. The determination to issue debt is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action.

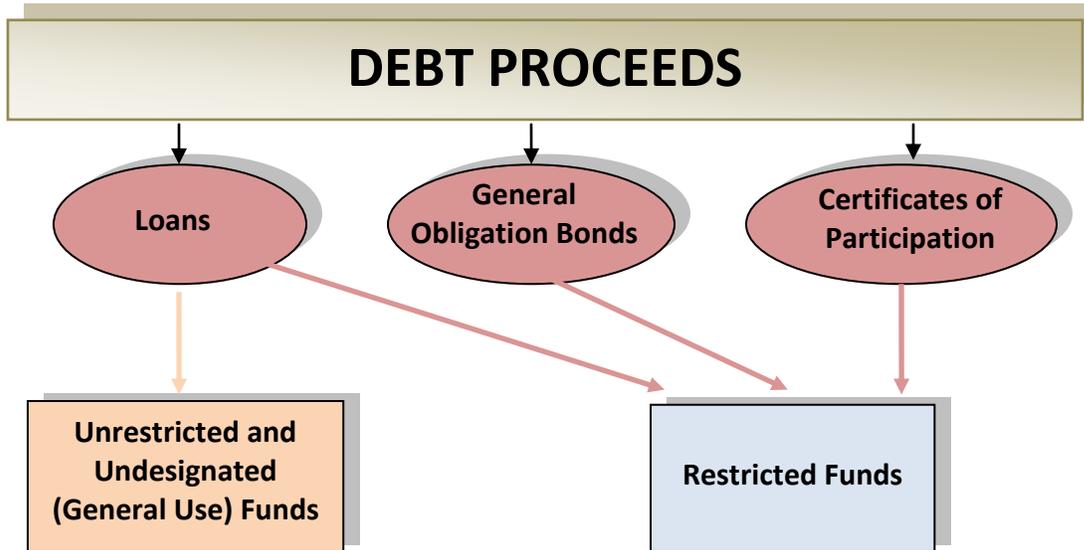
c. Certificates of Participation (COPs) (Restricted)

General revenues of the District are pledged as security for Certificates of Participation (COPs) indebtedness. If the District determines that additional financing is required for a particular purpose, the option of debt issuance is considered. The determination to issue debt is made as a part of the annual rate model update and is evaluated in accordance with the Debt Policy before it is recommended to the Board for action. This form of financing has become the industry's preferred form of financing as it does not require a vote of the general public.

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**Diagram 2.4: Flow of Funds – Debt Issuance Sources**



**2.5 Inter-fund Transfers**

Each year in the budgeting process, future fund levels are projected for the next six years. Based on these projections transfers are recommended. Reserves may be transferred between Unrestricted or Designated Funds and the General Fund (see 4.0 “Funding Levels” and 4.1 “Fund Transfers”). Reserves may not be transferred to or from any of the restricted funds unless it is between two restricted funds with a shared purpose.

**Fund Types and Categories**

**3.0 General Funds**

a. Purpose

The General Fund is neither restricted nor designated. The District maintains one General Fund for each business segment (water, sewer, and recycled). This fund holds the working capital and emergency operating reserves. While the General Fund has a short-term focus to finance the District’s annual operations, it is supported by the six-year rate model. This

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fund is primarily used to finance the operations of the District; however, it can be used for any District purpose.

This fund can be used to supplement the District's rates and charges and be a temporary source of revenue to balance the Operating Budget. This fund can also be used to avoid spikes in the rates or significant and abrupt increases. It is an industry practice to have a fund that can be used to stabilize rates. This would only occur if there was a temporary need for reserves that would smooth out a rate spike or to ramp up what would otherwise be a dramatic rate increase.

The General Fund also plays a role in the debt planning of the District. This fund is viewed by the debt markets as a commitment by the District to ensure financial stability of the rates and charges of the District. The District is anticipated to need a number of debt issuances over the years and this fund will help the District not only to stabilize rate fluctuations but also to access low cost financing for future projects.

b. Sources

Meter installation charges, temporary meter fees, uniform rates and charges, monthly system fees, energy charges, penalties, pass-through fixed charges, general levy property tax receipts, availability charges, miscellaneous rents and leases, sewer billing fees, interest income or expense allocation, loans, and a portion of the temporary water sales.

The sewer general fund receives sewer charges, penalties, availability charges, sewer annexation fees (calculated on the "buy-in" basis), and interest income or expense allocation.

c. Funding Levels

- I. **Minimum Level** - The minimum reserve level for each business segment of the General Fund is three months of operating budget expenses (evaluated separately for each segment).

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II. **Maximum Level** - The maximum reserve level for the General Fund is nine months of operating budget expenses. In the event that this fund exceeds the seven month level, the excess will be evaluated or transferred to one or more of the designated funds.

III. **Target Level** - The target level of reserves is three months of operating budget expenses. In the event that the fund drops below the target level, rate increases or fund transfers would be considered.

**3.1 Designated Other Post Employment Benefits (OPEB) Fund**

a. Purpose

Designated Other Post Employment Benefits (OPEB) reserves are "general use" reserves that have been set apart by Board action to finance the medical benefits of qualified retirees as outlined in the District's benefits plan. This District fund holds only a portion of the total OPEB reserves. The other portion is held in a trust at CalPERS and is restricted for the purpose of financing the OPEB liability. The two portions are considered jointly when looking at target reserve levels. Every two years, the fund is evaluated by an actuary to update the annual financing requirements. Changes in the actuarial valuation may result from changes in benefit levels, employee population, health insurance costs, or general market conditions. The reserves held by the District are currently designated and may be placed into the CalPERS trust to legally restrict the funds, removing the District's legal access to these reserves.

b. Sources

The OPEB liability may be financed by general use reserves coming from user rates and charges, either from an operating budget expenditure or from interfund transfers. Transfers of unrestricted reserves may come from the various designated funds or from the General Fund. As a part of the normal budget process, annual operating revenues have been sufficient to finance the ongoing needs of this designated fund. While debt financing is also an option, the District has only used user rates and charges to finance this fund.

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c. Funding Levels

I. **Minimum Level** - The minimum reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. When considering the reserve level of this fund, both the District held OPEB reserves and CalPERS held OPEB reserves must be considered jointly.

II. **Maximum Level** - The maximum reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. In the event that the two funds, as described above, exceed the OPEB liability, the District will reduce the annual funding levels as defined by the actuarial study.

III. **Target Level** - The target reserve level for this fund is equal to the District's OPEB liability as determined by the actuarial study. In the event that the two funds, as described above, fall below the OPEB liability, the District will increase the annual funding levels as defined by the actuarial study.

**3.2 New Water Supply Fund Category**

a. Purpose

The New Water Supply Fund category is to finance the expansion portion of new water supply projects and is therefore to be paid by developers. When considering the reserve level of the New Water Supply category; the New Water Supply Fund, the New Water Supply Debt Fund, and the Designated New Water Supply Fund all work in concert and must be considered jointly.

b. Sources

The New Water Supply Fund receives reserves only from the new water supply fee. Other funds within the new water supply category of funds receive debt proceeds and general use reserves through a designation to this category.

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c. Funding Levels

I. **Minimum Level** - As the District matures the CIP will move to purely replacement projects. As the District moves through its lifecycle the need for new water supply reserves will decrease and may be reduced to zero.

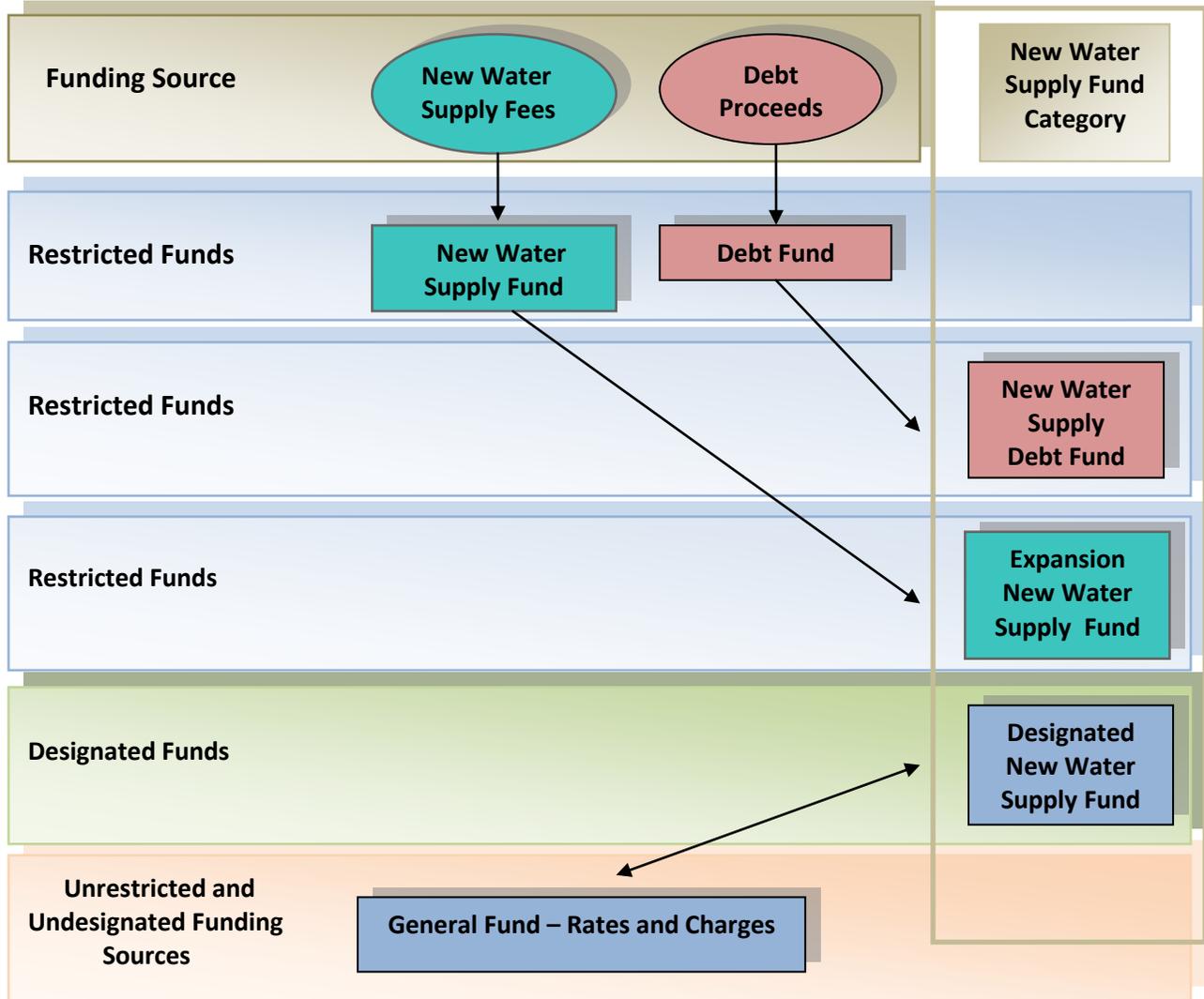
II. **Maximum Level** - The maximum reserve level for the new water supply category of funds is limited to five years of the unfinanced new water supply facilities as described in the District's CIP Budget. To determine the unfinanced amount, the total new water supply financing needs must be reduced by the projected new water supply revenues, general fund designations, and bond financing. If the combined new water supply reserves exceed the target level, the District should consider transferring designated reserves to meet other purposes, reduce the new water supply fee, or change the timing of the new water supply projects.

III. **Target Level** - In order to facilitate debt financing of the new water supply, it is important that the various new water supply funds retain an overall reserve level of six months, prior to any attempt to obtain debt financing. This reserve level allows the District the time necessary to issue additional debt without depleting new water supply reserves. If the combined new water supply reserve levels drop below six months of expenditures, this would trigger a transfer of general use reserves, a bond sale, or a change in the timing of new water supply projects. Bond proceeds would be placed in the Restricted New Water Supply Debt Fund while transfers would be placed in the Designated New Water Supply Fund.

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**Diagram 3.2: New Water Supply Fund Category**



**3.3 Expansion Fund Category**

a. Purpose

The Expansion Fund category is to finance the expansion portion of capital projects and therefore is to be paid for by developers. When considering the reserve levels of the expansion category, the following funds work in concert and must be considered jointly: the Expansion Fund, Expansion Debt Fund, Annexation Fund (potable and recycled only),

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Capital Improvement Fund, and the Designated Expansion Fund. Potable and recycled reserves are considered jointly while sewer is evaluated separately.

b. Sources

The Expansion Fund is financed by water charges in lieu of capacity fees (for temporary meters) and the "incremental" portion of the capacity fee. The other funds in this category may also be financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, and the general fund through a designation of reserves.

c. Funding Levels

**I. Minimum Level** - As the District matures the CIP will move to purely replacement and betterment projects. As the District moves through this lifecycle the need for expansion reserves will decrease and may be reduced to zero.

**II. Maximum Level** - The maximum reserve level for the expansion category of funds is limited to five years of unfinanced expansion facilities as described in the District's CIP Budget. To determine the unfinanced amount, the total financing needs must be reduced by the projected expansion revenues, bond financing, and any restricted or general fund revenues allocated to this fund category. If the combined expansion reserves exceed target levels, the District should consider reducing capacity fees, reallocating restricted or designated funds to meet other purposes, or shifting the timing of expansion projects.

**III. Target Level** - The target level is six months of expansion expenditures. It is important that the expansion reserves remain at a minimum of six months of expansion expenditures. This reserve level allows the District the time necessary to issue additional debt without depleting expansion reserves. If the combined expansion reserves drop below six months of expenditures this would trigger a transfer of general use reserves, a bond sale, an

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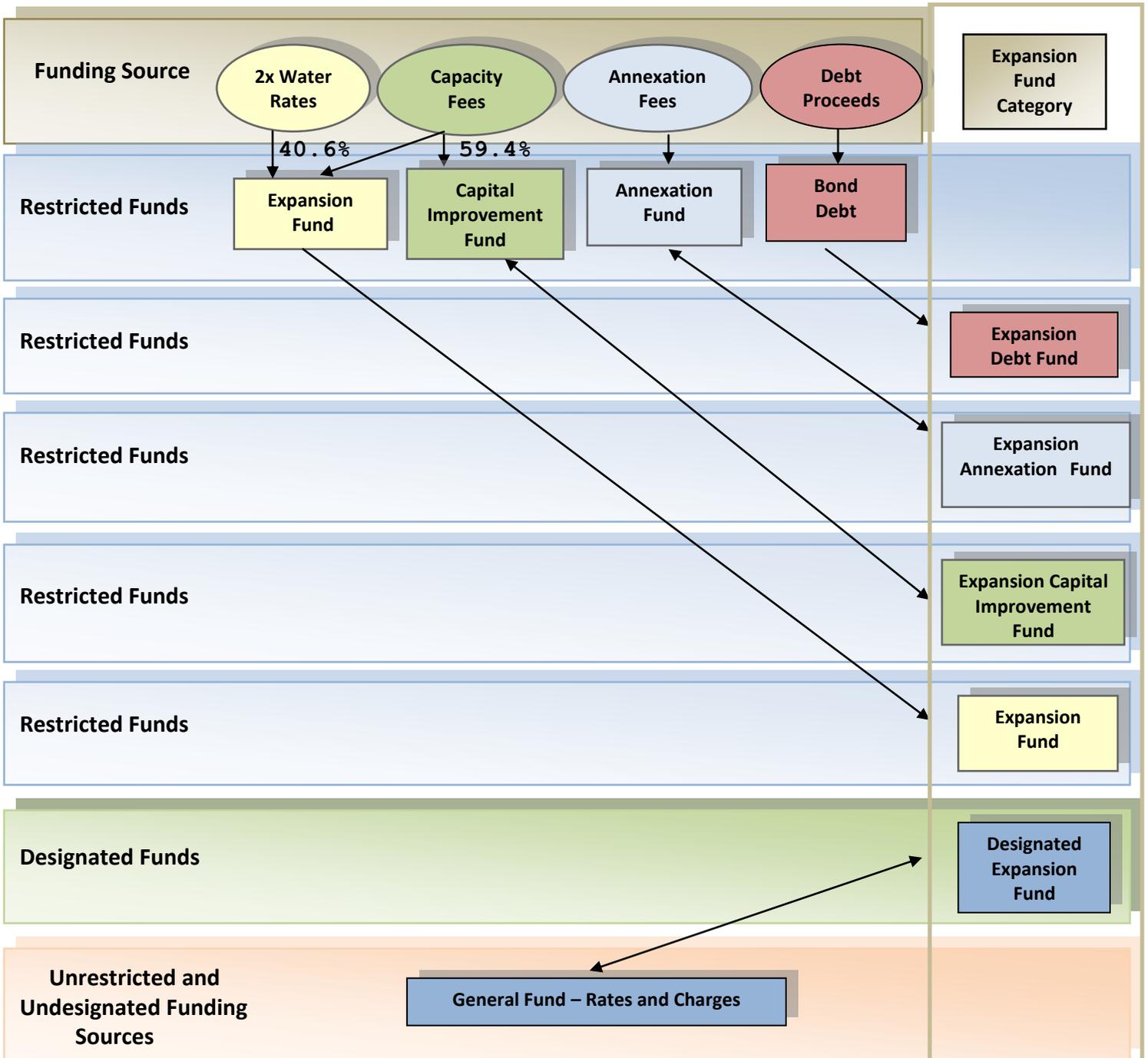
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adjustment to the timing of expansion projects, or a reallocation of restricted reserves. Bond proceeds would be placed in the Restricted Bond Fund, transfers of general use reserves would be placed in the Designated Expansion Fund, and transfers of restricted reserves would be placed in either the Expansion Annexation Fund or the Expansion Capital Improvement Fund.

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**Diagram 3.3: Expansion Fund Category**



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**3.4 Replacement Fund Category**

a. Purpose

The Replacement Fund category is to finance replacement projects. When considering the reserve levels of the replacement category of funds, the following funds work in concert and must be considered jointly: the Annexation Fund, Debt Fund, Capital Improvement Fund, and the Designated Replacement Fund. The purpose of these reserves is to pay for the replacement of capital infrastructure and capital purchases. These reserves are not to be used for the replacement of non-capital items.

With the District's development of its financial systems and the greater need and ability to separate and track reserves, the replacement reserves have been separated into three funds: water, recycled, and sewer.

Projects undertaken solely for the purpose of replacing major capital equipment or facilities, *i.e.*, where the cost exceeds \$10,000 for capital purchases or \$20,000 for infrastructure items, generally these are not considered normal maintenance. When the cost is below \$10,000, the costs are financed annually as operational maintenance. As charges are incurred on replacement projects the reserves are deducted from the respective Replacement Funds on a monthly basis.

b. Sources

The various funds in this category are financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, and general fund designations.

c. Funding Levels

I. **Minimum Level** - The minimum reserve level of this category of funds is 3% of the historical value of existing assets as identified in the District's current financial statements. Potable, recycled, and sewer replacement are evaluated separately.

II. **Maximum Level** - The maximum reserve level of this category of funds is 6% of existing assets. If the

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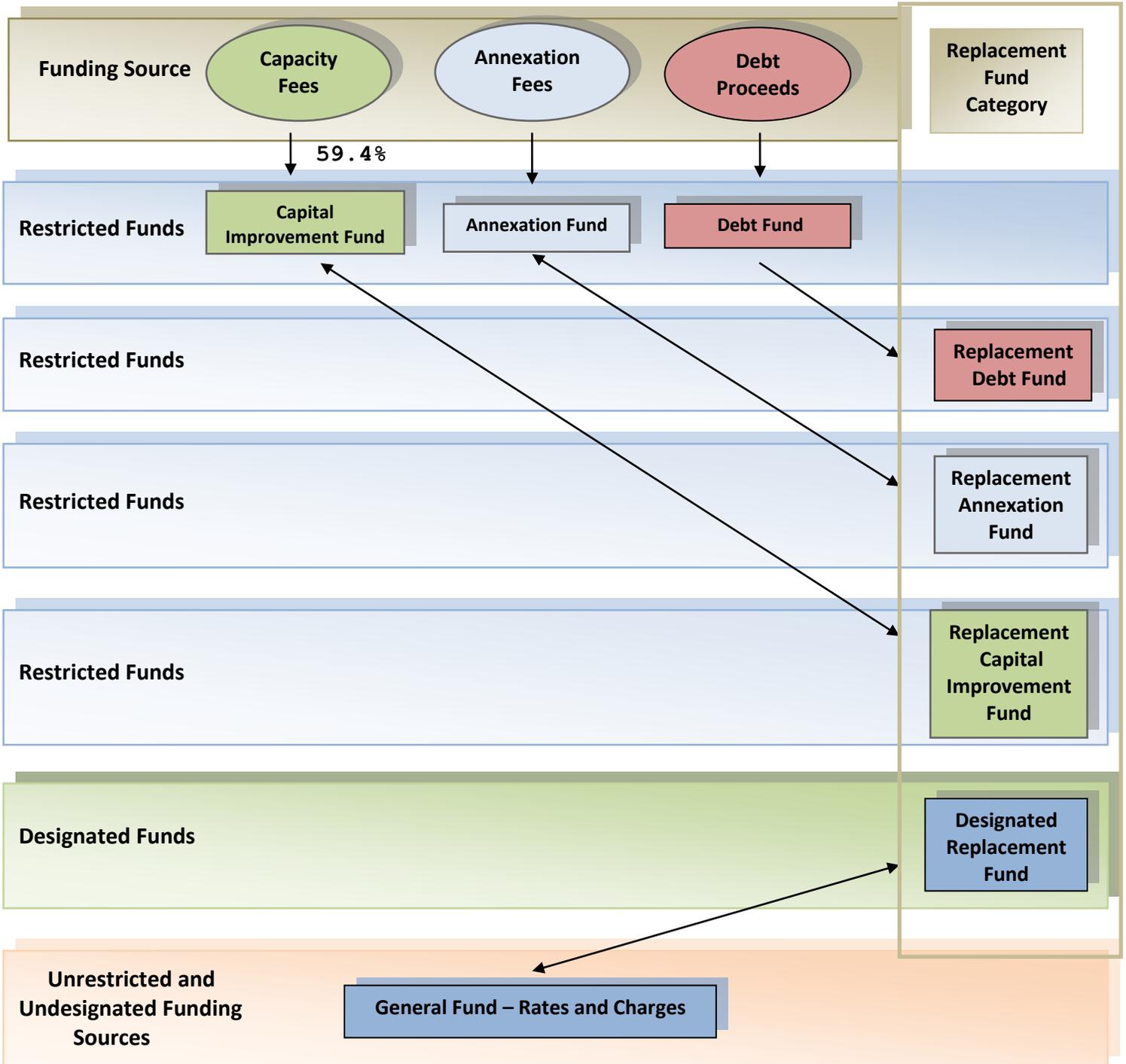
combined replacement reserves exceed target levels, the District should consider transferring annexation fees or the "buy-in" portion of the capacity fee to meet other purposes. Another consideration would be to shift the timing of replacement projects.

- III. **Target Level** - The target reserve level of this category of funds is 4% of existing assets. In the event that the reserves fall below the recommended target level, the District should consider transferring annexation fees or the "buy-in" portion of the capacity fee. The District should also consider shifting the timing of replacement projects or issuing debt to support the planned level of facility replacement. The District will act based on the annual six-year rate model, to insure that at the end of that planning horizon the reserves exceed the minimum level and is approaching the target level.

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**Diagram 3.4: Replacement Fund Category**



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**3.5 Betterment Fund Category**

a. Purpose

The Betterment Fund category is to finance the betterment portion of capital projects with a portion going to maintenance of the potable, recycled, and sewer systems. The District maintains separate Betterment Fund categories, one for each improvement district. An improvement district is a legally defined geographic area usually established for the purpose of bond financing of facilities. The betterment reserves within these funds are restricted by law for use within the improvement district in which the fees were collected (Water Code 71631.6). However, the legal restriction of this reserve depends upon the particular revenue source. (See Section 2.1 f. for a review of the special rates and availability fees).

When considering the reserve levels of the betterment category of funds, the following funds work in concert and must be considered jointly: the Betterment Fund, Annexation Fund, Debt Fund, Capital Improvement Fund, and Designated Betterment Fund.

b. Sources

The Betterment Fund category receives restricted revenues by improvement district via special water rates and from availability fees collected through the county tax roll. Betterment may also be financed by debt proceeds, annexation fees, the "buy-in" portion of the capacity fee, as well as the general fund through a designation of reserves.

c. Funding Levels

I. **Minimum Level** - As the District matures the CIP will move to purely replacement projects. As the District moves through this lifecycle the need for betterment reserves will decrease and may be reduced to zero.

II. **Maximum Level** - The maximum reserve level for the betterment category of funds is limited to five years of unfinanced betterment facilities as

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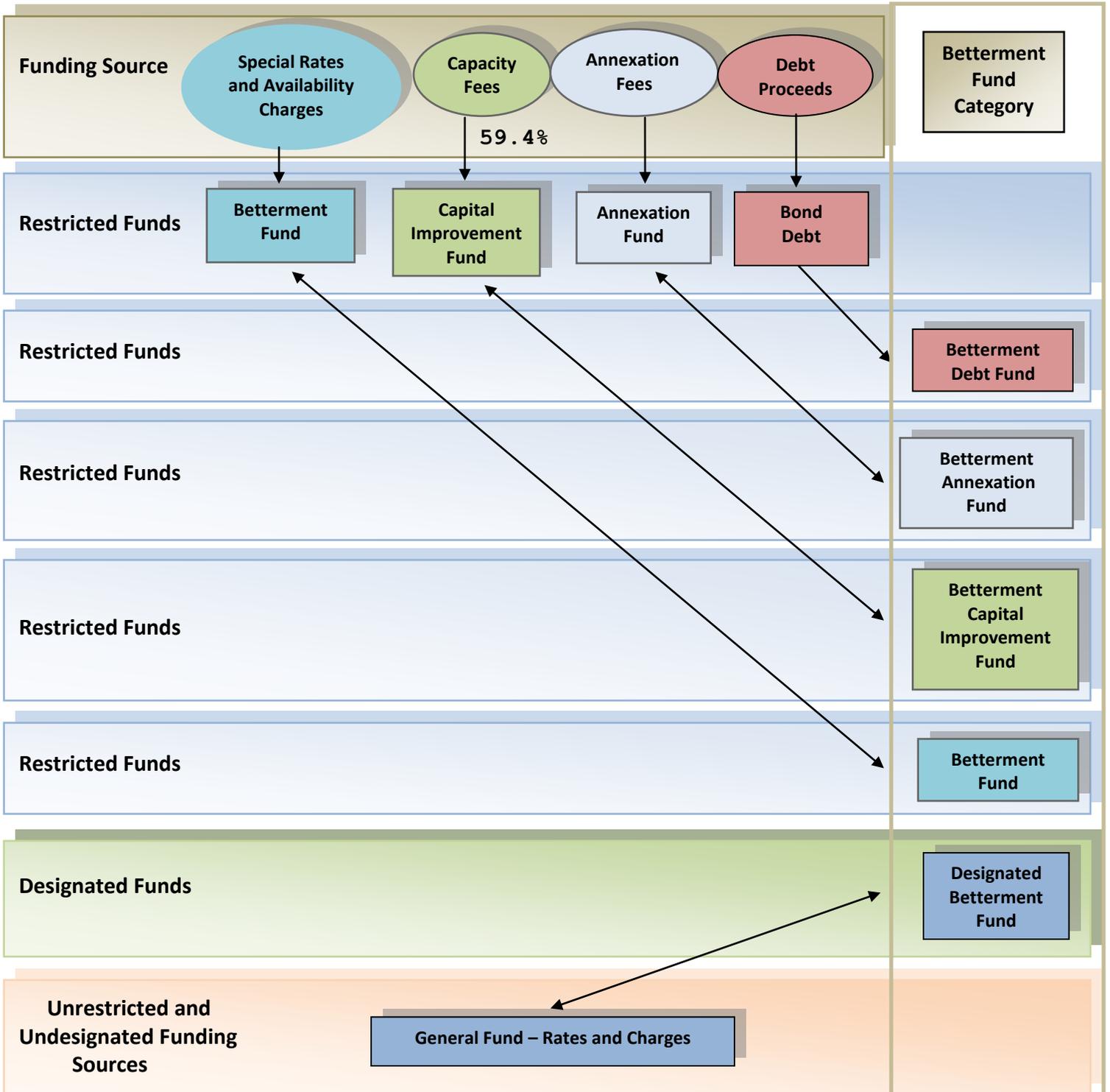
described in the District's CIP Budget. To determine the unfinanced amount, the total financing need must be reduced by the projected betterment revenues, bond financing, annexation, and general fund designations. If this maximum is exceeded, then the District should evaluate reductions in the special water rates and availability fees, transferring designated reserves to meet other purposes, or shifting the timing of betterment projects.

- III. **Target Level** - The target is six months of betterment expenditures. It is important that the betterment reserves remain at a minimum of six months of betterment expenditures. This reserve level allows the District the time necessary to issue additional debt without depleting betterment reserves. If the combined betterment reserves drop below six months of expenditures this would trigger a transfer of general use reserves, a bond sale, or an adjustment to the timing of betterment projects. Bond proceeds would be placed in the Betterment Bond Fund while transfers would be placed in the Designated Betterment Fund.

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**Diagram 3.5: Betterment Fund Category**



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**Diagram 3.6: Fund Targets**

Fund or Fund Category	Actions to Consider if below Target	Target	Maximum
New Supply Fund Category	New supply fee increase, bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	Nexus of cost to fee
Expansion Fund Category	Capacity fee increase, bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	Nexus of cost to fee
Replacement Fund Category	Bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = 4% of infrastructure	Nexus of cost to fee
Betterment Fund Category	Bond financing, or transfer to designation or to CIF or Annexation Fund	Total of all funds in fund category = six months of capital expenditures	5 years unfunded needs
Debt Reserve Fund	Increase tax collection or rates	One semi-annual payment	Two semi-annual payments
OPEB Fund	Fund transfers	Full funding	Full funding
General Fund	Rate increase or fund transfers	Three months of operating budget expenses	Nine months of operating budget expenses

Note: The annexation fee for sewer is a general fund revenue.

**Additional Restricted Funds**

**4.0 Capital Improvement Fund**

a. Purpose

The "Capital Improvement Fund's sole purpose is to track the "buy-in" portion of the capacity fee and to ensure these fees are expended solely for the purpose for which they were

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collected. In this case it is to pay for facilities that were in existence at the time this fee was established. These fees may be used for expansion, replacement, or betterment projects or any debt related to these categories. These fees may also be used for either the potable or the recycled systems. As capacity fees are collected, the "buy-in" portion of the fee is allocated as needed to one of three capital improvement funds, one in each of the Expansion, Replacement, and Betterment Fund categories. These reserves are used to pay debt or offset any negative balance within these three categories of funds. These fees may not be used to finance the New Water Supply category, as there were no new water supply facilities in existence at the time the new methodology for capacity fees was established.

b. Sources

The "buy-in" portion of the capacity fee collected after June 30, 2010.

c. Funding Levels

There are no minimums, maximums, or target levels for these reserves on an individual basis. The allocation of this fee to the various capital improvement funds is dependent on the overall reserve levels within each fund category.

**4.1 Annexation Fund**

a. Purpose

The Annexation Fund's sole purpose is to track the potable and recycled annexation fees collected and to ensure these fees are expended solely for the purpose for which they were collected. The annexation fees may be used for expansion, replacement, or betterment projects or any debt related to these categories. These fees may be used for either the potable or recycled systems. These reserves may not be used to finance the New Water Supply category, as it was not in existence at the time the fee was established. As these fees are collected they are allocated as needed to one of three capital improvement funds, one in each of the Expansion, Replacement, and Better Fund categories.

b. Sources

Potable and recycled annexation fees collected after June 30, 2010.

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c. Uses

There are no minimums, maximums, or target levels for these reserves on an individual basis. The allocation of this fee to the various Annexation Funds is dependent on the overall reserve levels within each fund category.

**4.2 Debt Reserve Fund**

a. Purpose

The Debt Reserve Fund is established to hold the proceeds from the various debt issuances. There are two types of debt, General Obligation bonds and Certificates of Participation bonds. The proceeds are transferred to the New Water Supply, Expansion, Replacement, or Betterment Debt Funds as they are expended for various facilities within those fund categories. As repayment of the debt occurs, the balances within these individual funds are reduced so that the financial impact of issuing debt is tracked within the category for which the debt was issued.

b. Sources

Debt proceeds.

c. Uses

There are no minimums, maximums, or target levels for this fund on an individual basis. This fund is available on an as needed basis to fund CIP projects for new water supply, expansion, replacement, or betterment. From a funding level perspective, these reserves are evaluated in the context of all the various funds within each fund category.

**Fund Transfers**

**5.0 Funding Levels**

As described in the preceding sections, the District maintains reserves for its operating and capital activities. These reserves can be of three types: 1) undesignated or general use reserves, 2) designated, and 3) restricted for a specific purpose. The restricted reserves can be restricted geographically and/or by purpose. The District maintains various funds to track the various designations and restrictions. The source of the money

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for each fund was discussed along with the purpose, source of funds, and levels. Key characteristics of these funds are the target levels, minimums, and maximums. The funding levels must be viewed in the context of the economic environment, political environment, and in light of the District's rate model. The District's six-year rate model not only shows the current balance but also shows the trend of the fund balances. Often the trend of the fund is a greater indicator of financial stability than is the current balance.

The rate model is updated each year with the budget process and evaluates each fund over the next six years. The rate model will take into account the general economic environment, looking at the development rate, supply rate increases, the possibility of raising rates, capital infrastructure spending, and strategic plan initiatives. The fund balances may at times be over or under the target amount. This is not only acceptable but expected. The rate model provides an empirical estimate of the conformance between the projected District's financial activities and the guidelines of this policy.

**5.1 Fund Transfers**

Reserves within the District's various designated funds come from interfund transfers of unrestricted general use reserves. It is important to note that the District has the ability to use general use reserves for any business purpose. General use reserves may be transferred to and from any unrestricted fund for any business need. Designated reserves are general use reserves which have been set aside for a specific purpose by Board action. These reserves can only be used for the purpose they were designated, or with Board action they may be used for any other business purpose. While general use reserves may be used for any restricted purpose they may not be transferred to Restricted Funds due to the sensitivity of the tracking of restricted reserves. If reserves are needed for a restricted purpose they are transferred to a Designated Fund within the fund category with that particular purpose. Reserves restricted to a fund category may only be used within that category and may not be transferred to another category. For example, the new water supply fee and the "incremental" portion of the capacity fee are restricted reserves for a specific purpose, and may not be transferred to another category as no other category has the same purpose. However, the

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“buy-in” portion of the capacity fees and annexation fees are restricted for purposes that are shared by more than one category of funds and may therefore be transferred to a restricted fund within another fund category as long as it shares the same purpose.

In many situations reserve transfers are expected as some fund categories will exceed their maximums or drop below their minimums. Only fund categories that are below the stated target are eligible to receive transferred reserves. Fund categories that exceed their maximums are first to be considered for transfers out, followed by funds that exceed their targets. Funds that exceed their minimums are also available for reserve transfers out, but only when other options are not available.

The rationale for prioritizing reserve transfers is based on the immediacy of the need and the availability of reserves from other funding sources. For example, the General Fund is first to receive reserves when it drops below its target or minimum levels. This is because of the immediate and ongoing nature of the expenditures that are served by this fund. The operation of the District is first and foremost of the objectives of the District. On the other end of the spectrum, the Replacement Fund has a long-term perspective and will be used to partially finance replacement assets for many years to come. Debt financing is available to respond to this long term, foreseeable, and planned cash flow. This fund is less likely to have immediate needs and has other financing options.

When making the determination of when transfers are necessary, all funds within a fund category work as a group. The combined balance of the restricted and designated funds is looked at when determining whether the fund category requires additional funding from the Restricted Capital Improvement Fund, Restricted Annexation Fund, Restricted Debt Fund, or the General Fund. Because the Capital Improvement Fund and Annexation Fund may finance expansion, replacement or betterment reserves may be transferred between these fund categories, but only back and forth within its own type of restricted fund.

As an example, if during the rate model update process it was determined that the Expansion Funds (designated and restricted) would drop and stay below the minimum during the six-year planning

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horizon, this would trigger a bond sale, a transfer of general use reserves, and/or a transfer of restricted reserves. If in the cash planning process, it was anticipated that the General Fund would remain above target during the planning horizon and that the trend did not present a problematic underfunded status, then General Fund reserves would be considered available for transfer prior to making proceeds available from a bond sale. Also, if during this period the Betterment Fund category was anticipated to exceed its maximum, then reserves from either the Designated Betterment Fund, the Annexation Fund, or the Capital Improvement Fund would be transferred to the corresponding Expansion Fund prior to a bond sale. All funds are evaluated to determine which has the greatest need or availability of reserves before any reserve transfer recommendation is presented to the Board.

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**GLOSSARY**

The Reserve Policy contains terminology that is unique to public finance and budgeting. The following glossary provides assistance in understanding these terms.

Annexation Fees: When water service is requested for land outside the boundaries of the District, the land to be serviced must first be annexed. For sewer service the land must be annexed into an improvement district within the District.

Assets: Resources owned or held by Otay Water District that has monetary value.

Availability Fees: The District levies charges each year in developed areas to be used for upgrades, betterment, or replacement and in undeveloped areas to provide a source of funding for planning, mapping, and preliminary design of facilities to meet future development. Current legislation provides that any availability charge in excess of \$10.00 per acre shall be used only for the purpose of the improvement district for which it was assessed.

Betterment Fees: In addition to other applicable water rates and charges, water customers pay a fee based on water service zone or Improvement District. These fees are restricted for use in the area where they are collected and may be used for the construction and maintenance of facilities.

Bond: A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are authorized in a District bond resolution. The most common types of bonds are General Obligation (GO) bonds and Certificates of Participation (COPs). These are frequently used for construction of large capital projects such as buildings, reservoirs, pipelines and pump stations.

Capital Equipment: Fixed assets such as vehicles, marine equipment, computers, furniture, technical instruments, etc. which have a life expectancy of more than two years and a value over \$10,000.

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Capital Improvement Program: A long-range plan of the District for the construction, rehabilitation and modernization of the District-owned and operated infrastructure.

CWA: The County Water Authority was organized in 1944 under the State County Water Authority Act for the primary purpose of importing Colorado River water to augment the local water supplies of the Authority's member agencies. The Authority purchases water from the Metropolitan Water District of Southern California (MWD) which imports water from the Colorado River and the State Water Project.

Debt Service: The District's obligation to pay the principal and interest of bonds and other debt instruments according to a predetermined payment schedule.

Expenditures/Expenses: These terms refer to the outflow of funds paid or to be paid for an asset, goods, or services obtained regardless of when actually paid for. (Note: An encumbrance is not an expenditure). An encumbrance reserves funds to be expended in a future period.

Fund: An account used to track the collection and use of monies for a specifically defined purpose.

Fund Balance: The current funds on hand resulting from the historical collection and use of monies. The difference between assets and liabilities reported in the District's Operating Fund plus residual equities or balances and changes therein, from the results of operations.

Interest Income: Earnings from the investment portfolio. Per District Policy Number 25, interest income will be allocated to the various funds each month based upon each fund's prior month-ending balance.

Late Charges/Penalties: Charges and penalties are imposed on customer accounts for late payments, returned payments, and other infringements of the District's Code of Ordinances.

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BOARD OF DIRECTORS POLICY**

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1% Property Tax: In 1978, Proposition 13 limited general levy property tax rates for all taxing authorities to a total rate of 1% of full cash value. Subsequent legislation, AB 8, established that the receipts from the 1% levy were to be distributed to taxing agencies according to approximately the same proportions received prior to Proposition 13. Funds received are to be used for facilities construction or debt service on bonds sold to build facilities.

Operating Budget: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted for separately in the Capital Budget. The Operating Budget also identifies planned non-operating revenues and expenses.

Revenue: Monies that the District receives as income. It includes such items as water sales and sewer fees. Estimated revenues are those expected to be collected during the fiscal year.

System Fees: Each water service customer pays a monthly system charge for water system replacement, maintenance, and operation expenses. The charge is based on the size of the meter and class of service.

Taxes: California Water Code Section 72091 authorizes the District, as a municipal water district, to levy ad valorem property taxes which are equal to the amount required to make annual payments for principal and interest on General Obligation bonds approved by the voters prior to July 1, 1978.

Unit: A Unit of water is 100 cubic feet or 748 gallons of water.

Water Rates: Rates vary among classes of service and are measured in Units. The water rates for residential customers are based on an accelerated block structure. As more Units are consumed, a higher Unit rate is charged. Effective in 2009, all non-residential customers are charged for water based on a tiered rate structure in which water rates are based on meter size and amount of Units consumed.

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STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Rita Bell, Finance Manager	PROJECT:	DIV.NO. All
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Annual Review of the District's Investment Policy (Policy No. 27) and Re-Delegation of Authority for All Investment Related Activities to the Chief Financial Officer		

**GENERAL MANAGER'S RECOMMENDATION:**

That the Board receive the District's Investment Policy (Policy No. 27) for review and to re-delegate authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.

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

See Attachment A.

**PURPOSE:**

Government Code Section 53646 recommends that the District's Investment Policy be rendered to the Board on an annual basis for review. In addition, Government Code Section 53607 requires that for the CFO's delegation of authority to remain effective, the governing board must re-delegate authority over investment activities on an annual basis. There are no recommended changes to the Investment Policy and staff is requesting that the Board re-delegate authority to the CFO.

**ANALYSIS:**

The primary goals of the investment policy are to assure compliance with the California Government Code, Sections 53600 et seq, and to protect the principal of the funds. The code provides a broad range of investment options for local agencies, including Federal Treasuries, Federal Agencies, Callable Federal Agencies, the State Pool, the County Pool, high-grade corporate debt, and others. Over the past years, the size of the District's portfolio has fluctuated between \$103 million and \$88 million due to planned outlays for construction projects.

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

**FISCAL IMPACT:** \_\_\_\_\_

None.

**STRATEGIC GOAL:**

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

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

None.

Attachments:

- A) Committee Action Form
- B) Investment Policy No. 27
- C) Portfolio Management: Portfolio Summary
- D) Investment Policy Presentation



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Annual Review of Investment Policy (Policy No. 27) and Re-delegation of Authority for All Investment Related Activities to the Chief Financial Officer
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### COMMITTEE ACTION:

The Finance, Administration and Communications Committees reviewed this item at meetings held on July 19, 2012 and the following comments were made:

- Staff is presenting the District's Investment Policy for the board's annual review and to request the re-delegation of all investment related authority to the Chief Financial Officer as required by Government Code.
- It was noted that the District's Investment Policy has received certification from the Association of Public Treasurers of the United States and Canada.
- Staff presented an updated Summary of the District's Investment portfolio as of June 30, 2012. It was indicated that the bulk of the District's investments is in Agency and Corporate notes. Staff reviewed the District's current investments, the percentage that the District's investment policy authorizes in each investment, and the actual percentage the District has invested in the vehicle (please reference the attached powerpoint presentation). The District has a total of approximately \$88,333,000 in its investment portfolio.
- The objectives of the District's Investment Policy is to keep the District's invested funds in safe investments that are liquid and provide the best interest return. The District's fund performance for FY 2012 is 0.60% return on Otay funds and 0.40% return on LAIF funds compared to 1.25% and 0.50% respectively in FY 2011. Staff noted that interest rates have significantly dropped so returns have dropped as well.

- It was discussed that the Government Code also requires that the board be provided a quarterly report on the status of the District's investments. A "Portfolio Summary" report is provided the board monthly. Staff indicated that a copy of the report has been attached to staffs' report and an updated copy has been provided at today's committee meeting as a figure required for an item within the report is not available until the 15<sup>th</sup> of each month. The new report reflects the updated figure for the item.
- The State's code limits what investments agencies may invest in. Staff indicated that the District is much more restrictive/conservative than the investment restrictions identified in the State's code. The District's policy does not allow some investments or does not allow as high of a percentage investment in a vehicle that is allowed by the State's code.
- It was indicated that the District has a laddered portfolio wherein investments are timed so that approximately \$3 million matures every month to assure the District has funds available when it is needed. The District's strategy is to buy and hold investments which is a very common practice.
- The committee indicated that the board is delegating the authority for the investments to one person, Chief Financial Officer, and inquired what checks and balances are in place to protect against possible bad investments. Staff indicated that the most significant check is that the District is restricted in what it may invest in, not only by its own policy, but by the State code and it also is restricted with regard to the brokers that may be utilized to purchase investments. The brokers are required to know the District's investment policy and are very knowledgeable in the State's code.

There are also internal controls. Staff members in the Finance Department monitor the investments and make recommendation to the Chief Financial Officers on what investments should be made and the term of the investment so that it meets the District's laddered maturity terms. The District's bank, Union Bank, is then requested to transfer the funds for the purchase and will hold the actual investment (third party custodian). The transfer of funds is very controlled and requires authorization from various levels within the District. It was noted that the

District's auditors have reviewed this internal control process and have verified that the controls are solid.

- The committee indicated that they felt that there is a good practice in place and would like to see the practice documented in a formal procedure. The committee would also like to see the procedure require that two individuals sign to authorize an investment purchase in order to provide "checks and balances." It was noted that the board, however, must delegate the investment authority to one individual per State code.

Following the discussion, the committee supported staffs' recommendation with a request that a procedure be drafted to formalize current investment process/practice and that it be presented for discussion to the committee within 90 days of today's date. The committee supported presentation to the full board as a consent item.

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**1.0: POLICY**

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

**2.0: SCOPE**

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

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

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

**3.0: PRUDENCE**

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

The standard of prudence to be used by investment officials shall be the "Prudent Person" and/or "Prudent Investor" standard (California

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

**4.0: OBJECTIVE**

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

- 4.1) Safety: Safety of principal is the foremost objective of the investment program. Investments of the Otay Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.
  
- 4.2) Liquidity: The Otay Water District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
  
- 4.3) Return on Investment: The Otay Water District's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

**5.0 DELEGATION OF AUTHORITY**

Authority to manage the Otay Water District's investment program is derived from the California Government Code, Sections 53600 through 53692. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer (CFO), who shall be responsible for all transactions undertaken and shall establish a

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system of controls to regulate the activities of subordinate officials and their procedures in the absence of the CFO.

The CFO shall establish written investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO.

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**6.0: ETHICS AND CONFLICTS OF INTEREST**

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

**7.0: AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

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

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

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

As annual review of the financial condition and registrations of qualified bidders will be conducted by the CFO. A current audited

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financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

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**8.0: AUTHORIZED AND SUITABLE INVESTMENTS**

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

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

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

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

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

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

8.04) Interest-bearing demand deposit accounts and Certificates of Deposit (CD) will be made only in Federal Deposit

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

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

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

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

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

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

**9.0: INVESTMENT POOLS/MUTUAL FUNDS**

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

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

**10.0 COLLATERALIZATION**

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

**11.0: SAFEKEEPING AND CUSTODY**

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

**12.0: DIVERSIFICATION**

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

**13.0: MAXIMUM MATURITIES**

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

**14.0: INTERNAL CONTROL**

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

**15.0: PERFORMANCE STANDARDS**

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

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

**16.0: REPORTING**

The Chief Financial Officer shall provide the Board of Directors monthly investment reports which provide a clear picture of the status of the current investment portfolio. The management report should

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include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies. Schedules in the quarterly report should include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category.
- Average life and final maturity of all investments listed.
- Coupon, discount or earnings rate.
- Par value, amortized book value, and market value.
- Percentage of the portfolio represented by each investment category.

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**17.0: INVESTMENT POLICY ADOPTION**

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

**18.0: GLOSSARY**

See Appendix A.

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**APPENDIX A: GLOSSARY**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT  
BOARD OF DIRECTORS POLICY**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OTAY WATER DISTRICT  
BOARD OF DIRECTORS POLICY**

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

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

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

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

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

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

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

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

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

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

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

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

**OTAY**  
**Portfolio Management**  
**Portfolio Summary**  
**June 30, 2012**

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM 360 Equiv.</b>	<b>YTM 365 Equiv.</b>
Federal Agency Issues- Callable	53,097,000.00	53,096,651.05	53,095,133.70	61.11	831	669	0.593	0.602
Certificates of Deposit - Bank	81,326.80	81,326.80	81,326.80	0.09	731	570	0.280	0.284
Local Agency Investment Fund (LAIF)	11,600,832.35	11,614,981.22	11,600,832.35	13.35	1	1	0.353	0.358
San Diego County Pool	22,109,219.22	22,089,000.00	22,109,219.22	25.45	1	1	0.475	0.482
<b>Investments</b>	<b>86,888,378.37</b>	<b>86,881,959.07</b>	<b>86,886,512.07</b>	<b>100.00%</b>	<b>509</b>	<b>410</b>	<b>0.531</b>	<b>0.538</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	1,444,472.47	1,444,472.47	1,444,472.47		1	1	0.227	0.231
<b>Total Cash and Investments</b>	<b>88,332,850.84</b>	<b>88,326,431.54</b>	<b>88,330,984.54</b>		<b>509</b>	<b>410</b>	<b>0.531</b>	<b>0.538</b>

<b>Total Earnings</b>	<b>June 30 Month Ending</b>	<b>Fiscal Year To Date</b>	<b>Fiscal Year Ending</b>
Current Year	38,266.53	573,535.14	573,535.14
<b>Average Daily Balance</b>	<b>88,995,983.19</b>	<b>95,882,423.36</b>	
<b>Effective Rate of Return</b>	<b>0.52%</b>	<b>0.60%</b>	

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

 7/23/12  
Joseph Beachem, Chief Financial Officer

Reporting period 06/01/2012-06/30/2012

Run Date: 07/18/2012 - 11:44

Portfolio OTAY  
AP  
PM (PRF\_PM1) 7.3.0  
Report Ver. 7.3.3b



# **DISTRICT INVESTMENT POLICY**

**Policy No. 27**

**August 1, 2012**

# POLICY REVIEW

- **Purpose:**

- Annual Review

- Delegation of Investment Authority

# **INVESTMENT POLICY GUIDELINES**

## **A. California Government Code:**

- Sections 53600 through 53692

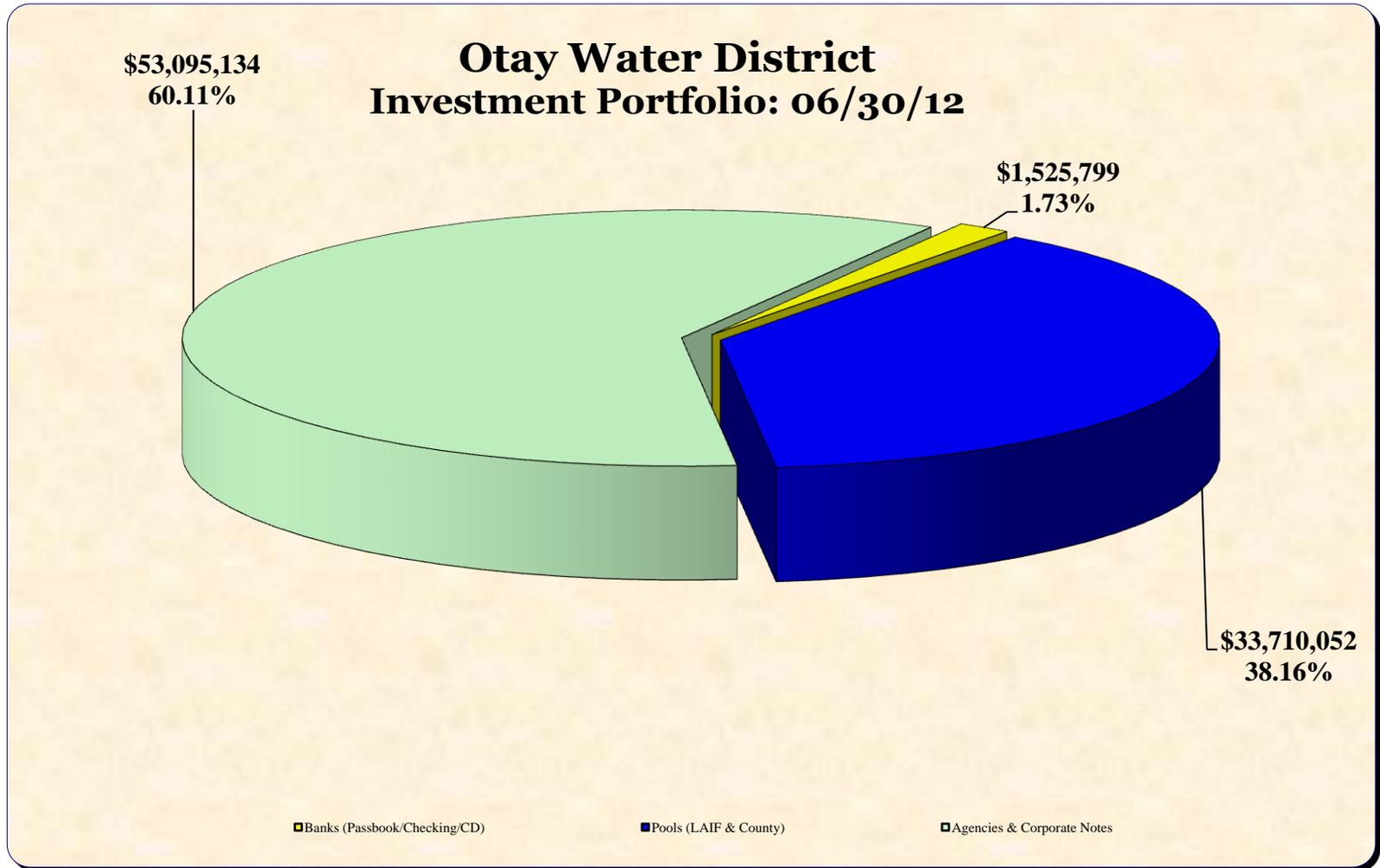
## **B. Investment Policy Certification:**

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

# INVESTMENT PORTFOLIO: 6/30/12

		Authorized	
	\$('000s)	\$ / %	Actual %
LAIF (Operating)	\$7,533	\$50 M	8.52%
LAIF (Bonds)	\$4,068	100%	4.61%
Govt. Agency Bonds	\$53,097	100%	60.11%
Bank Deposits & CDs	\$1,526	15%	1.73%
San Diego County Pool	\$22,109	50%	25.03%
<b>TOTAL:</b>	<b>\$88,333</b>		

# INVESTMENT PORTFOLIO: 6/30/12



# INVESTMENT PERFORMANCE

## Fund Objectives

- Safety
- Liquidity
- Return on Investment

## Fund Performance: FY-12 FY-11

- |         |       |       |
|---------|-------|-------|
| ➤ OTAY: | 0.60% | 1.25% |
| ➤ LAIF: | 0.40% | 0.50% |

## **REQUESTED BOARD ACTION**

Re-delegate authority for all investment related activities to the Chief Financial Officer (CFO), in accordance with Government Code Section 53607.



## STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
APPROVED BY:	<input checked="" type="checkbox"/> Susan Cruz, District Secretary <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Board of Directors 2012 Calendar of Meetings		

**GENERAL MANAGER'S RECOMMENDATION:**

At the request of the Board, the attached Board of Director's meeting calendar for 2012 is being presented for discussion.

**PURPOSE:**

This staff report is being presented to provide the Board the opportunity to review the 2012 Board of Director's meeting calendars and amend the schedule 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.

Attachments: Calendar of Meetings for 2012

**Board of Directors, Workshops  
and Committee Meetings  
2012**

**Regular Board Meetings:**

January 4, 2012  
February 1, 2012  
March 7, 2012  
April 4, 2012  
May 2, 2012  
June 6, 2012  
July 11, 2012  
August 1, 2012  
**September 5, 2012**  
October 3, 2012  
November 7, 2012  
December 5, 2012

**Special Board or Committee Meetings (3<sup>rd</sup>  
Wednesday of Each Month or as Noted)**

January 18, 2012  
February 15, 2012  
March 21, 2012  
April 18, 2012  
May 16, 2012  
June 20, 2012  
July 18, 2012  
**August 15, 2012**  
September 19, 2012  
October 17, 2012  
November 21, 2012

**SPECIAL BOARD MEETINGS:**

**BOARD WORKSHOPS:**

Budget Workshops:

March 19, 2012 at 3:00 p.m.  
May 15, 2012 at 4:00 p.m.

Board Workshop:

September 11, 2012 at 3:30 p.m.



## STAFF REPORT

TYPE	MEETING
MEETING: Regular Board	DATE: August 1, 2012
SUBMITTED Mark Watton	W.O./G.F. N/A DIV. N/A
BY: General Manager	NO: NO.
APPROVED BY: <input checked="" type="checkbox"/> Mark Watton, General Manager	
SUBJECT: General Manager's Report	

**GENERAL MANAGER:**

**Carlsbad Desalination Project Update:**

- A presentation was given on July 24, 2012 to the San Diego County Water Authority (see attached PowerPoint).

**ADMINISTRATIVE SERVICES:**

**Water Conservation and School Education:**

- Cash-for-Plants Program Last FY - In FY 12, over 109,000 sq ft of turfgrass was replaced with water-smart plants through our program. MWD is reimbursing us at \$.70 per square foot this FY for up to 72,002 sq ft, or \$50,401.40, so the District replaced 109,000 sq ft at a cost of \$18,063.60 or \$.17/sq ft. We have received payment for invoices submitted for activity through the end of March 2012.
- MET and CWA's Cash-for-Plants Program Next FY - MET is in the process of reconciling its FY 12 totals and has delayed the start of this year's program to about the end of July. CWA's consultant, WaterWise Consulting, was selected to administer their \$1.50/sq ft rebate program, but it is not expected to start until the fall. In the interim, the District will be administering a \$1.50 rebate with the \$20,000 it budgeted in FY 13. The District hopes to be able to fund 40,000 sq ft of turfgrass and make it a near seamless transition to the CWA administered program, but is awaiting word on its allocation and the official start date.

- Outsourcing of WaterSmart Field Services - Beginning July 1<sup>st</sup>, Mission Resources Conservation District was able to start conducting residential and large landscape surveys on behalf of the District.
- Upcoming Events:
  - Crestwood HOA Water Conservation and Water Rates Presentation, August 11, 11:30 to 2:00 p.m.; William Granger and Rita Bell will present
  - Landscape Water Conservation Presentation at Chula Vista's CLEAN Business Group, August 16
  - Bonita Festival, September 29
  - WaterSmart Plant Fair at the Eastlake Home Depot, October 6
  - Fall Garden Festival, November 10

**Human Resources:**

- Employee Picnic - The Employee Picnic has been scheduled for September 22<sup>nd</sup> at Santee Lakes.
- Recognition Luncheon - The District's Recognition Luncheon and BBQ was held on Wednesday, July 18<sup>th</sup>. Awards were presented as follows:
  - Employee Excellence Award: Wales Benham -- for his diligent work with EDEN and CALPERS in successfully developing a report that could be run and uploaded for reporting funds due to CALPERS changing their computer system. This yielded savings of time and money for the District (saves 4 hours per pay period, which is approximately \$9,355 annually).
  - Team of Excellence Award: Team comprised of Pat Ashton, Shannon Coffin, Stephen Martinez, and Allan Raymundo -- for the last leg of the AMR change-out program, which will be closing one year early due to the team's great efforts in working together. This retrofit project will improve the way meters are read and make significant improvements in how staff utilizes their time.
- Employee Survey - The District conducts an Employee Survey every few years as a part of the District's Strategic Plan. The last survey was conducted in 2010 and the District will be sending out the survey within the next month or so to all District employees.
- Recruitments - HR is currently recruiting for a Safety and Security Administrator, Finance Manager, Reclamation Plant Operator, Senior Utility Worker, and Utility Crew Leader.
- New Hires - The District hired one employee during the month of July: Utility Worker I.

### **Safety & Security**

- Inspection of Hazardous Materials Business Plans & Spill Prevention, Control and Countermeasure Plans - The County of San Diego conducted an inspection of the Admin and Operations' plans on June 27<sup>th</sup>. The inspection went well. The County inspector was very impressed overall, but was especially impressed with our recordkeeping and the changes staff has made to reduce/dispose of waste. Several staff members assisted in these efforts and it was great to be acknowledged by the County.

### **Purchasing and Facilities:**

- Purchase Orders - There were 163 purchase orders processed in July 2012 for a total of \$18,860,987.40.

### **INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:**

- Two IT staff members attended the "CityWorks Azteca Systems, Inc. 2012 Conference" in Park City, Utah, on June 25<sup>th</sup> - June 28<sup>th</sup> and also attended the two-day pre-conference training to learn and understand the features of the system that will enhance the District's efficiency and management of both physical infrastructure and land-focused asset management.
- IT staff, along with Finance and Engineering, successfully completed a new integrated capital budgeting application. Several reports were created from this application for the budget book preparation and for rate model development. In addition, data was passed easily into our existing financial systems saving time and increasing accuracy.
- GIS staff is modifying our GPS application to provide more useful and accurate reports on vehicle location and driver behavior. These reports will assist Operations in fleet management and pinpoint potential safety issues.
- IT staff successfully tested software to manage video surveillance data from cameras, which makes it easier and more efficient. Staff piloted the new software at the Treatment Plant and will expand the software to additional sites next month.

### **FINANCE:**

- Call Center Enhancements - Staff is working with the District's phone vendor, ATI, to analyze current business processes and develop enhancements utilizing the District's phone system. Examples of these enhancements include looking at ways to streamline common customer requests through the automated phone tree and to enhance communications between Customer Service

staff and Field staff with regard to the lock and unlock process.

- Rate Study - Staff will be preparing a Request for Proposal to perform a cost of service study for water and sewer rates. Every four to five years the rate structure is reviewed to ensure equity in the rates among customers. Upon completion, the study will be brought to the Board in early 2013 for consideration. If approved, the new structure will be entered into the Rate Model and incorporated in the FY 2014 Budget, Proposition 218 notices, and the rates that become effective January 1, 2014.
- Financial Reporting:
  - o For the twelve months ended June 30, 2012, there are total revenues of \$76,242,482 and total expenses of \$76,337,211. The expenses exceeded revenues by \$94,729 due to the lower than budgeted water sales, especially in the first quarter of the year when the District experienced cooler weather than normal and earlier rainfall than normal. Some of the shortfall was made up by savings in payroll, Materials and administrative expenses.
  - o The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of June 30, 2012 total \$88,326,431.54 with an average yield to maturity of 0.531%. The total earnings year-to-date are \$573,535.14.

## **ENGINEERING AND WATER OPERATIONS:**

### **Engineering:**

- **Rancho del Rey Groundwater Well Development:** A separate internal review meeting and a debriefing meeting with the value engineering and constructability consultant (Arcadis) to discuss Tetra Tech's 90% design submittal was held on June 27<sup>th</sup> and July 16<sup>th</sup>, respectively. The City of Chula Vista provided comments on July 13<sup>th</sup> in response to the District's draft sewer agreement that was submitted several months ago. The Sweetwater Authority provided a letter dated July 6<sup>th</sup> in follow up to a meeting with Sweetwater Authority and District staff held the previous month. Additional activities are underway to secure an Industrial User Discharge Permit from the City of San Diego, a Hazardous Materials Business Plan from the County, a power supply from SDG&E, and a storm drain connection for discharges into the storm drain system. Staff is preparing a request for a grant from the United States Bureau of Reclamation. Potentially, 25% of the cost of the project could be offset if the funds are granted. (P2434)

- **Otay Interconnect Pipeline:** This project consists of installing approximately 5.2 miles of 30-inch diameter pipe from H Street in Chula Vista to Paradise Valley Road in Spring Valley. The project currently has two preferred alignments (Proctor Valley Road and Corral Canyon Road). San Diego County Water Authority (SDCWA) staff verbally commented that the District's parallel encroachment study did not sufficiently demonstrate "good cause" for the parallel encroachment along the Proctor Valley Road during a meeting held at SDCWA offices on June 27<sup>th</sup>. Staff, in consultation with SDCWA, evaluated several Proctor Valley Road alternative alignments and found them infeasible. Pending upper level management concurrence, Staff will begin the process of Community Outreach with elected officials and community groups to use the Corral Canyon Road alternative. (P2511)
- **La Presa System Improvements:** This project consists of demolishing the facilities at the La Presa Pump Station Site, constructing an 850/657 Pressure Reducing Station, demolishing the Dorchester Reservoir site, and installing several interconnections in the 640 Zone. In addition, sixty-three (63) homes surrounding the Dorchester Reservoir site will incur a pressure increase due to the demolition of the reservoir. Staff created a rebate program, which the Board of Directors approved on February 1, 2012, for the installation of new and upgraded water pressure regulators for the 63 homeowners associated with the Dorchester Project and the program is complete. The pressure has been increased and the tie-in is complete. The contractor, TC Construction, has completed the demolition of the Dorchester Reservoir. Project is on budget and anticipated to be completed in August 2012. (P2370)
- **944-1R Recycled Water Pump Station Upgrades & Enhancements:** This project consists of upgrading the 944-1R Pump Station with one (1) new pump, new pipe configurations, and electrical upgrades to keep up with current and future recycled water demands. The contractor, Sepulveda Construction, Inc., continues to install the instrumentation, pump station piping, and construction of three (3) pressure reducing stations. Project is on budget and anticipated to be completed in August 2012. (R2091)
- **Ralph W. Chapman Water Reclamation Facility Upgrade:** This project consists of an upgrade to the treatment plant to reduce the nitrogen levels in the plant effluent. The upgrade includes modifications to the aeration basins, the addition of energy-efficient turbo blowers and replacement of corroded air piping, a new cover for the filter backwash storage tank, a new filter air scour system, and automation enhancements. Newest has completed all the major components of construction. The plant

is on line and treating wastewater. Staff and the Design Consultant, MWH, are working on the programming and communication processes to operate the plant as designed. Project is on budget and the project is anticipated to be completed in August 2012. (R2096)

- **30-Inch, 980 Zone, Hunte Parkway - Proctor Valley/Use Area:** This project consists of the installation of approximately 2,399 linear-feet of 30-inch steel pipe and appurtenances on Hunte Parkway at Proctor Valley Road, at the entrance to the Salt Creek Golf Course, in the City of Chula Vista. Care will be exercised to not interfere with the Salt Creek Golf Course business access. The pipeline will increase total water delivery to reduce pressure losses experienced during periods of high demand. The Contractor, Sepulveda Construction Inc., completed the potholing of connection points and conflicts. The alignment has been revised to accommodate the actual elevations of utility conflicts as well as the connection points. Northwest Pipe will begin manufacturing the pipe in July with completion expected in October. Project is on budget and due to the additional potholing and revised alignments construction is anticipated to be completed in December 2012. (P2514)
- **Avocado, Louisa, Calavo, Challenge, Hidden Mesa Sanitary Sewer Replacement:** This project consists of replacing approximately 4,500 feet of sewer pipeline in Avocado Blvd. and neighboring residential streets. The contractor, Garcia Juarez, completed sewer replacement on Calavo, Challenge, and Louisa and continues the sewer replacement on Louisa Dr. Project is on budget and construction is anticipated to be completed in May 2013. (S2019, S2020, S2022, S2026)
- **850-3 Reservoir Exterior Coating & Upgrades:** This project consists of replacing the exterior coating of the 3.0 MG 850-3 Reservoir, along with providing structural upgrades to ensure the tank complies with both State and Federal OSHA standards, as well as American Water Works Association and County Health Department standards. The contractor, Advanced Industrial Services, Inc., has completed the structural modifications, and removed the exterior coating. The application of the new exterior coating is currently underway. Project is under budget and anticipated to be completed early August 2012. (P2491)
- **24-Inch, 860 Zone, Alta Road - Alta Gate/Airway Road:** This project consists of the installation of 1,510 feet of recycled water pipeline in Alta Road south of Calzada de la Fuente in the County of San Diego through a reimbursement agreement with International Industrial Park, Inc., the owner of this development. On June 21<sup>st</sup>, the District held a preconstruction meeting with the owner and their contractor to kick-off this

project. The contractor, Basile Construction, Inc., has initiated potholing the alignment for conflicts and pipe fabrication submittals. Mobilization for pipe construction is expected in late August or early September due to the long lead time for valve and pipe delivery. Project is on budget and construction is anticipated to be completed in December 2012. (R2077)

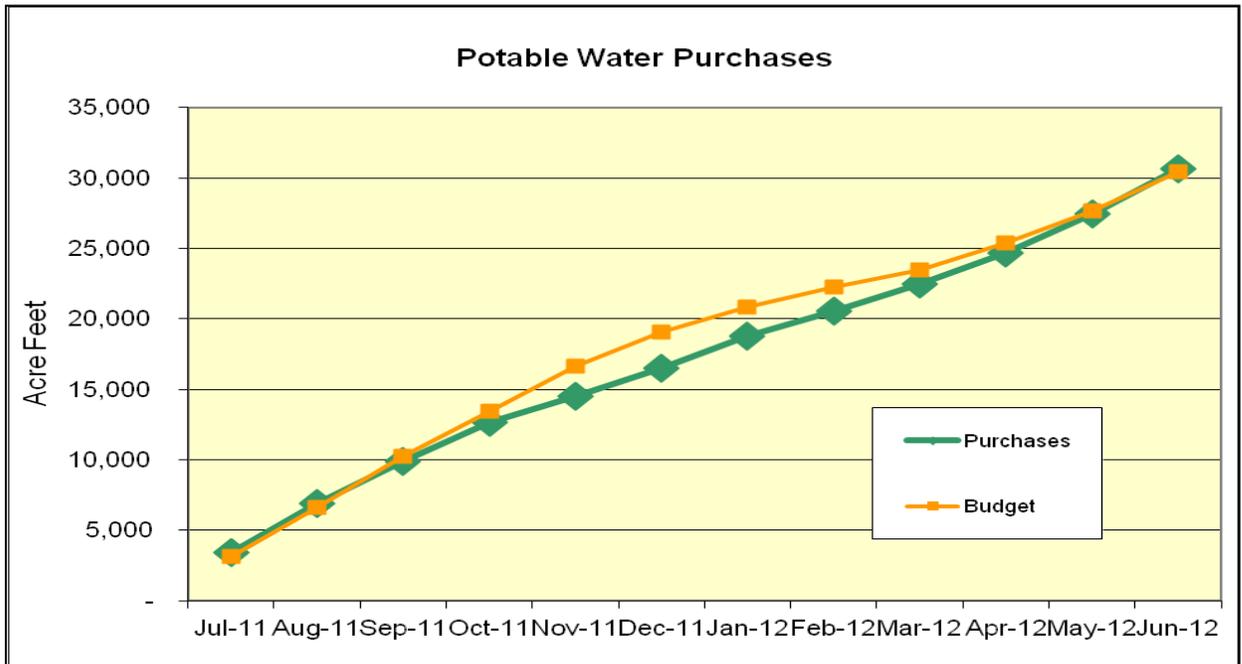
- For the month of June 2012, the District sold 28 meters (28 EDUs) generating \$257,744 in revenue. Projection for this period was 23 meters (36.7 EDUs) with budgeted revenue of \$320,596. Total revenue for Fiscal Year 2012 was \$3,974,340 against a budget of \$3,847,160.
- The following table summarizes Engineering's project purchases issued during the period of June 13 through July 24, 2012 that were within staff signatory authority:

Date	Action	Amount	Contractor/ Consultant	Project
6/22/12	P.O.	\$15,000	Clarkson Lab	Various

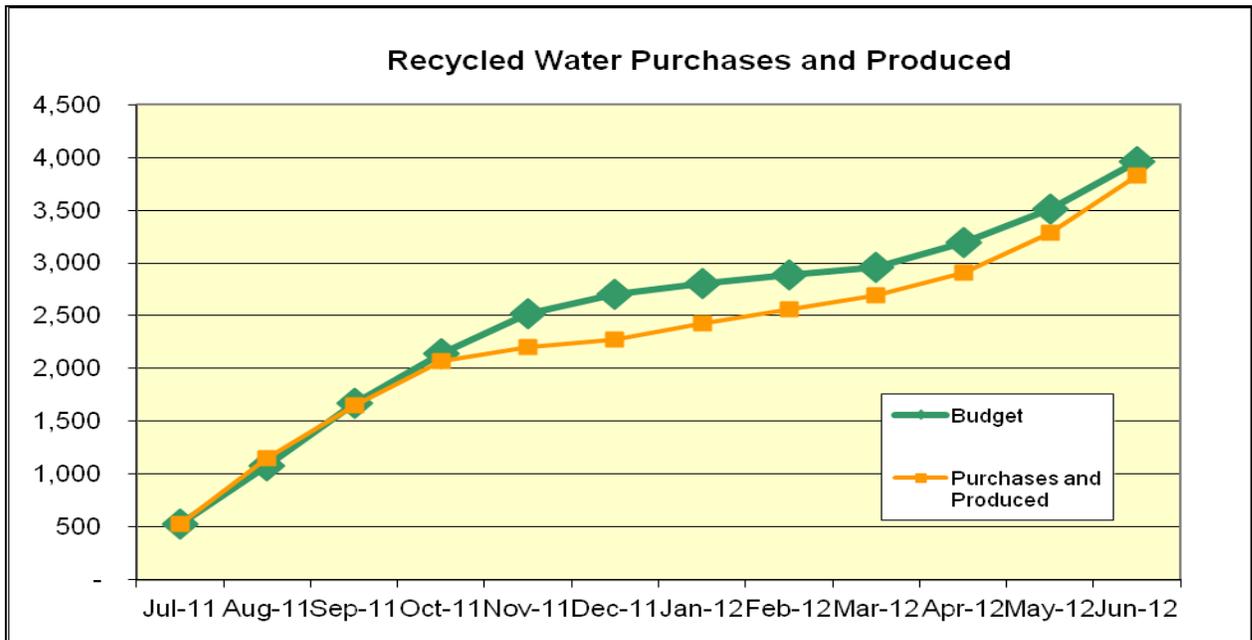
**Water Operations:**

- On Wednesday, June 6 an unannounced chlorine leak drill was performed at the Treatment Plant. The pretend "leak" happened a few minutes after 8:00 AM. All eight active team members responded and the drill was successful.
- The Treatment Plant started up on June 11 after being out of service since January 11 for upgrades. Plant production was highly variable during the month due to issues with the new treatment process. Staff is working with Engineering and the designer, MWH, to correct the problems and stabilize the treatment process.
- Nitrification levels in CWA's pipeline remain in the .028 to .035 range. CWA has increased their flushing efforts at the Otay 13 surge relief, and have increased pH levels and chloramine beyond a 5:1 ratio to combat this condition. Staff continues to monitor these nitrite levels on a daily basis to ensure there are no water quality issues for customers.
- On Sunday, June 24 an on-call crew responded to an emergency call to repair a 12-inch AC pipe. It was a potable main break at the intersection of Jamacha Blvd. and Kempton St. in Spring Valley. The County is now asking to include a preliminary geotechnical report which will increase the cost of the repair.

- The completion of the 944-1 recycled pump station CIP project has been delayed from the end of June until September. This could impact our ability to provide recycled water supplied from the South Bay plant if one of the existing pumps/motors fails.
- Total number of potable water meters is 48,792.
- The June potable water purchases were 3,158.2 acre feet which is 13.0% above the budget of 2,795.7 acre feet. The cumulative purchases through June is 30,614.0 acre feet which is 0.6% above the cumulative budget of 30,438.1 acre feet.



- The June recycled water purchases and production was 379.2 acre feet which is 18.7% above the budget of 319.3 acre feet. The cumulative production and purchases through March is 3,290.9 acre feet which is 6.3% below the cumulative budget of 3,510.9 acre feet.



- Recycled water consumption for the month of June is as follows:

Total consumption was 495.1 acre-feet or 161,257,580 gallons and the average daily consumption was 5,375,253 gallons per day.

Total number of recycled water meters is 701.

Total recycled water consumption as of June for FY 2012 is 3,798.9 acre-feet.

- Wastewater flows for the month of June were as follows:
  - Total basin flow, gallons per day: 1,777,861.
  - Spring Valley Sanitation District Flow to Metro, gallons per day: 588,977.
  - Total Otay flow, gallons per day: 1,188,701.
  - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 630,804.
  - Flow to Metro from Otay Water District, gallons per day: 558,080.

By the end of June there were 6,083 wastewater connections/EDUs.



# OTAY WATER DISTRICT



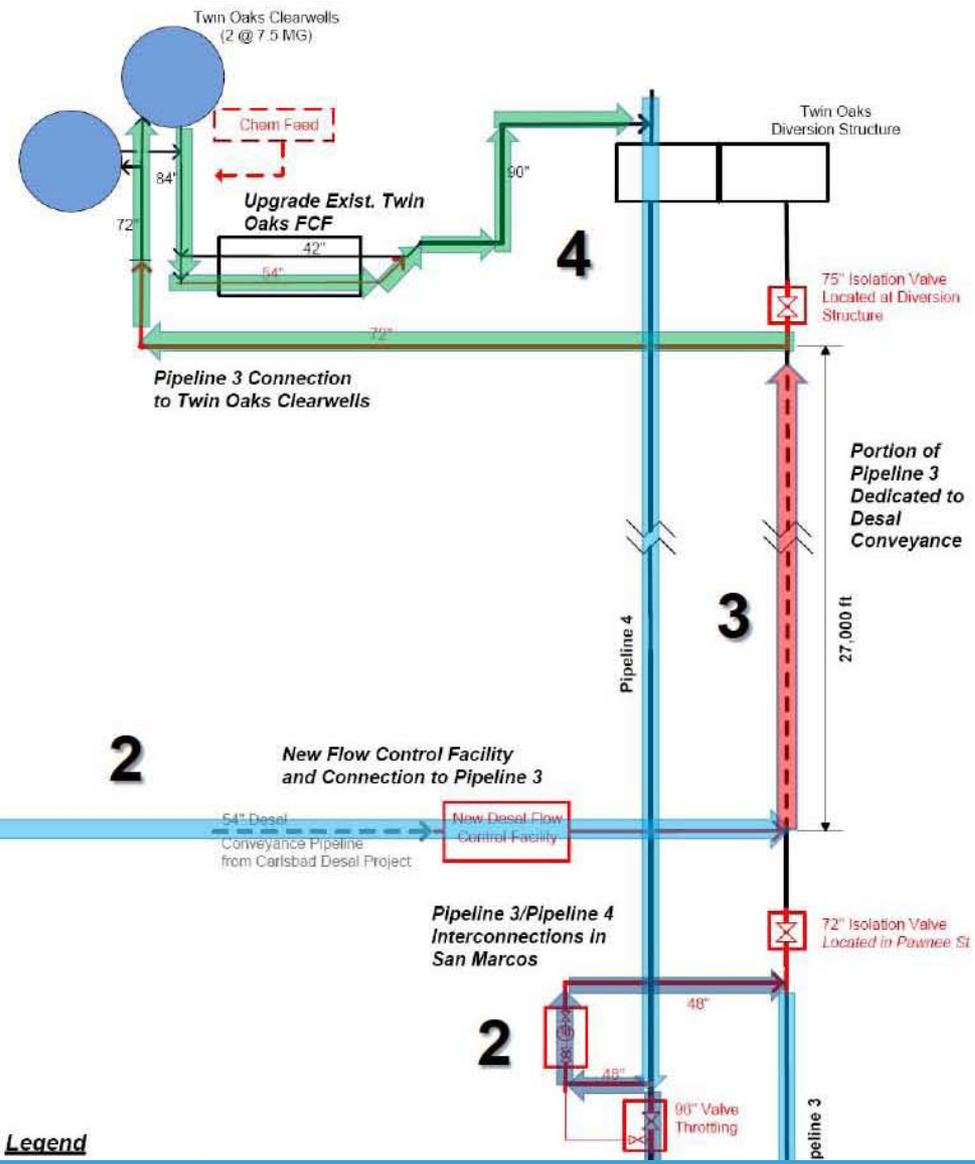
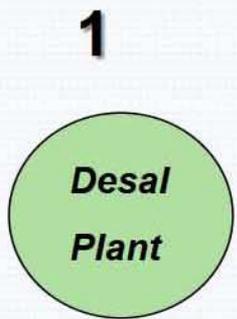
## Carlsbad Desalination Project Update

July 24, 2012

*Mark Watton*  
*General Manager*

# Existing CWA Treatment System

- Treatment sources included
  - MWD Skinner Filtration Plant
  - Twin Oaks Valley WTP (Min. Contract 25 cfs)
  - Member Agency Contracts including HWD, City of San Diego, Oceanside, and Otay Water District.
- Treated water is ~ 40% of total CWA deliveries (180,000 – 200,000 AFY)



**Legend**

# Agreement Basics for the Carlsbad Desalination Project (Poseidon)

- Plant designed for 56,000 AFY
- Water purchase commitment to take 48,000 AFY
- CWA will own and operate 54-inch ~ 10.5 mile pipeline from Carlsbad to Pipeline 3
- Capital cost of relining 5 miles of CWA raw water Pipeline No. 3
- Pumping costs to Twin Oaks (15.5 miles in length with 1,100 feet of head)
- Cost range: \$2,100 - \$2,350 per AF
  - Amortization of Capital Costs (25% of Capital Budget)
    - Debt service charge
    - Negotiated equity return charge
    - Variable (back loaded) to reduce initial costs
  - Fixed Operating Costs
    - Fixed O & M charge
    - Fixed Electricity charge
  - Variable Costs
    - Variable O & M charge
    - Variable Electricity charge

# Current Rate & Charge Structure

- Currently CWA has 5 rates based on service function
  - Supply ~ Water Purchase price including debt service
  - Treatment ~ Existing facilities including debt service
  - Customer Service ~ Operational costs including debt service
  - Transportation ~ Operational costs including debt service
  - Storage ~ Capital facilities including debt service
- Other rates and charges
  - Non-Commodity Charges
    - Property Tax ~ Unrestricted use of funds
    - Stand-by Charges - \$10 per acre or parcel ~ Capital facilities
    - Capacity Charges – New meters system charge: \$4,326/ME ~ Capital facilities
      - New meters treatment charge: \$166/ME ~ Capital facilities
    - Infrastructure Access Charge (IAC) - \$2.65/ME ~ Unrestricted (Otay Water District is \$1.8 M for CY2013)
- New Category for Carlsbad Desalination Project: Reliability
  - Proposed to be financed by adding \$2.20 to existing IAC

# Proposed Rate & Charge Structure

- Scenario #1 assumes cost at \$2,350 AF
- Currently 5 rates based on service function
  - Supply ~ \$1,210 AF
  - Treatment ~ \$250 AF
  - Customer Service ~ Neutral
  - Transportation ~ \$300 AF
  - Storage ~ \$90 AF
- Other rates and charges
  - Non-Commodity Charges
    - Property Tax ~ Neutral
    - Stand-by Charges - Neutral
    - Capacity Charges – New meters system charge: Neutral
      - - New meters treatment charge: Neutral
    - Infrastructure Access Charge (IAC) - \$2.65/ME plus an increase of \$500 AF (estimated at \$2.20/ME per month). For Otay Water District, this is estimated to be \$1.5 M each year.

# Proposed Rate & Charge Structure

- Scenario #2 assumes cost at \$2,350 AF
- Currently 5 rates based on service function
  - Supply ~ \$1,300 AF (\$975+\$1.10/ME Reliability Charge or \$1,050+\$1.10/ME Reliability Charge)
  - Treatment ~ \$250 AF
  - Customer Service ~ Neutral
  - Transportation ~ \$300 AF
  - Storage ~ Neutral
- Other rates and charges
  - Non-Commodity Charges
    - Property Tax ~ Neutral
    - Stand-by Charges - Neutral
    - Capacity Charges – New meters system charge: Neutral
      - - New meters treatment charge: Neutral
    - Infrastructure Access Charge (IAC) - \$2.65/ME plus an increase of \$500 AF (estimated at \$2.20/ME per month). For Otay Water District, this is estimated to be \$1.5 M each year.
  - New Category for Carlsbad Desalination Project: Reliability
    - Based on meter size. Proposed to be financed by adding \$1.10/ME to \$1.50/ME to existing IAC. For Otay Water District, this is estimated to be \$0.8 M to \$1.0 M increase each year.

OTAY WATER DISTRICT  
**PRELIMINARY COMPARATIVE BUDGET SUMMARY**  
 FOR TWELVE MONTHS ENDED JUNE 30, 2012

	Annual Budget	YTD Actual	YTD Budget	YTD Variance	Var %
<b>REVENUES:</b>					
Water Sales	\$ 36,598,100	\$ 35,353,161	\$ 36,598,100	\$ (1,244,939)	(3.4%)
Energy Charges	1,874,000	1,881,776	1,874,000	7,776	0.4%
System Charges	9,542,100	9,583,563	9,542,100	41,463	0.4%
MWD & CWA Fixed Charges	8,981,500	9,000,267	8,981,500	18,767	0.2%
Penalties	913,100	703,081	913,100	(210,019)	(23.0%)
Total Water Sales	<u>57,908,800</u>	<u>56,521,848</u>	<u>57,908,800</u>	<u>(1,386,952)</u>	<u>(2.4%)</u>
Reclamation Sales	7,395,500	6,940,135	7,357,900	(417,765)	(5.7%)
Sewer Charges	2,336,000	2,425,986	2,336,000	89,986	3.9%
Meter Fees	82,000	131,904	82,000	49,904	60.9%
Capacity Fee Revenues	1,044,000	1,159,884	1,044,000	115,884	11.1%
Betterment Fees for Maintenance	628,600	690,885	628,600	62,285	9.9%
Non-Operating Revenues	2,021,600	2,056,359	2,021,600	34,759	1.7%
Tax Revenues	3,839,600	3,587,019	3,839,600	(252,581)	(6.6%)
Interest	158,300	80,663	158,300	(77,637)	(49.0%)
Transfer from OPEB	1,380,000	1,380,000	1,380,000	-	0.0%
Transfer from Betterment Reserve	30,000	30,000	30,000	-	0.0%
Transfer from Replacement	120,000	120,000	120,000	-	0.0%
General Fund Draw Down	522,800	522,800	522,800	-	0.0%
Transfer from General Fund	595,000	595,000	595,000	-	0.0%
Total Revenues	<u>\$ 78,062,200</u>	<u>\$ 76,242,482</u>	<u>\$ 78,024,600</u>	<u>\$ (1,782,118)</u>	<u>(2.3%)</u>
<b>EXPENSES:</b>					
Potable Water Purchases	\$ 27,793,100	\$ 27,957,571	\$ 27,793,100	\$ (164,471)	(0.6%)
Recycled Water Purchases	1,452,800	1,605,734	1,452,800	(152,934)	(10.5%)
CWA-Infrastructure Access Charge	1,756,900	1,756,656	1,756,900	244	0.0%
CWA-Customer Service Charge	1,562,600	1,553,756	1,562,600	8,844	0.6%
CWA-Emergency Storage Charge	3,585,800	3,505,590	3,585,800	80,210	2.2%
MWD-Capacity Res Charge	603,900	599,146	603,900	4,754	0.8%
MWD-Readiness to Serve Charge	1,488,600	1,481,211	1,488,600	7,389	0.5%
Subtotal Water Purchases	<u>38,243,700</u>	<u>38,459,664</u>	<u>38,243,700</u>	<u>(215,964)</u>	<u>(0.6%)</u>
Power Charges	2,440,900	2,198,675	2,440,900	242,225	9.9%
Payroll & Related Costs	18,119,600	17,229,381	18,119,600	890,219	4.9%
Material & Maintenance	4,300,000	3,764,549	4,300,000	535,451	12.5%
Administrative Expenses	4,180,700	3,916,184	4,180,700	264,516	6.3%
Legal Fees	380,000	371,459	380,000	8,541	2.2%
Expansion Reserve	555,000	555,000	555,000	-	0.0%
Replacement Reserve	3,330,000	3,330,000	3,330,000	-	0.0%
Transfer to Sewer Fund Reserve	786,800	786,800	786,800	-	0.0%
Transfer to General Fund Reserve	2,420,500	2,420,500	2,420,500	-	0.0%
Transfer to Sewer Replacement	1,720,000	1,720,000	1,720,000	-	0.0%
Transfer to New Supply Reserve	1,585,000	1,585,000	1,585,000	-	0.0%
Total Expenses	<u>\$ 78,062,200</u>	<u>\$ 76,337,211</u>	<u>\$ 78,062,200</u>	<u>\$ 1,724,989</u>	<u>2.2%</u>
<b>EXCESS REVENUES(EXPENSE)</b>	<u>\$ -</u>	<u>\$ (94,729)</u>	<u>\$ (37,600)</u>	<u>\$ (57,129)</u>	

**OTAY WATER DISTRICT  
INVESTMENT PORTFOLIO REVIEW  
JUNE 30, 2012**

**INVESTMENT OVERVIEW & MARKET STATUS:**

The federal funds rate has remained constant now for over 42-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 June 20, 2012. They went on to say: “*The Committee currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through late-2014.*”

Despite the large drop in available interest rates, the District’s overall effective rate of return at June 30th was 0.52%, which was an increase of 3 basis points (0.03%) from the prior month. At the same time the LAIF return on deposits has fluctuated slightly over the last several months, reaching an average effective yield of 0.36% for the month of June 2012. 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: June 30, 2012**

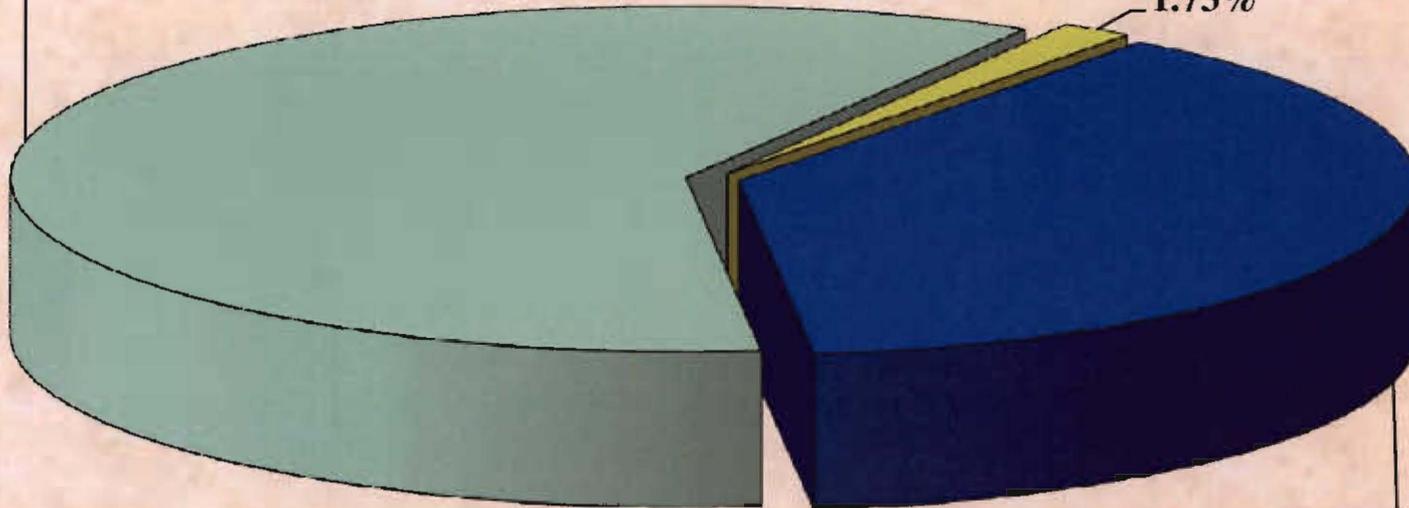
	<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01:	Treasury Securities	100%	100%	0
8.02:	Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$7.53 Million
8.02:	Local Agency Investment Fund (Bonds)	100%	100%	4.60%
8.03:	Federal Agency Issues	100%	100%	61.11%
8.04:	Certificates of Deposit	30%	15%	0.09%
8.05:	Short-Term Commercial Notes	25%	15%	0
8.06:	Medium-Term Commercial Debt	30%	15%	0
8.07:	Money Market Mutual Funds	20%	15%	0
8.08:	San Diego County Pool	100%	100%	25.03%
12.0:	Maximum Single Financial Institution	100%	50%	1.63%

# Otay Water District Investment Portfolio: 06/30/12

\$53,095,134  
60.11%

\$1,525,799  
1.73%

\$33,710,052  
38.16%



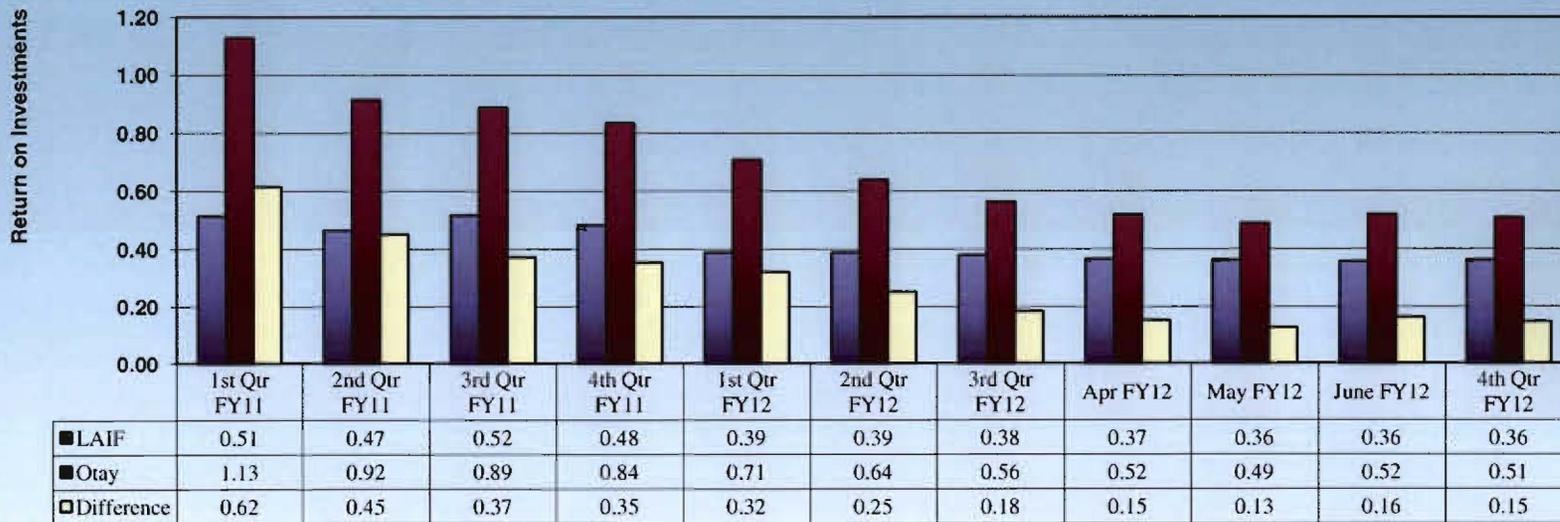
■ Banks (Passbook/Checking/CD)

■ Pools (LAIF & County)

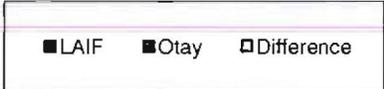
■ Agencies & Corporate Notes

## Performance Measure F-12 Return on Investment

**Target: Meet or Exceed 100% of LAIF**



Month



**OTAY  
Portfolio Management  
Portfolio Summary  
June 30, 2012**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	53,097,000.00	53,096,651.05	53,095,133.70	61.11	831	669	0.593	0.602
Certificates of Deposit - Bank	81,326.80	81,326.80	81,326.80	0.09	731	570	0.280	0.284
Local Agency Investment Fund (LAIF)	11,600,832.35	11,614,981.22	11,600,832.35	13.35	1	1	0.353	0.358
San Diego County Pool	22,109,219.22	22,089,000.00	22,109,219.22	25.45	1	1	0.475	0.482
<b>Investments</b>	<b>86,888,378.37</b>	<b>86,881,959.07</b>	<b>86,886,512.07</b>	<b>100.00%</b>	<b>509</b>	<b>410</b>	<b>0.531</b>	<b>0.538</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	1,444,472.47	1,444,472.47	1,444,472.47		1	1	0.227	0.231
<b>Total Cash and Investments</b>	<b>88,332,850.84</b>	<b>88,326,431.54</b>	<b>88,330,984.54</b>		<b>509</b>	<b>410</b>	<b>0.531</b>	<b>0.538</b>

Total Earnings	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	38,266.53	573,535.14	573,535.14
Average Daily Balance	88,995,983.19	95,882,423.36	
Effective Rate of Return	0.52%	0.60%	

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

 7/23/12  
Joseph Beachem, Chief Financial Officer

**OTAY**  
**Portfolio Management**  
**Interest Earnings Summary**  
**June 30, 2012**

	June 30 Month Ending	Fiscal Year To Date
<b>CD/Coupon/Discount Investments:</b>		
Interest Collected	23,750.00	434,809.58
Plus Accrued Interest at End of Period	58,130.60	57,832.13
Less Accrued Interest at Beginning of Period	( 57,952.64)	( 123,435.54)
Less Accrued Interest at Purchase During Period	( 0.00)	( 0.00)
Interest Earned during Period	23,927.96	369,206.17
Adjusted by Premiums and Discounts	114.75	859.39
Adjusted by Capital Gains or Losses	0.00	400.00
Earnings during Periods	24,042.71	370,465.56
<b>Pass Through Securities:</b>		
Interest Collected	0.00	0.00
Plus Accrued Interest at End of Period	0.00	0.00
Less Accrued Interest at Beginning of Period	( 0.00)	( 0.00)
Less Accrued Interest at Purchase During Period	( 0.00)	( 0.00)
Interest Earned during Period	0.00	0.00
Adjusted by Premiums and Discounts	0.00	0.00
Adjusted by Capital Gains or Losses	0.00	0.00
Earnings during Periods	0.00	0.00
<b>Cash/Checking Accounts:</b>		
Interest Collected	433.53	211,098.11
Plus Accrued Interest at End of Period	465,405.53	465,405.98
Less Accrued Interest at Beginning of Period	( 451,615.24)	( 473,434.51)
Interest Earned during Period	14,223.82	203,069.58
<b>Total Interest Earned during Period</b>	<b>38,151.78</b>	<b>572,275.75</b>
<b>Total Adjustments from Premiums and Discounts</b>	<b>114.75</b>	<b>859.39</b>
<b>Total Capital Gains or Losses</b>	<b>0.00</b>	<b>400.00</b>
<b>Total Earnings during Period</b>	<b>38,266.53</b>	<b>573,535.14</b>

**OTAY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
<b>Federal Agency Issues- Callable</b>												
31331KZF0	2219	Federal Farm Credit Bank		09/23/2011	3,000,000.00	3,000,030.00	2,999,507.41	0.481	AA	0.486	540	12/23/2013
3133EAE9	2241	Federal Farm Credit Bank		05/09/2012	1,360,000.00	1,361,632.00	1,360,000.00	0.550		0.542	971	02/27/2015
313378KU4	2233	Federal Home Loan Bank		03/12/2012	3,000,000.00	3,001,350.00	3,000,000.00	0.500		0.493	803	09/12/2014
3133794G1	2239	Federal Home Loan Bank		05/15/2012	3,000,000.00	2,998,560.00	3,000,000.00	0.500		0.493	683	05/15/2014
313379JC4	2243	Federal Home Loan Bank		06/05/2012	3,000,000.00	3,000,060.00	3,000,000.00	0.500		0.493	704	06/05/2014
313379R84	2245	Federal Home Loan Bank		06/13/2012	3,000,000.00	2,996,460.00	3,000,000.00	0.500		0.493	712	06/13/2014
313379SP5	2246	Federal Home Loan Bank		06/19/2012	3,000,000.00	2,996,610.00	3,000,000.00	0.450		0.444	536	12/19/2013
313379UT4	2247	Federal Home Loan Bank		06/27/2012	3,000,000.00	2,998,230.00	3,000,000.00	0.500		0.493	726	06/27/2014
3137EACK3	2146	Federal Home Loan Mortgage		05/28/2010	2,000,000.00	2,001,300.00	1,999,967.96	1.125	AAA	1.154	26	07/27/2012
3137EACK3A	2148	Federal Home Loan Mortgage		05/28/2010	1,030,000.00	1,030,669.50	1,030,000.00	1.125	AAA	1.108	26	07/27/2012
3137EACK3B	2149	Federal Home Loan Mortgage		05/28/2010	2,707,000.00	2,708,759.55	2,707,000.00	1.125	AAA	1.109	26	07/27/2012
3134G3AC4	2226	Federal Home Loan Mortgage		12/06/2011	3,000,000.00	3,000,600.00	3,000,000.00	0.600		0.592	523	12/06/2013
3134G3AQ3	2227	Federal Home Loan Mortgage		11/30/2011	2,000,000.00	2,001,980.00	2,000,000.00	0.710	AA	0.700	698	05/30/2014
3134G3BN9	2228	Federal Home Loan Mortgage		12/05/2011	2,000,000.00	2,003,140.00	2,000,000.00	0.770	AA	0.759	704	06/05/2014
3134G3SS0	2232	Federal Home Loan Mortgage		03/22/2012	3,000,000.00	3,003,870.00	3,000,000.00	0.540		0.533	813	09/22/2014
3135G0JG9	2234	Federal National Mortgage Assoc		03/26/2012	3,000,000.00	3,003,000.00	2,998,658.33	0.520		0.533	817	09/26/2014
3135G0KL6	2238	Federal National Mortgage Assoc		04/30/2012	3,000,000.00	2,993,970.00	3,000,000.00	0.500		0.493	851	10/30/2014
3135G0KS1	2240	Federal National Mortgage Assoc		05/10/2012	3,000,000.00	2,997,450.00	3,000,000.00	0.560		0.552	954	02/10/2015
3135G0LF8	2242	Federal National Mortgage Assoc		05/24/2012	3,000,000.00	2,999,640.00	3,000,000.00	0.500		0.493	876	11/24/2014
3135G0LL5	2244	Federal National Mortgage Assoc		06/04/2012	3,000,000.00	2,999,340.00	3,000,000.00	0.550		0.542	886	12/04/2014
<b>Subtotal and Average</b>			<b>46,795,078.24</b>		<b>53,097,000.00</b>	<b>53,096,651.05</b>	<b>53,095,133.70</b>			<b>0.593</b>	<b>669</b>	
<b>Certificates of Deposit - Bank</b>												
2050003183-5	2229	California Bank & Trust		01/22/2012	81,326.80	81,326.80	81,326.80	0.280		0.280	570	01/22/2014
<b>Subtotal and Average</b>			<b>81,326.80</b>		<b>81,326.80</b>	<b>81,326.80</b>	<b>81,326.80</b>			<b>0.280</b>	<b>570</b>	
<b>Local Agency Investment Fund (LAIF)</b>												
LAIF	9001	STATE OF CALIFORNIA		07/01/2004	7,533,255.74	7,542,443.62	7,533,255.74	0.358		0.353	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		04/21/2010	4,067,576.61	4,072,537.60	4,067,576.61	0.358		0.353	1	
<b>Subtotal and Average</b>			<b>17,070,832.35</b>		<b>11,600,832.35</b>	<b>11,614,981.22</b>	<b>11,600,832.35</b>			<b>0.353</b>	<b>1</b>	
<b>San Diego County Pool</b>												
SD COUNTY POOL	9007	San Diego County		07/01/2004	22,109,219.22	22,089,000.00	22,109,219.22	0.482		0.475	1	
<b>Subtotal and Average</b>			<b>22,109,219.22</b>		<b>22,109,219.22</b>	<b>22,089,000.00</b>	<b>22,109,219.22</b>			<b>0.475</b>	<b>1</b>	

**OTAY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
		Total and Average	88,995,983.19		86,888,378.37	86,881,959.07	86,866,512.07			0.531	410

**OTAY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**June 30, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
<b>Union Bank</b>											
UNION MONEY	9002	STATE OF CALIFORNIA		07/01/2004	10,005.91	10,005.91	10,005.91	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA		07/01/2004	2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA		07/01/2004	1,290,324.98	1,290,324.98	1,290,324.98	0.250		0.247	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2004	27,971.06	27,971.06	27,971.06			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA		04/20/2010	688.02	688.02	688.02			0.000	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA		04/20/2010	417.23	417.23	417.23	0.001		0.001	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		04/20/2010	70,015.05	70,015.05	70,015.05	0.147		0.145	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		01/01/2011	42,100.22	42,100.22	42,100.22			0.000	1
<b>Average Balance</b>			<b>0.00</b>								
<b>Total Cash and Investments</b>			<b>88,995,983.19</b>		<b>88,332,850.84</b>	<b>88,326,431.54</b>	<b>88,330,984.54</b>			<b>0.531</b>	<b>410</b>

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
<b>Issuer: STATE OF CALIFORNIA</b>									
<b>Union Bank</b>									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		165,035,129.49	165,035,180.07	
UNION OPERATING	9004	STATE OF CALIFORNIA			0.250		9,834,096.12	9,430,412.84	
PAYROLL	9005	STATE OF CALIFORNIA					1,006,223.32	1,002,036.97	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA					5,793.75	13,489.32	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.001		15,228.09	35,453.80	
UBNA-2010 BOND	9013	STATE OF CALIFORNIA			0.147		69,963.16	0.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					150,215.38	119,857.92	
<b>Subtotal and Balance</b>				<b>964,254.08</b>			<b>176,116,649.31</b>	<b>175,636,430.92</b>	<b>1,444,472.47</b>
<b>Local Agency Investment Fund (LAIF)</b>									
LAIF	9001	STATE OF CALIFORNIA			0.358		74,664,942.35	98,900,672.73	
LAIF BABS 2010	9012	STATE OF CALIFORNIA			0.358		16,500.97	88.59	
<b>Subtotal and Balance</b>				<b>35,820,150.35</b>			<b>74,681,443.32</b>	<b>98,900,761.32</b>	<b>11,600,832.35</b>
<b>Issuer Subtotal</b>				<b>14.768%</b>	<b>36,784,404.43</b>		<b>250,798,092.63</b>	<b>274,537,192.24</b>	<b>13,045,304.82</b>
<b>Issuer: California Bank &amp; Trust</b>									
<b>Certificates of Deposit - Bank</b>									
2050003183-4	2121	California Bank & Trust			1.380	01/22/2012	0.00	79,108.00	
2050003183-5	2229	California Bank & Trust			0.280	01/22/2012	81,326.80	0.00	
<b>Subtotal and Balance</b>				<b>79,108.00</b>			<b>81,326.80</b>	<b>79,108.00</b>	<b>81,326.80</b>
<b>Issuer Subtotal</b>				<b>0.092%</b>	<b>79,108.00</b>		<b>81,326.80</b>	<b>79,108.00</b>	<b>81,326.80</b>
<b>Issuer: Federal Farm Credit Bank</b>									
<b>Federal Agency Issues- Callable</b>									
31331KZF0	2219	Federal Farm Credit Bank			0.481	09/23/2011	3,000,000.00	0.00	
31331KG79	2222	Federal Farm Credit Bank			0.625	10/24/2011	2,000,000.00	0.00	
31331KG79	2222	Federal Farm Credit Bank				02/02/2012	0.00	2,000,000.00	

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Purchases or Deposits	Par Value	
				Beginning Balance	Current Rate			Redemptions or Withdrawals	Ending Balance
<b>Issuer: Federal Farm Credit Bank</b>									
<b>Federal Agency Issues- Callable</b>									
3133EAEG9	2241	Federal Farm Credit Bank			0.550	05/09/2012	1,360,000.00	0.00	
<b>Subtotal and Balance</b>				<b>0.00</b>			<b>6,360,000.00</b>	<b>2,000,000.00</b>	<b>4,360,000.00</b>
<b>Issuer Subtotal</b>			<b>4.936%</b>	<b>0.00</b>			<b>6,360,000.00</b>	<b>2,000,000.00</b>	<b>4,360,000.00</b>
<b>Issuer: Federal Home Loan Bank</b>									
<b>Federal Agency Issues- Callable</b>									
313371MR4	2174	Federal Home Loan Bank			0.700	08/22/2011	0.00	2,000,000.00	
313373CW0	2193	Federal Home Loan Bank			1.375	07/25/2011	0.00	2,000,000.00	
313373K27	2194	Federal Home Loan Bank			1.200	08/12/2011	0.00	2,000,000.00	
313373MC3	2195	Federal Home Loan Bank			1.200	08/12/2011	0.00	1,775,000.00	
313373QJ4	2196	Federal Home Loan Bank			1.125	11/25/2011	0.00	2,000,000.00	
313373UD2	2197	Federal Home Loan Bank			1.050	12/12/2011	0.00	2,000,000.00	
313373V25	2198	Federal Home Loan Bank			0.875	09/06/2011	0.00	2,000,000.00	
313373VV0	2199	Federal Home Loan Bank			1.100	07/06/2011	0.00	2,000,000.00	
313374EL0	2201	Federal Home Loan Bank			0.875	03/30/2012	0.00	2,000,000.00	
3133747H7	2202	Federal Home Loan Bank			0.875	09/27/2011	0.00	2,000,000.00	
313374G46	2203	Federal Home Loan Bank			1.000	07/08/2011	2,000,000.00	0.00	
313374G46	2203	Federal Home Loan Bank				08/08/2011	0.00	2,000,000.00	
313374T83	2208	Federal Home Loan Bank			0.900	07/28/2011	2,000,000.00	0.00	
313374T83	2208	Federal Home Loan Bank				10/28/2011	0.00	2,000,000.00	
313374ZW3	2209	Federal Home Loan Bank			0.650	08/08/2011	2,000,000.00	0.00	
313374ZW3	2209	Federal Home Loan Bank				01/30/2012	0.00	2,000,000.00	
3133755W3	2210	Federal Home Loan Bank			0.700	08/23/2011	2,000,000.00	0.00	
3133755W3	2210	Federal Home Loan Bank				02/23/2012	0.00	2,000,000.00	
313375E29	2212	Federal Home Loan Bank			0.625	09/07/2011	2,000,000.00	0.00	
313375E29	2212	Federal Home Loan Bank				02/14/2012	0.00	2,000,000.00	
313375H59	2213	Federal Home Loan Bank			0.550	09/16/2011	2,000,000.00	0.00	
313375H59	2213	Federal Home Loan Bank				02/13/2012	0.00	2,000,000.00	
313375HZ3	2216	Federal Home Loan Bank			0.650	09/19/2011	2,000,000.00	0.00	
313375HZ3	2216	Federal Home Loan Bank				02/14/2012	0.00	2,000,000.00	
313375ZS9	2224	Federal Home Loan Bank			0.625	11/07/2011	2,000,000.00	0.00	
313375ZS9	2224	Federal Home Loan Bank				02/07/2012	0.00	2,000,000.00	
313378BR1	2230	Federal Home Loan Bank			0.500	02/28/2012	3,000,000.00	0.00	

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Purchases or Deposits	Par Value		Ending Balance
				Beginning Balance	Current Rate			Redemptions or Withdrawals		
<b>Issuer: Federal Home Loan Bank</b>										
<b>Federal Agency Issues- Callable</b>										
313378BR1	2230	Federal Home Loan Bank				04/30/2012	0.00	3,000,000.00		
313378DB4	2231	Federal Home Loan Bank			0.500	03/12/2012	3,000,000.00	0.00		
313378DB4	2231	Federal Home Loan Bank				04/12/2012	0.00	3,000,000.00		
313378KU4	2233	Federal Home Loan Bank			0.500	03/12/2012	3,000,000.00	0.00		
313378R45	2235	Federal Home Loan Bank			0.550	04/04/2012	3,000,000.00	0.00		
313378R45	2235	Federal Home Loan Bank				05/04/2012	0.00	3,000,000.00		
313378VT5	2236	Federal Home Loan Bank			0.600	04/23/2012	3,000,000.00	0.00		
313378VT5	2236	Federal Home Loan Bank				05/23/2012	0.00	3,000,000.00		
313378YG0	2237	Federal Home Loan Bank			0.500	04/24/2012	3,000,000.00	0.00		
313378YG0	2237	Federal Home Loan Bank				05/24/2012	0.00	3,000,000.00		
3133794G1	2239	Federal Home Loan Bank			0.500	05/15/2012	3,000,000.00	0.00		
313379JC4	2243	Federal Home Loan Bank			0.500	06/05/2012	3,000,000.00	0.00		
313379R84	2245	Federal Home Loan Bank			0.500	06/13/2012	3,000,000.00	0.00		
313379SP5	2246	Federal Home Loan Bank			0.450	06/19/2012	3,000,000.00	0.00		
313379UT4	2247	Federal Home Loan Bank			0.500	06/27/2012	3,000,000.00	0.00		
<b>Subtotal and Balance</b>					<b>19,775,000.00</b>		<b>49,000,000.00</b>	<b>50,775,000.00</b>		<b>18,000,000.00</b>
<b>Issuer Subtotal</b>				<b>20.377%</b>	<b>19,775,000.00</b>		<b>49,000,000.00</b>	<b>50,775,000.00</b>		<b>18,000,000.00</b>

**Issuer: Federal Home Loan Mortgage**

<b>Federal Agency Issues- Callable</b>										
3134G1MD3	2153	Federal Home Loan Mortgage			1.100	07/22/2011	0.00	2,000,000.00		
3134G1PK4	2158	Federal Home Loan Mortgage			1.000	08/11/2011	0.00	2,000,000.00		
3134G1Y40	2183	Federal Home Loan Mortgage			1.100	02/15/2012	0.00	2,000,000.00		
3134G13K8	2185	Federal Home Loan Mortgage			1.000	08/24/2011	0.00	2,000,000.00		
3134G12U7	2186	Federal Home Loan Mortgage			0.750	08/23/2011	0.00	2,000,000.00		
3134G14B7	2187	Federal Home Loan Mortgage			1.350	08/23/2011	0.00	2,000,000.00		
3134G15C4	2188	Federal Home Loan Mortgage			1.250	09/07/2011	0.00	2,000,000.00		
3134G17L2	2190	Federal Home Loan Mortgage			1.350	09/23/2011	0.00	2,000,000.00		
3134G2MC3	2200	Federal Home Loan Mortgage			0.800	09/27/2011	0.00	2,000,000.00		
3134G2PE6	2204	Federal Home Loan Mortgage			1.000	07/08/2011	2,000,000.00	0.00		
3134G2PE6	2204	Federal Home Loan Mortgage				09/08/2011	0.00	2,000,000.00		
3134G2QP0	2205	Federal Home Loan Mortgage			1.000	07/27/2011	2,000,000.00	0.00		
3134G2QP0	2205	Federal Home Loan Mortgage				01/27/2012	0.00	2,000,000.00		

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Purchases or Deposits	Par Value		Ending Balance
				Beginning Balance	Current Rate			Redemptions or Withdrawals		
<b>Issuer: Federal Home Loan Mortgage</b>										
<b>Federal Agency Issues- Callable</b>										
3134G2RK0	2206	Federal Home Loan Mortgage			1.000	07/28/2011	2,000,000.00		0.00	
3134G2RK0	2206	Federal Home Loan Mortgage				10/28/2011	0.00		2,000,000.00	
3134G2NR9	2207	Federal Home Loan Mortgage			0.750	07/13/2011	2,000,000.00		0.00	
3134G2NR9	2207	Federal Home Loan Mortgage				09/06/2011	0.00		2,000,000.00	
3134G2VD1	2211	Federal Home Loan Mortgage			0.750	08/24/2011	2,000,000.00		0.00	
3134G2VD1	2211	Federal Home Loan Mortgage				02/24/2012	0.00		2,000,000.00	
3134G2B92	2217	Federal Home Loan Mortgage			0.500	09/13/2011	2,000,000.00		0.00	
3134G2B92	2217	Federal Home Loan Mortgage				03/13/2012	0.00		2,000,000.00	
3134G22H4	2223	Federal Home Loan Mortgage			0.700	11/04/2011	2,000,000.00		0.00	
3134G22H4	2223	Federal Home Loan Mortgage				05/04/2012	0.00		2,000,000.00	
3134G23NO	2225	Federal Home Loan Mortgage			0.700	11/02/2011	3,000,000.00		0.00	
3134G23NO	2225	Federal Home Loan Mortgage				05/01/2012	0.00		3,000,000.00	
3134G3AC4	2226	Federal Home Loan Mortgage			0.600	12/06/2011	3,000,000.00		0.00	
3134G3AQ3	2227	Federal Home Loan Mortgage			0.710	11/30/2011	2,000,000.00		0.00	
3134G3BN9	2228	Federal Home Loan Mortgage			0.770	12/05/2011	2,000,000.00		0.00	
3134G3SS0	2232	Federal Home Loan Mortgage			0.540	03/22/2012	3,000,000.00		0.00	
		<b>Subtotal and Balance</b>					<u>27,000,000.00</u>		<u>35,000,000.00</u>	<u>15,737,000.00</u>
		<b>Issuer Subtotal</b>	<b>17.816%</b>				<u>27,000,000.00</u>		<u>35,000,000.00</u>	<u>15,737,000.00</u>

**Issuer: Federal National Mortgage Assoc**

**Federal Agency Issues- Callable**

3136FPQG5	2171	Federal National Mortgage Assoc			0.850	10/26/2011	0.00		635,000.00	
3136FPSK4	2172	Federal National Mortgage Assoc			0.675	07/29/2011	0.00		2,000,000.00	
3136FP5X1	2182	Federal National Mortgage Assoc			0.860	07/28/2011	0.00		2,000,000.00	
3136FRFMO	2192	Federal National Mortgage Assoc			2.000	10/27/2011	0.00		1,000,000.00	
3135GOCW1	2214	Federal National Mortgage Assoc			0.500	09/06/2011	2,000,000.00		0.00	
3135GOCW1	2214	Federal National Mortgage Assoc				03/06/2012	0.00		2,000,000.00	
3135GODB6	2215	Federal National Mortgage Assoc			0.600	09/12/2011	2,000,000.00		0.00	
3135GODB6	2215	Federal National Mortgage Assoc				03/12/2012	0.00		2,000,000.00	
3135GODK6	2218	Federal National Mortgage Assoc			0.600	09/27/2011	2,000,000.00		0.00	
3135GODK6	2218	Federal National Mortgage Assoc				03/27/2012	0.00		2,000,000.00	
3135GODN0	2220	Federal National Mortgage Assoc			0.500	09/26/2011	3,000,000.00		0.00	
3135GODN0	2220	Federal National Mortgage Assoc				03/26/2012	0.00		3,000,000.00	

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CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Purchases or Deposits	Par Value	
				Beginning Balance	Current Rate			Redemptions or Withdrawals	Ending Balance
<b>Issuer: Federal National Mortgage Assoc</b>									
<b>Federal Agency Issues- Callable</b>									
3135GODR1	2221	Federal National Mortgage Assoc			0.500	10/03/2011	3,000,000.00		0.00
3135GODR1	2221	Federal National Mortgage Assoc				04/03/2012	0.00	3,000,000.00	
3135G0JG9	2234	Federal National Mortgage Assoc			0.520	03/26/2012	3,000,000.00		0.00
3135G0KL6	2238	Federal National Mortgage Assoc			0.500	04/30/2012	3,000,000.00		0.00
3135G0KS1	2240	Federal National Mortgage Assoc			0.560	05/10/2012	3,000,000.00		0.00
3135G0LF8	2242	Federal National Mortgage Assoc			0.500	05/24/2012	3,000,000.00		0.00
3135G0LL5	2244	Federal National Mortgage Assoc			0.550	06/04/2012	3,000,000.00		0.00
3135GODV2	2275	Federal National Mortgage Assoc			0.550	10/18/2011	3,000,000.00		0.00
3135GODV2	2275	Federal National Mortgage Assoc				04/18/2012	0.00	3,000,000.00	
		<b>Subtotal and Balance</b>					<b>30,000,000.00</b>	<b>20,635,000.00</b>	<b>15,000,000.00</b>
		<b>Issuer Subtotal</b>	<b>16.981%</b>				<b>30,000,000.00</b>	<b>20,635,000.00</b>	<b>15,000,000.00</b>
<b>Issuer: San Diego County</b>									
<b>San Diego County Pool</b>									
SD COUNTY POOL	9007	San Diego County			0.482		5,101,330.48	5,282.83	
		<b>Subtotal and Balance</b>					<b>5,101,330.48</b>	<b>5,282.83</b>	<b>22,109,219.22</b>
		<b>Issuer Subtotal</b>	<b>25.029%</b>				<b>5,101,330.48</b>	<b>5,282.83</b>	<b>22,109,219.22</b>
		<b>Total</b>	<b>100.000%</b>				<b>368,340,749.91</b>	<b>383,031,583.07</b>	<b>88,332,850.84</b>

**OTAY**  
**GASB 31 Compliance Detail**  
**Sorted by Fund - Fund**  
**July 1, 2011 - June 30, 2012**

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	
<b>Fund: Treasury Fund</b>											
LAIF	9001	99	Fair Value		31,819,068.97	0.00	74,664,942.35	98,900,672.73	0.00	-40,894.97	7,542,443.62
UNION MONEY	9002	99	Amortized		10,056.49	0.00	165,035,129.49	165,035,180.07	0.00	0.00	10,005.91
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
UNION OPERATING	9004	99	Amortized		886,641.70	0.00	9,834,096.12	9,430,412.84	0.00	0.00	1,290,324.98
PAYROLL	9005	99	Amortized		23,784.71	0.00	1,006,223.32	1,002,036.97	0.00	0.00	27,971.06
SD COUNTY POOL	9007	99	Fair Value		16,992,478.65	0.00	5,101,330.48	5,282.83	0.00	473.70	22,089,000.00
2050003183-4	2121	99	Amortized	01/22/2012	79,108.00	0.00	0.00	79,108.00	0.00	0.00	0.00
RESERVE-10 COPS	9010	99	Amortized		8,383.59	0.00	5,793.75	13,489.32	0.00	0.00	688.02
RESERVE-10 BABS	9011	99	Amortized		20,642.94	0.00	15,228.09	35,453.80	0.00	0.00	417.23
LAIF BABS 2010	9012	99	Fair Value		4,057,550.77	0.00	16,500.97	88.59	0.00	-1,425.55	4,072,537.60
UBNA-2010 BOND	9013	99	Amortized		51.89	0.00	69,963.16	0.00	0.00	0.00	70,015.05
3137EACK3	2146	99	Fair Value	07/27/2012	2,015,920.00	0.00	0.00	0.00	0.00	-14,620.00	2,001,300.00
3137EACK3A	2148	99	Fair Value	07/27/2012	1,038,198.80	0.00	0.00	0.00	0.00	-7,529.30	1,030,669.50
3137EACK3B	2149	99	Fair Value	07/27/2012	2,728,547.72	0.00	0.00	0.00	0.00	-19,788.17	2,708,759.55
3134G1MD3	2153	99	Fair Value	01/22/2013	2,000,960.00	0.00	0.00	2,000,000.00	0.00	-960.00	0.00
3134G1PK4	2158	99	Fair Value	02/11/2013	2,001,820.00	0.00	0.00	2,000,000.00	0.00	-1,820.00	0.00
3136FPQG5	2171	99	Fair Value	07/26/2013	636,270.00	0.00	0.00	635,000.00	0.00	-1,270.00	0.00
3136FP5X1	2172	99	Fair Value	04/29/2013	2,000,780.00	0.00	0.00	2,000,000.00	0.00	-780.00	0.00
313371MR4	2174	99	Fair Value	05/22/2013	1,998,980.00	0.00	0.00	2,000,000.00	0.00	1,020.00	0.00
3136FP5X1	2182	99	Fair Value	01/28/2013	2,000,760.00	0.00	0.00	2,000,000.00	0.00	-760.00	0.00
3134G1Y40	2183	99	Fair Value	08/15/2013	2,009,100.00	0.00	0.00	2,000,000.00	0.00	-9,100.00	0.00
3134G13K8	2185	99	Fair Value	05/24/2013	2,002,200.00	0.00	0.00	2,000,000.00	0.00	-2,200.00	0.00
3134G12U7	2186	99	Fair Value	11/23/2012	2,001,040.00	0.00	0.00	2,000,000.00	0.00	-1,040.00	0.00
3134G14B7	2187	99	Fair Value	08/23/2013	2,002,820.00	0.00	0.00	2,000,000.00	0.00	-2,820.00	0.00
3134G15C4	2188	99	Fair Value	06/07/2013	2,003,600.00	0.00	0.00	2,000,000.00	0.00	-3,600.00	0.00
UBNA-FLEX ACCT	9014	99	Amortized		11,742.76	0.00	150,215.38	119,857.92	0.00	0.00	42,100.22
3134G17L2	2190	99	Fair Value	09/23/2013	2,004,420.00	0.00	0.00	2,000,000.00	0.00	-4,420.00	0.00
3138FRFMO	2192	99	Fair Value	04/27/2016	1,006,570.00	0.00	0.00	1,000,000.00	0.00	-6,570.00	0.00
313373CW0	2193	99	Fair Value	10/25/2013	2,001,520.00	0.00	0.00	2,000,000.00	0.00	-1,520.00	0.00
313373K27	2194	99	Fair Value	08/12/2013	2,001,920.00	0.00	0.00	2,000,000.00	0.00	-1,920.00	0.00

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	
<b>Fund: Treasury Fund</b>											
313373MC3	2195	99	Fair Value	11/12/2013	1,776,810.50	0.00	0.00	1,775,000.00	0.00	-1,810.50	0.00
313373QJ4	2196	99	Fair Value	11/25/2013	2,006,360.00	0.00	0.00	2,000,000.00	0.00	-6,360.00	0.00
313373UD2	2197	99	Fair Value	12/09/2013	2,005,440.00	0.00	0.00	2,000,000.00	0.00	-5,440.00	0.00
313373V25	2198	99	Fair Value	09/06/2013	2,002,080.00	0.00	0.00	2,000,000.00	0.00	-2,080.00	0.00
313373WV0	2199	99	Fair Value	12/06/2013	2,000,220.00	0.00	0.00	2,000,000.00	0.00	-220.00	0.00
3134G2MC3	2200	99	Fair Value	09/27/2013	1,996,780.00	0.00	0.00	2,000,000.00	0.00	3,220.00	0.00
313374EL0	2201	99	Fair Value	12/30/2013	1,993,300.00	0.00	0.00	2,000,000.00	0.00	6,700.00	0.00
313374G46	2203	99	Fair Value	01/08/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2PE6	2204	99	Fair Value	01/08/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2QP0	2205	99	Fair Value	01/27/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2RK0	2206	99	Fair Value	01/27/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313374T83	2208	99	Fair Value	01/28/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313374ZW3	2209	99	Fair Value	08/08/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133755W3	2210	99	Fair Value	08/23/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2VD1	2211	99	Fair Value	02/24/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313375E29	2212	99	Fair Value	03/07/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313375H59	2213	99	Fair Value	09/16/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3135GOCW1	2214	99	Fair Value	09/06/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3135GODB6	2215	99	Fair Value	09/12/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313375HZ3	2216	99	Fair Value	03/19/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2B92	2217	99	Fair Value	03/13/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3135GODK6	2218	99	Fair Value	09/27/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
31331KZF0	2219	99	Fair Value	12/23/2013	0.00	2,999,250.00	0.00	0.00	0.00	780.00	3,000,030.00
3135GODN0	2220	99	Fair Value	09/26/2013	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3135GODR1	2221	99	Fair Value	10/03/2013	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3135GODV2	2275	99	Fair Value	10/18/2013	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
31331KG79	2222	99	Fair Value	01/24/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G22H4	2223	99	Fair Value	11/04/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
313375ZS9	2224	99	Fair Value	11/07/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3133747H7	2202	99	Fair Value	12/27/2013	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2NR9	2207	99	Fair Value	07/05/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G23NO	2225	99	Fair Value	05/01/2014	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3134G3AC4	2226	99	Fair Value	12/06/2013	0.00	3,000,000.00	0.00	0.00	0.00	600.00	3,000,600.00
3134G3AQ3	2227	99	Fair Value	05/30/2014	0.00	2,000,000.00	0.00	0.00	0.00	1,980.00	2,001,980.00
3134G3BN9	2228	99	Fair Value	06/05/2014	0.00	2,000,000.00	0.00	0.00	0.00	-3,140.00	2,003,140.00
2050003183-5	2229	99	Amortized	01/22/2014	0.00	81,326.80	0.00	0.00	0.00	0.00	81,326.80

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	
<b>Fund: Treasury Fund</b>											
313378BR1	2230	99	Fair Value	08/28/2014	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313378DB4	2231	99	Fair Value	03/12/2014	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3134G3SS0	2232	99	Fair Value	09/22/2014	0.00	3,000,000.00	0.00	0.00	0.00	3,870.00	3,003,870.00
313378KU4	2233	99	Fair Value	09/12/2014	0.00	3,000,000.00	0.00	0.00	0.00	1,350.00	3,001,350.00
3135G0JG9	2234	99	Fair Value	09/26/2014	0.00	2,998,500.00	0.00	0.00	0.00	4,500.00	3,003,000.00
313378R45	2235	99	Fair Value	04/04/2014	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313378VT5	2236	99	Fair Value	01/23/2015	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
313378YG0	2237	99	Fair Value	04/24/2014	0.00	3,000,000.00	0.00	3,000,000.00	0.00	0.00	0.00
3135G0KL6	2238	99	Fair Value	10/30/2014	0.00	3,000,000.00	0.00	0.00	0.00	-6,030.00	2,993,970.00
3133794G1	2239	99	Fair Value	05/15/2014	0.00	3,000,000.00	0.00	0.00	0.00	-1,440.00	2,998,560.00
3135G0KS1	2240	99	Fair Value	02/10/2015	0.00	3,000,000.00	0.00	0.00	0.00	-2,550.00	2,997,450.00
3133EAEG9	2241	99	Fair Value	02/27/2015	0.00	1,360,000.00	0.00	0.00	0.00	1,632.00	1,361,632.00
3135G0LF8	2242	99	Fair Value	11/24/2014	0.00	3,000,000.00	0.00	0.00	0.00	-360.00	2,999,640.00
313379JC4	2243	99	Fair Value	06/05/2014	0.00	3,000,000.00	0.00	0.00	0.00	60.00	3,000,060.00
3135G0LL5	2244	99	Fair Value	12/04/2014	0.00	3,000,000.00	0.00	0.00	0.00	-660.00	2,999,340.00
313379R84	2245	99	Fair Value	06/13/2014	0.00	3,000,000.00	0.00	0.00	0.00	-3,540.00	2,996,460.00
313379SP5	2246	99	Fair Value	12/19/2013	0.00	3,000,000.00	0.00	0.00	0.00	-3,390.00	2,996,610.00
313379UT4	2247	99	Fair Value	06/27/2014	0.00	3,000,000.00	0.00	0.00	0.00	-1,770.00	2,998,230.00
<b>Subtotal</b>					<b>103,148,877.49</b>	<b>112,439,076.80</b>	<b>255,899,423.11</b>	<b>383,031,583.07</b>	<b>0.00</b>	<b>-129,362.79</b>	<b>88,326,431.54</b>
<b>Total</b>					<b>103,148,877.49</b>	<b>112,439,076.80</b>	<b>255,899,423.11</b>	<b>383,031,583.07</b>	<b>0.00</b>	<b>-129,362.79</b>	<b>88,326,431.54</b>

**OTAY**  
**Duration Report**  
**Sorted by Investment Type - Investment Type**  
**Through 06/30/2012**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3137EACK3A	2148	99	Federal Home Loan Mortgage	Fair	1,030,000.00	1,030,000.00	1,030,669.50	1.125000	1.108	0.994	07/27/2012	0.071
3134G3BN9	2228	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,003,140.00	.7700000	0.759	0.688	06/05/2014	1.909
3137EACK3B	2149	99	Federal Home Loan Mortgage	Fair	2,707,000.00	2,707,000.00	2,708,759.55	1.125000	1.109	0.994	07/27/2012	0.071
3134G3SS0	2232	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	3,003,870.00	.5400000	0.533	0.482	09/22/2014	2.206
3137EACK3	2146	99	Federal Home Loan Mortgage	Fair	1,999,967.96	2,000,000.00	2,001,300.00	1.125000	1.154	0.994	07/27/2012	0.071
3134G3AC4	2226	99	Federal Home Loan Mortgage	Fair	3,000,000.00	3,000,000.00	3,000,600.00	.6000000	0.592	0.586	12/06/2013	1.422
3134G3AQ3	2227	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,001,980.00	.7100000	0.700	0.658	05/30/2014	1.897
3135G0LF8	2242	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	2,999,640.00	.5000000	0.493	0.505	11/24/2014	2.378
3135G0KL6	2238	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	2,993,970.00	.5000000	0.493	0.587	10/30/2014	2.311
3135G0LL5	2244	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	2,999,340.00	.5500000	0.542	0.559	12/04/2014	2.404
3135G0KS1	2240	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	2,997,450.00	.5600000	0.552	0.593	02/10/2015	2.582
3135G0JG9	2234	99	Federal National Mortgage Assoc	Fair	2,998,658.33	3,000,000.00	3,003,000.00	.5200000	0.533	0.475	09/26/2014	2.218
313379R84	2245	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,996,460.00	.5000000	0.493	0.561	06/13/2014	1.937
313378KU4	2233	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	3,001,350.00	.5000000	0.493	0.479	09/12/2014	2.179
313379SP5	2246	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,996,610.00	.4500000	0.444	0.527	12/19/2013	1.459
313379UT4	2247	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,998,230.00	.5000000	0.493	0.530	06/27/2014	1.976
313379JC4	2243	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	3,000,060.00	.5000000	0.493	0.499	06/05/2014	1.041
3133794G1	2239	99	Federal Home Loan Bank	Fair	3,000,000.00	3,000,000.00	2,998,560.00	.5000000	0.493	0.526	05/15/2014	1.859
31331KZF0	2219	99	Federal Farm Credit Bank	Fair	2,999,507.41	3,000,000.00	3,000,030.00	.4812160	0.486	0.481	12/23/2013	1.470
3133EAEG9	2241	99	Federal Farm Credit Bank	Fair	1,360,000.00	1,360,000.00	1,361,632.00	.5500000	0.542	0.504	02/27/2015	2.628
2050003183-5	2229	99	California Bank & Trust	Amort	81,326.80	81,326.80	81,326.80	.2800000	0.280	0.280	01/22/2014	1.555 †
LAIF COPS07	9009	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	1.530000	1.509	1.530		0.000
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	4,067,576.61	4,067,576.61	4,072,537.60	.3580000	0.353	0.358		0.000
LAIF	9001	99	STATE OF CALIFORNIA	Fair	7,533,255.74	7,533,255.74	7,542,443.62	.3580000	0.353	0.358		0.000

OTAY  
Duration Report  
Sorted by Investment Type - Investment Type  
Through 06/30/2012

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
SD COUNTY	9007	99	San Diego County	Fair	22,109,219.22	22,109,219.22	22,089,000.00	.4820000	0.475	0.482		0.000
<b>Report Total</b>					<b>86,886,512.07</b>	<b>86,888,378.37</b>	<b>86,881,959.07</b>			<b>0.530</b>		<b>1.082†</b>

† = Duration can not be calculated on these investments due to incomplete Market price data.



**STAFF REPORT**

TYPE MEETING:	Regular Board	MEETING DATE:	August 1, 2012
SUBMITTED BY:	Sean Prendergast, Finance 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:**

<b>SUMMARY</b>	<b>NET DEMANDS</b>
CHECKS (2033797-2034134)	\$ 2,529,502.18
VOID CHECK (0)	\$ -
TOTAL CHECKS	\$ 2,529,502.18
WIRE TO:	
CITY OF CHULA VISTA - SEWER CHARGES (BI-MONTHLY)	\$ 2,941,019.04
DELTA DENTAL OF CALIF - DENTAL & COBRA CLAIMS (MONTHLY)	\$ 14,847.30
JP MORGAN - REMARKETING FEE (QUARTERLY)	\$ 2,439.10
SAN DIEGO COUNTY WATER - CAP FEES (QUARTERLY)	\$ 405,178.00
SAN DIEGO COUNTY WATER - WATER DELIVERIES (MONTHLY)	\$ 3,347,610.33
SPECIAL DIST RISK MGMT AUTH - INSURANCE PREM (MONTHLY)	\$ 235,151.63
STATE BOARD OF EQUALIZATION - SALES USE TAX (QUARTERLY)	\$ 686.00
UNION BANK - CERT OF PARTICIPATION 1996 (MONTHLY)	\$ 1,691.42
UNION BANK - CERT OF PARTICIPATION 1996 (QUARTERLY)	\$ 31,134.73
UNION BANK - PAYROLL TAXES (MONTHLY)	\$ 284,271.65
<b>TOTAL CASH DISBURSEMENTS</b>	<b>\$ 9,793,531.38</b>

**RECOMMENDED ACTION:**

That the Board receive the attached list of demands.

Jb/Attachment

**OTAY WATER DISTRICT  
CHECK REGISTER  
FOR CHECKS 2033797 THROUGH 2034134  
RUN DATES 7/3/2012 TO 7/25/2012**

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2033797	07/03/12	01910	ABCANA INDUSTRIES	902374	06/11/12	SODIUM HYPOCHLORITE	716.47	1,111.15
				902373	06/11/12	SODIUM HYPOCHLORITE	394.68	
2033878	07/11/12	01910	ABCANA INDUSTRIES	902579	06/14/12	SODIUM HYPOCHLORITE	3,444.43	17,094.35
				903334	06/25/12	SODIUM HYPOCHLORITE	3,438.83	
				903074	06/21/12	SODIUM HYPOCHLORITE	2,396.08	
				902580	06/14/12	SODIUM HYPOCHLORITE	1,518.15	
				903333	06/25/12	SODIUM HYPOCHLORITE	883.53	
				902825	06/18/12	SODIUM HYPOCHLORITE	866.72	
				903331	06/25/12	SODIUM HYPOCHLORITE	278.06	
				903332	06/25/12	SODIUM HYPOCHLORITE	829.72	
				902824	06/18/12	SODIUM HYPOCHLORITE	821.86	
				903330	06/25/12	SODIUM HYPOCHLORITE	722.08	
				903075	06/21/12	SODIUM HYPOCHLORITE	700.78	
				902581	06/14/12	SODIUM HYPOCHLORITE	633.49	
				902503	06/13/12	SODIUM HYPOCHLORITE	560.62	
2034045	07/25/12	01910	ABCANA INDUSTRIES	904133	07/05/12	SODIUM HYPOCHLORITE	3,648.50	8,984.45
				903546	06/28/12	SODIUM HYPOCHLORITE	1,860.12	
				903918	07/02/12	SODIUM HYPOCHLORITE	921.66	
				903547	06/28/12	SODIUM HYPOCHLORITE	852.14	
				904132	07/05/12	SODIUM HYPOCHLORITE	643.58	
				903919	07/02/12	SODIUM HYPOCHLORITE	551.65	
				903545	06/28/12	SODIUM HYPOCHLORITE	506.80	
				2033798	07/03/12	08488	ABLEFORCE INC	
2033879	07/11/12	08488	ABLEFORCE INC	3302	06/12/12	PROGRAMMING SERVICES (5/28/12-6/9/12)	7,920.00	7,920.00
2034046	07/25/12	08488	ABLEFORCE INC	3324	06/26/12	PROGRAMMING SERVICES (6/11/12-6/22/12)	7,200.00	7,200.00
2033880	07/11/12	12006	ADVANCED WEB OFFSET INC	122028	06/25/12	CONSUMER CONFIDENCE REPORT	6,955.26	6,955.26
2033881	07/11/12	11462	AEGIS ENGINEERING MGMT INC	1118	06/11/12	DEVELOPER PLANCHECKS (5/5/12-6/1/12)	14,353.48	14,353.48
2033882	07/11/12	11803	AEROTEK ENVIRONMENTAL	OE00831090	06/21/12	TEMPORARY EMPLOYMENT (6/4/12-6/8/12)	2,178.00	6,098.40
				OE00835032	06/23/12	TEMPORARY EMPLOYMENT (6/18/12-6/22/12)	2,178.00	
				OE00829182	06/14/12	TEMPORARY EMPLOYMENT (5/29/12-6/1/12)	1,742.40	
2034047	07/25/12	11803	AEROTEK ENVIRONMENTAL	OE00833061	06/28/12	TEMPORARY EMPLOYMENT (6/11/12-6/15/12)	2,178.00	2,178.00
2034048	07/25/12	07732	AIRGAS SPECIALTY PRODUCTS INC	131248345	06/26/12	AQUA AMMONIA	2,774.24	4,941.44
				131248344	06/26/12	AQUA AMMONIA	2,167.20	
2034049	07/25/12	13753	AIRGAS USA LLC	9903092832	06/30/12	BREATHING AIR	34.49	34.49
2033969	07/18/12	02934	ALLEN INSTRUMENTS & SUPPLIES	0116733IN	06/11/12	SURVEY SOFTWARE	809.45	809.45

OTAY WATER DISTRICT  
CHECK REGISTER  
FOR CHECKS 2033797 THROUGH 2034134  
RUN DATES 7/3/2012 TO 7/25/2012

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2033883	07/11/12	01463	ALLIED ELECTRONICS INC	9000610227	06/21/12	HOA SWITCHES	1,693.13	1,693.13
2033799	07/03/12	14169	ALTISOURCE SOLUTIONS INC	Ref002422495	07/02/12	UB Refund Cst #0000186915	101.73	101.73
2033884	07/11/12	06166	AMERICAN MESSAGING	L1109570MG	07/01/12	PAGER SERVICES (JUNE 2012)	205.93	205.93
2033800	07/03/12	14159	ANDRE CHANCELLOR	Ref002422485	07/02/12	UB Refund Cst #0000182670	50.66	50.66
2033885	07/11/12	06165	ANITA FIRE HOSE COMPANY ETC	17120	06/25/12	EXTINGUISHER MAINTENANCE	2,374.54	2,374.54
2034050	07/25/12	06165	ANITA FIRE HOSE COMPANY ETC	17125	06/28/12	EXTINGUISHER MAINTENANCE	113.40	113.40
2033801	07/03/12	14163	ANN AMARAL	Ref002422489	07/02/12	UB Refund Cst #0000184632	12.28	12.28
2033802	07/03/12	14162	ANNEKE SCHIEBERL	Ref002422488	07/02/12	UB Refund Cst #0000183970	18.64	18.64
2033803	07/03/12	00002	ANSWER INC	6846	06/22/12	ANSWERING SERVICES (MONTHLY)	1,000.00	1,000.00
2033970	07/18/12	08967	ANTHEM BLUE CROSS EAP	41061	06/22/12	EMPLOYEE ASSISTANCE PROG (JULY 2012)	323.35	323.35
2033971	07/18/12	14194	ANTHONY W STEWART	Ref002422845	07/16/12	UB Refund Cst #0000147484	9.28	9.28
2034051	07/25/12	03357	APEX ADVERTISING INC	114321 113881	06/26/12 06/26/12	ANNUAL T-SHIRTS UNIFORM SWEATSHIRTS	3,855.05 2,667.85	6,522.90
2034052	07/25/12	12175	APPLE INC	003819	07/24/12	COMPUTER LOAN	3,000.00	3,000.00
2033886	07/11/12	01509	ARC ERGONOMICS	35246	06/25/12	MOUSE & KEYBOARD	502.01	502.01
2033804	07/03/12	14175	ARTHURO O HERRERA	Ref002422501	07/02/12	UB Refund Cst #0000188310	50.92	50.92
2033887	07/11/12	03364	ASCO SERVICES INC	775923	06/12/12	ASCO SERVICE	989.82	989.82
2033888	07/11/12	05758	AT&T	61969851400612	06/24/12	PHONE SERVICE (MONTHLY)	32.65	32.65
2033972	07/18/12	05758	AT&T	0821645728062511 61942256050612	06/25/12 06/20/12	INTERNET BANDWIDTH (6/25/12-7/24/12) PHONE SERVICE (6/20/12-7/19/12)	2,312.78 45.54	2,358.32
2033973	07/18/12	07785	AT&T	0000033421321 000003423539	06/02/12 06/02/12	PHONE SERVICES (5/2/12-6/1/12) PHONE SERVICES (5/2/12-6/1/12)	5,714.58 15.41	5,729.99
2034053	07/25/12	05758	AT&T	61967053090612	06/15/12	PHONE SERVICE (MONTHLY)	32.65	32.65
2034054	07/25/12	07785	AT&T	000003501449	07/02/12	PHONE SERVICES (6/2/12-7/1/12)	6,134.94	6,134.94
2034055	07/25/12	08330	AT&T INTERNET SERVICES	8547826250612	06/22/12	INTERNET BANDWIDTH (6/21/12-7/20/12)	2,028.00	2,028.00
2033974	07/18/12	13392	AZTECA SYSTEMS INC	7468	06/18/12	AMS SOFTWARE LIC & INSTALL (FY12)	5,625.00	5,625.00

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2033975	07/18/12	08024	BACKGROUND PROFILES INC	4312	06/30/12	BACKGROUND CHECK (6/12/12-6/25/12)	149.00	149.00
2033976	07/18/12	14185	BALBINA CRUZ	Ref002422835	07/16/12	UB Refund Cst #0000039523	40.53	40.53
2033805	07/03/12	14170	BANCROFT REALTY INC	Ref002422496	07/02/12	UB Refund Cst #0000187097	19.27	19.27
2033889	07/11/12	07446	BANK OF NEW YORK MELLON, THE	2521638719	07/02/12	ADM FEES-1996 COPS (7/1/12-6/30/13)	2,782.50	2,782.50
2033890	07/11/12	01630	BEARCOM	4109592	04/25/12	RADIOS	4,414.63	4,414.63
2033891	07/11/12	04806	BJ'S RENTALS	413743	06/12/12	CONCRETE	161.63	161.63
2033863	07/03/12	10823	BONITAFEST	003739	06/29/12	BONITAFEST BOOTH APPLICATION	100.00	100.00
2033977	07/18/12	13824	BUSINESS MANAGEMENT DAILY	REN1R08	06/25/12	SUBSCRIPTION	131.32	131.32
2033892	07/11/12	00223	C W MCGRATH INC	42428	06/25/12	CRUSHED ROCK	156.20	156.20
2034056	07/25/12	00223	C W MCGRATH INC	42499	07/03/12	CRUSHED ROCK	531.53	
				42490	07/02/12	CRUSHED ROCK	301.33	832.86
2033893	07/11/12	10725	CABLES PLUS LLC	66462	06/04/12	CABLES COUPLERS	76.55	76.55
2034057	07/25/12	11044	CALIFORNIA BANK & TRUST	10	06/30/12	RETENTION/NEWEST CONST (ENDING 6/30/12)	18,781.40	18,781.40
2034058	07/25/12	02920	CALIFORNIA COMMERCIAL	117260	07/02/12	ASPHALT	795.54	795.54
2033894	07/11/12	01004	CALOLYMPIC SAFETY	303106	06/21/12	ZERO CAL-GAS	121.09	121.09
2033978	07/18/12	14201	CARLTON EAKES	Ref002422852	07/16/12	UB Refund Cst #0000186859	29.18	29.18
2033806	07/03/12	02758	CARMEL BUSINESS SYSTEMS INC	7521	06/01/12	SCANNING SERVICES (4/2/12 & 5/3/12)	63.03	63.03
2033895	07/11/12	02758	CARMEL BUSINESS SYSTEMS INC	7531	06/22/12	RECORD SCANNING SVCS (6/4/12-6/21/12)	5,570.17	5,570.17
2034059	07/25/12	02758	CARMEL BUSINESS SYSTEMS INC	7533	06/29/12	RECORDS SUPPORT (6/22/12-6/28/12)	2,448.84	
				7532	06/29/12	RECORDS SUPPORT (6/22/12-6/28/12)	1,837.82	
				7536	07/01/12	RECORDS MGMT SERVICES (6/6/12-6/20/12)	300.00	4,586.66
2033807	07/03/12	14164	CARRINGTON PROP SERVICES	Ref002422490	07/02/12	UB Refund Cst #0000184766	37.43	37.43
2034060	07/25/12	13953	CARSON TRAILER INC	225270	06/05/12	TRAILER	3,807.63	3,807.63
2033808	07/03/12	14160	CASSANDRA SHEFFILED	Ref002422486	07/02/12	UB Refund Cst #0000183012	13.78	13.78
2033979	07/18/12	14200	CENTURY 21 FIRST CHOICE	Ref002422851	07/16/12	UB Refund Cst #0000186818	53.31	53.31

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2033809	07/03/12	14147	CHARLENE LAW	Ref002422472	07/02/12	UB Refund Cst #0000142678	36.72	36.72
2033980	07/18/12	14197	CHRISTINA PETH	Ref002422848	07/16/12	UB Refund Cst #0000177984	60.06	60.06
2033864	07/03/12	00446	CITY OF CHULA VISTA	003790	07/02/12	PLAN CK/INSP FEES FOR ORANGE AVE PROJ	3,000.00	3,000.00
2034061	07/25/12	14207	CITY TREASURER	003821	07/23/12	CERTIFICATION TRAINING	60.00	60.00
2034062	07/25/12	04119	CLARKSON LAB & SUPPLY INC	62264	06/30/12	BACTERIOLOGICAL TEST (5/29/12-5/30/12)	1,218.00	
				62268	06/30/12	BACTERIOLOGICAL TEST (6/20/12-6/23/12)	923.00	
				62266	06/30/12	BACTERIOLOGICAL TEST (6/6/12-6/9/12)	898.00	
				62023	06/30/12	BACTERIOLOGICAL TEST (6/12/12-6/13/12)	718.00	
				62265	06/30/12	BACTERIOLOGICAL TEST (6/5/12-6/6/12)	412.00	
				62267	06/30/12	BACTERIOLOGICAL TEST (6/13/12-6/14/12)	367.00	4,536.00
2033896	07/11/12	11520	CLINICAL LABORATORY OF	921741	06/12/12	OUTSIDE LAB SERVICES	1,088.00	1,088.00
2034063	07/25/12	11520	CLINICAL LABORATORY OF	922140	07/05/12	OUTSIDE LAB SERVICES (6/6/12-6/28/12)	3,377.50	3,377.50
2034064	07/25/12	12854	COMMERCIAL TRANSPORTATION SVCS 1155		07/04/12	DRIVER TRAINING	1,367.00	1,367.00
2034065	07/25/12	13900	COMMUNITY BANK	5	07/05/12	RETENTION/GARCIA JUAREZ (ENDING 6/30/12)	10,721.41	10,721.41
2033897	07/11/12	08160	COMPLETE OFFICE	13952640	06/13/12	COPY PAPER	1,001.75	
				13956190	06/13/12	TRIM POCKET FOLDERS	411.51	
				13956191	06/14/12	TRIM POCKET FOLDERS	34.47	1,447.73
2034066	07/25/12	03288	COMPUTER PROTECTION	16777PMA	06/22/12	UPS POWER SYSTEMS MAINT (ANNUAL)	3,933.00	3,933.00
2033898	07/11/12	11510	CONFERENCE CALL.COM	2670896269	06/30/12	CONFERENCE CALLING SERVICE (JUNE 2012)	49.61	49.61
2034067	07/25/12	03706	CONSUMERS PIPE & SUPPLY	S1200598003	06/26/12	PVC SUPPLIES	421.81	421.81
2033981	07/18/12	12334	CORODATA MEDIA STORAGE INC	DS1250928	05/31/12	BACKUP TAPE STORAGE (MAY 2012)	311.38	311.38
2033982	07/18/12	00184	COUNTY OF SAN DIEGO	DEH120568D11	06/29/12	SHUT DOWN TEST (5/3/12)	1,171.50	
				DEH120566D11	06/29/12	SHUT DOWN TEST (5/11/12)	1,171.50	
				DEH120581D11	06/29/12	SHUT DOWN TEST (5/15/12)	994.00	
				DEH120567D11	06/29/12	SHUT DOWN TEST (5/7/12)	852.00	
				DEH120583D11	07/18/12	SHUT DOWN TEST (5/24/12)	781.00	4,970.00
2034068	07/25/12	02756	COX COMMUNICATIONS SAN DIEGO	28810612	06/30/12	INTERNET SERVICES (6/29/12-7/28/12)	1,500.00	
				27170612	06/30/12	INTERNET SERVICES (6/29/12-7/28/12)	1,500.00	3,000.00
2033865	07/03/12	11871	CS-AMSCO	6414A	06/28/12	RE-ISSUE CHECK	777.96	777.96
2033866	07/03/12	09485	DANIEL CACHO	Ref002422469	07/02/12	UB Refund Cst #0000064687	16.83	16.83

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2033810	07/03/12	14141	DANIEL KINCADE	Ref002422464	07/02/12	UB Refund Cst #0000027576	147.62	147.62
2034069	07/25/12	11150	DARNELL & ASSOCIATES INC	024278	07/03/12	TRAFFIC SERVICES (5/4/12-7/3/12)	3,535.00	3,535.00
2034070	07/25/12	03744	DEPARTMENT OF JUSTICE	918851	06/30/12	FINGERPRINTING SERVICES (JUNE 2012)	196.00	196.00
2033899	07/11/12	00319	DEPARTMENT OF PUBLIC HEALTH	243630712	07/02/12	CERTIFICATE RENEWAL	80.00	80.00
2033811	07/03/12	03417	DIRECTV	18046225388	06/19/12	SATELLITE TV (6/18/12-7/17/12)	6.00	6.00
2033983	07/18/12	03417	DIRECTV	18164521355	07/05/12	SATELLITE TV (7/4/12-8/3/12)	18.00	18.00
2033900	07/11/12	02366	DLT SOLUTIONS INC	SI190805	06/13/12	AUTOCAD RENEWAL	11,299.48	11,299.48
2033984	07/18/12	11371	DOCUFLOW SOLUTIONS INC	6992	05/30/12	FAX MAINTENANCE	1,398.00	1,398.00
2033867	07/03/12	12015	EASTLAKE III COMMUNITY ASSN	003783	06/28/12	LANDSCAPE PROGRAM	10,000.00	10,000.00
2033985	07/18/12	02447	EDCO DISPOSAL CORPORATION	1554580612	06/30/12	RECYCLING SERVICES (JUNE 2012)	90.00	90.00
2033812	07/03/12	14154	ELLINA CEVZNER	Ref002422480	07/02/12	UB Refund Cst #0000175581	40.44	40.44
2033868	07/03/12	14051	EMMA GALVAN	Ref002422477	07/02/12	UB Refund Cst #0000160363	123.00	123.00
2033813	07/03/12	08023	EMPLOYEE BENEFIT SPECIALISTS	0056890IN 0056602IN	05/31/12 04/30/12	EMPLOYEE BENEFITS (MAY 2012) EMPLOYEE BENEFITS (APR 2012)	672.50 665.00	1,337.50
2033814	07/03/12	14173	ENCORE REALTY	Ref002422499	07/02/12	UB Refund Cst #0000187622	49.18	49.18
2033901	07/11/12	03227	ENVIROMATRIX ANALYTICAL INC	2060486	06/25/12	LABORATORY SERVICES (6/12/12-6/14/12)	340.00	340.00
2034071	07/25/12	03227	ENVIROMATRIX ANALYTICAL INC	2060612	06/29/12	LABORATORY SERVICES (6/15/12-6/20/12)	475.00	475.00
2033902	07/11/12	07596	ENVIRONMENTAL EXPRESS INC	1000279796	06/25/12	LABORATORY SUPPLIES	1,023.03	1,023.03
2034072	07/25/12	12134	ENVIRONMENTAL LAB ACCR PROG BR	10121658	07/05/12	ANNUAL FEE RENEWAL	2,359.00	2,359.00
2033815	07/03/12	14145	ERICA ESTRADA	Ref002422470	07/02/12	UB Refund Cst #0000088169	7.33	7.33
2034073	07/25/12	11287	ESCONDIDO LIVE SCAN	1116062012	06/30/12	FINGERPRINTING SERVICE (6/15/12)	20.00	20.00
2034074	07/25/12	06528	ESTES EXPRESS LINES	2920321517	06/18/12	RMA RETURN	223.59	223.59
2033816	07/03/12	14144	EVELYN ANGOTTA	Ref002422468	07/02/12	UB Refund Cst #0000052613	87.12	87.12
2034075	07/25/12	13123	FAVELA PRINTING INC	673	07/02/12	COVERS & TABS	549.53	549.53
2033903	07/11/12	03546	FERGUSON WATERWORKS # 1083	0409519	06/21/12	3" CLMC PIPE	1,233.20	

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				04061912	06/14/12	D-5 BITS	815.45	
				0409332	06/19/12	INVENTORY	439.20	
				04089731	06/25/12	HYDRANT PARTS	122.84	2,610.69
2033986	07/18/12	03546	FERGUSON WATERWORKS # 1083	0405900	05/04/12	REDI CLAMP	494.01	
				0409707	06/19/12	INVENTORY	134.69	628.70
2034076	07/25/12	03546	FERGUSON WATERWORKS # 1083	04024821	05/14/12	REPAIR TAPPING MACHINE	8,857.27	
				04089732	06/28/12	HYDRANT PARTS	523.67	
				04081361	06/28/12	ADAPTER	448.24	
				0409624	07/05/12	SPACER FLANGE	371.74	10,200.92
2033817	07/03/12	14156	FERNANDO GARCIA	Ref002422482	07/02/12	UB Refund Cst #0000177269	39.15	39.15
2034077	07/25/12	12187	FIRST AMERICAN DATA TREE LLC	90034062	06/30/12	ONLINE DOCUMENTS (6/1/12-6/30/12)	99.00	99.00
2033904	07/11/12	04066	FIRST CHOICE SERVICES - SD	183455	06/13/12	COFFEE SUPPLIES	919.90	919.90
2033905	07/11/12	00035	FISHER SCIENTIFIC	9360777	06/21/12	LABORATORY SUPPLIES	357.61	
				9714675	06/25/12	LABORATORY SUPPLIES	298.96	656.57
2034078	07/25/12	00035	FISHER SCIENTIFIC	0292401	07/02/12	LABORATORY SUPPLIES	144.16	144.16
2033906	07/11/12	11962	FLEETWASH INC	3889727	06/15/12	VEHICLE WASH	273.75	
				3894021	06/22/12	VEHICLE WASH	146.73	420.48
2033818	07/03/12	01612	FRANCHISE TAX BOARD	Ben2422446	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	190.00	190.00
2033819	07/03/12	02344	FRANCHISE TAX BOARD	Ben2422456	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	366.56	366.56
2033987	07/18/12	01612	FRANCHISE TAX BOARD	Ben2422985	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	90.00	90.00
2034079	07/25/12	13563	FRIENDS OF THE WATER	129	07/03/12	GARDEN COSTS (1ST QTR FY 2013)	25,521.00	25,521.00
2033869	07/03/12	02254	FRY'S ELECTRONICS INC	003787	06/27/12	COMPUTER LOAN	1,848.49	1,848.49
2033907	07/11/12	03094	FULLCOURT PRESS	24159	06/11/12	BILL INSERT	1,409.64	1,409.64
2034080	07/25/12	13716	GARCIA JUAREZ CONSTRUCTION INC	5	07/05/12	CALAVO GARDENS (ENDING 6/30/12)	203,706.77	203,706.77
2033908	07/11/12	10817	GEXPRO	580325204	06/18/12	PME DEVELOPER	3,256.67	
				580184930	06/22/12	COLOR DISPLAY INTERMEDIATE	2,021.39	
				580184931	06/25/12	COLOR DISPLAY INTERMEDIATE	161.63	5,439.69
2034081	07/25/12	10817	GEXPRO	580325640	06/27/12	VIEWER	1,868.02	1,868.02
2033820	07/03/12	00101	GRAINGER INC	9847337640	06/07/12	TOOLS	661.75	
				9847156982	06/07/12	TOOLS	21.23	682.98

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2033909	07/11/12	00101	GRAINGER INC	9854708824	06/15/12	TOOLS	1,128.80	
				9851775016	06/13/12	FLATFORM TRUCK	345.75	
				9830128972	05/16/12	RAS/AERATION PIPING	303.72	
				9852661561	06/13/12	BATTERIES	212.56	
				9857035597	06/19/12	WET/DRY VAC	178.01	
				9855901121	06/18/12	LOAD CENTER	164.41	
				9853192764	06/14/12	FOOT VALVE	103.27	
				9847337657	06/07/12	TOOLS	6.24	
2034082	07/25/12	00101	GRAINGER INC	9868345159	07/03/12	MAINTENANCE SUPPLIES	658.39	
				9868222721	07/03/12	DEWATERING PUMP	332.62	
				9867240567	07/02/12	CLAMP ON KIT	264.24	
				9868499295	07/05/12	MAINTENANCE SUPPLIES	130.57	
2034083	07/25/12	12907	GREENRIDGE LANDSCAPE INC	9424	06/25/12	LANDSCAPING SERVICES (JUNE 2012)	8,650.00	
				9503	06/26/12	LANDSCAPING SERVICES	238.79	
2033988	07/18/12	03773	GTC SYSTEMS INC	33568	06/12/12	DATA CENTER SERVICES (JUNE 2012)	3,024.00	3,024.00
2034084	07/25/12	03773	GTC SYSTEMS INC	33690	06/29/12	DATA CENTER SERVICES (JUNE 2012)	1,570.25	1,570.25
2033821	07/03/12	14146	GUILLERMO PEREZ ORDUNA	Ref002422471	07/02/12	UB Refund Cst #0000122082	64.09	64.09
2033989	07/18/12	14189	GWENDOLYN WILLS	Ref002422839	07/16/12	UB Refund Cst #0000066781	90.39	90.39
2033910	07/11/12	00174	HACH COMPANY	7801345	06/15/12	SOFTWARE SUPPORT (6/15/12-6/14/13)	2,682.00	
				7811581	06/21/12	DO SENSOR PROBES	247.76	
2034085	07/25/12	00174	HACH COMPANY	7825644	06/29/12	HACH ANALYZERS	2,453.73	2,453.73
2034086	07/25/12	02795	HARTFORD INSURANCE CO, THE	Ben2422971	07/19/12	MONTHLY CONTRIBUTION TO LTD	5,428.92	5,428.92
2033911	07/11/12	06640	HD SUPPLY WATERWORKS LTD	4790949	06/19/12	VALMATIC 202C.	531.86	
				4855200	06/07/12	COUPLINGS	321.98	
2033990	07/18/12	06640	HD SUPPLY WATERWORKS LTD	4755972	06/11/12	G-10 METER GASKETS	584.55	584.55
2033991	07/18/12	04472	HECTOR I MARES-COSSIO	87	05/31/12	CONSULTANT SERVICES (MAY 2012)	3,600.00	
				88	06/30/12	CONSULTANT SERVICES (JUNE 2012)	3,600.00	
2033992	07/18/12	02096	HELIX WATER DISTRICT	0000292400612	07/09/12	TEMPORARY METER (5/24/12-6/27/12)	343.74	343.74
2033993	07/18/12	00713	HEWLETT-PACKARD COMPANY	51370780	06/14/12	HP PROLIANT	48,321.35	48,321.35
2033822	07/03/12	14158	HOME REALTY USA	Ref002422484	07/02/12	UB Refund Cst #0000177971	72.50	72.50
2033823	07/03/12	12335	HP ENTERPRISE SERVICES LLC	U2950460	06/08/12	CREDIT CARD SERVICES (MAY 2012)	2,545.20	2,545.20

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2033994	07/18/12	03743	HYDROTEX	120149 120148	06/20/12 06/20/12	OIL ENGINE OIL	3,310.92 3,273.05	6,583.97
2033995	07/18/12	14193	HYUNAH KOH	Ref002422844	07/16/12	UB Refund Cst #0000144830	15.13	15.13
2033824	07/03/12	14153	ILIANA E MAGANA	Ref002422479	07/02/12	UB Refund Cst #0000175024	196.21	196.21
2033996	07/18/12	07485	INFO-HOLD INC	3531	07/20/12	ANNUAL LICENSE	595.00	595.00
2034087	07/25/12	08969	INFOSEND INC	60077 60167 60076	06/29/12 07/02/12 06/29/12	POSTAGE - JUNE 2012 BILL PRINTING SERVICES (JUNE 2012) BILL PRINTING SERVICES (JUNE 2012)	12,084.53 5,011.60 4,995.60	22,091.73
2034088	07/25/12	02372	INTERIOR PLANT SERVICE INC	1095	06/30/12	PLANT SERVICES (JUNE 2012)	186.00	186.00
2033912	07/11/12	03250	INTERNATIONAL PUBLIC MGMT	003807	07/09/12	MEMBERSHIP RENEWALS	165.00	165.00
2033825	07/03/12	14176	IRISH CONSTRUCTION UNDERGROUND	Ref002422502	07/02/12	UB Refund Cst #0000188637	1,834.91	1,834.91
2033997	07/18/12	02263	ITRON INC	248315	06/11/12	SOFTWARE MAINTENANCE	4,685.21	4,685.21
2033870	07/03/12	14178	JAMACHA PARK HOA	003782	06/28/12	LANDSCAPE PROGRAM	20,000.00	20,000.00
2033913	07/11/12	10563	JCI JONES CHEMICALS INC	548456	06/04/12	CHLORINE TP	8,063.00	8,063.00
2033826	07/03/12	14165	JEFF JENKEL	Ref002422491	07/02/12	UB Refund Cst #0000185789	30.80	30.80
2033914	07/11/12	01010	JOBS AVAILABLE INC	1213025	06/19/12	JOB POSTING	367.50	367.50
2034089	07/25/12	01010	JOBS AVAILABLE INC	1214024	07/03/12	JOB POSTING	455.00	455.00
2033998	07/18/12	14191	JOYCELYN FRONDARINA	Ref002422841	07/16/12	UB Refund Cst #0000081980	40.00	40.00
2033915	07/11/12	12639	KAPISH NORTH AMERICA LLC	3054	06/15/12	TRIM IMPLEMENTATION	2,880.00	2,880.00
2033827	07/03/12	01804	KEERAN, TIMOTHY	003788	06/04/12	EMPLOYEE PROGRAM	117.90	117.90
2034090	07/25/12	05840	KIRK PAVING INC	5118 5119	06/29/12 06/29/12	PAVING SERVICES PAVING SERVICES	5,997.60 4,998.00	10,995.60
2034091	07/25/12	04996	KNOX ATTORNEY SERVICE INC	692846	06/30/12	DELIVERY SERVICES (JUNE 2012)	181.50	181.50
2033916	07/11/12	14036	KRATOS / HBE	180102122	06/21/12	SECURITY CAMERAS	21,080.27	21,080.27
2033917	07/11/12	03336	KREINBRING, THERESA	003808	07/03/12	TRAVEL EXPENSES (6/24/12-6/28/12)	689.60	689.60
2033999	07/18/12	03336	KREINBRING, THERESA	003811	07/11/12	COMPUTER LOAN	1,211.03	1,211.03

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2033918	07/11/12	01859	LA PRENSA SAN DIEGO	23773	06/12/12	JOB POSTING	48.00	48.00
2034092	07/25/12	06497	LAKESIDE LAND COMPANY	263958	06/29/12	LANDFILL	1,628.80	
				264001	07/02/12	LANDFILL	696.15	
				263836	06/26/12	LANDFILL	193.40	
				264048	07/03/12	LANDFILL	53.20	2,571.55
2033828	07/03/12	14149	LARA JOA	Ref002422474	07/02/12	UB Refund Cst #0000143133	66.78	66.78
2034093	07/25/12	09511	LAYFIELD ENVIRONMENTAL SYSTEMS	E04010	06/26/12	COVER MAINTENANCE (6/1/12-6/26/12)	46,475.00	46,475.00
2033829	07/03/12	05220	LOGICALIS INTEGRATION SOLUTION	IN078229	05/29/12	SMARTNET SUPPORT	396.00	
				IN078228	05/29/12	SMARTNET SUPPORT 2911	244.80	640.80
2033919	07/11/12	05220	LOGICALIS INTEGRATION SOLUTION	IN078847	06/12/12	HP HARD DRIVE	19,133.63	
				IN078848	06/12/12	HP SUPPORT	1,728.64	20,862.27
2034000	07/18/12	05220	LOGICALIS INTEGRATION SOLUTION	S239120	05/31/12	2010 EXCHANGE UPGRADE	350.00	350.00
2034094	07/25/12	05220	LOGICALIS INTEGRATION SOLUTION	S239583	06/30/12	SUPPORT SERVICES (2/27/12-3/19/12)	630.70	630.70
2034001	07/18/12	03019	LOPEZ, JOSE	70100612	07/11/12	MILEAGE REIMBURSEMENT (JUNE 2012)	22.20	
				70100512	07/11/12	MILEAGE REIMBURSEMENT (MAY 2012)	2.78	24.98
2033830	07/03/12	14148	LOYAL THOMPSON	Ref002422473	07/02/12	UB Refund Cst #0000142800	12.46	12.46
2033871	07/03/12	11475	LYDIA JEFFERSON	Ref002422466	07/02/12	UB Refund Cst #0000048881	71.03	71.03
2033920	07/11/12	01054	LYNN'S LOCKSMITH SERVICE	277961	06/06/12	LOCKSMITH SERVICES	1,031.69	
				277438	06/22/12	LOCKSMITH SERVICES	62.80	1,094.49
2033872	07/03/12	10512	MAIL MANAGEMENT GROUP INC	OWD7629	06/29/12	DATA ENTRY	75.00	75.00
2034002	07/18/12	10512	MAIL MANAGEMENT GROUP INC	OWD7611	05/30/12	POSTCARDS	304.81	304.81
2034095	07/25/12	10512	MAIL MANAGEMENT GROUP INC	OWD7667	06/28/12	CONSUMER CONFIDENCE REPORT	2,360.20	2,360.20
2033873	07/03/12	14179	MARK JACKSON	003784	06/28/12	LANDSCAPE PROGRAM	346.00	346.00
2034003	07/18/12	14198	MARK TORRES	Ref002422849	07/16/12	UB Refund Cst #0000183780	111.66	111.66
2034096	07/25/12	02902	MARSTON+MARSTON INC	201271	07/02/12	COMMUNITY OUTREACH (JUNE 2012)	5,000.00	5,000.00
2033874	07/03/12	14180	MARY LYNN REICHEL	003786	06/27/12	LANDSCAPE PROGRAM	736.00	736.00
2033921	07/11/12	05329	MASTER METER INC	0203158IN	06/21/12	INVENTORY	12,893.37	
				0203219IN	06/22/12	AMR REGISTERS	2,033.13	14,926.50

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2033831	07/03/12	14161	MATTHEW MASI	Ref002422487	07/02/12	UB Refund Cst #0000183752	18.11	18.11
2033922	07/11/12	01183	MCMaster-CARR SUPPLY CO	29137944	06/13/12	HAND TRUCK	168.93	168.93
2033923	07/11/12	01824	MERKEL & ASSOCIATES INC	12061301	06/13/12	ENVIRONMENTAL SERVICES (5/1/12-5/31/12)	13,558.37	13,558.37
2034004	07/18/12	14188	MICHAEL JESSE PEREZ	Ref002422838	07/16/12	UB Refund Cst #0000063697	114.55	114.55
2033924	07/11/12	14182	MIKE CUNNINGHAM	003800	07/05/12	W/O REFUND D0874-090126	3,694.22	3,694.22
2033925	07/11/12	02835	MIL-RAM TECHNOLOGY INC	985559	05/25/12	CHLORINE SENSORS	1,220.00	1,220.00
2034097	07/25/12	02835	MIL-RAM TECHNOLOGY INC	185559	07/13/12	SALES TAX FOR PO 716159	93.00	93.00
2033926	07/11/12	00237	MISSION JANITORIAL & ABRASIVE	31436900	06/13/12	JANITORIAL SUPPLIES	920.73	920.73
2033832	07/03/12	14155	MJ LUPIAN	Ref002422481	07/02/12	UB Refund Cst #0000175588	15.73	15.73
2033927	07/11/12	09227	MOORE INDUSTRIES-INTRNTL INC	573158	06/25/12	PID CONTROLLER	1,092.26	1,092.26
2034098	07/25/12	03623	MWH AMERICAS INC	1471172 1466326	07/05/12 06/28/12	RWCWRF UPGRADE (5/26/12-6/29/12) RWCWRF UPGRADE (3/31/12-5/25/12)	6,532.37 1,608.06	8,140.43
2033928	07/11/12	02764	MYRON L COMPANY	333454	06/14/12	INSTRUMENTS REPAIR	500.62	500.62
2033929	07/11/12	04676	NAPA AUTO PARTS	283272	06/19/12	SHOP TOOL	69.50	69.50
2034005	07/18/12	04676	NAPA AUTO PARTS	283376 283261	06/20/12 06/19/12	REPAIR PART SHOP TOOL	680.02 121.49	801.51
2033833	07/03/12	03523	NATIONAL DEFERRED COMPENSATION	Ben2422442	07/05/12	BI-WEEKLY DEFERRED COMP PLAN	8,838.15	8,838.15
2034006	07/18/12	03523	NATIONAL DEFERRED COMPENSATION	Ben2422981	07/19/12	BI-WEEKLY DEFERRED COMP PLAN	8,838.15	8,838.15
2034099	07/25/12	09884	NATIONAL SAFETY COMPLIANCE INC	53665	06/30/12	RANDOM DRUG TESTING (JUNE 2012)	707.87	707.87
2034007	07/18/12	14203	NEW VISTA REALTY	Ref002422854	07/16/12	UB Refund Cst #0000186993	28.75	28.75
2034100	07/25/12	08531	NEWEST CONSTRUCTION	10	06/30/12	RWCWR UPGRADE (ENDING 6/30/12)	169,032.60	169,032.60
2033875	07/03/12	10251	NOJAN TALEBZADEH	Ref002422463	07/02/12	UB Refund Cst #0000005810	98.43	98.43
2033876	07/03/12	08777	NORMAN KNIGHT	003785	06/28/12	LANDSCAPE PROGRAM	1,194.00	1,194.00
2034101	07/25/12	08656	NORTH STATE ENVIRONMENTAL	203227	06/30/12	HAZARDOUS WASTE DISPOSAL	1,377.70	1,377.70
2034008	07/18/12	14204	OAK TREE REALTY	Ref002422855	07/16/12	UB Refund Cst #0000187637	67.11	67.11

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2033834	07/03/12	14150	OBDULIA GALVAN	Ref002422475	07/02/12	UB Refund Cst #0000155482	36.31	36.31
2033930	07/11/12	00510	OFFICE DEPOT INC	614482931001	06/15/12	OFFICE SUPPLIES	293.22	
				614874008001	06/25/12	INK CARTRIDGES	261.81	
				614874183001	06/25/12	TONER CARTRIDGE	199.53	
				614185450001	06/14/12	PHONE HEADSET	107.70	
				614375193001	06/14/12	OFFICE SUPPLIES	95.79	
				613421813001	06/19/12	OFFICE SUPPLIES	66.18	
				613424700001	06/19/12	OFFICE SUPPLIES	57.05	
				614079145001	06/12/12	SUPPLIES	51.13	
				613827162001	06/20/12	OFFICE SUPPLIES	44.79	1,177.20
2034102	07/25/12	00510	OFFICE DEPOT INC	615122957001	06/27/12	OFFICE SUPPLIES	70.22	
				615981961001	07/05/12	OFFICE SUPPLIES	51.11	121.33
2034009	07/18/12	05203	OIL FILTER SERVICE	54051	06/20/12	REPAIR PART	1,575.77	1,575.77
2033931	07/11/12	03149	ON SITE LASER LLC	46840	06/25/12	PRINTER SERVICES	193.95	193.95
2033932	07/11/12	13115	ONESOURCE DISTRIBUTORS LLC	S3779815001	05/24/12	LADDER LOCK	258.54	258.54
2033933	07/11/12	07496	ORTEGA-CARRILLO, ALMA PATRICIA	003804	07/06/12	TUITION REIMBURSEMENT	150.00	150.00
2033934	07/11/12	02334	OTAY LANDFILL - 4531	0000012507	06/15/12	WASTE DISPOSAL	143.25	143.25
2034103	07/25/12	02334	OTAY LANDFILL - 4531	0000012585	06/30/12	WASTE DISPOSAL (6/22/12-6/30/12)	683.62	683.62
2033835	07/03/12	03101	OTAY WATER DISTRICT	Ben2422438	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	693.00	693.00
2034010	07/18/12	03101	OTAY WATER DISTRICT	Ben2422977	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	693.00	693.00
2034104	07/25/12	05118	OTIS ELEVATOR COMPANY	SD04041612	05/21/12	ELEVATOR MAINTENANCE (JUNE 2012)	458.58	458.58
2034105	07/25/12	03780	OWEN, DOUGLAS WESTLEY	003820	07/24/12	TUITION REIMBURSEMENT	3,000.00	3,000.00
2033836	07/03/12	01002	PACIFIC PIPELINE SUPPLY	153684	06/11/12	HYDRANT CAPS	1,996.61	1,996.61
2033935	07/11/12	01002	PACIFIC PIPELINE SUPPLY	154005	06/27/12	INVENTORY	4,945.34	
				153993	06/22/12	INVENTORY	2,223.79	
				153967	06/18/12	STEM VALVES	95.34	
				153973	06/22/12	INVENTORY	74.93	7,339.40
2034106	07/25/12	01002	PACIFIC PIPELINE SUPPLY	153966	07/03/12	STEM VALVES	2,976.00	2,976.00
2034011	07/18/12	14183	PACIFIC SAFETY CENTER	69188	05/31/12	MEMBERSHIP RENEWAL (8/1/12-7/31/13)	380.00	380.00
2033837	07/03/12	14174	PATRICIA MCKELVEY	Ref002422500	07/02/12	UB Refund Cst #0000188155	183.06	183.06

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2034012	07/18/12	14202	PATRICIA MCKELVEY	Ref002422853	07/16/12	UB Refund Cst #0000186976	124.14	124.14
2033838	07/03/12	14152	PATRICIA ZUNIGA	Ref002422478	07/02/12	UB Refund Cst #0000174734	75.00	75.00
2034107	07/25/12	05497	PAYPAL INC	17985013	06/30/12	PHONE PAYMENT SERVICES (JUNE 2012)	54.10	54.10
2033936	07/11/12	03790	PENHALL COMPANY	31043	06/18/12	SAW CUTTING SERVICES	200.00	200.00
2034013	07/18/12	03790	PENHALL COMPANY	30861	05/22/12	CORE HOLE 12 INCH	303.75	303.75
2034108	07/25/12	03790	PENHALL COMPANY	31199	06/30/12	SAW CUTTING SERVICES (6/25/12)	432.50	432.50
2033937	07/11/12	00137	PETTY CASH CUSTODIAN	003806	07/09/12	PETTY CASH	524.58	524.58
2033938	07/11/12	00053	PITNEY BOWES INC	794703	06/23/12	E-Z SEAL	54.03	54.03
2033939	07/11/12	03351	POSADA, ROD	003802	07/06/12	COMPUTER LOAN	630.00	630.00
2033940	07/11/12	05499	PRAXAIR DISTRIBUTION INC	43232340	06/18/12	WELDING SUPPLIES	1,235.52	1,235.52
2033941	07/11/12	01733	PRICE TRONCONE &	12526	05/14/12	ANTENNA SUBLEASE (1ST QTR FY 2013)	4,128.00	4,128.00
2034109	07/25/12	13059	PRIORITY BUILDING SERVICES	31097	06/01/12	JANITORIAL SERVICES (JUNE 2012)	3,504.00	3,504.00
2033839	07/03/12	06844	PROCESS MEASUREMENT &	076150	05/24/12	SUBMERSIBLE TRANSMITTERS	2,627.88	2,627.88
2034014	07/18/12	03237	PROGRESSIVE MAPPING	4765	04/16/12	CIVIL3D UPDATE (5/1/12-5/1/13)	1,137.50	1,137.50
2033942	07/11/12	06641	PRUDENTIAL OVERALL SUPPLY	30268571	06/21/12	UNIFORMS, TOWELS & MATS	366.04	
				30268570	06/21/12	UNIFORMS, TOWELS & MATS	207.95	
				30267044	06/14/12	UNIFORMS, TOWELS & MATS	173.33	
				30268572	06/21/12	UNIFORMS, TOWELS & MATS	173.33	
				30266404	06/12/12	UNIFORMS, TOWELS & MATS	124.04	
				30267949	06/19/12	UNIFORMS, TOWELS & MATS	124.04	
				30267045	06/14/12	UNIFORMS, TOWELS & MATS	55.65	
				30268573	06/21/12	UNIFORMS, TOWELS & MATS	55.65	
				30266403	06/12/12	UNIFORMS, TOWELS & MATS	38.12	
				30267948	06/19/12	UNIFORMS, TOWELS & MATS	38.12	1,356.27
2034015	07/18/12	06641	PRUDENTIAL OVERALL SUPPLY	30267043	06/14/12	UNIFORMS, TOWELS & MATS	374.04	
				30267042	06/14/12	UNIFORMS, TOWELS & MATS	207.95	581.99
2034110	07/25/12	06641	PRUDENTIAL OVERALL SUPPLY	30270095	06/28/12	UNIFORMS, TOWELS & MATS	452.36	
				30270094	06/28/12	UNIFORMS, TOWELS & MATS	207.95	
				30270096	06/28/12	UNIFORMS, TOWELS & MATS	173.33	
				30269491	06/26/12	UNIFORMS, TOWELS & MATS	124.04	
				30270097	06/28/12	UNIFORMS, TOWELS & MATS	55.65	

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				30269490	06/26/12	UNIFORMS, TOWELS & MATS	38.12	
				31004228	06/28/12	UNIFORM JACKET	37.00	1,088.45
2033943	07/11/12	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2422436	07/05/12	BI-WEEKLY PERS CONTRIBUTION	151,302.72	151,302.72
2034111	07/25/12	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2422975	07/19/12	BI-WEEKLY PERS CONTRIBUTION	159,850.54	159,850.54
2034112	07/25/12	04065	PURCHASE POWER	8000900011167503	07/05/12	POSTAGE METER REFILL	6,060.00	6,060.00
2034113	07/25/12	10294	QWIKPRINTS	121841048	07/02/12	FINGERPRINTING SVCS (6/11/12-6/25/12)	60.00	60.00
2033944	07/11/12	01342	R J SAFETY SUPPLY CO INC	30175900	06/15/12	SAFETY EQUIPMENT	8,902.52	
				30175901	06/20/12	SAFETY EQUIPMENT	206.88	
				30138402	06/20/12	SAFETY SUPPLIES	33.89	9,143.29
2033840	07/03/12	14151	RACQUEL EBALO	Ref002422476	07/02/12	UB Refund Cst #0000155576	30.67	30.67
2033841	07/03/12	14142	RANDLE MOYERS	Ref002422465	07/02/12	UB Refund Cst #0000044001	92.50	92.50
2034016	07/18/12	14187	RAUL DELGADILLO	Ref002422837	07/16/12	UB Refund Cst #0000056460	150.00	150.00
2034114	07/25/12	02041	RBF CONSULTING	12060015	07/02/12	CONSTRUCTION MGMT (6/12/12-6/30/12)	800.00	800.00
2034017	07/18/12	01722	RDO EQUIPMENT CO	P08115	05/31/12	FREIGHT	91.59	91.59
2033842	07/03/12	04552	REA & PARKER RESEARCH	003780	05/07/12	CUSTOMER SURVEYS	9,312.50	
				003781	05/07/12	CUSTOMER SURVEYS	7,125.00	16,437.50
2033945	07/11/12	11969	RELIANCE SAFETY CONSULTANTS	1215	06/15/12	CPR TRAINING	1,280.00	1,280.00
2034115	07/25/12	11969	RELIANCE SAFETY CONSULTANTS	1216	06/27/12	CPR TRAINING	880.00	880.00
2034018	07/18/12	14122	REMEDIOS RICHARDSON	Ref002422842	07/16/12	UB Refund Cst #0000091849	36.16	36.16
2033843	07/03/12	14143	RICARDO CANALES	Ref002422467	07/02/12	UB Refund Cst #0000050419	33.08	33.08
2033844	07/03/12	14157	RICARDO QUINTERO	Ref002422483	07/02/12	UB Refund Cst #0000177885	59.12	59.12
2033946	07/11/12	00521	RICK POST WELDING &	9280	06/12/12	WELDING	380.00	380.00
2034019	07/18/12	14186	ROBERT FILNER	Ref002422836	07/16/12	UB Refund Cst #0000045551	81.02	81.02
2034116	07/25/12	06412	ROMERO, TANYA	003818	07/24/12	TUITION REIMBURSEMENT	352.00	352.00
2034020	07/18/12	14190	RONALD MONTEHERMOSO	Ref002422840	07/16/12	UB Refund Cst #0000073453	306.84	306.84
2034021	07/18/12	14195	RONNE PADILLA	Ref002422846	07/16/12	UB Refund Cst #0000155617	22.66	22.66

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2034022	07/18/12	02620	ROTORK CONTROLS INC	CI05084	06/20/12	ROTORK-FILTER INF	1,185.25	1,185.25
2034023	07/18/12	14192	ROXANNE MONTEMAYOR	Ref002422843	07/16/12	UB Refund Cst #0000124928	37.23	37.23
2033947	07/11/12	00217	RW LITTLE CO INC	108396	06/20/12	POWDER COAT	200.00	200.00
2034117	07/25/12	00217	RW LITTLE CO INC	108560	07/02/12	POWDER COAT GORMANN RUPP AIR VAC.-	100.00	100.00
2033948	07/11/12	05130	SAFARI MICRO INC	216458	05/25/12	Adobe Illustrator CS6	648.19	648.19
2034118	07/25/12	02683	SAFECHECKS INC	0518742	06/27/12	CHECK STOCK	843.73	843.73
2033949	07/11/12	13204	SAIC ENERGY ENVIR & INFRAS LLC	05784	06/13/12	CONSTRUCTION MGMT (ENDING 6/1/12)	36,185.74	36,185.74
2033950	07/11/12	11596	SAN DIEGO CONSTRUCTION WELDING	8439 8427	06/25/12 06/12/12	WELDING SERVICES (6/13/12-6/19/12) WELDING SERVICES (6/8/12)	722.50 255.00	977.50
2034024	07/18/12	11596	SAN DIEGO CONSTRUCTION WELDING	8361	05/02/12	WELDING SERVICES (4/18/12-4/20/12)	3,060.00	3,060.00
2033951	07/11/12	00247	SAN DIEGO DAILY TRANSCRIPT	313353	06/18/12	BID ADVERTISEMENT	111.70	111.70
2034119	07/25/12	13712	SAN DIEGO FREIGHT LINER	W31416	06/29/12	DUMP TRUCK	75,418.26	75,418.26
2033845	07/03/12	00121	SAN DIEGO GAS & ELECTRIC	003777	06/19/12	UTILITY EXPENSES (MONTHLY)	36,204.81	36,204.81
2033952	07/11/12	00121	SAN DIEGO GAS & ELECTRIC	003699 003698 003797	06/27/12 06/25/12 06/22/12	UTILITY EXPENSES (MONTHLY) UTILITY EXPENSES (MONTHLY) UTILITY EXPENSES (MONTHLY)	56,228.65 41,554.71 106.42	97,889.78
2034025	07/18/12	00121	SAN DIEGO GAS & ELECTRIC	003809	07/17/12	UTILITY EXPENSES (MONTHLY)	72,306.76	72,306.76
2033953	07/11/12	03273	SAN DIEGO READER	158620	06/14/12	JOB POSTING	69.22	69.22
2033846	07/03/12	14172	SAN DIEGO REALTY	Ref002422498	07/02/12	UB Refund Cst #0000187203	16.07	16.07
2033847	07/03/12	14166	SAN DIEGO REALTY INC	Ref002422492	07/02/12	UB Refund Cst #0000186023	43.81	43.81
2033848	07/03/12	14168	SAN DIEGO REALTY INC	Ref002422494	07/02/12	UB Refund Cst #0000186763	31.22	31.22
2034026	07/18/12	10665	SAN DIEGO STAGE & LIGHTING	JOBRTL1215861	07/01/12	CHOIR RISERS RENTAL	235.00	235.00
2033954	07/11/12	03590	SAN JOSE, DELIA	003801	07/06/12	COMPUTER LOAN	873.98	873.98
2034027	07/18/12	06280	SANCHEZ, OMAR	003815	07/03/12	LICENSE RENEWAL	125.50	125.50
2034120	07/25/12	00419	SHAPE PRODUCTS	157028	07/06/12	DISTRIBUTION SUPPLIES	1,172.77	1,172.77
2034028	07/18/12	14205	SHERMAN TRUST/LINCOLN BANKS	Ref002422856	07/16/12	UB Refund Cst #0000187688	33.87	33.87

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Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2034121	07/25/12	11516	SIEMENS INDUSTRY INC	900810040	07/06/12	AMMONIA SENSOR	480.61	480.61
2034122	07/25/12	13327	SILVA SILVA INTERNATIONAL	1207	07/10/12	PROJECT CONSULTANT (JUNE 2012)	4,000.00	4,000.00
2033955	07/11/12	12281	SIR SPEEDY PRINTING	3092	06/21/12	BUSINESS CARDS	41.63	41.63
2034123	07/25/12	03592	SOFTCHOICE CORPORATION	3074340	06/26/12	ADOBE UPGRADE	10,670.16	10,670.16
2033849	07/03/12	14167	SONYA FLORES	Ref002422493	07/02/12	UB Refund Cst #0000186505	37.12	37.12
2034029	07/18/12	02963	SOUTH COUNTY ECONOMIC	111712	06/09/12	MEMBERSHIP RENEWAL (7/1/12-6/30/12)	750.00	750.00
2033956	07/11/12	03103	SOUTHCOAST HEATING &	C48936	06/12/12	AC MAINTENANCE (JUNE 2012)	1,068.00	1,068.00
2033957	07/11/12	01669	SOUTHLAND ENVELOPE CO INC	116583	06/13/12	REPLY ENVELOPES	257.85	257.85
2033958	07/11/12	03760	SPANKY'S PORTABLE SERVICES INC	917410	06/13/12	PORTABLE TOILET RENTAL (6/13/12-7/10/12)	79.96	79.96
2034030	07/18/12	03760	SPANKY'S PORTABLE SERVICES INC	917856	06/22/12	PORTABLE TOILET RENTAL (6/21/12-7/18/12)	98.15	98.15
2034124	07/25/12	03760	SPANKY'S PORTABLE SERVICES INC	919251	07/02/12	PORTABLE TOILET RENTAL (6/30/12-7/27/12)	79.96	
				918856	06/29/12	PORTABLE TOILET RENTAL (6/29/12-7/26/12)	79.96	
				918855	06/29/12	PORTABLE TOILET RENTAL (6/29/12-7/26/12)	79.96	
				918854	06/29/12	PORTABLE TOILET RENTAL (6/29/12-7/26/12)	79.96	319.84
2033959	07/11/12	03516	SPECIAL DISTRICT RISK	39548	05/11/12	PROPERTY & LIABILITY PROGRAM (ANNUAL)	563,165.54	563,165.54
2034125	07/25/12	03516	SPECIAL DISTRICT RISK	40027	06/04/12	WORKERS' COMPENSATION (7/1/12-9/30/12)	56,877.00	56,877.00
2034031	07/18/12	10343	SPECIALTY DOORS AND AUTOMATION	37712SD	06/19/12	GATE REPAIR	716.39	716.39
2034126	07/25/12	10343	SPECIALTY DOORS AND AUTOMATION	37821SD	06/30/12	GATE REPAIR	2,992.50	2,992.50
2033850	07/03/12	06510	SPRINT NEXTEL	901500243069	06/12/12	WIRELESS SERVICES (5/9/12-6/8/12)	3,525.00	3,525.00
2034127	07/25/12	10670	STANDARD & POOR'S FINANCIAL	10299999	07/10/12	ANALYTICAL SERVICES (7/1/12-6/30/13)	3,500.00	3,500.00
2033851	07/03/12	13564	STAR-NEWS PUBLISHING CO, THE	00008412	05/25/12	JOB POSTING	126.50	126.50
2034032	07/18/12	13564	STAR-NEWS PUBLISHING CO, THE	00008977	06/15/12	JOB POSTING	138.00	138.00
2033852	07/03/12	06281	STATE DISBURSEMENT UNIT	Ben2422454	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	415.38	415.38
2033853	07/03/12	06299	STATE DISBURSEMENT UNIT	Ben2422444	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2033854	07/03/12	06303	STATE DISBURSEMENT UNIT	Ben2422448	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15

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2033855	07/03/12	08533	STATE DISBURSEMENT UNIT	Ben2422458	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	253.85	253.85
2034033	07/18/12	06281	STATE DISBURSEMENT UNIT	Ben2422989	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	415.38	415.38
2034034	07/18/12	06299	STATE DISBURSEMENT UNIT	Ben2422983	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2034035	07/18/12	06303	STATE DISBURSEMENT UNIT	Ben2422987	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15
2034036	07/18/12	08533	STATE DISBURSEMENT UNIT	Ben2422991	07/19/12	BI-WEEKLY PAYROLL DEDUCTION	253.85	253.85
2033856	07/03/12	14171	STEPHANIE MACKEY	Ref002422497	07/02/12	UB Refund Cst #0000187110	16.82	16.82
2033960	07/11/12	03738	STEVEN ENTERPRISES INC	0287781IN	06/15/12	INK CARTRIDGES	193.95	193.95
2033961	07/11/12	03263	STRUNKS JR, DALE	003803	07/06/12	COMPUTER LOAN	707.30	707.30
2033962	07/11/12	06841	SUPERIOR ENVIRONMENTAL	1206034	06/19/12	CLEANING SERVICES	600.00	600.00
2033963	07/11/12	10339	SUPREME OIL COMPANY	373840	06/20/12	UNLEADED FUEL	13,910.95	
				373860	06/21/12	DIESEL FUEL	12,390.75	
				373839	06/20/12	DIESEL FUEL	6,914.36	
				373837	06/20/12	DIESEL FUEL	4,089.21	37,305.27
2034037	07/18/12	14199	SVSC HOLDINGS LP	Ref002422850	07/16/12	UB Refund Cst #0000186749	2,000.77	2,000.77
2033857	07/03/12	01554	SWANSON INSURANCE AGENCY	22546	06/21/12	NOTARY BOND RENEWAL	50.00	
				22547	06/21/12	E&O NOTARY BOND	35.00	85.00
2034038	07/18/12	00408	SWEETWATER AUTHORITY	003816	07/06/12	PHOTO EXHIBIT POSTCARDS	211.46	211.46
2033964	07/11/12	02188	TALLEY COMMUNICATIONS	10093575	06/12/12	CABLE ADAPTERS	71.50	71.50
2034128	07/25/12	02376	TECHKNOWSION INC	2398	06/30/12	TECHKNOWSION SECONDARY	15,000.00	
				2400	06/30/12	TECHKNOWSION FILTER	6,683.00	21,683.00
2033877	07/03/12	14177	THOMPSON, MITCHELL	18070612	06/26/12	MILEAGE REIMBURSEMENT (5/30/12-6/30/12)	5.55	5.55
2034039	07/18/12	14196	TSUTOMU ISHIZAWA	Ref002422847	07/16/12	UB Refund Cst #0000169139	111.33	111.33
2034129	07/25/12	00427	UNDERGROUND SERVICE ALERT OF	620120468	07/01/12	UNDERGROUND ALERTS (JUNE 2012)	280.50	280.50
2033965	07/11/12	13047	UNION BANK NA	8479	06/18/12	ADM FEES-BONDS	2,963.62	
				8604	06/22/12	ADM FEES FOR 1993/2004 COPS (ANNUAL)	2,097.00	
				8605	06/22/12	ADM FEES FOR ID NO 27 (ANNUAL)	825.00	5,885.62
2033966	07/11/12	14181	UNITED RENTALS (NORTH AMERICA)	103488506001	06/20/12	CONCRETE	179.44	
				103415203001	06/18/12	CONCRETE	177.79	
				103431841001	06/18/12	CONCRETE	159.47	516.70

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2033858	07/03/12	05417	UNITED STATES DEPARTMENT	Ben2422450	07/05/12	BI-WEEKLY PAYROLL DEDUCTION	100.00	100.00
2034040	07/18/12	07662	UNITEDHEALTHCARE SPECIALTY	1004800000	07/18/12	AD&D & SUPP LIFE INS (SEPT 2011)	5,471.52	5,471.52
2033967	07/11/12	03212	UNUM LIFE INSURANCE	003805	07/10/12	FICA CONTRIBUTION	119.72	119.72
2034041	07/18/12	07674	US BANK CORPORATE PAYMENT	003812	06/22/12	CAL CARD EXPENSES (MONTHLY)	868.71	
				003810	06/22/12	CAL CARD EXPENSES (MONTHLY)	404.78	
				003813	06/22/12	CAL CARD EXPENSES (MONTHLY)	45.43	1,318.92
2034130	07/25/12	06829	US SECURITY ASSOCIATES INC	728154	06/28/12	SECURITY SERVICES	110.00	110.00
2034131	07/25/12	13048	V & A CONSULTING ENGINEERS	13462R	06/29/12	CORROSION SERVICES (5/26/12-6/29/12)	13,191.00	13,191.00
2034132	07/25/12	08028	VALLEY CONSTRUCTION MANAGEMEN	SD100123	06/30/12	CONSTRUCTION MGMT (6/1/12-6/30/12)	13,755.00	
				SD100124	06/30/12	INSPECTION SERVICES (6/1/12-6/30/12)	4,845.00	18,600.00
2033859	07/03/12	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2422434	07/05/12	BI-WEEKLY DEFERRED COMP PLAN	12,684.66	12,684.66
2033860	07/03/12	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2422440	07/05/12	BI-WEEKLY 401A PLAN	1,815.58	1,815.58
2033861	07/03/12	12686	VANTAGEPOINT TRANSFER AGENTS	Ben2422452	07/05/12	401A TERMINAL PAY	7,157.63	7,157.63
2034042	07/18/12	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2422973	07/19/12	BI-WEEKLY DEFERRED COMP PLAN	11,896.55	11,896.55
2034043	07/18/12	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2422979	07/19/12	BI-WEEKLY 401A PLAN	1,815.58	1,815.58
2033862	07/03/12	07595	WALTERS WHOLESALE ELECTRIC CO	326432201	05/25/12	ELECTRICAL PARTS	3,340.25	
				326432202	05/25/12	ELECTRICAL PARTS	405.14	3,745.39
2034133	07/25/12	01343	WE GOT YA PEST CONTROL	76395	07/03/12	BEE REMOVAL	115.00	115.00
2034044	07/18/12	00517	WESCO DISTRIBUTION INC	610832	05/30/12	TRANSFER SWITCH	6,798.82	6,798.82
2034134	07/25/12	00125	WESTERN PUMP INC	0118302IN	06/30/12	FEUL ISLAND TESTING	1,537.50	
				0118298IN	06/30/12	LEAK CERTIFICATION	963.36	
				0117819IN	06/27/12	DUSTO INSPECTIONS	400.00	2,900.86
2033968	07/11/12	01112	ZEP SALES & SERVICE	53507118	06/14/12	JANITORIAL SUPPIES	125.51	125.51
<b>GRAND TOTAL</b>							<b>2,529,502.18</b>	<b>2,529,502.18</b>