

OTAY WATER DISTRICT

BOARD OF DIRECTORS MEETING
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
November 2, 2016
3:30 P.M.

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. 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

PUBLIC HEARING

5. PUBLIC HEARING ON THE ACQUISITION BY EMINENT DOMAIN OF CERTAIN REAL PROPERTY INTERESTS ON ASSESSOR PARCEL NUMBERS 506-130-02, 03, AND 04 IN CONNECTION WITH THE CAMPO ROAD SEWER REPLACEMENT PROJECT

THE BOARD WILL BE HOLDING A PUBLIC HEARING TO CONSIDER ADOPTING A RESOLUTION OF PUBLIC NECESSITY FOR THE ACQUISITION BY EMINENT DOMAIN OF CERTAIN REAL PROPERTY INTERESTS ON ASSESSOR PARCEL NUMBERS 506-130-02, 03, AND 04 IN CONNECTION WITH THE CAMPO ROAD SEWER REPLACEMENT PROJECT. THE BOARD INVITES THE PUBLIC TO PROVIDE COMMENTS ON THE REPORT.

- a) ADOPT RESOLUTION NO. 4316, A RESOLUTION OF PUBLIC NECESSITY, AUTHORIZING THE COMMENCEMENT OF EMINENT DOMAIN PROCEEDINGS BY OUTSIDE COUNSEL TO ACQUIRE THE NECESSARY INTERESTS IN REAL PROPERTY FOR THE CAMPO ROAD SEWER REPLACEMENT PROJECT (BEPPLER)

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) AWARD A FIVE-YEAR CONTRACT TO GREENRIDGE LANDSCAPE, INC. FOR LANDSCAPE MAINTENANCE SERVICES IN AN AMOUNT NOT-TO-EXCEED \$554,380
 - b) ADOPT ORDINANCE NO. 559 AMENDING SECTION 60, UTILITY FACILITIES FOR SUBDIVISIONS AND PARCEL MAP DEVELOPMENTS, OF THE DISTRICT'S CODE OF ORDINANCES
 - c) APPROVE THE RENEWAL OF THE MEXICO AGREEMENT TO TRANSFER WATER AND SET THE WHEELING RATE FOR THE DELIVERY OF TREATY WATERS TO MEXICO

ACTION ITEMS

7. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY
 - a) APPROVE THE DISTRICT'S AUDITED FINANCIAL STATEMENTS INCLUDING THE INDEPENDENT AUDITOR'S UNQUALIFIED OPINION FOR FISCAL YEAR ENDED JUNE 30, 2016 (DYCHITAN)
8. BOARD
 - a) DISCUSSION OF THE 2016 BOARD MEETING CALENDAR

REPORTS

9. GENERAL MANAGER'S REPORT
 - a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE
10. DIRECTORS' REPORTS/REQUESTS
11. PRESIDENT'S REPORT/REQUESTS

RECESS TO CLOSED SESSION

12. CLOSED SESSION
 - a) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9:

1 CASE

- b) CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9]

BLALOCK vs. OTAY WATER DISTRICT; CASE NO. 37-2016-00013542-
CU-OR-CTL

RETURN TO OPEN SESSION

13. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD
MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION
14. ADJOURNMENT

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

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

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at (619) 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on October 28, 2016, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 72 hours in advance of the regular meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on October 28, 2016.

/s/ Susan Cruz, District Secretary



AGENDA ITEM 5a

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2016
SUBMITTED BY:	Stephen Beppler Senior Civil Engineer	PROJECT:	S2024- DIV. NO. 5 001102
	Bob Kennedy Engineering Manager		
APPROVED BY:	<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:	Hold a Public Hearing and Consider Adopting a Resolution of Public Necessity for the Acquisition by Eminent Domain of Certain Real Property Interests on Assessor Parcel Numbers 506-130-02, 03 & 04 in Connection with the Campo Road Sewer Replacement		

GENERAL MANAGER'S RECOMMENDATION:

For the Otay Water District Board of Directors (Board) to:

- 1) Hold a Public Hearing on the question of the acquisition of certain permanent easement and a temporary construction easement interests in real property on Assessor Parcel Numbers 506-130-02, 03 & 04 associated with the "Campo Road Sewer Replacement" Project (Project); and
- 2) That, following the Public Hearing, the Board approve and adopt the Resolution of Necessity authorizing the commencement of eminent domain proceedings by outside counsel to acquire the necessary interests in real property for the Project.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

For the Board to hold a public hearing as required by California Code of Civil Procedure Section 1245.220 and, following the public hearing, that the Board consider approving and adopting a Resolution of Necessity (Attachment B) authorizing acquisition of the necessary

real property rights through eminent domain proceedings (see Attachment B, Appendix A for descriptions of the permanent easement and the temporary construction easement).

ANALYSIS:

The District is in the process of replacing a section of sanitary sewer main known as the Campo Road Sewer, identified in the Wastewater Management Plan as being deficient in capacity (see Exhibit A for Project location and alignment). Design and Permit phases of the Project are complete, with the Project awaiting easement procurements prior to beginning the bidding phase. Due to environmentally sensitive areas along most of the Project alignment, timing of the start of construction is vital to coincide with the non-breeding season. It is, therefore, necessary to complete the acquisition of the easements to meet the bidding and construction schedules.

Permanent and temporary construction easements are required across Assessor Parcel Numbers 506-130-02, 03 & 04 (Rancho San Diego Towne Center) owned by Vestar California XVII, LLC (Vestar) to connect the replacement sanitary sewer line as designed to the existing sanitary sewer system.

Pursuant to Government Code Section 7267.2, the District must make an offer to purchase the necessary interests in real property for an amount constituting "just compensation" prior to considering eminent domain proceedings. The offer to purchase must include a statement and summary of the basis for the amount established as just compensation and must include other factual information. Such an offer was presented to Vestar by letter dated June 1, 2016 (Attachment C). The offer was based on appraisals and complied fully with the requirements of Government Code Section 7267.2. As of October 11, 2016, a written response to offer had not been received by the District.

The District may duly notice and conduct a public hearing to consider whether to adopt a Resolution of Necessity to acquire the real property interests by exercise of its eminent domain powers if an agreement for the voluntary purchase cannot be reached. At the public hearing, pursuant to California Code of Civil Procedure Section 1245.220, the District must find and determine, by a vote of **not less than two-thirds** of all the members of the governing body, that:

1. The public interest and necessity require the proposed Project;
2. The Project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury; and

3. The property described in the resolution is necessary for the proposed Project.

District staff notified Vestar by correspondence dated October 7, 2016 (Attachment D), that a public hearing was scheduled for Wednesday, November 2, 2016, at 3:30 p.m., or as soon thereafter as this matter may be heard. The notice provided that at that date and time, the Board of Directors of the District would consider adopting a Resolution of Necessity for the acquisition of the permanent and temporary easement interests identified therein. The notice informed Vestar of its right to appear and to speak to the Board with regard to the District's right to acquire those real property interests. The letter also noted, appropriately, that the amount to be paid for the property interest to be acquired was not the subject of the public hearing.

Staff believes that the findings required for the adoption of the Resolution of Necessity can be made for the following reasons:

1. Public interest and necessity require the proposed Project:

The existing 10-inch sanitary sewer needs to be replaced with a new 15-inch sanitary sewer to ensure adequate capacity for foreseeable sewer system peak flows to protect public health from sewage spills. The alignment of the proposed sewer is located outside of environmentally sensitive areas that the existing sewer is located within. Future operations and maintenance of the proposed sewer will not infringe upon endangered species known to inhabit this environmental area.

2. Project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury:

The current alignment of the existing sewer crosses beneath a double 12'x7' box culvert storm drain in Campo Road that was constructed after the existing sewer. For the new sewer, several alignment alternatives were evaluated. Options to follow a route similar to the existing sewer alignment were found to be significantly more costly and more disruptive to the public due to the constraints of the existing storm drain. It was determined that the selected alignment provided the greatest public good with the least private injury. The proposed alignment was chosen to follow property boundaries within the Rancho San Diego Towne Center, provide as much clearance from established businesses as possible, and limit disturbances to parking and landscaped areas with no above grade changes to the current use after construction. The primary sewer shed trunk main to which the new sewer line needs to connect is already located on the shopping center property in an existing easement. The Board adopted the Mitigated Negative Declaration for the Project on November 4, 2015.

3. The property described in the resolution is necessary for the proposed Project:

As indicated above, the proposed sanitary sewer alignment was selected through the indicated property after consideration of other alternatives. The location of the interests in real property to be acquired in the form of a temporary construction easement and permanent easement for pipeline and related uses, are necessary for the construction, operation, and maintenance of the Project.

To the extent that any portion of the proposed easements and interests on the Property includes property previously dedicated to public use, the taking by the District as to any such portion is either for a compatible public use consistent with and authorized by the Code of Civil Procedure Section 1240.510, or for a more necessary public use consistent with and authorized by the Code of Civil Procedure Section 1240.610.

Staff has been communicating with Vestar's attorney and, with the assistance of the District's General Counsel, will continue negotiating with Vestar and its attorney in good faith and will attempt to reach a mutually satisfactory agreement. However, it is recommended that, unless the necessary property rights have actually been obtained and recorded by the time of the public hearing, the Board adopt the Resolution of Necessity to authorize acquisition of the required property interests through the power of eminent domain.

Within six (6) months of adopting the Resolution, the District may commence eminent domain proceedings in the Superior Court of California, County of San Diego, with the court determining the amount of compensation if a negotiated settlement has not already been reached.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The total budget for CIP S2024, as approved in the FY 2017 budget, is \$8,500,000. Total expenditures, plus outstanding commitments and forecast, are \$1,251.578.13. See Attachment E Budget Detail.

Based on a review of the financial budget, the Project Manager anticipates that the budget for CIP S2024 will be sufficient to support the Project.

Finance has determined that, under the current rate model, 50% of the funding will be available from the Betterment Fund and 50% will be available from the Replacement Fund.

STRATEGIC GOAL:

This Project supports the District's Mission statement, "To provide high quality and reliable water and wastewater services to the customers of the Otay Water District, in a professional, effective, and efficient manner" and the General Manager's Vision, "A District that is innovative in providing water services at competitive rates, with a reputation for outstanding customer service."

LEGAL IMPACT:

Adoption of the proposed Resolution of Necessity by a two-thirds vote authorizes the acquisition of the property interests, as described and depicted in Appendix A of the Resolution, by the power of eminent domain.

SB/BK/RP:jf

P:\WORKING\CIP S2024 Campo Road Sewer Replacement\Staff Reports\Resolution of Necessity Nov 2016\BD 11-02-16, Staff Report, Res of Pub Nec - RSD Towne Center - Vestar (SB-BK).docx

Attachments: Attachment A - Committee Action
Attachment B - Resolution No. 4316
Attachment C - Offer Letter to Vestar
Attachment D - Notification to Vestar of Resolution of Necessity
Attachment E - Budget Detail
Exhibit A - Location Map



ATTACHMENT A

SUBJECT/PROJECT: S2024-001102	Hold a Public Hearing and Consider Adopting a Resolution of Public Necessity for the Acquisition by Eminent Domain of Certain Real Property Interests on Assessor Parcel Numbers 506-130-02, 03 & 04 in Connection with the Campo Road Sewer Replacement
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee (Committee) reviewed this item at a Committee Meeting held on October 18, 2016, and the following comments were made:

- It was noted by staff that this item was being presented to the Committee as an Informational Item. Staff recommended that the Board:
 - Hold a Public Hearing on the question of the acquisition of certain permanent easement and a temporary construction easement interests in real property on Assessor Parcel Numbers 506-130-02, 03 & 04 associated with the "Campo Road Sewer Replacement" Project (Project); and
 - Following the Public Hearing, the Board approve and adopt the Resolution of Necessity authorizing the commencement of eminent domain proceedings by outside counsel to acquire the necessary interests in real property for the Project.
- Staff reviewed the analysis with the Committee, which is illustrated on page 2 of the staff report.
- Staff highlighted that at the Public Hearing, pursuant to California Code of Civil Procedure Section 1245.220, the District must find and determine, by a vote of not less than two-thirds of all the member of the governing body, that:
 - The public interest and necessity require the proposed Project;
 - The Project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury; and

- o The property described in the resolution is necessary for the proposed Project.
- Staff believes that the findings required for the adoption of the Resolution of Necessity presented in the staff report justify the action. Detailed justifications are illustrated on page 3 of the staff report.
- Staff stated that Vestar was notified by correspondence dated October 7, 2016 (Attachment D) of the scheduled public hearing for Wednesday, November 2, 2016, at 3:30pm and their right to appear and to speak to the Board with regard to the District's right to acquire those real property interests. The letter also noted that the amount to be paid for the property interest was not the subject of the public hearing.
- With the assistance of the District's General Counsel, staff has been communicating with Vestar and its attorney. Staff and General Counsel will negotiate with Vestar and its attorney in good faith and will attempt to reach a mutually satisfactory agreement. Additional details regarding this matter are provided on page 4 of the staff report.
- In response to a question from the Committee, staff stated that there is enough time to acquire the property and start construction during the non-breeding season that usually begins in September every year.
- In response to a question from the Committee, staff stated that the proposed 15-inch sewer main will tie into a major trunk sewer which is separate from the original sewer main that aligns with Campo Road. The proposed alignment has the lowest construction cost compared to other alternatives.

Following the discussion, the Committee forwarded the matter to the full board as a public hearing item and afterwards approve and adopt the Resolution of Necessity authorizing the commencement of eminent domain proceedings by outside counsel to acquire the necessary interests in real property for the Project.

ATTACHMENT B

RESOLUTION NO. 4316

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT FINDING AND DETERMINATING THAT THE PUBLIC INTEREST, CONVENIENCE, AND NECESSITY REQUIRE THE ACQUISITION OF CERTAIN REAL PROPERTY INTERESTS FOR PUBLIC PURPOSES

THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The Board of Directors of the Otay Water District (hereafter "District"), after consideration of the agenda report, staff presentation, discussion, oral testimony and evidence presented at the public meeting on November 2, 2016, hereby finds, determines and declares as follows:

- A. The public interest, convenience, and necessity require the acquisition by said District of certain interests ("Interests") in and to certain real property, which are incorporated herein by reference, located within the County of San Diego, State of California for public use relative to the construction and placement of a portion of the Campo Road Sewer Replacement project, and all uses appurtenant thereto ("Project"); and
- B. The Interests in real Property to be acquired are temporary and permanent easements for pipeline and related uses, as described and depicted in Appendix "A", attached hereto and incorporated herein by this reference (the "Property"); and
- C. The Project is planned and located in a manner that will be most compatible with the greatest public good and least private injury; and
- D. The District has fully complied with all the provisions of California's Environmental Quality Act in regard to the Project; and
- E. The taking of the Interests in Property in Appendix "A" as above described is necessary for the stated Project and such taking is authorized by Article I, Section 19, of the California Constitution, the California Government Code Section 37350 et seq., and Section 40404, California Code of Civil Procedure Section 1230.010 et seq. and other applicable law; and
- F. The offer to purchase required by Section 7267.2 of the California Government Code, together with the accompanying statement and summary of the basis for the amount established as just compensation containing the factual information required by statute, has been made to the owners of the Property described in Appendix "A"; and

- G. The necessary notification of the Notice of Hearing, as required by the California Code of Civil Procedure, Sec. 1245.235, was given to the owners of the Property. The notice of hearing was mailed on October 7, 2016, in accordance with Code of Civil Procedure section 1245.235, to all persons whose names appear on the last equalized County Assessment Roll as having an Interest in the Property described in Appendix "A". Said Notice of Hearing advised said persons of their right to be heard on the matters referred to therein, pursuant to and consistent with Code of Civil Procedure Section 1245.220, on the date and at the time and place stated therein; and
- H. The Interests are being acquired for a compatible and/or more necessary public use pursuant to Code of Civil Procedure sections 1240.510 and 1240.60. The District finds and determines that insofar as said parcels may have heretofore been dedicated to another public use, the acquisition of the designated Interests in said parcels by the District for the Project is for a compatible and/or more necessary public use than the use to which the parcels may have already been appropriated.

SECTION 2. The Board of Directors of the District hereby declares that it is its intention to acquire said Interests in the Property as described and depicted in Appendix "A" in its name in accordance with the provision of the laws of the State of California with reference to condemnation procedures.

SECTION 3. If any of the area of the Interests in Property to be acquired has been appropriated to some public use, the public uses to which they are to be applied by the District, as described above, are either a compatible public use, pursuant to Code of Civil Procedure section 1240.510, and/or more necessary and paramount public uses, pursuant to Code of Civil Procedure Section 1240.610. The District is authorized to acquire the Interests in Property subject to such existing public uses where compatible with and not unreasonably interfering or impairing the continuation of such public use that may now exist or may reasonably be expected to exist in the future pursuant to Code of Civil Procedure section 1240.510. To the extent that the herein described use or uses will unreasonably interfere with or impair continuance of such public use that may now exist or may reasonably be expected to exist in the future, the District is authorized to acquire the property irrespective of such public uses pursuant to Code of Civil Procedure section 1240.610. Staff is further authorized to make such improvements to the property being acquired that it determines as reasonable and necessary to mitigate any adverse impact upon existing public uses.

SECTION 4. Said Interests, described as Exhibits "A" attached hereto, the acquisition of which is required by said public interests, convenience, and necessity for the purposes set forth in Section 1 hereof, are located within the County of San Diego, State of California.

SECTION 5. General Counsel for the District are authorized and directed to prepare, institute, and prosecute in the name of the District such proceedings in the proper court having jurisdiction thereof as may be necessary for the acquisition of said interest, including the depositing of the probable amount of just compensation and the filing of an application for an order of immediate possession prior to judgment. All appropriate officers, representatives and attorneys are authorized to correct any errors or to make non-material changes in the legal

description of the Interests in real Property that are deemed necessary for the conduct of the condemnation action or any other proceeding or transaction required to acquire the Property.

SECTION 6. This Resolution shall be effective immediately upon its adoption.

SECTION 7. The Board Secretary shall certify to the adoption of this Resolution and certify this record to be a full, complete and correct copy of the action taken.

PASSED, APPROVED AND ADOPTED this ____ day of November, 2016.

BOARD PRESIDENT

ATTEST:

BOARD SECRETARY

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) ss
OTAY WATER DISTRICT)

I, Susan Cruz, Board Secretary of the Otay Water District, do hereby certify that the foregoing Resolution was introduced and passed at a special meeting of the Board of Directors of the Otay Water District held on the _____ day of November, 2016, by the following vote to wit:

AYES: DIRECTORS:

NOES: DIRECTORS:

ABSENT: DIRECTORS:

BOARD SECRETARY

APPENDIX A

RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91978-2004

APN: 506-130-02, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**GRANT OF EASEMENT OF RIGHT-OF-WAY TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the Undersigned **Vestar California XVII, LLC** as **Grantor(s)** hereby GRANT(S) to **OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, a permanent easement of right-of-way of 25 feet in width for the purpose of laying underground water and sewer pipelines and laterals, trunk lines, collection lines and laterals, sewer manholes and other underground and surface structures appurtenant to said water or sewer lines, including but not limited to power lines for transmission and communication purposes, pumps, regulators, valves and access roads or areas within said easement, hereinafter referred to as "said facilities," together with the right to construct, operate, maintain, repair and replace said facilities, and the right of ingress and egress for such purposes. Said easement is described and/or depicted as follows:
and/or depicted as follows:

(See Exhibit(s) "A" and "B" attached hereto and made a part hereof)

Grantor reserves the right to use said land at Grantor's own risk for any and all purposes not conflicting, interfering or inconsistent with Grantee's use of, and access to, said facilities. Grantor waives any right under Civil Code section 845, and any right to compel Grantee to grade, surface or otherwise improve or maintain said easement area as a roadway.

Grantor shall not increase or decrease or permit to be increased or decrease the ground elevations of said easement existing at the time this document is executed, nor construct or permit to be constructed any permanent building, structures, improvements or other encroachment upon said easement which will cause damage to or threaten the safety of any of said facilities of Grantee placed within the easement.

OWD EASEMENT NO. _____

Grantee may remove from the easement any building, structure, improvement or other encroachments thereon conflicting, interfering or inconsistent with its use for the purposes hereby granted. Grantee shall have the right to install its own gates and locks in all fences which now cross or may hereafter cross said easement.

Grantee agrees on its own behalf and on behalf of its successors in interest that it will indemnify and hold harmless Grantor for any damages to the property which result from maintenance and repair operations by the Otay Water District of its pipeline within the easement.

Grantor may use said land as a driveway and to the extent of such use may surface or pave the area, subject to the restrictions as to changes in existing ground elevations and indemnifications set forth above.

Grantor may, at Grantor's expense, and subject to Grantee's prior written consent, relocate the above mentioned facilities in the event such conflict with future development of said property, provided that Grantor does not cause discontinuance of service to any area, and provided, further, that Grantee receives, without expenses to Grantee, an easement comparable to this easement for said relocated facilities. Grantee shall never be required to relocate or alter in any way the facilities installed pursuant to this grant of easement, or to bear any cost in connection therewith as a result of changes in the location of any said facilities.

Grantee shall have the right to transfer and assign all or a portion of this easement to its successor in interest, or to any other political subdivision or public utility for use of the above stated purpose.

Date: _____

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Easement of Right of Way to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Susan Cruz, District Secretary
Otay Water District

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
24

J-17224

EXHIBIT "A"

SEWER EASEMENT

Those portions of Lots 2 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 25.00 feet in width, lying easterly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

The sidelines of said strip of land 25.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

Containing 0.162 acres, more or less.

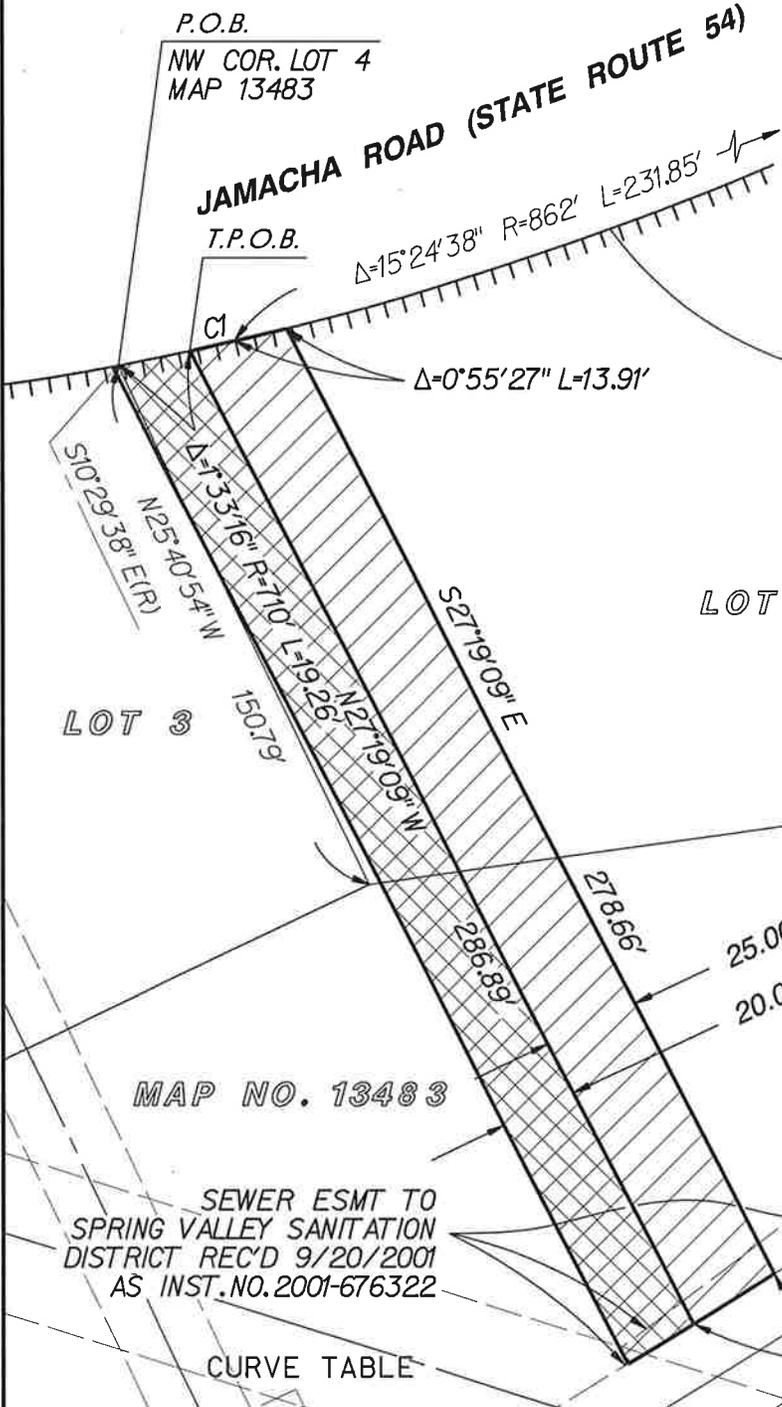
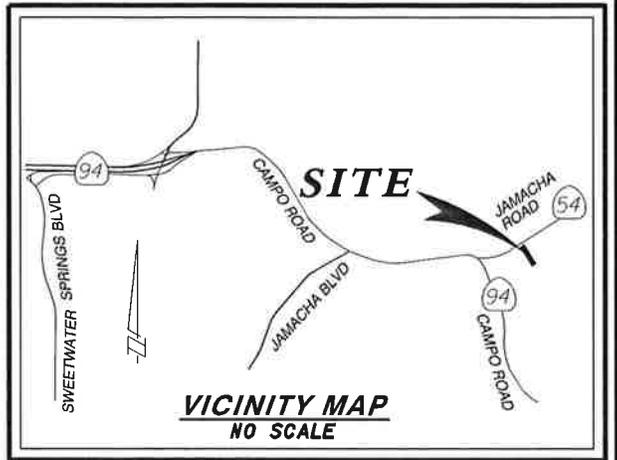

Patrick A. McMichael, L.S. 6242

5-20-2016



Jb/K:/files/17224/legal/17224_lgl_sewer ease for Lots 2 & 4

-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312

OMWD ESMT REC'D
2/15/1985 AS
INST. NO. 85-053055

NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'



SCALE 1" = 50'

SEWER EASEMENT

PORTIONS OF LOTS 2 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

M:\17224_CampoSwr\Survey\Easements\17224_md02.dgn
M:\17224_CampoSwr\Survey\Easements\SD_CorpStds 2005.dscr ipt
12-FEB-2016 1:3:39

RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91977-7299

APN: 506-130-02, 506-130-03, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**TEMPORARY CONSTRUCTION EASEMENT TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the undersigned **Vestar California XVII, LLC**, as **Grantor(s)** hereby **GRANT(S) to OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, and to Grantee's contractors, a temporary construction easement ("Easement") and the right to access, use and occupy the surface and subsurface of said easement for a period of six (6) months, commencing upon Grantor's receipt of written notice from Grantee of commencement of construction activity. The Easement is located in the County of San Diego, State of California, more particularly described in **Exhibit "A"** and depicted in **Exhibit "B"** attached hereto and made a part hereof. The Easement and right of access shall extend to all acts necessary for the purpose of constructing a sewer pipeline, sewer manholes, and other underground and surface structures appurtenant to said sewer line associated with the Campo Road Sewer Replacement Project (CIP S2024).

Grantor further grants to Grantee the right of unobstructed ingress and egress to the Easement, including the right to pass and re-pass over and along the Easement and to deposit tools, implements and other materials on the Easement and to utilize construction, automotive and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Upon completion of any work, for the purposes and uses herein granted, Grantee shall restore, at Grantee's expense, the surface of the Easement to a compacted, neat, clean condition, but not necessarily the same condition as prior to such work, and shall replace any fencing or other improvements removed by Grantee or Grantee's contractors

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

OWD EASEMENT NO. _____

IN WITNESS WHEREOF, Grantor has executed this Grant of Temporary Construction Easement as of this ____ day of _____, 20__.

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Temporary Construction Easement to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Susan Cruz, District Secretary
Otay Water District

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____

DATE

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
J-17224

EXHIBIT "A"

TEMPORARY CONSTRUCTION EASEMENT

Those portions of Lots 2, 3 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 20.00 feet in width, lying westerly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

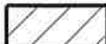
The sidelines of said strip of land 20.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

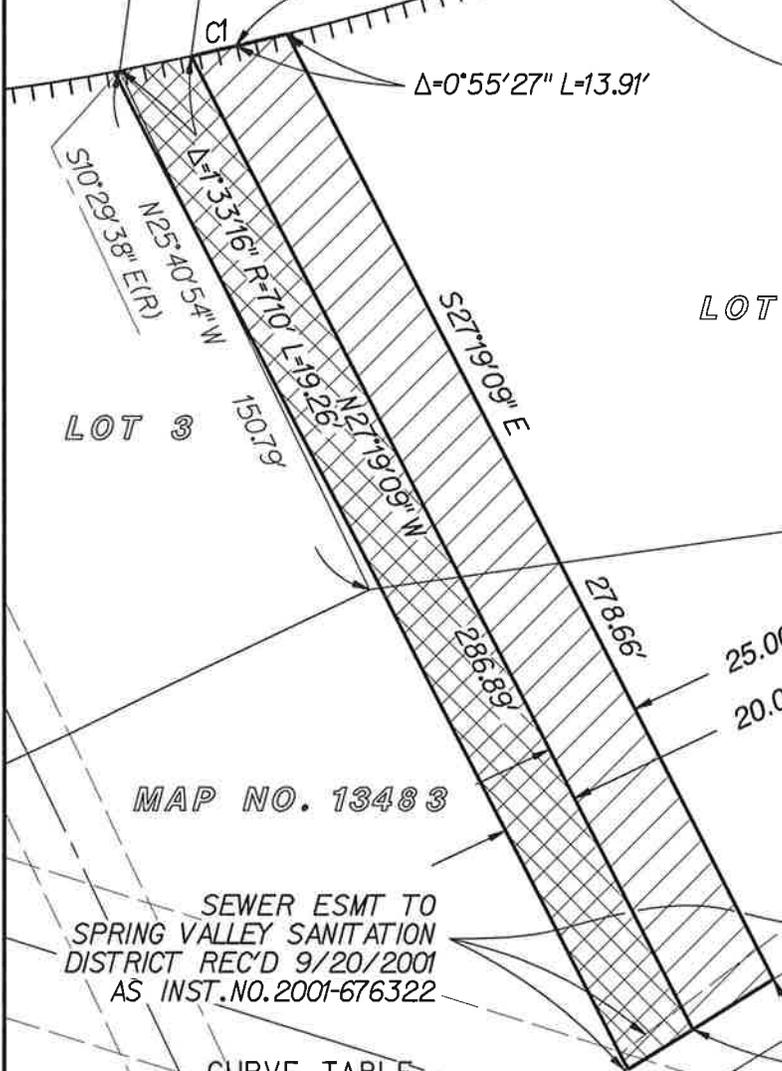
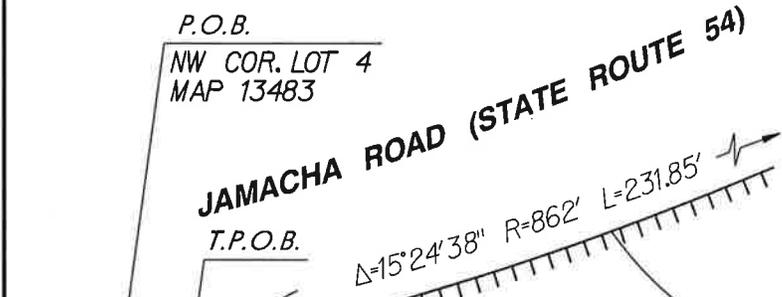
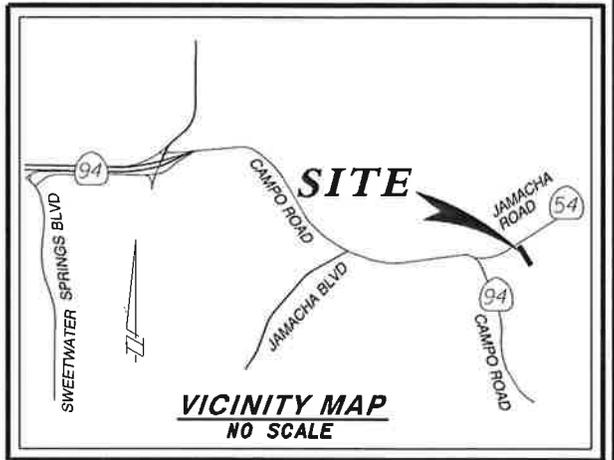
Containing 0.133 acres, more or less.


Patrick A. McMichael, L.S. 6242

5-20-2016



-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



*OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312

OMWD ESMT REC'D
2/15/1985 AS
INST. NO. 85-053055

NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'

SCALE 1" = 50'

TEMPORARY CONSTRUCTION EASEMENT

PORTIONS OF LOTS 2, 3 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

M:\17224_CampoSwr\Survey\Easements\17224_ind_tce02.dgn
M:\17224_CampoSwr\Survey\Easements\SD_CorpS+ds_2005.dscr:pt
12-FEB-2016 1:31:38



...Dedicated to Community Service

2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91978-2004
TELEPHONE: 670-2222, AREA CODE 619

www.otaywater.gov

ATTACHMENT C

June 1, 2016

Project No.: S2024-001102

Vestar California XVII, LLC
c/o Dana Duncan
2907 Shelter Island Dr., # 219
San Diego, CA 92106

SUBJECT: Temporary Construction and Permanent Utility Easement -
APN # 506-130-02, 03 & 04;
Otay Water District - Campo Road Sewer Replacement Project;
Statutory Offer Pursuant to Government Code Section 7267.2(a)

Dear Property Owner:

The Otay Water District (District) is in the process of relocating District Sewer facilities along Campo Road (SR 94) ("Campo Road Sewer Replacement Project"). In connection with the Campo Road Sewer Replacement Project, the District hereby offers to acquire Temporary Construction and Permanent Utility Easements across a portion of your real property located at 2949, 2987 & 2991 Jamacha Rd. and identified by Assessor Parcel Number 506-130-02, 03 & 04 (the "Real Property"). It is our understanding that you are currently the only owner of record of the Real Property. If you are not the owner of the Real Property, or if anyone else owns any portion of, or interest in, the Real Property, please contact us immediately.

The District wishes to acquire the Temporary Construction and Permanent Utility Easements amicably, expeditiously, and by negotiation, pending the approval by the Board of Directors ("Board") of the District. To accomplish this, the District is required to (i) establish an amount that the District believes to be "just compensation," (ii) make an offer to the owner(s) of record to acquire the Temporary Construction and Permanent Utility Easements for the full amount so established, and (iii) provide the owner(s) with a written statement of, and summary of the basis for, the amount established as "just compensation." The District's offer cannot be less than the District's appraisal of the value of the property interest to be acquired, (See California Government Code Section 7267.2(a)).

Vestar California XVII, LLC

Temporary Construction and Permanent Utility Easement - APN # 506-130-02, 03 & 04

June 1, 2016

Page 2 of 3.

The District retained the appraisal services of Colliers International, an independent real estate appraiser, to estimate the "Fair Market Value" of the proposed acquisition of Temporary Construction and Permanent Utility Easements, as that value is defined in Section 1263.320 of the California Code of Civil Procedure. The appraiser's Fair Market Value Estimate is shown on the enclosed "Summary of the Basis for the Amount Established as Just Compensation" and "Summary of Salient Facts and Conclusions." Based upon this independent appraisal, the District has determined that the amount of \$67,039.00 constitutes Just Compensation for the proposed purchase of a Permanent Utility Easement and \$5,229.00 constitutes Just Compensation for the proposed use of your property pursuant to the Temporary Construction Easement, both of which are described and depicted in the enclosed legal description and plat.

If you are agreeable with the above offer, an escrow will be opened by or at the direction of the District. Escrow will facilitate the conveyance of the Permanent Utility Easement to the District free and clear of any and all liens, encumbrances, and options or claims for leasehold interests for a total consideration of \$72,300.00. The acquisition of the Temporary Construction and Permanent Utility Easements and access rights is subject to District reviewing the escrow Preliminary Title Report, if any, and accepting the conveyance document. The District will pay all eligible incidental expenses associated with the escrow closing, including any recording fees.

Please note that the proceeds related to the purchase of the Temporary Construction and Permanent Utility Easements may be subject to payment demands for county taxes, assessment liens, federal and state tax liens, creditor judgements, and beneficiaries of trust deeds. Please note further, that if a condemnation action is approved and filed, the District may continue to discuss a negotiated purchase based upon the offer set forth herein.

This offer will be deemed revoked, if it has not been accepted before the earlier of (i) the date on which the Board of Directors of the District holds a public hearing on a possible condemnation action, if any, or (ii) within 45 days of the date of this letter.

If the above offer meets with your approval, please sign this letter on Page 3 under the heading "Offer Accepted" and return it to my attention. A duplicate copy of this letter is enclosed for your records. Please review all the enclosed documents prior to making a decision. If you accept our offer, please be ready to execute and deliver the Temporary Construction and Permanent Utility Easements enclosed with this offer.

Vestar California XVII, LLC

Temporary Construction and Permanent Utility Easement - APN # 506-130-02, 03 & 04

June 1, 2016

Page 3 of 3.

If you have any questions regarding the project or the terms of the Temporary Construction and Permanent Utility Easements acquisition proposal, please contact the District's Project Manager, Stephen Beppler, P.E., Senior Civil Engineer, at (619) 670-2209 or by e-mail at steve.beppler@otaywater.gov.

Sincerely,
OTAY WATER DISTRICT



Mark Watton
General Manager

MW:jf

Enclosures:

Summary of the Basis for the Amount Established as Just Compensation –
Permanent Easement

Summary of the Basis for the Amount Established as Just Compensation –
Temporary Construction Easement

Appraisal Summary Statement

Proposed Permanent Utility Easement with Exhibit A & B – Legal and Plat

Proposed Temporary Construction Easement with Exhibit A & B – Legal and Plat

The Public Acquisition Process

Copy of this Offer Letter

OFFER ACCEPTED: VESTAR CALIFORNIA XVII, LLC

Dated: _____

By: _____

Signature

Print

**Summary of the Basis for the
Amount Established as Just Compensation**
(Pursuant to Section 1255.010 of the California Code of Civil Procedure)
(Accompanying the offer made pursuant to Government Code Section 7267.2)

The following is a summary of the basis for the amount established as just compensation for the **Permanent Utility Easement** the District desires to acquire on a portion of the Real Property described in the Offer to which this Summary is attached. The appraisal was made in accordance with accepted appraisal principles, consistent with California valuation law. An identification of the parcel, the project for which the permanent utility easement is required, the required property rights and the valuation analysis which was the basis for the valuation conclusion is as follows:

PROJECT: Otay Water District Campo Road Sewer Replacement Project

ASSESSOR PARCEL NUMBER: 506-130-02 & 04

SUBJECT PROPERTY LOCATION: 2949 & 2987 Jamacha Rd., El Cajon, CA 92019

OWNER OF RECORD: Vestar California XVII, LLC
2907 Shelter Island Dr. #219, San Diego, CA 92106
Telephone: 619-223-9400 (Dana Duncan)

INTEREST BEING VALUED: Permanent Utility Easement

AREA AFFECTED: Approximately 7,057 square feet, or 0.162 acres

DATE OF VALUE: February 12, 2016

SUMMARY OF VALUE CONCLUSIONS AND DESCRIPTION OF THE LARGER PARCEL:
Refer to enclosed copy of Appraisal Summary Statement

PROPOSED PROJECT:

The purpose of the Otay Water District Campo Road Sewer Replacement Project is for the District to replace its facilities that are no longer meeting the District's needs. The District anticipates using the Permanent Utility Easement as a means to access the trench for the pipe to be realigned. After the realignment of the pipe is accomplished, the District will return the easement to its condition prior to the access.

DESCRIPTION OF THE PERMANENT UTILITY EASEMENT USE:

The permanent easement has an area of approximately 7,057 square feet. The District will construct a 15” sewer within the easement. Upon completion the District will return the easement to its condition prior to the access and will access the sewer through manholes.

REMAINDER OF PARCEL:

The permanent utility easement is not anticipated to have significant impact on the Real Property.

VALUATION OF THE LARGER PARCEL

Definition of Fair Market Value

Fair Market Value is defined under California law as the highest price on the date of valuation that would be agreed by a seller willing to sell but under no particular or urgent necessity to sell and a buyer being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

Definition of Highest and Best Use

Highest and best use is defined as the reasonably probable use of land that is legally permissible, physically possible, financially feasible, and maximally productive resulting in the highest value. The highest and best use analysis is used in the appraisal process to identify comparable properties and, where applicable, to determine whether the existing improvements should be retained, renovated, or demolished. The results of the highest and best use analysis are discussed below.

HIGHEST AND BEST USE

The highest and best use for the Real Property was determined to be industrial building, as zoned.

METHODOLOGY

The sales comparison approach was used to estimate the fair market value of the Real Property and the temporary construction easement.

SALES COMPARISON APPROACH

The following is a summary of the principal sales considered applicable to the valuation of the larger parcel:

SUMMARY OF IMPROVED TRANSACTIONS					
No.	Location	Sale Date	Size in AC	Price	Price/SF
1	5900 Severin Dr., La Mesa	Pending 2/4/2016	0.46	\$400,000	\$19.96
2	1338 E. Main St., El Cajon	8/28/2014	1.31	\$1,020,000	\$17.87
3	714 Grand Ave., Spring Valley	4/3/2015	0.27	\$230,000	\$19.56
4	230 El Cajon, El Cajon	7/21/2015	0.80	\$500,000	\$14.35
5	1164 Coushatta, Spring Valley	10/12/2015	1.42	\$885,000	\$14.31

Broker opinion of value varies from \$15 to \$20 per square foot depending on size and location of the parcels. The property at Jamacha Rd., consisting of 4.10 acres, has an estimated value of \$19 per square foot.

VALUATION OF PERMANENT UTILITY EASEMENT

The compensation for the permanent easement which encumbers 7,057 square feet was based on the fee simple interest of the property, and is a percentage of the fee simple value based on the fact that it is shared property with some rights retained by the current property owner. The fee simple value of the land was established at \$19 per square foot. With 50% of the rights taken by the permanent easement. Therefore, the value of the part taken is \$67,039 (\$19.00 per square foot x 50% shared rights x 7,057 square feet).

VALUE OF THE REMAINDER

Following the proposed realignment/relocation of the District's facilities, the Real Property will have an area that is unchanged from its present condition. No significant adverse impact is anticipated from the Project. The acquisition of the easement does not change the zoning or other land use regulations applicable to the Real Property. Based on the investigation, there are no damages occasioned by the Project to the remainder of the Real Property.

BENEFIT

The proposed sewer line continues to be underground and will be available through manholes for use on the Real Property. There is no market evidence suggesting that there is a benefit to the Real Property. Therefore, there are no demonstrable benefits to the Real Property directly resulting from the Project.

**Summary of the Basis for the
Amount Established as Just Compensation**
(Pursuant to Section 1255.010 of the California Code of Civil Procedure)
(Accompanying the offer made pursuant to Government Code Section 7267.2)

The following is a summary of the basis for the amount established as just compensation for the **Temporary Construction Easement** the District desires to acquire on a portion of the Real Property described in the Offer to which this Summary is attached. The appraisal was made in accordance with accepted appraisal principles, consistent with California valuation law. An identification of the parcel, the project for which the temporary construction easement is required, the required property rights and the valuation analysis which was the basis for the valuation conclusion is as follows:

PROJECT: Otay Water District Campo Road Sewer Replacement Project

ASSESSOR PARCEL NUMBER: 506-130-02, 03 & 04

SUBJECT PROPERTY LOCATION: 2949, 2987 & 2991 Jamacha Rd., El Cajon, CA 92109

OWNER OF RECORD: Vestar California XVII, LLC
2907 Shelter Island Dr. #219, San Diego, CA 92106
Telephone: 619-223-9400 (Dana Duncan)

INTEREST BEING VALUED: Temporary Construction Easement

AREA AFFECTED: Approximately 5,793 square feet, or 0.133 acres

DATE OF VALUE: February 12, 2016

SUMMARY OF VALUE CONCLUSIONS AND DESCRIPTION OF THE LARGER PARCEL:

Refer to enclosed copy of Appraisal Summary Statement

PROPOSED PROJECT:

The purpose of the Otay Water District Campo Road Sewer Replacement Project is for the District to replace its facilities that are no longer meeting the District's needs. The District anticipates using the Temporary Construction Easement as a means to access the trench for the pipe to be realigned. After the realignment of the pipe is accomplished, the District will return the temporary construction easement to its condition prior to the access.

DESCRIPTION OF THE TEMPORARY CONSTRUCTION EASEMENT USE:

The temporary construction easement has an area of approximately 5,793 square feet and is required for a period of six months. However, actual work on that portion of the pipeline is anticipated to be a few weeks. The area that the District needs to access is within the Real Property through the existing parking lot.

REMAINDER OF PARCEL:

The temporary construction easement is not anticipated to have significant impact on the Real Property.

VALUATION OF THE LARGER PARCEL

Definition of Fair Market Value

Fair Market Value is defined under California law as the highest price on the date of valuation that would be agreed by a seller willing to sell but under no particular or urgent necessity to sell and a buyer being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

Definition of Highest and Best Use

Highest and best use is defined as the reasonably probable use of land that is legally permissible, physically possible, financially feasible, and maximally productive resulting in the highest value. The highest and best use analysis is used in the appraisal process to identify comparable properties and, where applicable, to determine whether the existing improvements should be retained, renovated or demolished. The results of the highest and best use analysis are discussed below.

HIGHEST AND BEST USE

The highest and best use for the Real Property was determined to be industrial building, as zoned.

METHODOLOGY

The sales comparison approach was used to estimate the fair market value of the Real Property and the temporary construction easement.

SALES COMPARISON APPROACH

The following is a summary of the principal sales considered applicable to the valuation of the larger parcel:

SUMMARY OF IMPROVED TRANSACTIONS					
No.	Location	Sale Date	Size in AC	Price	Price/SF
1	5900 Severin Dr., La Mesa	Pending 2/4/2016	0.46	\$400,000	\$19.96
2	1338 E. Main St., El Cajon	8/28/2014	1.31	\$1,020,000	\$17.87
3	714 Grand Ave., Spring Valley	4/3/2015	0.27	\$230,000	\$19.56
4	230 El Cajon, El Cajon	7/21/2015	0.80	\$500,000	\$14.35
5	1164 Coushatta, Spring Valley	10/12/2015	1.42	\$885,000	\$14.31

Broker opinion of value varies from \$15 to \$20 per square foot depending on size and location of the parcels. The property at Rancho San Diego Towne Center, consisting of 4.10 acres, has an estimated value of \$19 per square foot.

VALUATION OF TEMPORARY CONSTRUCTION EASEMENT

The compensation for a temporary construction easement typically amounts to compensation to the owner for loss in utility of the area during the period of time the portion of the property is used for another purpose. A rental rate of return of 9.5 percent per year was applied to reflect the value of the temporary rights. The temporary construction easement will be needed for a period of six months (.5 of a year). Therefore, the value of the part taken is \$5,229. The resulting calculation is as follows:

$$\$19.00 \times 5,793 = \$110,067$$

$$\$110,067 \times 9.5\% \text{ per year} = \$10,456 \text{ per year}$$

$$\$10,456 \times .5 \text{ year} = \$5,229$$

VALUE OF THE REMAINDER

Following the proposed relocation of the District's facilities, the Real Property will have an area that is unchanged from its present condition. No significant adverse impact is anticipated from the Project. The acquisition of the easement does not change the zoning or other land use regulations applicable to the Real Property nor does it have a significant impact on the use of the Real Property during the time the temporary construction easement is anticipated to remain in effect. Based on the investigation, there are no damages occasioned by the Project to the remainder of the Real Property.

BENEFIT

The proposed sewer line continues to be underground and will not be available for use on the Real Property. There is no market evidence suggesting that there is a benefit to the Real Property. Therefore, there are no demonstrable benefits to the Real Property directly resulting from the Project.

Appraisal Summary Statement
Permanent Utility and Temporary Construction Easement Acquisition
Vestar California XVII, LLC

This is a summary of the appraisal prepared by Matthew VanEck MAI to be used by the Otay Water District to comply with Code of Civil Procedure 1263.320 defines “**Fair Market Value**” as the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obligated to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available. The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.

The fair market value of the property taken shall not include any increase or decrease in the value of the property that is attributable to the following: (a) The project for which the property is taken; (b) The eminent domain proceeding in which the property is taken; (c) Any preliminary actions of the plaintiff relating to the taking of the property. (California Code of Civil Procedure section 1263.330).

In arriving at an opinion of value of the land and improvements, the independent appraiser considered highest and best use of the property, its size, location, zoning, and other factors affecting fair market value.

“**Highest and Best Use**” is defined as the reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.

Property Identification

	Location 2949 & 2987 Jamacha Rd., El Cajon CA 92109 (506-130-02 & 04)
Property Rights Appraised	Permanent Utility Easement
Site Size	178,595 square feet
Shape	Irregular
Improvements	The Subject property
Ownership	FW CA Rancho San Diego Village, LLC
Zoning	S-88

Highest and Best Use

Existing Retail Use

Date of Value

February 12, 2016

Dates of Inspection

February 12, 2016

Date of Report

May 11, 2016

Sales Comparison Approach

\$19.00 per square foot x 178,595 square feet =
\$3,393,305

Income Approach

N/A

Cost Approach

N/A

Just Compensation

\$19.00 per square foot x 50% shared rights x
7,057 square feet = \$67,039

Property Identification

Location

2949, 2987 & 2991 Jamacha Rd., El Cajon CA
92109 (506-130-02, 03 & 04)

Property Rights Appraised

Temporary Construction Easement

Site Size

148,975 square feet

Shape

Irregular

Improvements

The Subject property

Ownership

FW CA Rancho San Diego Village, LLC

Zoning

S-88

Highest and Best Use

Existing Retail Use

Date of Value

February 12, 2016

Dates of Inspection

February 12, 2016

Date of Report

May 11, 2016

Sales Comparison Approach

\$19.00 per square foot x 178,595 square feet =
\$3,393,305

Income Approach

N/A

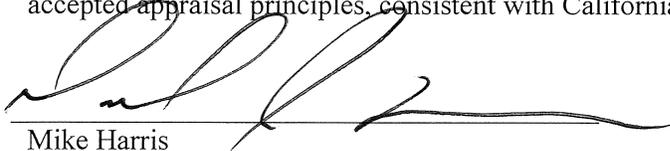
Cost Approach

N/A

Just Compensation

\$19.00 x 5,793 = \$110,067
\$110,067 x 9.5% per year = \$10,456 per year
\$10,456 x .5 year = \$5,229

The above is a summary of Matthew VanEck MAI appraisal, which was made in accordance with accepted appraisal principles, consistent with California Valuation Law.



Mike Harris

RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91978-2004

APN: 506-130-02, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**GRANT OF EASEMENT OF RIGHT-OF-WAY TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the Undersigned **Vestar California XVII, LLC** as **Grantor(s)** hereby GRANT(S) to **OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, a permanent easement of right-of-way of 25 feet in width for the purpose of laying underground water and sewer pipelines and laterals, trunk lines, collection lines and laterals, sewer manholes and other underground and surface structures appurtenant to said water or sewer lines, including but not limited to power lines for transmission and communication purposes, pumps, regulators, valves and access roads or areas within said easement, hereinafter referred to as "said facilities," together with the right to construct, operate, maintain, repair and replace said facilities, and the right of ingress and egress for such purposes. Said easement is described and/or depicted as follows:
and/or depicted as follows:

(See Exhibit(s) "A" and "B" attached hereto and made a part hereof)

Grantor reserves the right to use said land at Grantor's own risk for any and all purposes not conflicting, interfering or inconsistent with Grantee's use of, and access to, said facilities. Grantor waives any right under Civil Code section 845, and any right to compel Grantee to grade, surface or otherwise improve or maintain said easement area as a roadway.

Grantor shall not increase or decrease or permit to be increased or decrease the ground elevations of said easement existing at the time this document is executed, nor construct or permit to be constructed any permanent building, structures, improvements or other encroachment upon said easement which will cause damage to or threaten the safety of any of said facilities of Grantee placed within the easement.

OWD EASEMENT NO. _____

Grantee may remove from the easement any building, structure, improvement or other encroachments thereon conflicting, interfering or inconsistent with its use for the purposes hereby granted. Grantee shall have the right to install its own gates and locks in all fences which now cross or may hereafter cross said easement.

Grantee agrees on its own behalf and on behalf of its successors in interest that it will indemnify and hold harmless Grantor for any damages to the property which result from maintenance and repair operations by the Otay Water District of its pipeline within the easement.

Grantor may use said land as a driveway and to the extent of such use may surface or pave the area, subject to the restrictions as to changes in existing ground elevations and indemnifications set forth above.

Grantor may, at Grantor's expense, and subject to Grantee's prior written consent, relocate the above mentioned facilities in the event such conflict with future development of said property, provided that Grantor does not cause discontinuance of service to any area, and provided, further, that Grantee receives, without expenses to Grantee, an easement comparable to this easement for said relocated facilities. Grantee shall never be required to relocate or alter in any way the facilities installed pursuant to this grant of easement, or to bear any cost in connection therewith as a result of changes in the location of any said facilities.

Grantee shall have the right to transfer and assign all or a portion of this easement to its successor in interest, or to any other political subdivision or public utility for use of the above stated purpose.

Date: _____

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Easement of Right of Way to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Susan Cruz, District Secretary
Otay Water District

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
24

J-17224

EXHIBIT "A"

SEWER EASEMENT

Those portions of Lots 2 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 25.00 feet in width, lying easterly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

The sidelines of said strip of land 25.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

Containing 0.162 acres, more or less.

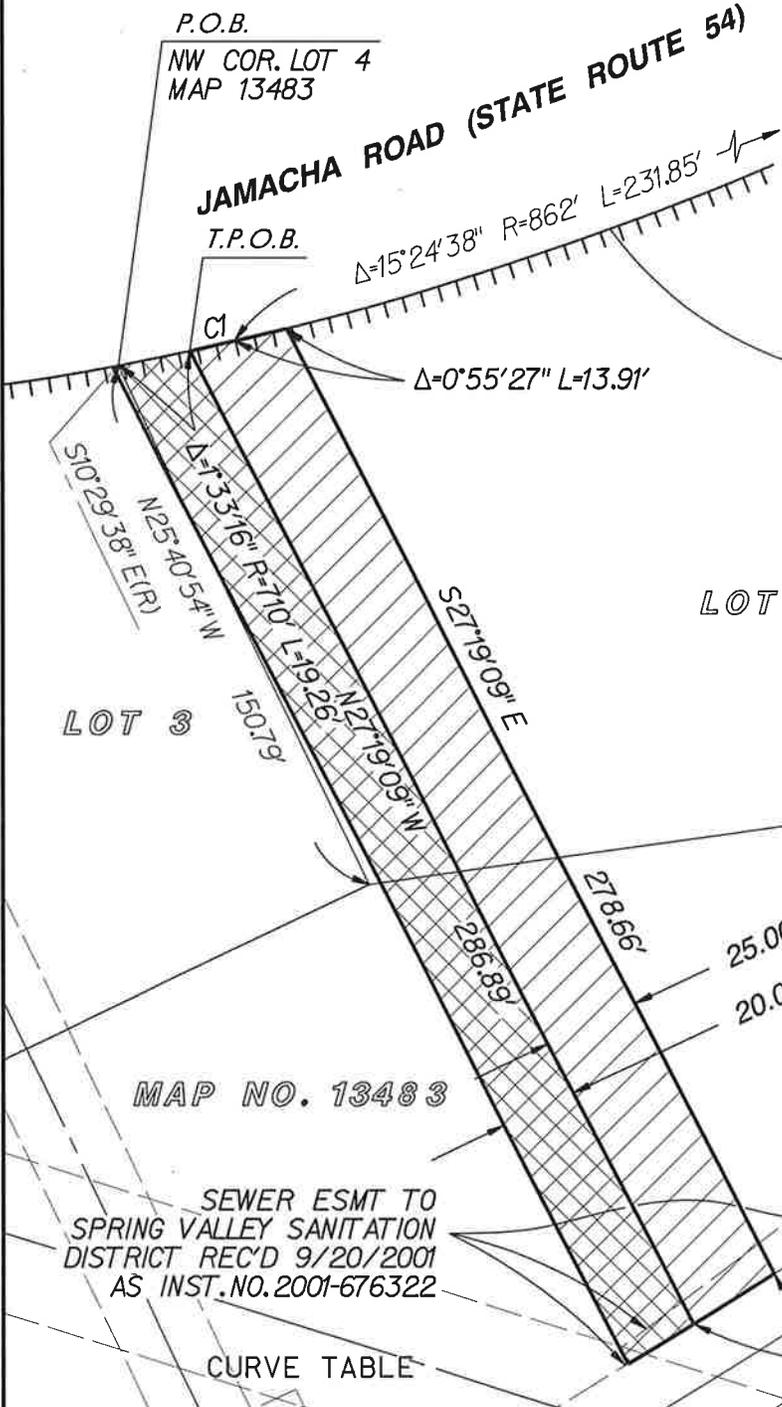
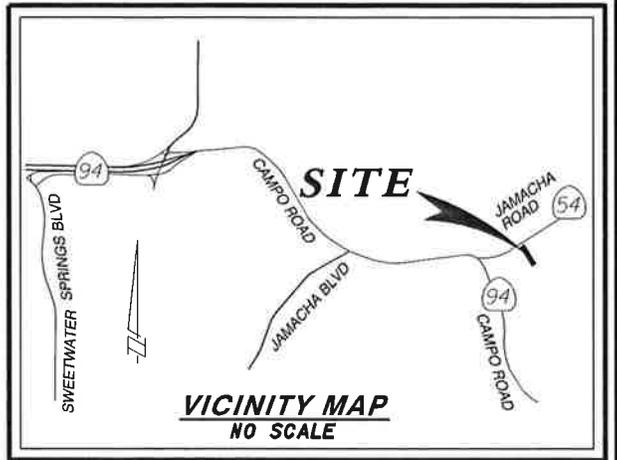

Patrick A. McMichael, L.S. 6242

5-20-2016



Jb/K:/files/17224/legal/17224_lgl_sewer ease for Lots 2 & 4

-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312

OMWD ESMT REC'D
2/15/1985 AS
INST. NO. 85-053055

NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'



SCALE 1" = 50'

SEWER EASEMENT

PORTIONS OF LOTS 2 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

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12-FEB-2016 1:3:39

RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91977-7299

APN: 506-130-02, 506-130-03, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**TEMPORARY CONSTRUCTION EASEMENT TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the undersigned **Vestar California XVII, LLC**, as **Grantor(s)** hereby **GRANT(S) to OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, and to Grantee's contractors, a temporary construction easement ("Easement") and the right to access, use and occupy the surface and subsurface of said easement for a period of six (6) months, commencing upon Grantor's receipt of written notice from Grantee of commencement of construction activity. The Easement is located in the County of San Diego, State of California, more particularly described in **Exhibit "A"** and depicted in **Exhibit "B"** attached hereto and made a part hereof. The Easement and right of access shall extend to all acts necessary for the purpose of constructing a sewer pipeline, sewer manholes, and other underground and surface structures appurtenant to said sewer line associated with the Campo Road Sewer Replacement Project (CIP S2024).

Grantor further grants to Grantee the right of unobstructed ingress and egress to the Easement, including the right to pass and re-pass over and along the Easement and to deposit tools, implements and other materials on the Easement and to utilize construction, automotive and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Upon completion of any work, for the purposes and uses herein granted, Grantee shall restore, at Grantee's expense, the surface of the Easement to a compacted, neat, clean condition, but not necessarily the same condition as prior to such work, and shall replace any fencing or other improvements removed by Grantee or Grantee's contractors

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

OWD EASEMENT NO. _____

IN WITNESS WHEREOF, Grantor has executed this Grant of Temporary Construction Easement as of this ____ day of _____, 20__.

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Temporary Construction Easement to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____

Susan Cruz, District Secretary
Otay Water District

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____

DATE

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
J-17224

OWD EASEMENT NO. _____

EXHIBIT "A"

TEMPORARY CONSTRUCTION EASEMENT

Those portions of Lots 2, 3 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 20.00 feet in width, lying westerly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

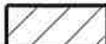
The sidelines of said strip of land 20.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

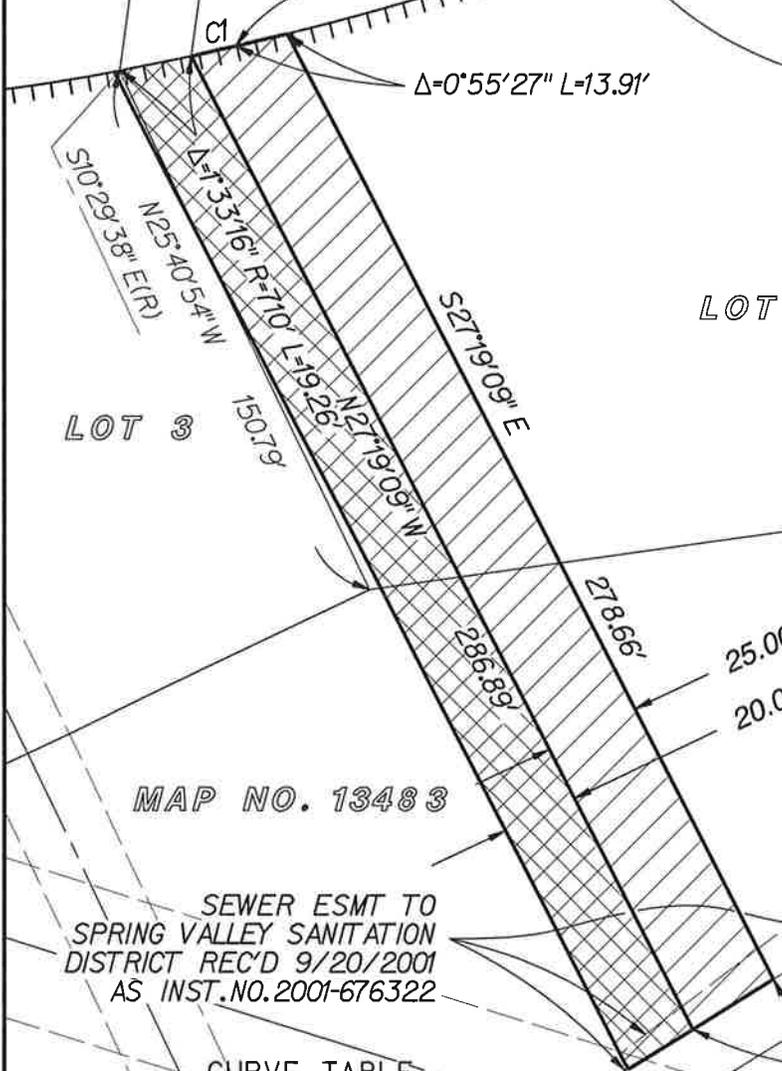
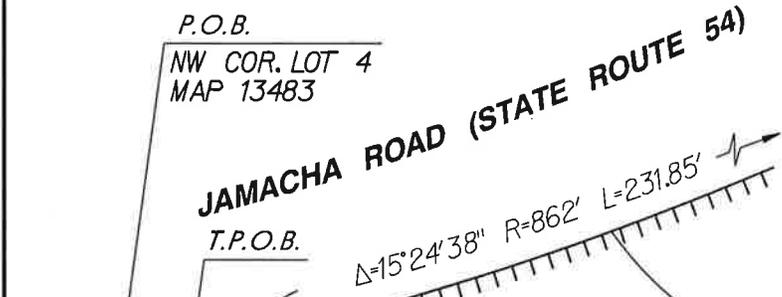
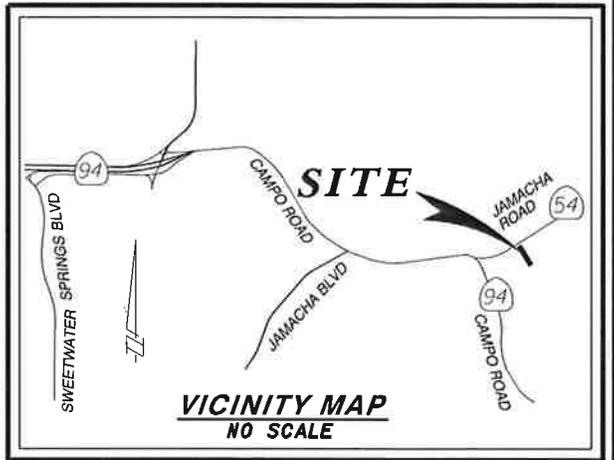
Containing 0.133 acres, more or less.


Patrick A. McMichael, L.S. 6242

5-20-2016



-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



*OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312

OMWD ESMT REC'D
2/15/1985 AS
INST. NO. 85-053055

NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'

SCALE 1" = 50'

TEMPORARY CONSTRUCTION EASEMENT

PORTIONS OF LOTS 2, 3 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

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THE PUBLIC ACQUISITION PROCESS

PURPOSE

This brochure explains to you, as an individual affected by the acquisition of your property for a public improvement project, the policies and provisions embodied in Title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and the Uniform Relocation Act Amendments of 1987, which will assure that your interests are protected.

INTRODUCTION

All governments have a duty to serve the public welfare. In order to meet this responsibility, it is often necessary for governments to acquire private lands to accommodate public projects. The authority to procure privately owned real property for public use has long been recognized as an inherent power of organized government, known as eminent domain. The constitution provides safeguards against the abuse of this power in the Fifth Amendment, which states, "nor shall private property be taken for public use, without just compensation."

Just compensation is usually defined as payment for the value of the property taken, which takes into account partial takings, damages and benefits to the remaining lands. The guarantee of the Fifth Amendment provided adequate protection of property rights when the constitution was written and the country was predominately rural and undeveloped. In an effort to establish uniform treatment of all people affected by any public projects financed in whole or in part with Federal funds, the U.S. Congress passed the UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT OF 1970 and subsequently the UNIFORM RELOCATION, ACT AMENDMENTS of 1987.

Now all Federal agencies and all state and local public agencies acquiring real property with Federal assistance are guided by the policies and provisions set forth in this Act and amendments thereto.

PURPOSE OF TITLE III

The purpose of Title III is to encourage and expedite acquisition by agreement, to avoid litigation, to assure consistent treatment for owners, and to promote public confidence in the many Federal and federally assisted acquisition programs. Title III applies equally to all property owners regardless of race, color, religion, sex or national origin.

SECTION 301 - POLICIES AND PRACTICES FOR REAL PROPERTY ACQUISITION

DETERMINATION OF JUST COMPENSATION

An appraisal of your real property is to be made before negotiations are started. (Real property is defined as the rights and interest in land and generally whatever is erected, growing upon, or affixed to, the land.) You, or a representative you designate, must be given an opportunity to accompany the appraiser on his inspection. This provision affords you an opportunity to point out any unusual or hidden features the property may possess.

In preparing the appraisal, the appraiser may not consider an increase or decrease in the value of your property, prior to the date of valuation, which results from the

THE PUBLIC ACQUISITION PROCESS

Page 2 of 4

proposed project or the likelihood that your property will be acquired for the project. However, any physical deterioration within your reasonable control will be considered in the valuation of your property.

The completed appraisal(s) must be reviewed by the acquiring agency. Based upon a review of the appraisal, the agency will establish the amount it believes to be the just compensation to be offered for the property.

NEGOTIATIONS

The acquiring agency must make a prompt offer to purchase the property for the full amount it has determined to be just compensation. At the initiation of negotiations, you must be provided a written statement which must include the amount offered and an explanation of the basis for determining this amount. In cases where only a part of the property is to be acquired, the statement must separate the amount of compensation to be paid for the property being acquired and the amount (if any) for damages to the remainder. If the acquisition leaves you with an uneconomic remnant, the agency must offer to purchase it. The acquiring agency may not take any action which would coerce you into accepting its offer. Prohibited actions include advancing the time of condemnation, deferring negotiations or condemnation, or postponing the deposit of funds in court for your use.

POSSESSION

If you must move because your home has been acquired, or if you must relocate your business or farm operation because of the acquisition of your property, you will be given at least 90 days written advance notice of the date by which you are required to move. If you have to move from your home, a decent, safe and sanitary replacement dwelling must be available to you, on a nondiscriminatory basis, prior to your displacement. You are not required to surrender possession of your property until:

1. You have been paid the agreed purchase price; or,
2. You have been paid an award of viewers, board, commission or similar body, or of a court where law provides for a trial on demand of the acquiring agency or condemnee; or,
3. An amount at least equal to the agency's approved appraisal of the value of your property is deposited with the Court for your benefit; or,
4. The award resulting from a condemnation proceeding is deposited with the court.

Once the agency has acquired your property, it may decide to rent it, subject to termination on short notice. The amount of rent the agency may charge you, or another tenant, may not exceed the fair rental value of the property to a short term occupier.

CONDEMNATION

When you cannot reach an agreement of the sale of your property to the acquiring agency, the agency can acquire your property by the exercise of the power of eminent domain. If a situation such as this does occur, the agency must institute formal condemnation proceedings. The acquiring agency may not intentionally force you to begin legal proceedings to prove that your real property has been taken without payment of just compensation.

SECTION 302 – ACQUISITION OF BUILDINGS, STRUCTURES AND IMPROVEMENTS

SINGLE OWNERSHIP

When a governmental agency obtains an interest in your land, it must acquire at least an equal interest in any buildings located on the acquired land, if these improvements are required to be removed or if the project will adversely affect them.

TENANT - OWNED

The acquiring agency is required to pay for property as if it was in a single ownership, and the contributory value of tenant's improvements will be paid to the tenant. In other words, if you are a tenant who owns a building on land required for public purposes, you will ordinarily be paid either the fair market value which your building contributes to the real property or the fair market of the improvement for removal from the real property, whichever is the greater.

However, no payment can be made unless the owner of the land involved disclaims all interest in the improvements you own. Also, in consideration for payment, you must assign, transfer and release to the acquiring agency all of your right, title and interest in and to such improvements.

No provisions of this section deprives you of your right to reject payment under this Act and to obtain payment of just compensation for your interests as otherwise defined by applicable law. (An attorney would be the best source of information as to which other laws apply in and are best suited to your particular circumstances.)

SECTION 303 – REIMBURSEMENT OF INCIDENTAL EXPENSES

You are entitled to be reimbursed for fair and reasonable expenses you necessarily incurred for:

1. Recording fees, transfer taxes, and similar expenses incidental to conveying your real property to the acquiring agency.
2. Penalty cost for prepayment of any pre-existing, recorded mortgage/trust deed, entered into in good faith, encumbering your property.
3. The pro rata portion of real property taxes you have paid which are allocable to the period after title passes to the acquiring agency, or the date of effective possession, whichever is earlier.

These costs will be paid to you as soon as practicable after:

1. The date of payment of the purchase price; or,
2. The date of payment of an award of viewers, board, commission or similar body, or of a court where law provides for a trial on demand for the acquiring agency or condemnee; or,
3. The date of deposit in court of funds to satisfy the award of compensation in a condemnation proceeding to acquire real property.

SECTION 304 - REIMBURSEMENT OF LITIGATION EXPENSES

If any one of the following three conditions exist, the acquiring agency must reimburse you for your reasonable costs, disbursements, and expenses, including reasonable attorney, appraisal, and engineering fees which you have actually incurred. Such litigation expenses are reimbursable only under these conditions:

1. If the acquiring agency starts a condemnation action, but the court decides that agency does not have authority to acquire your property by condemnation; or,
2. If the acquiring agency starts a condemnation action and abandons it; or,
3. If you, as owner, successfully maintain an inverse condemnation proceeding. (Inverse condemnation is a legal process by which an owner brings suit against an agency to prove that the agency has taken compensable property rights without payment of just compensation.)

SECTION 305 - REQUIRED ASSURANCES

Federal funded construction projects will not be approved unless assurances have been received from the acquiring agency that is acquiring your property:

1. The agency will be guided, to the greatest extent practicable under State Law, by the land acquisition policies in Section 301 and 302 as explained, and
2. You will be paid or reimbursed for the necessary expenses described in Sections 303 and 304.

TITLE VI – CIVIL RIGHTS ACT OF 1964 – NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

All actions taken by an acquiring agency must be in compliance with the nondiscrimination requirements of Title VI of the Civil Rights Act of 1964, SEC. 601. "No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

A FINAL WORD

The acquiring agency realizes that the sale of a home or property to a public agency is often a difficult personal experience. The policies and provisions of Title of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970 and the Uniform Relocation Act Amendments of 1987 serve to greatly minimize the problems encountered in property transfers. Every effort will be made to reach an amicable settlement with you by offering you as fair a price as you would receive on the open market, and by reimbursing you for your incidental expenses.



...Dedicated to Community Service

2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91978-2004
TELEPHONE: 670-2222, AREA CODE 619

www.otaywater.gov

ATTACHMENT D

October 7, 2016

Sent via e-mail to AKasen@vestar.com and
USPS Certified Mail # 7015166000083624586
Project Number: S2024-001102

Vestar
c/o Allan Kasen, Esq.
General Counsel
2425 East Camelback Road, Suite 750
Phoenix, AZ 85016

RE: Otay Water District - Campo Road Sewer Replacement Project (S2024);
Notice of Hearing regarding Proposed Adoption of a Resolution of Necessity to
Acquire an Easement on Assessor Parcel Numbers 506-130-02, 03 & 04 by
Eminent Domain [California Code of Civil Procedure Section 1245.235]

Dear Mr. Kasen:

The Otay Water District (District) appreciates the cooperation and interest of Vestar in reaching an amicable resolution to obtain an easement for the Campo Road Sewer Replacement Project. As I mentioned in our telephone conversation on October 6, 2016, you will find enclosed a Notice of Hearing Regarding Proposed Adoption of a Resolution of Necessity to Acquire Property by Eminent Domain by the District. If adopted, the Resolution will authorize the District to acquire property interests owned by Vestar California XVII, LLC at the Rancho San Diego Towne Center, and described herein, by eminent domain, for the implementation of the Campo Road Sewer Replacement Project. The District is initiating this Resolution of Necessity to ensure the proposed construction schedule of the project can be met.

An offer letter for the permanent utility and temporary construction easements was mailed to the local Vestar California XVII, LLC address by the District on June 1, 2016. It appears to have taken over a month for the offer to make it to your attention, at which time you spoke to the District's Project Manager, Stephen Beppler, on July 14, 2016. The District provided additional materials to Vestar and/or their representative Stuart Engineering on July 20, 2016 and August 4, 2016 to assist in your evaluation of the offer. Subsequent follow-up telephone calls by the District were made on August 12, 2016 and September 14, 2016. The District will not begin the construction process without having all easements in place. Therefore, in order to enable construction to begin by October 2017, the District needs either a written agreement to acquire the easements or to begin acquisition by eminent domain by November 2, 2016.

Vestar

Otay Water District - Campo Road Sewer Replacement Project (S2024);

Notice of Hearing regarding a Resolution of Necessity to Acquire Property by Eminent Domain

October 7, 2016

Page 2 of 2.

The eminent domain process begins with a hearing at which the Governing Board of the District will determine whether to adopt a Resolution of Necessity. The amount of the compensation to be paid for the acquisition of the property interest will not be determined at the hearing. If the District elects to adopt the Resolution of Necessity, then within six months of the adoption of the Resolution, the Otay Water District will commence eminent domain proceedings in the Superior Court. In that proceeding, the court will determine the amount of compensation to which you are entitled, if a negotiated settlement has not already been reached.

This notice is not intended to foreclose future negotiations between you and the representatives of the District on the amount of compensation to be paid for the District to acquire an easement on your property. We welcome a prompt response from Vestar to enable the District to acquire the permanent utility easement amicably.

Should you have any questions regarding this notice, or the project, please do not hesitate to contact me at (619) 670-2273.

Sincerely,

OTAY WATER DISTRICT

A handwritten signature in blue ink, appearing to read "Bob Kennedy", is written over the typed name.

Bob Kennedy, P.E.

Engineering Manager

BK:jf

Enclosure: Notice of Hearing Letter Regarding Proposed Adoption of Resolution, dated October 7, 2016



...Dedicated to Community Service

2554 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CALIFORNIA 91978-2004
TELEPHONE: 670-2222, AREA CODE 619

www.otaywater.gov

October 7, 2016

*Sent via e-mail to AKasen@vestar.com and
USPS Certified Mail # 7015166000083624586
Project Number: S2024-001102*

Vestar
c/o Allan Kasen, Esq.
General Counsel
2425 East Camelback Road, Suite 750
Phoenix, AZ 85016

RE: Otay Water District - Campo Road Sewer Replacement Project (S2024);
Notice of Hearing regarding Proposed Adoption of a Resolution of Necessity to
Acquire an Easement on Assessor Parcel Numbers 506-130-02, 03 & 04 by
Eminent Domain [California Code of Civil Procedure Section 1245.235]

Dear Interested Party:

NOTICE OF YOUR RIGHT TO APPEAR AND BE HEARD

Please take notice that the Otay Water District Board of Directors, at a regular meeting to be held on Wednesday, November 2, 2016, at 3:30 p.m., or as soon thereafter as the matter may be heard, in the District Boardroom, Otay Water District, 2554 Sweetwater Springs Boulevard, Spring Valley, California 91978-2004, will hold a hearing on whether a Resolution of Necessity should be adopted, as required by California Code of Civil Procedure Section 1245.220 for the commencement of an eminent domain proceeding to acquire real property at Rancho San Diego Towne Center, owned by Vestar California XVII, LLC. If adopted, the Resolution will authorize the Otay Water District to acquire the property interests described herein by eminent domain for implementation of the Campo Road Sewer Replacement Project. A description of the property being considered for acquisition including the easement deed(s) conveying the required property interest is attached to this Notice.

You have a right to be heard before the Otay Water District Board of Directors at the above-scheduled hearing on the following matters and issues, and to have the Otay Water District Board of Directors give judicious consideration to your testimony prior to deciding whether or not to adopt the proposed Resolution of Necessity:

1. Whether the public interest and necessity require the proposed project;

Vestar

Otay Water District - Campo Road Sewer Replacement Project (S2024);

Notice of Hearing regarding a Resolution of Necessity to Acquire Property by Eminent Domain

October 7, 2016

Page 2 of 3.

2. Whether the proposed project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury;
3. Whether the property sought to be acquired by eminent domain and described in the Resolution of Necessity is necessary for the proposed project; and
4. Whether the offer required by Government Code Section 7267.2 was made to the owner of record.

A copy of the Resolution of Necessity will be available, upon your request, for inspection at the office of the District. You may contact the District Secretary at 619-670-2222 at any time no earlier than 10 days after the date of this Notice and no later than the date of the hearing to request access to, or a copy of, the Resolution.

The Otay Water District is authorized to acquire property by eminent domain for this proposed project in accordance with Article I, Section 19, of the California Constitution, the California Government Code Section 37350 et seq., and Section 40404, California Code of Civil Procedure Section 1230.010 et seq. and other applicable law.

WAIVER OF RIGHT TO APPEAR AND BE HEARD:

California Code of Civil Procedure Section 1245.235(b)(3) provides that ***“Failure to file a written request to appear and be heard within 15 days after the notice was mailed will result in waiver of the right to appear and be heard.”*** (Emphasis added). Therefore, if you desire to be heard, you must file a written request with the District Secretary at Otay Water District, 2554 Sweetwater Springs Boulevard, Spring Valley, California 91978-2004, or via facsimile at 619-660-0829. The request must be received by the District Secretary within fifteen (15) days of the date of this notice.

If you elect not to appear and be heard, your failure to appear will be a waiver of your right to later challenge the right of the Otay Water District to take the property by eminent domain.

The amount of the compensation to be paid for the acquisition of the property will not be considered by the Otay Water District at this hearing. Therefore, if you elect not to appear and be heard, your failure to appear **will not** prevent you from claiming greater compensation, in a court of law.

If the Otay Water District elects to adopt the Resolution of Necessity, then within six months of the adoption of the Resolution, the Otay Water District will commence eminent domain proceedings in Superior Court. In that proceeding, the court will determine the amount of compensation to which you are entitled.

Vestar
Otay Water District - Campo Road Sewer Replacement Project (S2024);
Notice of Hearing regarding a Resolution of Necessity to Acquire Property by Eminent Domain
October 7, 2016
Page 3 of 3.

Sincerely,
OTAY WATER DISTRICT



Mark Watton
General Manager

MW:jf

Enclosure(s): Easement Deed(s) with legal descriptions and plats

RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91978-2004

APN: 506-130-02, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**GRANT OF EASEMENT OF RIGHT-OF-WAY TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the Undersigned **Vestar California XVII, LLC** as **Grantor(s)** hereby GRANT(S) to **OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, a permanent easement of right-of-way of 25 feet in width for the purpose of laying underground water and sewer pipelines and laterals, trunk lines, collection lines and laterals, sewer manholes and other underground and surface structures appurtenant to said water or sewer lines, including but not limited to power lines for transmission and communication purposes, pumps, regulators, valves and access roads or areas within said easement, hereinafter referred to as "said facilities," together with the right to construct, operate, maintain, repair and replace said facilities, and the right of ingress and egress for such purposes. Said easement is described and/or depicted as follows:
and/or depicted as follows:

(See Exhibit(s) "A" and "B" attached hereto and made a part hereof)

Grantor reserves the right to use said land at Grantor's own risk for any and all purposes not conflicting, interfering or inconsistent with Grantee's use of, and access to, said facilities. Grantor waives any right under Civil Code section 845, and any right to compel Grantee to grade, surface or otherwise improve or maintain said easement area as a roadway.

Grantor shall not increase or decrease or permit to be increased or decrease the ground elevations of said easement existing at the time this document is executed, nor construct or permit to be constructed any permanent building, structures, improvements or other encroachment upon said easement which will cause damage to or threaten the safety of any of said facilities of Grantee placed within the easement.

OWD EASEMENT NO. _____

Grantee may remove from the easement any building, structure, improvement or other encroachments thereon conflicting, interfering or inconsistent with its use for the purposes hereby granted. Grantee shall have the right to install its own gates and locks in all fences which now cross or may hereafter cross said easement.

Grantee agrees on its own behalf and on behalf of its successors in interest that it will indemnify and hold harmless Grantor for any damages to the property which result from maintenance and repair operations by the Otay Water District of its pipeline within the easement.

Grantor may use said land as a driveway and to the extent of such use may surface or pave the area, subject to the restrictions as to changes in existing ground elevations and indemnifications set forth above.

Grantor may, at Grantor's expense, and subject to Grantee's prior written consent, relocate the above mentioned facilities in the event such conflict with future development of said property, provided that Grantor does not cause discontinuance of service to any area, and provided, further, that Grantee receives, without expenses to Grantee, an easement comparable to this easement for said relocated facilities. Grantee shall never be required to relocate or alter in any way the facilities installed pursuant to this grant of easement, or to bear any cost in connection therewith as a result of changes in the location of any said facilities.

Grantee shall have the right to transfer and assign all or a portion of this easement to its successor in interest, or to any other political subdivision or public utility for use of the above stated purpose.

Date: _____

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Easement of Right of Way to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____
Susan Cruz, District Secretary
Otay Water District

OWD EASEMENT NO. _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
24

EXHIBIT "A"
SEWER EASEMENT

Those portions of Lots 2 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 25.00 feet in width, lying easterly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

The sidelines of said strip of land 25.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

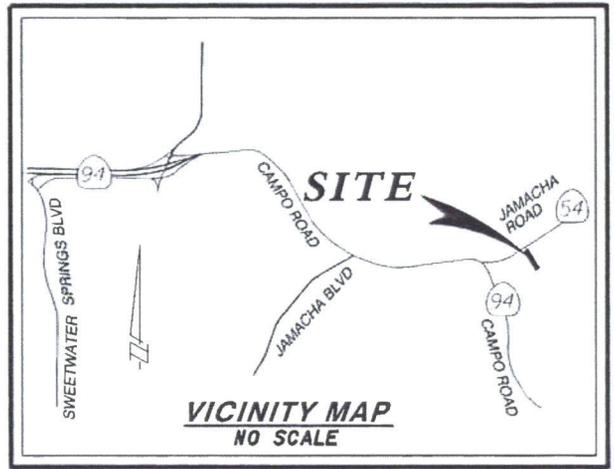
Containing 0.162 acres, more or less.

 5-20-2016
Patrick A. McMichael, L.S. 6242



Jb/K:/files/17224/legal/17224_lgl_sewer ease for Lots 2 & 4

-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



P.O.B.
NW COR. LOT 4
MAP 13483

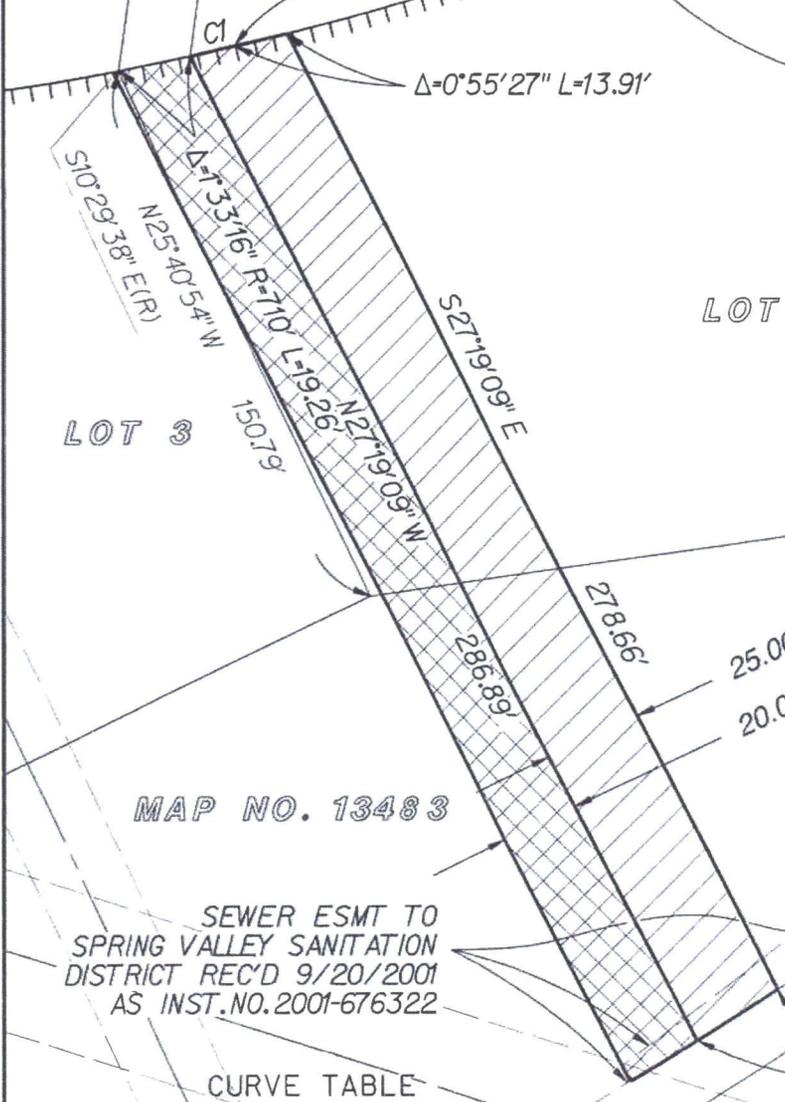
JAMACHA ROAD (STATE ROUTE 54)

T.P.O.B.
 $\Delta=15^{\circ}24'38''$ R=862' L=231.85'

ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312



NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'

SCALE 1" = 50'

SEWER EASEMENT

PORTIONS OF LOTS 2 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

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RECORDING REQUESTED BY
AND AFTER RECORDATION
MAIL TO:

For Recorder's Use

OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CA 91977-7299

APN: 506-130-02, 506-130-03, 506-130-04

Documentary Transfer Tax: None
(Exempt under Rev & Tax Code Section 11922)

**TEMPORARY CONSTRUCTION EASEMENT TO
OTAY WATER DISTRICT**

For good and valuable consideration, receipt of which is hereby acknowledged, the undersigned **Vestar California XVII, LLC**, as **Grantor(s)** hereby **GRANT(S) to OTAY WATER DISTRICT**, a municipal water district formed under the Municipal Water District Law of 1911, as amended, situated in the County of San Diego, State of California, as **Grantee**, and to Grantee's contractors, a temporary construction easement ("Easement") and the right to access, use and occupy the surface and subsurface of said easement for a period of six (6) months, commencing upon Grantor's receipt of written notice from Grantee of commencement of construction activity. The Easement is located in the County of San Diego, State of California, more particularly described in **Exhibit "A"** and depicted in **Exhibit "B"** attached hereto and made a part hereof. The Easement and right of access shall extend to all acts necessary for the purpose of constructing a sewer pipeline, sewer manholes, and other underground and surface structures appurtenant to said sewer line associated with the Campo Road Sewer Replacement Project (CIP S2024).

Grantor further grants to Grantee the right of unobstructed ingress and egress to the Easement, including the right to pass and re-pass over and along the Easement and to deposit tools, implements and other materials on the Easement and to utilize construction, automotive and other equipment thereon when necessary for the purpose of exercising its rights hereunder.

Upon completion of any work, for the purposes and uses herein granted, Grantee shall restore, at Grantee's expense, the surface of the Easement to a compacted, neat, clean condition, but not necessarily the same condition as prior to such work, and shall replace any fencing or other improvements removed by Grantee or Grantee's contractors

The rights and obligations contained herein shall inure to the benefit of and be binding upon the successors-in-interest, agents, employees, assigns, and transferees of the parties hereto.

OWD EASEMENT NO. _____

IN WITNESS WHEREOF, Grantor has executed this Grant of Temporary Construction Easement as of this ____ day of _____, 20__.

Grantor(s): _____

Print Name/Corporation/Entity _____

[Each signature of Grantor must be acknowledged in the form attached hereto]

DISTRICT CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Grant of Temporary Construction Easement to Otay Water District dated _____, _____ from _____ to OTAY WATER DISTRICT, a municipal water district, is hereby accepted by order of the Board of Directors pursuant to the authority conferred by Resolution No. 1829, adopted on February 23, 1981, and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

By: _____
Susan Cruz, District Secretary
Otay Water District

OWD EASEMENT NO. _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

GRANTOR'S SIGNATURE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared

NAME(S) OF SIGNER(S)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) , or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)
J-17224

OWD EASEMENT NO. _____

EXHIBIT "A"

TEMPORARY CONSTRUCTION EASEMENT

Those portions of Lots 2, 3 and 4 of Tract 5092-1 in the County of San Diego, State of California, according to Map thereof No. 13483 filed in the Office of the County Recorder of San Diego County October 10, 1997 said portions being more particularly described as follows:

A strip of land 20.00 feet in width, lying westerly measured at right angles from the following described line:

Beginning at the Northwest corner of said Lot 4, said corner being the beginning of a non-tangent 710.00 foot radius curve concave northerly to which a radial line bears South 10°29'38" East; thence along the northerly line of said Lot 4, easterly along the arc of said curve through a central angle of 01°33'16" a distance of 19.26 feet to the **TRUE POINT OF BEGINNING**; thence leaving said northerly line South 27°19'09" East 286.89 feet to a point on the northwesterly line of that easement granted to Otay Water District recorded February 15, 1985 as Instrument No. 85-053055, said point being the **POINT OF TERMINUS**.

The sidelines of said strip of land 20.00 feet in width shall be lengthened or shortened to intersect at the point of beginning with the northerly line of said Lot 4, and at the point of terminus with the northwesterly line of said easement granted to Otay Water District.

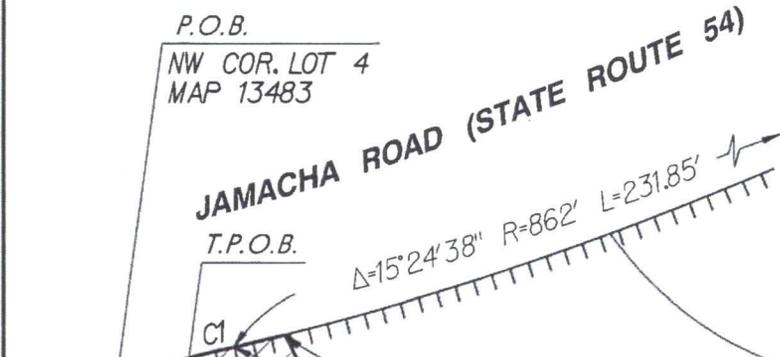
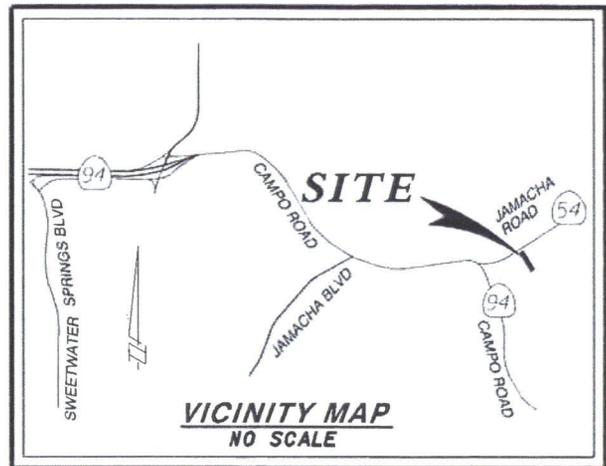
Containing 0.133 acres, more or less.

 *Patrick A. McMichael* 5-20-2016
Patrick A. McMichael, L.S. 6242



Jb/K:/files/17224/legal/17224_lgl_temp const ease for Lots 2 thru 4

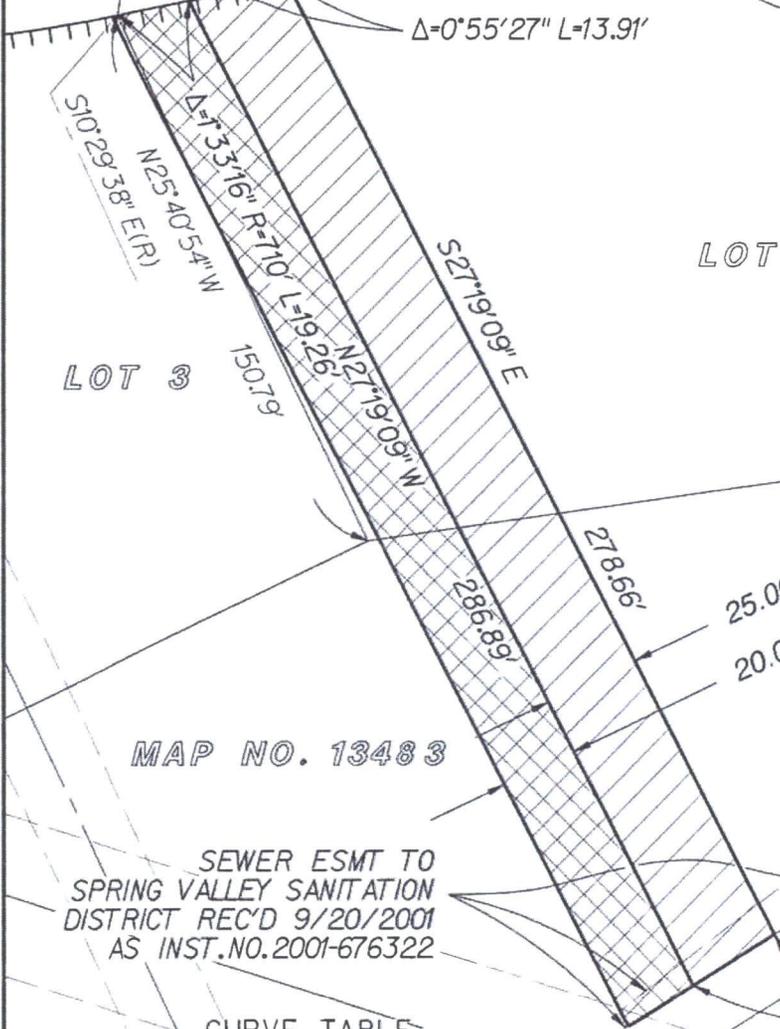
-  SEWER EASEMENT ACQUIRED, 0.162 ACRES
-  TEMPORARY CONSTRUCTION EASEMENT ACQUIRED, 0.133 ACRES



ACCESS RIGHTS FROM LOTS 3 & 4
IN AND TO JAMACHA ROAD (SR 54)
RELINQUISHED AND WAIVED AND
ACCEPTED PER MAP 13483



OMWD ESMT REC'D
10/10/1997 AS
INST. NO. 1997-507312



MAP NO. 13483

SEWER ESMT TO
SPRING VALLEY SANITATION
DISTRICT REC'D 9/20/2001
AS INST. NO. 2001-676322

OMWD ESMT REC'D
2/15/1985 AS
INST. NO. 85-053055

CURVE TABLE

NAME	DELTA	RADIUS	ARC
C1	0° 57' 35"	710.00	11.89

EXHIBIT 'B'

SCALE 1" = 50'

TEMPORARY CONSTRUCTION EASEMENT
PORTIONS OF LOTS 2, 3 & 4 OF TRACT 5092-1, MAP NO. 13483
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

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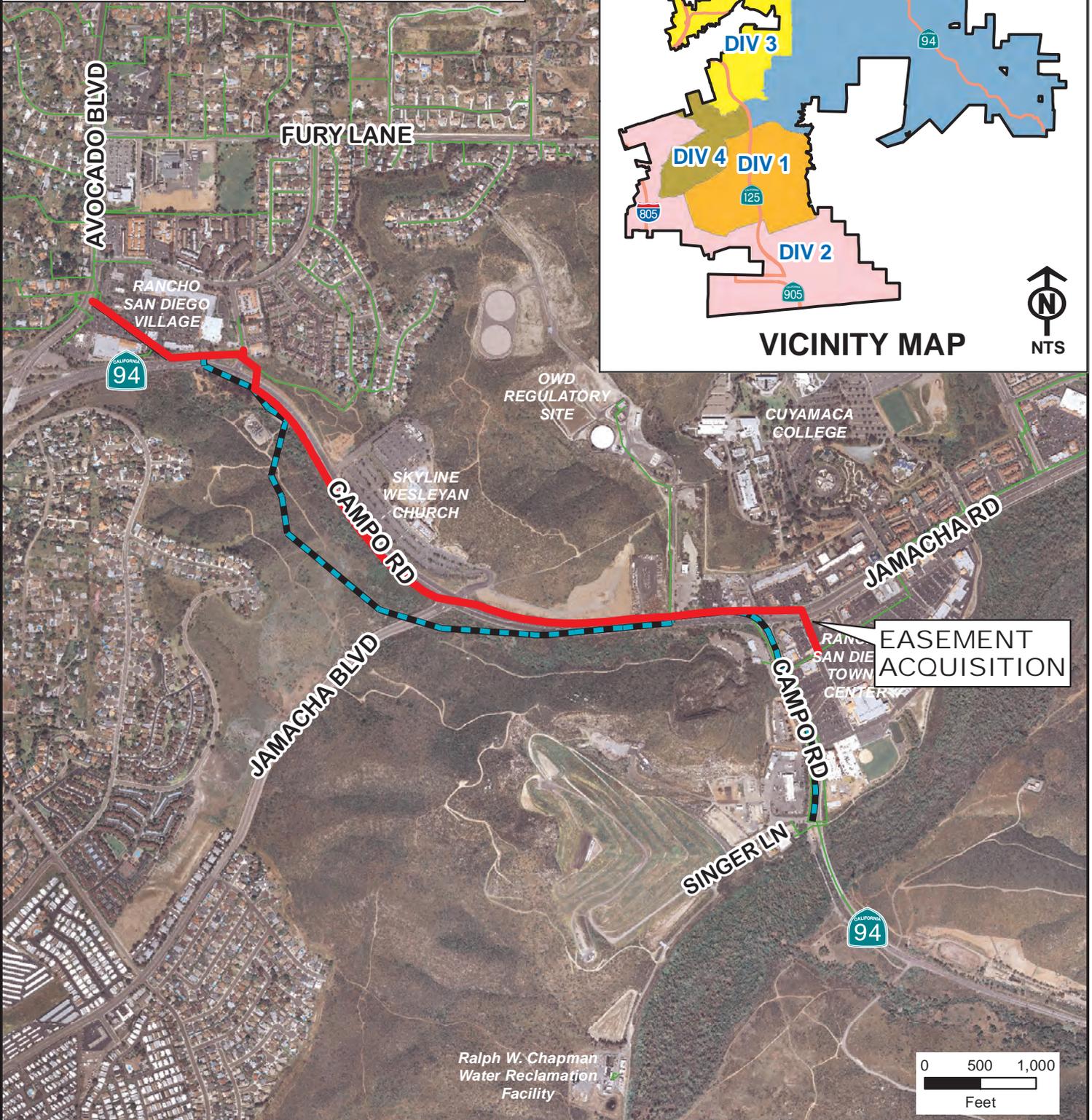
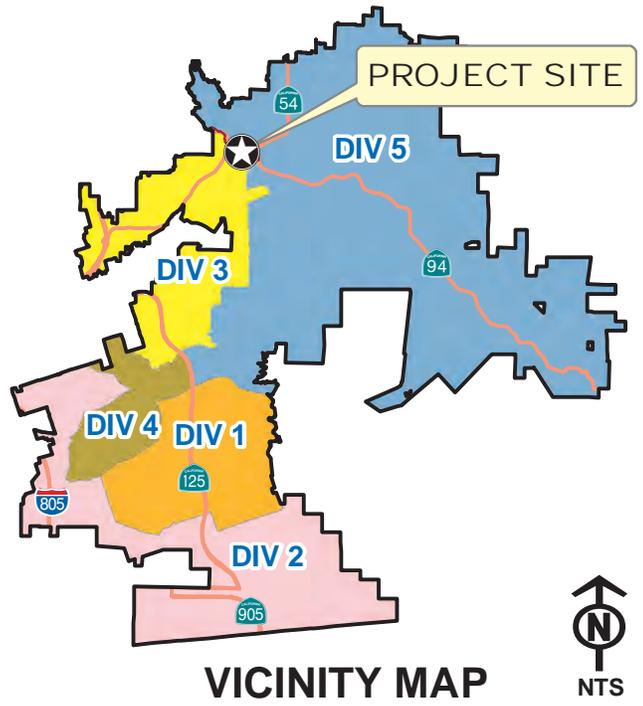
ATTACHMENT E – Budget Detail

SUBJECT/PROJECT:	Hold a Public Hearing and Consider Adopting a Resolution of Public Necessity for the Acquisition by Eminent Domain of Certain Real Property Interests in Connection with the Campo Road Sewer Replacement
S2024-001102	

Project Budget Detail						
S2024 – Campo Road Sewer Replacement						
Level	Title1	Committed	Expenditures	Outstanding Commitment	Projected Final Cost	Vendor
Budget	Budget Cost Type	\$0.00	\$0.00	\$0.00	\$0.00	
	Total	\$0.00	\$0.00	\$0.00	\$0.00	
Planning	Consultant Contracts	\$20,020.00	\$20,020.00	\$0.00	\$20,020.00	AEGIS ENGINEERING MGMT INC
	Regulatory Agency Fees	\$132.00	\$132.00	\$0.00	\$132.00	US BANK
		\$2,260.00	\$2,260.00	\$0.00	\$2,260.00	COUNTY OF SAN DIEGO
	Service Contracts	\$161.70	\$161.70	\$0.00	\$161.70	SAN DIEGO DAILY TRANSCRIPT
		\$42.50	\$42.50	\$0.00	\$42.50	EAST COUNTY GAZETTE
	Standard Salaries	\$137,961.62	\$137,961.62	\$0.00	\$137,961.62	
	Total	\$160,577.82	\$160,577.82	\$0.00	\$160,577.82	
Design	Consultant Contracts	\$9,315.00	\$9,315.00	\$0.00	\$9,315.00	WATER SYSTEMS CONSULTING INC
		\$763,244.35	\$687,231.45	\$76,012.90	\$763,244.35	RICK ENGINEERING COMPANY
		\$3,500.00	\$3,500.00	\$0.00	\$3,500.00	MICHAEL D KEAGY REAL ESTATE
		\$3,507.75	\$3,507.75	\$0.00	\$3,507.75	NINYO & MOORE GEOTECHNICAL AND
	Professional Legal Fees	\$182.32	\$182.32	\$0.00	\$182.32	STUTZ ARTIANO SHINOFF
		\$1,180.00	\$1,180.00	\$0.00	\$1,180.00	ARTIANO SHINOFF
	Regulatory Agency Fees	\$956.00	\$956.00	\$0.00	\$956.00	COUNTY OF SAN DIEGO
	Service Contracts	\$158.20	\$158.20	\$0.00	\$158.20	SAN DIEGO DAILY TRANSCRIPT
	Standard Salaries	\$236,001.41	\$236,001.41	\$0.00	\$236,001.41	
	Total	\$1,018,045.03	\$942,032.13	\$76,012.90	\$1,018,045.03	
Construction	Consultant Contracts	\$42,460.65	\$0.00	\$42,460.65	\$42,460.65	RICK ENGINEERING COMPANY
		\$12,258.00	\$12,258.00	\$0.00	\$12,258.00	NINYO & MOORE GEOTECHNICAL AND
		\$17,400.00	\$17,400.00	\$0.00	\$17,400.00	ALYSON CONSULTING
	Standard Salaries	\$836.63	\$836.63	\$0.00	\$836.63	
Total	\$72,955.28	\$30,494.63	\$42,460.65	\$72,955.28		
Budget	\$8,500,000.00					
Total		\$1,251,578.13	\$1,133,104.58	\$118,473.55	\$1,251,578.13	

Legend

- Proposed 15-Inch Sewer Main Alignment
- Existing 10-inch Gravity Sewer to be Replaced
- Existing Sewer Mains



OTAY WATER DISTRICT

CAMPO ROAD SEWER MAIN REPLACEMENT LOCATION MAP



CIP S2024



AGENDA ITEM 6a



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2016
		PROJECT:	Various DIV.NO. ALL
SUBMITTED BY:	Kent Payne Purchasing and Facilities Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Adolfo Segura, Chief, Administrative & IT Services <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	AUTHORIZE A TWO-YEAR FIXED AGREEMENT, PLUS THREE (3) ONE-YEAR OPTIONS, WITH GREENRIDGE LANDSCAPE, INC. FOR LANDSCAPE MAINTENANCE SERVICES AT A NOT-TO-EXCEED AMOUNT OF \$554,334		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize a two-year fixed agreement, plus three (3) one-year options, with Greenridge Landscape, Inc. of El Cajon, CA, (Greenridge) for landscape maintenance services at a not-to-exceed amount of \$554,334. Monthly and annual fees are as follows:

Calendar Year	Monthly Fee	Annual Fee
2017	\$8,909.50	\$106,914
2018	\$8,909.50	\$106,914
2019 Option 1	\$9,144.00	\$109,728
2020 Option 2	\$9,542.50	\$114,510
2021 Option 3	\$9,689.00	\$116,268
Contract Total		\$554,334

COMMITTEE ACTION:

See "Attachment A".

PURPOSE:

To obtain authorization for the General Manager to enter into a two-year fixed agreement, plus three one-year options, with Greenridge for landscape maintenance services at a not-to-exceed \$554,334.

ANALYSIS:

The District utilizes a multi-year contract for landscape maintenance services at its main facilities and remote sites. A scope of work matrix is provided ("Attachment B").

Staff issued a Request for Proposal through its online solicitation portal, BidSync. Five (5) firms attended a mandatory pre-proposal meeting and site walk held at the main campus and at a representative sample of remote facilities.

The District received three (3) proposals that were evaluated by a review panel and scored on Firm Qualifications, Personnel Experience, Completeness of the submittal, Proposed Method to perform the work, Proposed Hours per year, and Proposed Monthly Fee for each year of the contract ("Attachment C").

Firm	5yr Fee	Hrs/Year	Ave \$/Hr	Score
Greenridge Landscape, Inc.	\$554,334	4,783	\$23.18	338
Aztec Landscaping, Inc.	\$565,476	4,162	\$27.17	308
PWLC I, Inc.	\$789,420	6,240	\$25.30	200

The Greenridge proposal received the highest score and was determined to be the best value for the required scope of work. Greenridge maintains an "A+" rating with the Better Business Bureau and the results of an internet search revealed no negative findings. In addition, Greenridge has been the District's landscape service provider for the past five years and has had an excellent performance record.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

The annual landscape maintenance operating budget is \$115,000 which is sufficient to cover the yearly cost of the contract.

STRATEGIC GOAL:

Supports the Districts Strategy: Ensure financial health through formalized policies, prudent investing, and efficient operations.

LEGAL IMPACT:

None.

ATTACHMENTS:

- Attachment A - Committee Action Report
- Attachment B - Scope of Work Matrix
- Attachment C - Scoresheet



ATTACHMENT A

SUBJECT/PROJECT:	AUTHORIZE A TWO-YEAR FIXED AGREEMENT, PLUS THREE (3) ONE-YEAR OPTIONS, WITH GREENRIDGE LANDSCAPE, INC. FOR LANDSCAPE MAINTENANCE SERVICES AT A NOT-TO-EXCEED AMOUNT OF \$554,334
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on October 18, 2016, and the following comments were made:

- Staff recommended that the Board approve a two-year fixed agreement, plus three (3) one-year options, with Greenridge Landscape, Inc. of El Cajon, CA, (Greenridge) for landscape maintenance services at a not-to-exceed amount of \$554,334.
- It was discussed that instead of having District staff perform landscape maintenance for approximately 60 District locations, staff determined that it was more cost effective to outsource professional landscape services.
- Staff indicated that the last contract for landscape services was executed in FY 2011.
- Staff discussed the soliciting process, which is illustrated on page 2 of the staff report. Staff indicated that Greenridge received the highest score and was determined to be the best value for the required scope of work. It was also indicated that Greenridge is the District's current landscape service provider and has an excellent performance record.
- Staff noted that Greenridge maintains an "A+" rating with the Better Business Bureau.
- In response to a question from the Committee, staff stated that the District decided to outsource landscape services in FY 2004-2005.
- The Committee inquired if drought conditions have impacted the cost of maintaining the District's landscapes. Staff stated that although changes have been made to the District's landscapes and

irrigation systems to conserve more water, the cost of maintaining its landscapes has increased approximately \$300 a month since the last contract was executed in FY 2011. However, staff noted that the cost increase is a result of additional facilities that have been built since FY 2011 and that a more aggressive approach to easement clearing for fire prevention was added to the contractor's Scope of Work.

- In response to a question from the Committee, staff stated that the contractor has a set schedule of duties, but can also be called upon if there are issues that need to be rectified.

Upon completion of the discussion, the Committee accepted staffs' report and supported presentation to the full board as a consent item.



ATTACHMENT B

SUBJECT/PROJECT:	AUTHORIZE A TWO-YEAR FIXED AGREEMENT, PLUS THREE (3) ONE-YEAR OPTIONS, WITH GREENRIDGE LANDSCAPE, INC. FOR LANDSCAPE MAINTENANCE SERVICES AT A NOT-TO-EXCEED AMOUNT OF \$554,334
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SCOPE OF WORK MATRIX

#	Facility Name	Location	Landscape General Duties*
1	1655-1 Hydro-Station	14810 Presilla Drive 1293-B4	<ul style="list-style-type: none"> Trim oleanders off the fence and top to fence line 2x a year. Spray herbicides (Karmex and Round up) twice a year before rainy season or as needed. Clean all culverts from dirt and debris General clean-up of trash and debris. Haul away trimmings. Install/maintain and operate irrigation drip system (during summer time or hot weather, turn on drippers for one week, bi-weekly). May need fire prevention natural growth removal.
2	1292 1-1-3 Jamul Property	13972 Highway 94 (8 Acre parcel)	<ul style="list-style-type: none"> Mow and line trim for weed abatement twice a year. Spray herbicides (Karmex and Round up) for weed prevention three times a year.
3	1485-1 Pump Station	14303 Lyons Valley Road 1272-J7	<ul style="list-style-type: none"> Trim plants twice a year. General clean-up of trash and debris as needed. Haul away trimmings. Install/maintain and operate irrigation as needed. Erosion controls install/maintain (including mud removal from asphalt).

4	1296-1-9 Tank (9-2 tank @ Bear Mt.)	13635 Bear Mountain Way 1292- F3	<ul style="list-style-type: none"> • General clean-up of trash, debris and landscaped areas. • Clean all culverts from dirt and debris, once a year before rainy season or as needed. • Line trim as needed for weed abatement. Haul away trimmings. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate irrigation drip system. During summer time or hot weather, turn on drippers for one week bi-weekly.
5	944-1-9 Pump Station (9-1 PS)	13255 Campo Road 1272- E7	<ul style="list-style-type: none"> • Trim and clean all landscaped areas three times a year or as needed. • Haul away all trimmings and debris. • Clean all culverts from dirt and debris before rainy season or as needed. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate irrigation drip system. During summer time or hot weather turn on drippers for one week, bi-weekly.
6	944-1-9 Tank and 944-2-9 Tank (9-1 tanks)	3102 Vista Diego Road 1292- G1	<ul style="list-style-type: none"> • Trim and clean all landscaped areas three times a year or as needed. • Haul away all trimmings and debris. • Clean all culverts and storm drains from dirt and debris before rainy season. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate irrigation drip system. During summer time or hot weather turn on drippers for one week, bi-weekly. • Dirt removal from paved areas around tanks after rainy season. • Install/maintain erosion control. During summer time or hot weather turn on drippers for one week, bi-weekly.
7	Vista Diego Hydro Station	3151 Vista Diego Road 1292- G1	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed.

8	832-1-2 Reservoir (2-1 Tank)	12118 Campo Road 1271- J1	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate irrigation drip system. During summer time or hot weather turn on drippers for one week, bi-weekly.
9	832-1-2 Pump Station (2-1 PS)	12176 Highway 94 1271- J1	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain, repair and operate fire sprinklers around fence bi-weekly during summer time or fire season. • Install/maintain and operate irrigation drip system. During summer time or hot weather turn on drippers for one week, bi-weekly. • Removal of unwanted plant species among oleanders.
10	1090-1-2 Pump Station (2-2 PS)	3029 Millar Ranch Road 1271- J7	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Install/maintain, repair and operate fire sprinklers around fence bi-weekly during summer time or fire season. • Install/maintain and operate irrigation drip system. During summer time or hot weather turn on drippers for one week, bi-weekly. • Weed control as needed. • Install/maintain erosion control as needed.
11	1090-1-2 Tank (2-2 tank)	12300 Millar Anita Lane 1271- J7	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Removal of natural growth for fire abatement/protection. • Rake around tank, outside and access roads. • Install/maintain, repair and operate fire sprinklers around fence bi-weekly during summer time or fire season. • Spray herbicides for weed prevention twice a year or as needed.

12	Wastewater Reclamation Plant	11901 Singer Lane 1271- J7	<ul style="list-style-type: none"> • Trim oleanders at Steele Canyon Tank once a year. • Trim, clean and fertilize all landscaped areas inside treatment plant twice a year or as needed • Trim all ice plant and ivy 3 times a year or as needed. • Apply granular pre-emergent as needed twice a year. • Line trim inside treatment plant for weed abatement 3 or 4 times a year or as needed. • Keep a 25 feet firebreak between fence line and natural growth vegetation before fire season. • Spray herbicides around roadway, treatment plant and accessories for weed prevention four times a year or as needed. • Haul away all trimmings. • Clean-up and mow roadside as needed. • Clean all culverts from dirt and debris before rainy season or as needed. • Install/maintain and operate all irrigation systems including adjusting timers for different seasons of the year. • Blow driveways and hardscape as may be requested.
13	Cottonwood Meadows Sewer Lift Station	3550 Par Four Drive 1272- B6	<ul style="list-style-type: none"> • Trim of fence and clean all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Line trim inside station and entry access road for weed abatement twice a year or as needed. • Spray herbicides for weed prevention twice a year or as needed.
14	Steele Canyon Shut Down Area and Triangle	Sold 2015	
15	860-1 Cottonwood Hydropneumatic Station Pump Station (Windriver)	2508 Windriver Road 1272- C4	<ul style="list-style-type: none"> • Trim neighbor's landscape overgrowth twice a year. • Haul away all trimmings and debris. • General clean-up. • Line trim for weed abatement twice a year. • Spray herbicides for weed prevention twice a year.

16	803-4 Tank (Vista Grande Reservoir)	1612 Vista Grande Road 1272- C2	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas 3 times a year or as needed. • Haul away all trimmings and debris. • Install/maintain and operate irrigation drip system or hand water during summer or hot weather turn on drippers for one week, bi-weekly. • Install and maintain erosion control before rainy season. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention 3 times a year or as needed. • Clean all culverts from debris and dirt before rainy season or as needed.
17	1200-1-3 Tank	1697 Burriss Drive 1272- D2	<ul style="list-style-type: none"> • Bee removal as needed. • Trim natural growth to keep it contained within limits once a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Install/maintain and operate irrigation system bi-weekly during summer time or hot weather as needed.
18	978-2 Reservoir Filipponi Reservoir	1124 Vista Grande Road 1272- D1	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Clean all culverts from debris and dirt before rainy season and as needed. • Set erosion control for protection of all culverts. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly. • Maintain clean all access road to the tank from the first chain link fence gate to second chain link fence gate. • Spread mulch around bottlebrushes as needed.

19	978-1-2 Reservoir (3-2 Res.)	2542 Pence Drive 1252- E7	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas inside tank twice a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • Clean all culverts from dirt and debris before rainy season or as needed. • Maintain access road and trim and top oleanders twice a year. • Install/maintain and operate all fire sprinklers and all irrigation systems. Turn on fire sprinklers at least once monthly during fire season or as needed, turn drippers on for one week, bi-weekly during hot weather.
20	803-3 Reservoir (Singing Hills) Reservoir)	2568 Pence Drive 1252- E1	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Haul away all cuttings and debris. • Clean all culverts from debris and dirt before rainy season. • Install/maintain and operate irrigation drip system. During hot weather, turn on drippers for one week, bi-weekly. • Spray herbicides for weed prevention twice a year.
21	Silverado Sewer Lift Station	Willow Glen Drive/Camino De Las Piedras	<ul style="list-style-type: none"> • General clean-up as needed. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention as needed.
22	Hidden Mesa Sewer Lift Station	1256 Hidden Mountain Drive 1272- C1	<ul style="list-style-type: none"> • Trim and clean all landscaped areas, keep overgrowth away from stairs once a year. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention once a year or as needed. • Haul away all trimmings and debris.
23	803-2 Tank (20-3 Res.)	2825 Willow Glen Drive 1272- E4	<ul style="list-style-type: none"> • Trim the roadside entrance to keep natural growth contained once a year or as needed. • Trim around fence to keep natural growth contained twice a year or as needed. • Spray herbicides for weed prevention twice a year or as needed. • Haul away all trimmings and debris.
24	Abandoned Sewer Lift Station on Jamacha Road @ ROP	East side of Jamacha Road @ ROP Entrance 1272- B3	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year or as needed. • Line trim for weed abatement as needed. • Spray herbicides for week prevention twice a year or as needed. • Haul away all trimmings and debris.

25	Russell Square Sewer PS	5139 ½ Russell Square 1271- E1	<ul style="list-style-type: none"> • Trim all landscaped areas away from fence twice a year or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year or as needed. • General clean-up as needed.
26	Calavo Sewer Lift Station	3700 Avocado Blvd. @ Campo Road 1271- F5	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscape areas twice a year or as needed. • Line trim for weed abatement as needed. • Haul away all trimmings and debris. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate all drip irrigation system. During summer or hot weather turn on drippers for one week, bi-weekly.
27	850-2-2 Tank (20-2 Res.)	12885 Jamacha Blvd. 1271- J3	<ul style="list-style-type: none"> • Trim road entrance to keep natural growth and erosion contained once a year. • Line trim for weed abatement as needed. • Spray herbicides for week prevention including road entrance twice a year or as needed. • Clean all culverts from dirt and debris before rainy season or as needed. • Haul away all trimmings and debris. • Bee call removal as needed.
28	Regulatory Reservoir	11880 Campo Road 1271- H6	<ul style="list-style-type: none"> • Install erosion control around storm drains before rainy season. • Line trim entrance road, reservoirs and inside property for weed abatement twice a year, or as needed. • Trim, clean and fertilize all landscaped areas once a year, or as needed. • Haul away all trimmings and debris. • Spray herbicides for weed prevention 3 times a year or as needed. • Clean all culverts for dirt and debris before rainy season or as needed. • Install/maintain and operate all drip line irrigation system. During summer or hot weather, turn on drippers for one week, bi-weekly. • Clean around reservoir vaults, maintain free of weeds and debris as often as needed.

29	Hillsdale Property	1688 Jamacha Road 1272- A2	<ul style="list-style-type: none"> • Install/maintain and operate irrigation systems. Water area bi-weekly. • Trim, clean and fertilize all landscaped areas once a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention once a year, or as needed. • Clean all culverts from dirt and debris before rainy season or as needed.
30	850-1-1 Tank (20-1 Res, 1-6 Tank)	2105 Ledge Avenue 1291- D1	<ul style="list-style-type: none"> • Trim road entrance to keep natural growth contained once a year. • Line trim for weed abatement inside and outside twice a year or as needed. • Spray herbicides for weed prevention inside and outside twice a year or as needed. • Haul away all trimmings and debris. • Clean all culverts from dirt and debris before rainy season or as needed. • Tree branch removal when needed.
31	850-2-1 Reservoir and Hydro-Station (1-5 Res.)	10701 Elevator Road 1291- F1	<ul style="list-style-type: none"> • Line trim for weed abatement twice a year or as needed. • Spray herbicides for weed prevention twice a year or as needed. • General clean-up of trash and debris 3 times a year.
32	850-1-1 PS (La Presa PS)	10557 Jamacha Blvd. 1291- F1	<ul style="list-style-type: none"> • Tree branch removal when needed. • Trim, clean and fertilize all landscaped areas once yearly or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement twice a year or as needed. • Spray herbicides for weed prevention twice a year or as needed.
33	657-1-1 and 657-2-1 Tanks (San Bernardino Tanks)	1156 San Bernardino Avenue 1291- D2	<ul style="list-style-type: none"> • Trim, Clean and fertilize all landscaped areas twice a year or as needed. • Haul away all trimmings and debris. • Line trim for weed abatement including easement 3 times a year or as needed. • Spray herbicides for weed prevention twice a year or as needed. • Install/maintain and operate all drip line irrigation system. During summer or hot weather turn on drippers for one week bi-weekly.

34	1004-1-1 PS (Buena Vista PS and adjacent property)	1306 Buena Vista Avenue 1291- C2	<ul style="list-style-type: none"> • Pull all weeds, trim, clean and fertilize all landscaped areas twice a year. • Haul away all trimmings and debris,. • Line trim for weed abatement as needed. • Clean outside road from debris twice a year. • Spray herbicides for weed prevention including adjacent lot, twice a year. • Maintain and operate irrigation system. Adjust irrigation timers according to yearly seasons. • Clean all culverts from dirt and debris before rainy season or as needed.
35	Main Yard (1 acre)	New Parking Lot	
36	Dorchester Summit	Sold 2015	
37	1004 Tank	1828 La Presa Ave. 1291- C1	<ul style="list-style-type: none"> • For more information, please contact Greg Ponce at (619) 670- 2252
38	Mexico Connection (TJ)	South of Alta Road by International fence boundary 1352- C1	<ul style="list-style-type: none"> • Mow and line trim around property and valves for weed abatement twice a year. • Spray herbicides for weed prevention twice a year. • Wash with water all pipes and concrete pad every two weeks.
39	870-1-7 Reservoir (Upper Res.)	440 North Alta Road 1332- D5	<ul style="list-style-type: none"> • Maintain a firebreak outside fence before fire season or as needed. • Mow and line trim property, valves, reservoirs and vaults for weed abatement twice a year or as often as necessary. • Spray herbicides for weed prevention twice a year. • Clean culverts from dirt and debris before rainy season.
40	571-1-7 Reservoir (High Head and Low Head PS)	800 and 1200 North Alta Road 1332- B5	<ul style="list-style-type: none"> • Line trim around reservoir and pump stations for weed abatement twice a year. • Mow and line trim around all valves and vaults for weed abatement twice a year. • Spray herbicides for weed prevention twice a year or as needed
41	458-1-10 & 458-2-10 Reservoir	651 Pt. Barrow Drive 1330- J4	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year. • Remove any fallen trees or branches as needed. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year. • Install/maintain and operate irrigation drip system. During summer or hot weather turn on drippers for one week bi-weekly. • Spread mulch as needed.

42	Greg Rogers Sewer Lift Station	1195 Oleander Avenue. 1330- G2	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas once a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year. • Install/maintain and operate irrigation drip system. During summer or hot weather turn on drippers for one week, bi-weekly.
43	Property at Telegraph & Paseo Del Rey	Corner of Paseo Del Rey and Telegraph Canyon Road 1272- C6	<ul style="list-style-type: none"> • Mow and line trim for weed abatement twice a year. • Spray herbicides for weed prevention twice a year.
44	485-1-22 Tank (22-2 Res)	996 East H Street 1310- J6	<ul style="list-style-type: none"> • Trim, clean and fertilized all landscaped areas twice a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. Spread mulch as needed. • Spray herbicides for weed prevention twice a year. • Fallen tree branch removal as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
45	Rancho Del Rey Well site	Paseo del Rey & Avenida Del Rey 1310- J6	<ul style="list-style-type: none"> • Pull out weeds from property as often as needed. • Spray herbicides for weed prevention as often as needed. • Haul away all debris. Spread mulch as needed. • Trim, clean and fertilize all landscaped areas as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
46	624-2 Reservoir	2010 Gotham 1311- E4	<ul style="list-style-type: none"> • Mow and line trim for weed abatement twice a year. • Spray herbicides for weed prevention twice a year. Spread mulch as needed. • Trim overgrowth on fence areas as needed. Rake for fallen debris as needed. • Tree and branch removal as needed. • Haul away all trimmings and debris. Asphalt clean-up after rain. • Install erosion control around storm drains.
47	711-1-27 (7-11 Tanks)	2710 Otay Lakes Road access off or Park Meadows 1311- G4	<ul style="list-style-type: none"> • Spread mulch as needed. • Install erosion control around storm drains before rainy season. • Line trim for weed abatement as often as needed. • Spray herbicides for weed prevention twice a year.

			<ul style="list-style-type: none"> • Trim and clean all landscaped areas twice a year. • Tree and branch removal as needed. • Haul all trimmings and debris. • Clean all culverts from debris and dirt before rainy season or as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
48	624-3 Reservoir (30 MG)	1230 Eastlake Parkway 1311-F6	<ul style="list-style-type: none"> • Inspect and assign work to landscape contractors weekly. • Make recommendations as to how to improve landscaped areas weekly. • Troubleshoot irrigation systems as needed.
49	711-1 Pump Station Central Area	10391 Otay Lakes Road 1311- F6	<ul style="list-style-type: none"> • Mow and line trim upper, lower property, all vaults, valves and easement for weed abatement 3 times a year. • Spray herbicides for weed prevention 3 times a year. • Clean all culverts from dirt and debris at the upper and lower property before rainy season or as needed. • Install and maintain erosion control program before rainy season. • Trim, clean and fertilize all landscaped areas twice a year. • Haul away all trimmings and debris. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
50	980-1 PS (East Lake 980 PS)	2406 Otay Lakes Road 1311- E4	<ul style="list-style-type: none"> • Trim, clean and fertilize all landscaped areas twice a year. • Haul away all trimmings and debris. • Clean around pump station for trash and debris as often as needed. • Line trim for weed abatement as needed. • Spray herbicides for weed prevention twice a year. • Install/maintain and operate irrigation systems weekly. • Tree trimming and branch removal as needed.
51	7-11 Res.	Hunte Parkway and Salt Creek Golf Course 1311- H2	<ul style="list-style-type: none"> • Inspect and assign work to landscape contractors weekly. • Make recommendations to landscape contractors weekly. • Maintain and operate irrigation systems as needed. • Mow and line trim around property boundaries and wild habitat fencing twice a year or as needed. • Repair and inspect wild habitat fencing as often as needed. • Haul away any trimmings or debris.

52	980-1-27 and 980-2-27 Res (Use Area) End of road	Hunte Parkway and Salt Creek Golf Course 1311- H1	<ul style="list-style-type: none"> • Inspect and repair wild habitat fencing as needed. • Line trim and power mow around reservoir and adjacent areas for weed abatement twice a year. • Spray herbicides for weed control twice a year. • Help reclamation department to maintain a weed abatement program. • Remove fallen trees as needed.
53	Main Yard (Ops and Admin Buildings)	2554 Sweetwater Springs Blvd. 1291- F1	<ul style="list-style-type: none"> • General clean-up of trash and debris as often as needed. • Trim, clean and fertilize all landscaped areas as needed. • Water schedule and maintenance. • Install/maintain and operate irrigation systems. Adjust timers according to yearly seasons. • Supply mulch for landscape contractors as needed. • Inspect and assign work of landscape contractors weekly. • Make recommendations to landscape contractors weekly.
54	450-1 Recycle Tank	1680 Maxwell Rd. 1330-J4	<ul style="list-style-type: none"> • Trim, clean and fertilized all landscaped areas twice a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. Spread mulch as needed. • Spray herbicides for weed prevention twice a year. • Fallen tree branch removal as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
55	1485-1 Reservoir	15008 Lyons Valley Rd 1273-C6	<ul style="list-style-type: none"> • Trim, clean and fertilized all landscaped areas twice a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. Spread mulch as needed. • Spray herbicides for weed prevention twice a year. • Fallen tree branch removal as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.

56	1485-2 Reservoir	15008 Lyons Valley Rd 1273-C6	<ul style="list-style-type: none"> • Trim, clean and fertilized all landscaped areas twice a year. • Haul away all trimmings and debris. • Line trim for weed abatement as needed. Spread mulch as needed. • Spray herbicides for weed prevention twice a year. • Fallen tree branch removal as needed. • Install/maintain and operate irrigation drip line system. During summer or hot weather turn on drippers for one week, bi-weekly.
57	Future N-S Pump Station Site Parcels	5809-5835 Quarry Rd Bonita, CA 91902	<ul style="list-style-type: none"> • Mow and line trim for weed abatement twice a year. • Spray herbicides (Karmex and Round up) for weed prevention three times a year. • Tree and branch removal as needed • Haul away all trimmings and debris. • General clean-up for trash and debris as often as needed
58	850-3 RES	12887 Wieghorst Way	<ul style="list-style-type: none"> • Line trim for weed abatement twice a year or as needed. • Spray herbicides for weed prevention twice a year or as needed. • General clean-up of trash and debris 3 times a year or as needed.

*Duties may be modified from time-to-time as circumstances require.



ATTACHMENT C

SUBJECT/PROJECT:	AUTHORIZE A TWO-YEAR FIXED AGREEMENT, PLUS THREE (3) ONE-YEAR OPTIONS, WITH GREENRIDGE LANDSCAPE, INC. FOR LANDSCAPE MAINTENANCE SERVICES AT A NOT-TO-EXCEED AMOUNT OF \$554,334
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SCORE SHEET

		Qualifications, Experience of the Firm	Qualifications, Experience of Assigned Personnel	Completeness, Addressed Requested Information	Proposed Method to Accomplish Work	Hours Proposed	Proposed Monthly Fee	Total Score	References
SCORE		20	10	10	15	20	25	100	
Greenridge	A Segura	15	8	7	10	16	25	81	
	S Chen	16	8	7	11	18		85	
	K Payne	16	8	7	11	20		87	Excellent
	G Ponce	18	8	8	12	19		90	
									SCORE: 343
Aztec	A Segura	15	8	8	12	15	20	78	
	S Chen	18	8	9	12	14		81	
	K Payne	16	8	9	12	15		80	
	G Ponce	12	8	8	10	15		73	
									SCORE: 312
PWLCI	A Segura	17	9	7	12	5	1	51	
	S Chen	16	7	8	12	6		50	
	K Payne	16	8	8	12	8		53	
	G Ponce	12	8	8	12	5		46	
									SCORE: 200



AGENDA ITEM 6b

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2016
SUBMITTED BY:	Dan Martin Engineering Manager	PROJECT:	Various DIV.NO. ALL
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:	Adopt Ordinance No. 559 Amending Section 60 Utility Facilities for Subdivisions and Parcel Map Developments of the District's Code of Ordinances		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) adopt Ordinance No. 559 amending Section 60 Utility Facilities for Subdivisions and Parcel Map Developments of the District's Code of Ordinances.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

The purpose of the proposed amendments to Section 60 of the District's Code of Ordinances is to communicate the standards and requirements for Sub Area Master Plans (SAMPS) and engineering drawings developed for utility facilities for any subdivision.

ANALYSIS:

Section 60 of the District's Code of Ordinances provides the utility facility requirements for planning, designing, and constructing the District's facilities for any subdivision. The District is a signatory agency for the San Diego Water Agencies' Standards which establishes the design guidelines for planning and design of potable water, recycled water, raw water, and sewer facilities. The proposed revisions to Section 60 incorporate references to the San Diego Water

Agencies' Standards (<http://www.sdwas.com/>). The proposed changes include the following:

- Section 60.04 - language to require development of SAMPs in accordance with the requirements of the San Diego Water Agencies' Standards has been added. Language where a Developer may place funds on deposit and request the District to prepare a SAMP was removed.
- Section 60.08 - language to require the preparation of engineering drawings in accordance with the requirements of the San Diego Water Agencies' Standards has been added.
- Section 60.09 - language to include the San Diego Water Agencies' Standards has been added.

The draft language included in the proposed Section 60 of the Code of Ordinances was transmitted to the development community on September 2, 2016 with a request to receive comments. As of September 30, 2016, no comments were received by staff.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

Adoption of Ordinance No. 559 supports the District's Mission statement, "To provide high quality and reliable water and wastewater services to the customers of the Otay Water District, in a professional, effective, and efficient manner" and the General Manager's Vision, "A District that is innovative in providing water services at competitive rates, with a reputation for outstanding customer service."

LEGAL IMPACT:

None.

DM/RP:jf

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Attachments: Attachment A - Committee Action
 Attachment B - Ordinance No. 559
 Exhibit 1 - Strike-through Section 60
 Attachment C - Proposed Section 60



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Ordinance No. 559 Amending Section 60 Utility Facilities for Subdivisions and Parcel Map Developments of the District's Code of Ordinances
VARIOUS	

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee (Committee) reviewed this item at a Committee Meeting held on October 18, 2016, and the following comments were made:

- Staff recommended that the Board adopt Ordinance No. 559 amending Section 60, Utility Facilities for Subdivisions and Parcel Map Developments, of the District's Code of Ordinances.
- Staff reviewed the staff report with the Committee and noted that the proposed revisions to Section 60 incorporate references to the San Diego Water Agencies' Standards (<http://www.sdwas.com/>).
- Page 2 of the staff report illustrates the proposed changes to Section 60.
- Staff indicated that development communities were notified of the proposed changes to Section 60 and were also requested to provide comments. Staff stated that as of today, no comments were received.
- In response to a question from the Committee, staff stated that it is no longer the District's business practice to prepare a Subarea Master Plan (SAMP) for developers as they are prepared by well-qualified Engineering firms.

Upon completion of the discussion, the Committee accepted staffs' report and supported presentation to the full board as a consent item.

ORDINANCE NO. 559

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OTAY
WATER DISTRICT AMENDING SECTION 60 UTILITY FACILITIES FOR SUBDIVISIONS
AND PARCEL MAP DEVELOPMENTS OF THE DISTRICT'S CODE OF ORDINANCES

BE IT ORDAINED by the Board of Directors of Otay Water District that the District's Code of Ordinances, Section 60 Utility Facilities For Subdivisions And Parcel Map Developments be amended as per Exhibit 1 (attached).

NOW, THEREFORE, BE IT RESOLVED that the new proposed Section 60 (Attachment C) of the Code of Ordinances shall become effective November 2, 2016.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 2nd day of November, 2016, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President

ATTEST:

District Secretary

SECTION 60 UTILITY FACILITIES FOR SUBDIVISIONS AND PARCEL MAP DEVELOPMENTS

60.01 INSTALLATION BY THE DISTRICT

The District will not construct facilities to provide utility service to land being divided for a subdivision or parcel map development, except where facilities are constructed as part of the Capital Improvement Program for the utility system of an improvement district.

60.02 INSTALLATION BY DEVELOPERS

Developers of land shall provide, at their own expense, all facilities required for utility service within the area to be developed. In order to obtain required services it may be necessary for a Developer, in some instances, to also provide certain off-site facilities or to provide for oversizing of the facilities which are to become part of the District system. In such event, the Developer may be entitled to reimbursement of certain costs for such off-site or oversizing facilities as provided in Policy 26 of this Code.

60.03 ISSUANCE OF AVAILABILITY LETTERS FOR WATER AND/OR SEWER SERVICE

Upon request, the General Manager will provide a written statement (sometimes referred to as "availability" or "will-serve" letters) advising whether water and/or sewer service is available and, if not, whether such service could be made available, for a proposed development project within the District. A charge (see Appendix A, 60.03) will be made for each statement furnished by the District.

60.04 REQUIREMENT FOR A SUBAREA MASTER PLAN (SAMP)

In some instances, a Subarea Master Plan (SAMP) may be necessary to establish the water, recycled water and sewer system facilities for adequate District service within and to a proposed subdivision project. A SAMP shall be required when any of the following situations have occurred:

- A. No previous SAMP was prepared and the complexity of the proposed subdivision requires integration into the District Water Resources Master Plan.
- B. The Developer is seeking to modify the requirements of the District's Water Resources Master Plan.
- C. The previously submitted SAMP for the proposed subdivision is no longer representative of the current development proposal.

- D. The previously submitted Developer SAMP for the proposed subdivision project is over two years old.
- E. The General Manager has determined a SAMP is required.

The Developer ~~shall prepare may elect to have~~ the SAMP ~~performed by a private Engineering firm~~ and submitted to the District for approval by the General Manager. The SAMP shall be developed in accordance with the requirements of the San Diego Water Agencies' Standards. ~~The Developer may request the District to prepare the SAMP and deposit with the District the estimated cost of the SAMP.~~ Prior to implementation, the SAMP shall be reviewed and approved by the General Manager. Approval of the SAMP shall occur prior to approval of any Construction Agreement for a Developer's improvement plans by the General Manager.

60.05 REQUIREMENT FOR A TENTATIVE MAP

- A. The Developer shall file with the District a tentative map of the proposed subdivision or parcel map project.
- B. The Developer shall deposit with the District a sum determined by the General Manager to cover the estimated cost of plan checking and engineering services.
- C. The General Manager will review the tentative map and return it to the Developer indicating thereon the water and/or sewer system that will be required for the development.

60.06 REQUIREMENT OF EASEMENT OR RIGHT-OF-WAY FOR UTILITY FACILITIES

Whenever the plans, as approved, provide for any portion of the utility facilities to be constructed in other than a dedicated public street or road, the Developer shall grant or cause to be granted an easement or right-of-way to the District in the form specified by the General Manager. Whenever facilities are terminated at a point short of the boundary of the parcel owned by the Developer, a permanent easement, in accordance with Section 36.02, shall be granted to District in order to provide for future extension of the facility to adjoining parcels of land. This requirement shall also apply to those cases where the County or a city requires the Developer to provide a one foot buffer between the subdivision or lot-split boundary and the adjoining property.

60.07 REQUIREMENT FOR ANNEXATION

- A. The Developer desiring service to properties which lie outside the District or outside an Improvement District shall request annexation. The Developer shall request such annexation in writing to the General Manager.
- B. The Engineering Department shall provide an annexation packet outlining the required information and charges as detailed in Chapter 6, Section 9 of this Code.
- C. Annexation shall occur prior to approval of any Construction Agreement for the Developer's improvement plans by the General Manager.

60.08 REQUIREMENT FOR APPROVED PLANS AND CONSTRUCTION AGREEMENT

- A. Developer shall prepare detailed engineering drawings in accordance with the requirements of the San Diego Water Agencies' Standards for construction of the proposed system shown on the tentative map and submit such drawings to the District for review and approval. Each system shall provide for water service and/or sewer service, where applicable, to each lot in a subdivision and to each parcel in a parcel map development. The utility system proposed shall not be detrimental in any way to operation of the District utility system and shall conform to the requirements of the approved SAMP.
- B. The General Manager shall review the construction drawings and either accept, reject, or revise them for compliance with District standards and specifications. Upon approval of the drawings, the General Manager shall return them to the Developer with the following: (i) District estimates for construction costs and the amount of additional District deposit; (ii) the required standard District agreement for installation of water or sewer facilities; and (iii) the amount of security required to guarantee performance of the agreement.
- C. Developer shall return to the District the revised drawings, if required, the executed subdivision construction agreement, together with the required deposits and security, either cash, surety bond, or letter of credit, acceptable to the General Manager, and the grant of easements or rights-of-way that may be required. If such are complete, and the proposed subdivision has been annexed into an Improvement District, the Construction Agreement for the project will be authorized by the General Manager.

- D. Upon approval of the construction agreement by the General Manager, the Developer shall submit the mylar construction plans for signature by the General Manager.

60.09 REQUIREMENT FOR DISTRICT INSPECTION

- A. Upon receipt by the General Manager of the approved plans, and prior to beginning construction of the facilities, the Developer shall schedule a pre-construction meeting with the General Manager.
- B. Upon completion of the pre-construction meeting, the Developer shall commence construction of the facilities and complete the same in accordance with the standard construction agreement, the approved plans, the San Diego Water Agencies' Standards, and the District's Standard Specifications for Water, Sewer, and Reclaimed Water Facilities and the instructions given at the pre-construction meeting.
- C. During the construction of the facilities, they shall be subject, at all times, to inspection by the District's Quality Control Division.

60.10 REQUIREMENTS FOR USE OF UTILITIES FOR OCCUPANCY PRIOR TO DISTRICT ACCEPTANCE

The Developer may purchase and obtain permanent water meters and sewer services for occupancy in the project prior to acceptance of the project by the General Manager, subject to the conditions stated below:

A. Water Meter

- 1. The purchase of permanent meter(s) shall be in accordance with Sections 27 and 28 of this Code, and:
 - a. There shall be sufficient funds in the Developer's District account to cover District expenses.
 - b. Per Section 60.06 above, the Developer shall have in effect a valid construction agreement with the District.
- 2. Prior to installation of any meter(s) the Developer shall meet the following conditions:
 - a. The water system shall be hydrostatically tested, disinfected, pass a District bacteriological examination, be connected to the District's existing system with a per-

manent connection(s), and be installed in accordance with the District specifications and requirements prior to the use of the system.

- b. The meter box(es) shall be set to final grade and the installation shall be complete per the District's standard specifications.

B. Sewer Connection

- 1. For acquisition of each sewer service connection, the Developer shall meet the following conditions:
 - a. There shall be sufficient funds in the Developer's District account to cover District expenses.
 - b. Pay all fees and charges for each connection requested, and identify the parcel for which the sewer service is being provided.
- 2. Prior to connection(s) of any sewer services, the sewer system shall be constructed and complete in accordance with District specifications and requirements.

- C. Prior to the installation of the last purchased meter or connection of the last sewer service, the project shall be referred to the General Manager for acceptance. In order to be accepted, all aspects of a project shall be complete per Section 60.11 below.

60.11 REQUIREMENT FOR FINAL ACCEPTANCE BY THE GENERAL MANAGER

- A. Upon completion of the facilities, with only minor outstanding construction items remaining, a preliminary walk-through inspection and punch list of any outstanding items will be prepared. It shall be the responsibility of the Developer to assure any outstanding items are completed in a timely manner.
- B. Upon completion of construction of the facilities in accordance with District specifications and requirements, a final inspection, completion of all outstanding punch list items, submittal and acceptance of the mylar record drawings, submittal and acceptance of the soils compaction report, and when all Developer accounts with the District have

been made current, the facilities shall be referred to the General Manager for acceptance.

60.12 REQUIREMENT FOR ONE YEAR WARRANTY PERIOD

- A. Upon acceptance by the General Manager, the District shall own and operate the facilities.
- B. The Developer shall guarantee the facilities against defects in materials or workmanship for a minimum period of one (1) year from the date of acceptance by the Board of Directors. The method of guarantee shall be a warranty bond, or other means acceptable to the General Manager, in the amount of twenty-five (25) per cent of the District's estimated value of the project.
- C. Defects in materials or workmanship discovered during the one (1) year warranty period shall be repaired by the Developer and at the sole expense of the Developer. Any collateral damage caused by a defect in materials or workmanship during the warranty period, including District expenses, shall be borne solely by the Developer. This section does not limit the developer's liability for latent or patent defects.

SECTION 60 UTILITY FACILITIES FOR SUBDIVISIONS AND PARCEL MAP DEVELOPMENTS

60.01 INSTALLATION BY THE DISTRICT

The District will not construct facilities to provide utility service to land being divided for a subdivision or parcel map development, except where facilities are constructed as part of the Capital Improvement Program for the utility system of an improvement district.

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- C. The previously submitted SAMP for the proposed subdivision is no longer representative of the current development proposal.

- D. The previously submitted Developer SAMP for the proposed subdivision project is over two years old.
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The Developer shall prepare the SAMP and submit to the District for approval by the General Manager. The SAMP shall be developed in accordance with the requirements of the San Diego Water Agencies' Standards. Prior to implementation, the SAMP shall be reviewed and approved by the General Manager. Approval of the SAMP shall occur prior to approval of any Construction Agreement for a Developer's improvement plans by the General Manager.

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- 2. Prior to installation of any meter(s) the Developer shall meet the following conditions:
 - a. The water system shall be hydrostatically tested, disinfected, pass a District bacteriological examination, be connected to the District's existing system with a permanent connection(s), and be installed in accordance with the District specifica-

tions and requirements prior to the use of the system.

- b. The meter box(es) shall be set to final grade and the installation shall be complete per the District's standard specifications.

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 - b. Pay all fees and charges for each connection requested, and identify the parcel for which the sewer service is being provided.
- 2. Prior to connection(s) of any sewer services, the sewer system shall be constructed and complete in accordance with District specifications and requirements.

- C. Prior to the installation of the last purchased meter or connection of the last sewer service, the project shall be referred to the General Manager for acceptance. In order to be accepted, all aspects of a project shall be complete per Section 60.11 below.

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- A. Upon acceptance by the General Manager, the District shall own and operate the facilities.
- B. The Developer shall guarantee the facilities against defects in materials or workmanship for a minimum period of one (1) year from the date of acceptance by the Board of Directors. The method of guarantee shall be a warranty bond, or other means acceptable to the General Manager, in the amount of twenty-five (25) per cent of the District's estimated value of the project.
- C. Defects in materials or workmanship discovered during the one (1) year warranty period shall be repaired by the Developer and at the sole expense of the Developer. Any collateral damage caused by a defect in materials or workmanship during the warranty period, including District expenses, shall be borne solely by the Developer. This section does not limit the developer's liability for latent or patent defects.

AGENDA ITEM 6c



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2016
SUBMITTED BY:	<input checked="" type="checkbox"/> Pedro Porras, Chief of Water Operations <input checked="" type="checkbox"/> Kevin Koeppen, Finance Manager, Controller & Budgetary Services	PROJECT:	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:	Renewal of Mexico Agreement to Transfer Water and to Adjust the Wheeling Rate for the Delivery of Treaty Waters to Mexico.		

GENERAL MANAGER'S RECOMMENDATION:

The recommendation is two-fold:

- a) That the Board authorize the General Manager to execute the proposed renewal agreement (Attachment B) titled "Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States;"
- b) To authorize the General Manager to adjust the annual wheeling rate for the duration of the agreement.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

The purpose of this report is to request authorization to execute the proposed renewal to the agreement to deliver the Mexican Treaty Waters.

ANALYSIS:

Mexico has again made a formal request to the United States of America, through the International Boundary and Water Commission (IBWC), to provide an emergency water supply in and around the City of Tijuana.

Under a 1972 contract, the Otay Water District (District) built water conveyance facilities, including a 24-inch pipeline and pump station modifications, connecting existing District facilities with Mexican water facilities at the international boundary. The funding for the construction was provided by Mexico. Also, under the 1972 contract, the United States delivered water from the Colorado River allotted to Mexico in a water treaty between the United States and Mexico signed in Washington, D.C. on February 3, 1944. Treaty water was delivered to Mexico under the 1972 contract and its amendments until the contract was terminated in 1983 due to completion of the Mexican aqueduct built to convey Colorado River water to Tijuana.

After termination of the 1972 contract, the connection between the United States and Mexico was removed. In 1989 and in 1992, emergency delivery of treaty water was provided through a temporary 14-inch above ground pipeline installed by District forces to reconnect the United States and Mexican water systems. These emergency deliveries were pursuant to arrangements coordinated by the IBWC.

In September 2003, and subsequently in November, 2008 the District, IBWC, United States Bureau of Reclamation, Metropolitan Water District (Metropolitan), and San Diego County Water Authority (SDCWA) entered into an Agreement for Temporary Emergency Delivery to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States. Both agreements were set for a five-year period and the last one expired on November 9, 2013. Mexico has fully complied with all terms and conditions of the contract.

Under terms and conditions of the Agreement, Mexico is required to pay in advance for requested deliveries, based on the fees and charges established by the SDCWA, Metropolitan and the District. Deliveries are on a space available basis in the conveyance systems of the three agencies. The Agreement stipulates that maximum monthly and annual delivery volumes, based on capacity of the emergency connection at the border, shall not exceed 1,200 acre-feet and 14,400 acre-feet, respectively.

Mexico has requested the continuation of a standby arrangement for emergency deliveries for Tijuana for an additional five years. In response to Mexico's request, the IBWC, in coordination with the

participating water agencies in the United States and Mexico, prepared and plans to adopt a new IBWC Minute to extend emergency deliveries for another five-year term. The Minute serves as the binational agreement between the two countries and framework for the emergency deliveries to Tijuana. The next step is for the Minute to be signed by the Commissioners. Once signed, SDCWA will attach the Minute to the amended agreement and route for signature to the proper agencies.

The District is requesting amendments be made to the contract clarifying the terms of the agreement. Staff is proposing clarifying the terms related to the process of funding non-routine maintenance, which reflect the current practice. In addition, staff is clarifying the District's rights regarding the related facilities in the event the contract is terminated in the future.

Under terms and conditions of the contract, the District's pricing for energy and Operations and Maintenance (O&M) costs attributable to water delivered to Mexico and will remain constant for the calendar year.

Water is pumped to the District's Otay Mesa System for delivery to the District's customers and for water delivery to Mexico when requested. There are a total of 4 energy bills (SDG&E) attributable to the pump station and these bills are used in the calculations for the energy portion of the rate the District charges Mexico. The water volumes pumped to both Mexico and the reservoir are added together, and the energy costs for Mexico are allocated based on the respective percentage of the total water volume. Similarly, maintenance costs for the District's distribution infrastructure from SDCWA to the Mexico border connection are computed based on Mexico's percentage of the total water volume pumped through that portion of the District's infrastructure. The energy costs are then added to the maintenance and repair costs and expressed as an overall rate per acre-foot.

Based on the methodology described above, staff has calculated the "unit payment due the District for delivery charges and other expenses (\$/acre-foot)" to be used by the SDCWA on their monthly billing invoices to Mexico for water deliveries. Effective for the remainder of calendar year 2016, the proposed rate is \$71.09 per acre-foot. Effective January 1, 2017, the proposed rate will be \$75.54 for calendar year 2017. The remaining years will be adjusted based on the methodology described above and the terms of the contract.

FISCAL IMPACT:

Joe Beachem, Chief Financial Officer

No fiscal impact is anticipated with the adoption of this wheeling agreement. The new wheeling rate that covers all District expenses is noted in Exhibit B of the attached agreement. The rates will be \$71.09 per acre foot for calendar year 2016 and \$75.54 per acre foot for calendar year 2017. The remaining years will be adjusted based on the methodology described above and the terms of the contract.

STRATEGIC GOAL:

Deliver high quality services to meet customer needs and increase confidence of the customer in the value the District provides.

LEGAL IMPACT:

No legal impact is anticipated at this time.

General Manager

Attachments: Attachment A - Committee Action
Attachment B - Draft Agreement



ATTACHMENT A

SUBJECT/PROJECT:	Renewal of Mexico Agreement to Transfer Water and set the Wheeling Rate for the Delivery of Treaty Waters to Mexico
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee (Committee) reviewed this item at a meeting held on October 18, 2016, and the following comments were made:

- It was discussed that in September 2003, a new Agreement for Temporary Emergency Delivery to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States was executed; subsequently in November 2008, Amendment No. 1 was executed, extending the agreement to November 9, 2013. In February 2014, Amendment No. 2 was approved by the board. However, the U.S. Bureau of Reclamation recommended to reformat Amendment No. 2 in an effort to better reflect past practices and to simplify it; this took 1 year. Because of the time that elapsed to reformat Amendment No. 2, the form changed from an Amendment to a new agreement which the board approved on March 4, 2015.
- Staff stated that Mexico is now ready to execute the new agreement and indicated that all agencies involved will be taking the new agreement to their board in the next couple of months for approval.
- Staff noted that the District requested three (3) clarifications to the agreement:
 - Establish an Emergency Repair Fund in the amount of \$70,000 for Future costs that may be incurred by OWD for emergency purchases, installation, construction, repair or replacement of equipment or facilities related to the connection;
 - Clarify that the materials, equipment, and facilities paid by and considered by OWD to be the integral to the ongoing operations of OWD shall become the property of OWD in the event the contract is terminated in the future;
 - Clarify that any removal of such non-integral materials, equipment, and facilities and subsequent disposition or

delivery to Mexico at the international boundary shall be subject to payment in advance by Mexico.

- Staff recommended that the Board:
 - Authorize the General Manager to execute the proposed renewal agreement (Attachment B) titled "Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States;"
 - Authorize the General Manager to adjust the annual wheeling rate for the duration of the agreement.
- In response to a question from the Committee, staff stated that for the remainder of calendar year 2016 the proposed rate will be \$71.09 per acre-foot. Effective January 1, 2017, the proposed rate will be \$75.54 for the whole year.
- It was noted that the District's Legal Counsel has reviewed the proposed Agreement.

Upon completion of the discussion, the Committee accepted staffs' report and supported presentation to the full board as a consent item.

ATTACHMENT B

AGREEMENT FOR TEMPORARY EMERGENCY DELIVERY OF A PORTION OF
THE MEXICAN TREATY WATERS OF THE COLORADO RIVER TO THE
INTERNATIONAL BOUNDARY IN THE VICINITY OF TIJUANA, BAJA CALIFORNIA,
MEXICO, AND FOR OPERATION OF FACILITIES IN THE UNITED STATES

This Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States (“Agreement”) is effective on the ____ day of ____, 2016 (“Effective Date”) and will terminate, except as provided in Article 18(a), on the ____ day of ____, 2021 (“Termination Date”), pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and Acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act, enacted December 21, 1928 (45 Stat. 1057), all of which are commonly known and referred to as Federal Reclamation law, by and among the United States of America (“United States”), acting by and through the United States Commissioner, International Boundary and Water Commission, United States and Mexico (“United States Commissioner”), and the Secretary of the Interior, acting by and through the Department of the Interior, Bureau of Reclamation (“Reclamation”); The Metropolitan Water District of Southern California (“Metropolitan”), a public corporation of the State of California; the San Diego County Water Authority (“Authority”), a public corporation of the State of California; and the Otay Water District (“OWD”), a public corporation of the State of California. Metropolitan, Authority, and OWD are sometimes collectively referred to as “California Agencies.”

The International Boundary and Water Commission, United States and Mexico, hereafter referred to as the “Commission,” or “IBWC,” is comprised of two sections – the United States Section, International Boundary and Water Commission (“USIBWC”), headed by the United States Commissioner, and the Mexican Section, International Boundary and Water Commission

("Mexican Section"), headed by the Mexican Commissioner, International Boundary and Water Commission, United States and Mexico ("Mexican Commissioner").

A history of the development of this Agreement and a statement of the intent of the parties to this Agreement are attached hereto as **Exhibit A**, which is incorporated as part of this Agreement.

DEFINITIONS

The following definitions apply herein:

A. The City of Tijuana, Baja California, Mexico, and its surrounding area, are hereafter referred to as "Tijuana."

B. The "*United States-Mexico Treaty for Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande*," Feb. 3, 1944, T.S. 994 is hereafter referred to as the "1944 Treaty."

C. The United States Commissioner and the Mexican Commissioner signed Minute No. 32X (**Exhibit D**), dated _____, 2016, of the International Boundary and Water Commission (hereinafter referred to as "IBWC Minute") for Emergency Deliveries for Tijuana for a period ending no later than _____, 2021, at the same point of delivery as Minute No. 310.

D. The total amount of the waters of the Colorado River allotted annually to Mexico by the 1944 Treaty will hereafter be referred to as "Treaty Water"; the amount of such Treaty Water to be diverted from the Colorado River above Parker Dam for subsequent emergency delivery for Tijuana will hereafter be referred to as "Portion of Treaty Water"; and the

The above signatures attest that the attached document has been reviewed and to the best of their ability the signers verify that it meets the District quality standard by clearly and concisely conveying the intended information; being grammatically correct and free of formatting and typographical errors; accurately presenting calculated values and numerical references; and being internally consistent, legible and uniform in its presentation style.

emergency deliveries at the international boundary near Tijuana will hereafter be referred to as “Emergency Deliveries for Tijuana.”

E. An obligation of Mexico shall be deemed to mean “an obligation of Mexico as agreed to in Minute No. 32X.”

F. The facility, through which Emergency Deliveries for Tijuana are delivered at the international boundary about 1.1 miles east of the Otay Mesa Border Crossing, is hereafter referred to as the “Service Connection SD-TJ.”

G. The Comisión Estatal De Servicios Públicos De Tijuana, the Mexican agency receiving the Treaty Water, is hereinafter referred to as “CESPT.”

PROCEDURES

The following procedures shall be used to implement this Agreement:

A. When Mexico requests deliveries, the USIBWC will secure from the Mexican Section of the IBWC (“Mexican Section”) an annual schedule of requests (hereinafter referred to as “Schedule of Requests”) for Emergency Deliveries for Tijuana. The Schedule of Requests will set forth an annual schedule of deliveries of Treaty Water, broken down by month; the Emergency Deliveries for Tijuana must be within the projected available capacities of the distribution system facilities in the United States at volumes no greater than 1,200 acre-feet (1.5 million cubic meters)/month. The Schedule of Requests will show by month (1) the total request for Treaty Water, (2) the deliveries requested in the limitrophe section of the Colorado River, (3) the deliveries requested at the land boundary between the United States and Mexico near San Luis, Arizona, and (4) the Emergency Deliveries for Tijuana requested to be made at Service Connection SD-TJ at the international boundary, together with associated conveyance losses as

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calculated pursuant to Article 16 of this Agreement, to reflect the charge against Mexico's allotment provided in Article 10(a) of the 1944 Treaty. The quantities of water that would otherwise be delivered to Mexico in the limitrophe section will be reduced by the amount of Emergency Deliveries for Tijuana and associated conveyance losses, as calculated pursuant to this Agreement.

B. Upon receipt USIBWC will review the annual Schedule of Requests for Emergency Deliveries for Tijuana and transmit it to Reclamation and the California Agencies, which will determine whether all or a portion of such requests can be met for that year.

C. The USIBWC will ascertain from the Authority whether such requests can be met or to what extent a limitation of deliveries is foreseen in said year.

D. The Authority shall coordinate the necessary functions of the California Agencies in regard to charges and payments for Emergency Deliveries for Tijuana. The format for the charges is reflected in **Exhibit C**, attached hereto and incorporated as part of this Agreement.

E. The California Agencies acknowledge that due to unforeseen circumstances, Mexico may on rare occasions request changes to Emergency Deliveries for Tijuana. The California Agencies shall cooperate in good faith to effect such deliveries, if distribution system and treatment plant capacity are deemed available pursuant to Article 3 of this Agreement and, up to the volume established in Article 8 of this Agreement and under the same terms and conditions provided in this Agreement.

F. During any month that water is delivered through the Service Connection SD-TJ, any party involved in this Agreement may request additional information or a meeting to verify meter readings, receive reports on the procedures for deliveries and handling of funds received

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from Mexico and exchange information, as well as jointly address any unforeseen situations that may arise regarding this matter.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed as follows:

ARTICLE 1. PERFORMANCE BY THE CALIFORNIA AGENCIES

The California Agencies will act as the operation agencies for the United States Commissioner for Emergency Deliveries for Tijuana under the terms and conditions of this Agreement, pursuant to terms of the IBWC Minute No. 32X. A true copy of the English text of the IBWC Minute is attached hereto as **Exhibit D** and incorporated as a part hereof.

ARTICLE 2. TIMING FOR THE SUBMISSION OF THE SCHEDULE OF REQUESTS

For the initial emergency delivery of water under this Minute No. 32X, the United States Commissioner will submit to the California Agencies and Reclamation a schedule of the requested emergency water deliveries broken down by month at least 45 days prior to the delivery start date. For any subsequent year, an annual schedule will be submitted by September 15 of the preceding year. The Schedule of Requests will reflect requested water deliveries for each month of the annual period for which the request is made, within the limitations set out in Article 8 of this Agreement.

ARTICLE 3. CAPACITY DETERMINATION BY CALIFORNIA AGENCIES

Upon receipt of a Schedule of Requests, the California Agencies shall determine in their sole discretion whether capacity is available in their water distribution systems and at Metropolitan's Robert A. Skinner Treatment Plant for all or a portion of the requested Emergency Deliveries for Tijuana, and shall provide that determination to the Authority, which

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in turn will provide it to the United States Commissioner by October 15, or in the case of initial deliveries under this Agreement, within 30 days of receipt of the Schedule of Requests. If the California Agencies determine that capacity is not available for a calendar year, this Agreement shall not be operative for that calendar year. However, a Schedule of Requests for subsequent calendar years may be submitted.

ARTICLE 4. TIMING AND COMPONENTS OF THE SCHEDULE OF CHARGES

Timing of Schedule of Charges: The Authority shall provide an itemized Schedule of Charges (“Schedule of Charges”) to be paid by Mexico for the amount of Emergency Deliveries for Tijuana that are to be accomplished based on the determination performed in Article 3 of this Agreement. The charges included in the Schedule of Charges shall be determined by October 15 of the year preceding deliveries and shall remain constant until changed by one or more of the California Agencies except for charges associated with the cost of energy, which shall be estimated and updated for each quarterly period, in which deliveries are scheduled, in accordance with this Article. The Authority shall provide the United States Commissioner the Schedule of Charges by October 15 of the year preceding deliveries and thereafter, provide a quarterly update 45 days prior to the beginning of each quarterly period. On a quarterly basis, when deliveries are scheduled, the Authority shall update the Schedule of Charges to reflect energy costs provided to the Authority by Metropolitan for the subsequent quarter. “Quarter” or “quarterly” shall mean the four consecutive increments of three-month periods each calendar year, beginning with the first month of the calendar year; quarterly requirements herein shall only be required for quarters in which scheduled deliveries occur. In the case of initial deliveries to Mexico under this

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Agreement, the Authority shall within 30 days of receipt of the Schedule of Requests, provide a Schedule of Charges for deliveries through the end of the initial quarter.

In addition to the Schedule of Charges and quarterly updates, the Authority shall, by October 15 of the year preceding deliveries, provide the United States Commissioner a determination as to whether payment into the Energy Reserve Fund-and the Planned Project and Emergency Repair Reserve Fund, established pursuant to Article 5, is required and, if so, the amount of such payment(s) required, as determined by Metropolitan for the Energy Reserve Fund. d.

Components of Schedule of Charges: The Schedule of Charges shall include: (a) Base Cost of Deliveries; (b) Planned Project and Emergency Repair Reserve Fund; and (c) Energy Reserve Fund. Each component is calculated as follows:

(a) The Base Cost of Deliveries includes:

(1) The contractual price term for the use of existing diversion and conveyance works of Metropolitan and the price for treatment shall be equal to the Metropolitan charge or charges that are generally applicable to the conveyance and treatment of water by Metropolitan on behalf of its member agencies, except the charge for the power for conveyance will be the average monthly energy cost, including foregone sales and exchanges, incurred by Metropolitan to convey the incremental amount of Mexico's water through the Colorado River Aqueduct, the loss of Metropolitan's share of energy generated at Parker Dam Power Plant, and any other Colorado River Aqueduct energy cost or loss of energy that results from such Emergency Deliveries. An estimated charge for electric energy and losses shall be provided for quarterly, which will be reflected in the quarterly update of the Schedule of Charges. Actual charges for

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electric energy and losses shall be provided by Metropolitan in its monthly invoice to the Authority pursuant to Article 7 of the Agreement.

(2) The charge for the use of the existing conveyance works of the Authority for Emergency Deliveries for Tijuana at rates consistent with that agency's rate setting practices in Southern California.

(3) The charge for use of conveyance facilities of OWD, including distribution system facilities used for Emergency Deliveries for Tijuana at rates consistent with that agency's rate setting practices in Southern California.

(b) Planned Project and Emergency Repair Reserve Fund.

(1) OWD may withdraw funds from the Planned Project and Emergency Repair Reserve Fund for emergency work on the equipment or facilities used for the purpose of delivering waters to Tijuana for operations, safety, or security purposes. Emergency repairs shall proceed as stipulated in Article 5(b) of this Agreement.

(2) OWD may withdraw funds from the Planned Project and Emergency Repair Reserve Fund for planned purchase, installation, construction, repair or replacement of equipment or facilities used for the purpose of Emergency Deliveries for Tijuana or for improvements for the purpose of the security of such facilities (each a "Planned Project"). OWD, upon receipt of a Schedule of Requests for Emergency Deliveries for Tijuana, shall perform meter calibration of Service Connection SD-TJ in order to guarantee flow accuracy to Mexico. OWD shall be reimbursed for any cost incurred from the Planned Project and Emergency Repair Reserve Fund for this initial work. Any other Planned Project shall only proceed upon authorization by CESPT, the Mexican agency receiving the Treaty water. The

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OWD shall provide a description of the Planned Project and the estimated expenditures to the Authority. The Authority shall submit the description and estimated expenditures to the United States Commissioner. Upon Mexico's approval of the Planned Project and the associated estimated expenditures, the OWD may withdraw funds from the Planned Project and Emergency Repair Reserve Fund.

(3) When the Authority withdraws funds from the Planned Project and the Emergency Repair Reserve Fund, the United States Commissioner shall obtain from the Mexican Section funds necessary to replenish the Planned Project and Emergency Repair Reserve Fund to SEVENTY THOUSAND U.S. DOLLARS (\$70,000.00) for the initial delivery period. The United States Commissioner shall make all such funds received from Mexico available by depositing said funds with the Authority.

(4) Upon completion of a Planned Project, OWD shall submit a final cost accounting to the Authority and the Authority will transmit the cost accounting to the United States Commissioner.

(5) In the event the actual costs of a Planned Project or an Emergency Project exceed the Planned Project and Emergency Repair Reserve Fund, OWD shall submit an invoice to the Authority for such excess costs. The Authority will forward the invoice and the OWD's final cost accounting to the United States Commissioner for collection from Mexico of payment for the excess costs and the funds necessary to replenish the Planned Project and Emergency Repair Reserve Fund to the requisite level. The United States Commissioner shall transmit such funds to the Authority for deposit in the Authority Account. The Authority shall pay OWD's invoice for excess costs upon deposit of such funds in the Authority Account.

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(c) Energy Reserve Fund. An Energy Reserve Fund shall be established to cover additional charges due to the fluctuations in energy costs. The dollar amount required for the Energy Reserve Fund shall be estimated on a quarterly basis before each quarterly delivery period and once deliveries are scheduled. No deposit is required into this account unless there is an extraordinary spike in the energy costs. If during any quarter when the Mexican Section requests deliveries, there is an extraordinary spike in the energy costs (U.S. dollars per megawatt hour), Metropolitan: (i) will estimate a dollar amount for deposit into the Energy Reserve Fund (ii) base the estimate on a per acre foot estimate of the requested volume of deliveries and on the actual increased energy costs; and (iii) may not request more than FIVE HUNDRED THOUSAND U.S. DOLLARS (\$500,000). Mexico may choose not to deposit the requested amount into the Energy Reserve Fund and the California Agencies may cease delivery of water until the requested amount is deposited into the Energy Reserve Fund account.

(d) The charges, including the estimated energy charges, described in Article 4 (a) and (c), shall be stated as charges per acre-foot of Emergency Deliveries for Tijuana, including volumes stated in acre-feet to be charged by each agency as conveyance losses pursuant to Article 16 of this Agreement.

ARTICLE 5. PAYMENT ACCOUNT FOR WATER DELIVERIES AND RESERVE FUNDS

(a) The Authority shall establish a separate account within the Authority's accounting system ("Authority Account") for the purpose of accounting for receipt and disbursement of funds for payment for Emergency Deliveries for Tijuana pursuant to this Agreement. As described in this Article 5, funds that are received from Mexico through the United States Commissioner for payment of estimated charges for deliveries, as set forth in the Schedule of Charges, shall be

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deposited and maintained in the Authority Account, including deposits into the Planned Project and Emergency Repair Reserve Fund and Energy Reserve Fund, if required by the California Agencies to provide payment in the event that actual charges for deliveries exceed estimated charges due in part to fluctuations in energy charges. Funding for implementation of a Planned Project, and/or implementation of an emergency repair shall be maintained in and paid from the Authority Account. When Metropolitan provides a quarterly estimated energy charge, pursuant to Article 4 (c), Metropolitan shall also provide a determination to the Authority as to whether payment into the Energy Reserve Fund is required for the following quarter.

(b) Within the Authority Account, a Planned Project and Emergency Repair Reserve Fund shall be established for the purpose of accounting for, receipt, and disbursement of funds for payment for the actual cost incurred by OWD for emergency purchases, installation, construction, repair or replacement of equipment or facilities used for the purpose of Emergency Deliveries for Tijuana or for emergency improvements for the purpose of the security of such facilities (“Emergency Projects”) or for planned purchases, installation, construction, repair or replacement of equipment or facilities used for the purpose of Emergency Deliveries for Tijuana or for planned projects for the purpose of the security of such facilities (“Planned Projects”). The amount of the Planned Project and Emergency Repair Reserve Fund shall be determined by OWD annually, in consultation with the Authority, based on historical data for such Emergency Projects and Planned Projects and shall reflect the amount deemed reasonably necessary to cover the costs of Emergency Projects and Planned Projects in the next calendar year. The Planned Project and Emergency Repair Reserve Fund balance shall be SEVENTY THOUSAND U.S. DOLLARS (\$70,000).

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OWD shall, by October 10 of each year, submit its determination of the annual charge to be collected for and deposited in the Planned Project and Emergency Repair Reserve Fund under Article 4(b). Upon execution of this Agreement, OWD shall provide within thirty (30) days a determination of the charge to be initially collected and deposited in the Planned Project and Emergency Repair Reserve Fund under Article 4(b). Before the initial delivery period and thereafter at the beginning of each calendar year, the United States Commissioner shall collect such funds as specified in Article 4(b) and provide them to the Authority for deposit into the Planned Project and Emergency Repair Reserve Fund established by Article 4 (b).

To access the Planned Project and Emergency Repair Reserve Fund in the event of an emergency, OWD shall immediately respond and perform any work necessary to maintain the appropriate level of safety and security of the site and shall notify USIBWC and CESPT of said initial work as soon as practicable following the occurrence of the emergency. OWD shall be reimbursed for any cost incurred from the Planned Project and Emergency Repair Reserve Fund for this initial response. Any additional emergency repairs, necessary to restore the proper operation of the facility, shall proceed upon authorization by CESPT, the Mexican Agency receiving the Treaty water, when it is practical to obtain such authorization prior to the final emergency repair. Upon OWD receiving Emergency Project authorization from CESPT through USIBWC, the final repairs shall be performed by OWD. Upon completion of an Emergency Project, OWD shall submit a final cost accounting to the Authority and the Authority will forward such cost accounting to the United States Commissioner for transmittal to Mexico. The Authority may draw from the Planned Project and Emergency Repair Reserve Fund to pay OWD for the Emergency Project. In the event that an Emergency Project is not authorized by CESPT

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through USIBWC, the California Agencies may suspend deliveries under this Agreement. In the event the Planned Project and Emergency Repair Reserve Fund is insufficient or is depleted after commencement of a project, the United States Commissioner shall obtain additional funds from Mexico and transfer those funds to the Authority at the time of depletion to complete the project and to replenish the reserves to the amount determined by OWD for that calendar year. In the event the actual costs of an Emergency Project exceed the reserves, OWD shall submit an invoice to the Authority for such unpaid costs and replenishment of the Planned Project and Emergency Repair Reserve Fund. The Authority will forward the invoice to the United States Commissioner for collection of funds from Mexico for transmittal of such funds to the Authority for deposit in the Authority Account. The Authority will pay OWD the unpaid costs upon receipt of such funds from the United States Commissioner.

(c) Payment for the charges referred to in Article 4(a) and (c) will be made on a quarterly basis. Each quarterly payment will be for the Base Cost of Delivery for the corresponding quarterly period in which Emergency Deliveries for Tijuana are to be made, and for Energy Reserve Funds as determined by Metropolitan. The United States Commissioner shall determine the availability of funds provided by Mexico 15 days before the beginning of the corresponding quarter during which deliveries shall be made or, for initial deliveries, 15 days before the beginning of the delivery. The United States Commissioner shall make all such funds received from Mexico available by depositing said funds with the Authority. Funds for initial deliveries pursuant to this Agreement shall be established prior to initiation of the Emergency Deliveries for Tijuana. The amount of funds provided by Mexico through the United States Commissioner shall be calculated by the Authority and shall be equal to the estimated total charge of the

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Emergency Deliveries for Tijuana to be provided for the corresponding quarterly period, determined by the volume of the Emergency Deliveries for Tijuana together with associated conveyance losses, at a rate per acre-foot totaling the sum of charges referred to in Article 4(a) and (c) for Emergency Deliveries for Tijuana, less any amount estimated by the Authority that will remain in the account from previous payments by Mexico after deduction of payments for the previous quarter's Emergency Deliveries for Tijuana together with associated conveyance losses, and after accounting for the Planned Project and Emergency Repair Reserve Fund and Energy Reserve Fund, if required, as provided below.

Inasmuch as delivery costs may change during the term of this Agreement, they will be set forth in an Exhibit B (Exhibit B is referred to in Minute No. 32X and Joint Report as "Table 1") as formulated or modified as necessary, except for estimated charges associated with the cost of energy, which shall be provided for quarterly, and which shall be indicated as actual energy charges in each monthly invoice. Exhibit B is attached hereto, and is incorporated into this Agreement in accordance with its respective provisions until superseded by a subsequent Exhibit B.

(d) The Authority shall maintain an Energy Reserve Fund in the Authority Account in excess of estimated quarterly charges. The purpose of the Energy Reserve Fund is to provide payment of actual energy charges for deliveries that may be in excess of estimated energy charges. The amount of the Energy Reserve Fund shall be determined by Metropolitan, and shall reflect the amount deemed reasonably necessary by Metropolitan to cover potential discrepancies between estimated and actual charges due to fluctuations in energy costs. Energy Reserve Funds in the Authority Account shall not exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000). In

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the event that Energy Reserve Funds are depleted or are forecasted to be depleted in any quarter, when payment of estimated charges for the next quarter are provided, the United States Commissioner shall obtain from Mexico a payment to maintain the Energy Reserve Fund at the requisite level for the next quarter. In the event Energy Reserve Funds exceed the amount determined by Metropolitan, such excess amount shall be applied to payment of estimated charges for the next quarterly period, or upon the written instruction of the United States Commissioner, shall remain in the Energy Reserve Fund.

(e) The Authority shall credit the Authority Account for interest earned on the account based on the average monthly interest as reported on the Authority's Monthly Treasurer's Report for the Authority Operating Fund, and will be calculated at the end of each month. Interest earned shall be treated as payments from Mexico through the United States Commissioner. The Authority shall notify the other California Agencies, after receiving notice from the United States Commissioner, when funds for each quarter have been received from Mexico and transferred to the Authority.

ARTICLE 6. UNANTICIPATED ADDITIONAL EMERGENCY DELIVERIES OR REDUCTIONS IN DELIVERIES

(a) Additional Deliveries Requested by Mexico. During any quarterly period, Mexico may request, through the United States Commissioner, unanticipated additional Emergency Deliveries for Tijuana from the California Agencies. If the California Agencies agree to additional Emergency Deliveries for Tijuana, the California Agencies shall calculate a Schedule of Charges and any other costs for such deliveries in accordance with Article 4, herein, and any additional request for Energy Reserve Funds in accordance with Article 5 herein. The Authority shall

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inform the United States Commissioner of the extent to which the California Agencies have agreed to such unanticipated additional Emergency Deliveries for Tijuana and the amount of additional funds that shall be deposited into the Authority Account. The United States Commissioner shall notify Mexico and secure from Mexico the additional funds within 15 days of notifying Mexico. The California Agencies may, in their sole discretion and under extraordinary circumstances, agree to make additional Emergency Deliveries for Tijuana prior to receiving payment as provided in this Article. However, in such case, the United States Commissioner shall secure payment from Mexico for such deliveries immediately, and if such payment is not made immediately, the California Agencies may draw on any available funds in the Authority Account as payment for such Emergency Deliveries for Tijuana.

(b) Reductions in Deliveries Requested by Mexico. Mexico may, during the course of a calendar year, request reductions in the amount of Emergency Deliveries for Tijuana that had been determined according to the procedures in Articles 2 and 3 of this Agreement. The Authority, in consultation with the other California Agencies, shall comply with an appropriate request for reductions unless a California Agency determines, in its sole discretion, that such reductions would result in a financial loss to that agency. In the event that a reduction in Emergency Deliveries for Tijuana is requested by Mexico pursuant to this Article, any payments that have previously been made by Mexico, through the United States Commissioner to the Authority for such Emergency Deliveries for Tijuana shall be retained in the Authority Account and applied to payment for future Emergency Deliveries for Tijuana.

(c) Except in extraordinary circumstances, Mexico may not submit any request for unanticipated additions or reductions in Emergency Deliveries for Tijuana for any time period

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that is covered in any previous request for unanticipated additions or reductions pursuant to this Article.

ARTICLE 7. COORDINATION OF PAYMENTS AND CHARGES

The California Agencies shall coordinate the charges and payments and like matters pertaining to Emergency Deliveries for Tijuana as follows:

(a) The IBWC shall certify delivery amounts through monthly meter readings at Service Connection SD-TJ for the months that Emergency Deliveries for Tijuana are made, and forward a written certification to the Authority by 5:00 p.m. on the first working day after the end of the month in which the delivery was made.

(b) Contingent on timely receipt from IBWC, the Authority will then prepare itemized statements of costs or charges, based on the certified monthly meter readings, in the form attached as **Exhibit C** hereto, and forward such statements, along with the certified meter readings to OWD, Metropolitan, Reclamation, and the United States Commissioner before 3:30 p.m. on the third working day after the end of the month in which the Emergency Deliveries for Tijuana were made.

(c) Metropolitan's monthly invoice to the Authority, which contains an accounting of charges for Metropolitan water deliveries to the Authority including Emergency Deliveries for Tijuana, shall include: (1) A treated water credit to the Authority at Metropolitan's full service rate for the amount of water delivered as calculated on Line 8 of **Exhibit B** for the current billing month; (2) A charge to the Authority, as calculated on Line 16 of **Exhibit B**, for Metropolitan's costs associated with providing the Emergency Deliveries for Tijuana during the current billing month; (3) A credit equal to Metropolitan's estimated energy charge as shown on the invoice for

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the previous month billing of Emergency Deliveries for Tijuana; and (4) A charge equal to Metropolitan's actual energy costs for the previous month billing of Emergency Deliveries for Tijuana.

(d) The Authority's monthly invoice to OWD, which contains an accounting of charges for Authority water deliveries to OWD including Emergency Deliveries for Tijuana, shall include:

(1) A treated water credit to OWD at the Authority's full service rate for the amount of water delivered as calculated on Line 3 of **Exhibit B** for the current billing month; and (2) A credit to OWD as calculated on Line 5 of **Exhibit B** for OWD's costs associated with providing the Emergency Deliveries for Tijuana for the current-billing month.

(e) The Authority shall withdraw funds monthly from the Authority Account for payment to the Authority based on the Authority's costs as calculated on Line 10 of **Exhibit B**.

(f) Within 30 working days after the end of the month in which Emergency Deliveries for Tijuana were made, Metropolitan shall inform the Authority in writing or by electronic mail of its actual energy charge per acre-foot for Emergency Deliveries for Tijuana for that month.

(g) The Authority shall provide a quarterly report for quarters when no deliveries are made and a monthly report for periods when deliveries are made, on or about the 20th day of the month, to the United States Commissioner for submittal to Mexico, which shall include an itemized list of the costs to or charges, as set forth in **Exhibit C**, of each California Agency for the Emergency Deliveries for Tijuana made during the previous month, total funds withdrawn from the Authority Account, the interest earned on the funds in the account, and the balance remaining in the account. The Authority shall retain appropriate vouchers to support the itemized statements of costs or charges in accordance with the provisions of this Article.

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(h) IBWC may request clarifications to the monthly report from the Authority within 60 days. In the event of a dispute regarding a statement of costs and charges submitted in the Authority monthly report to the United States Commissioner, the United States Commissioner and the General Manager of the Authority shall immediately take action to resolve the matter. If the United States Commissioner does not object to information contained in the monthly report within sixty (60) days of its receipt from the Authority, it shall be conclusively determined that the United States Commissioner and Mexico agree with the information contained in such report.

(i) Upon the termination of this Agreement, the Authority shall settle and reconcile all the actual charges for said Emergency Deliveries for Tijuana and liquidate the corresponding funds provided for their payment. The Authority shall prepare a final balance sheet covering actual costs for the delivered waters and submit such final settlement to the United States Commissioner for review and approval, which shall not be unreasonably withheld. The United States Commissioner shall return his approval or objections of the Authority's final settlement of the Authority Account, including the Planned Project and Emergency Repair Reserve Fund and the Energy Reserve Fund, to the Authority within sixty (60) days after their receipt by the United States Commissioner. The United States Commissioner shall make a final settlement to Mexico and shall return to Mexico any remaining funds including interest earned, and the Authority shall close the Authority Account. In the event funds are not sufficient to cover charges upon final settlement, Mexico shall within 15 days of notification by the United States Commissioner provide additional funds in that amount, which shall be transferred to the Authority, for disbursement to the appropriate agency or agencies.

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(j) The Authority shall retain detailed records of funds received and disbursements made pursuant to this Article for a period of three years after the final settlement of fund administration.

ARTICLE 8. SCHEDULES AND VOLUMES OF DELIVERIES

Mexico's annual Schedule of Requests for Emergency Deliveries for Tijuana shall be in volumes per month and shall be subject to the availability of delivery capacity of the California Agencies. The maximum monthly volume of the Emergency Deliveries for Tijuana at Service Connection SD-TJ shall be no greater than the available capacity of approximately 1,200 acre-feet. The annual volume of the Emergency Deliveries for Tijuana shall be no greater than the available capacity of approximately 14,400 acre-feet. The USIBWC has conveyed to Mexico that the California Agencies' distribution system facilities are utilized first to meet water demands of their existing and future customers, which in time may decrease the maximum capacity of 1,200 acre-feet per month. The actual capacity will be determined by the California Agencies as stipulated in Article 3 of this Agreement.

ARTICLE 9. DECREASE OR SUSPENSION BY CALIFORNIA AGENCIES

Emergency Deliveries for Tijuana described herein may be decreased or suspended temporarily at any time, either in the event of a disruption of the distribution system, in accordance with Article 4 (c), or, if for other reasons, any of the California Agencies is temporarily unable to supply in its system the capacity or energy necessary for the conveyance or treatment of the Portion of Treaty Water. In the event that the California Agencies are not able to make the water deliveries because of capacity limitations, service interruptions or other emergencies, the California Agency or the California Agencies not able to make the water

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deliveries will notify the USIBWC before any suspension is implemented, except during unforeseeable emergencies when the Authority and the USIBWC will be notified as soon as practicable as stipulated in Article 5(b) and Article 10 of this Agreement. In the event that the California Agencies suspend or decrease water supply for reasons other than those mentioned above, the Authority will return to the USIBWC for payment to Mexico funds equivalent to the cost or charges of suspended deliveries that Mexico may have paid in advance.

ARTICLE 10. SHUTDOWNS AND EMERGENCIES

As set forth in Article 9 of this Agreement, Emergency Deliveries for Tijuana may be decreased or suspended temporarily when sufficient surplus capacity does not exist in the distribution system facilities, or sufficient energy is not available, to be used hereunder to permit delivery of Emergency Deliveries for Tijuana at Service Connection SD-TJ without creating an undue burden upon fulfilling the obligations of the California Agencies to their respective customers. In accordance therewith, since regular shutdowns of aqueducts and distribution and treatment facilities occur for inspection and maintenance, and may occur because of unforeseen repair requirements or emergencies, the California Agencies shall not be responsible to make the Emergency Deliveries for Tijuana previously agreed upon except when it is reasonably practical to do so in view of their existing capabilities and obligations to their respective customers. The Authority from time to time and as necessary will communicate through the United States Commissioner to Mexico regarding aqueduct shutdowns, limitations of available capacity or any other circumstances pertaining to any of said California Agencies which may cause restrictions of water deliveries to a rate of flow less than the amount previously determined pursuant to Article 3 of this Agreement. In the case that the water deliveries were suspended by the

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Authority for reasons other than capacity limitations, service interruptions or other emergencies, the Authority shall withdraw funds from the Authority Account equivalent to the cost of suspended Emergency Deliveries for Tijuana and provide such funds to the United States Commissioner for payment to Mexico.

ARTICLE 11. COMMITMENTS BY RECLAMATION TO METROPOLITAN

Reclamation, in consideration of the obligations undertaken by Metropolitan in this Agreement, agrees with Metropolitan that the Portion of Treaty Water actually diverted by Metropolitan pursuant to this Agreement shall not be charged against Metropolitan's right to the delivery by Reclamation of waters from the Colorado River for Metropolitan's own use and that the charge of 25 cents per acre-foot made by Reclamation for water intended for use within Metropolitan shall not be applied to the Portion of Treaty Water diverted. For purposes of implementing the agreements with Metropolitan stated above, Reclamation shall utilize the monthly records of Emergency Deliveries for Tijuana prepared in accordance with this Agreement.

ARTICLE 12. TRANSPORTATION AND DELIVERY OF WATER BY METROPOLITAN

(a) Metropolitan, upon notification by Authority that funds for Emergency Deliveries for Tijuana for the next quarterly period have been received, will transport waters for Emergency Deliveries for Tijuana in accordance with the Schedule of Requests from Mexico and the annual determination by the California Agencies. The Portion of Treaty Water will be transported from Lake Havasu through its aqueduct, and appurtenant facilities, and distribution system, and delivered, after deducting losses, to the Authority at the terminus of Metropolitan's distribution

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system in San Diego County, a point approximately six miles south of the northern boundary of San Diego County.

(b) Metropolitan shall be reimbursed in accordance with **Exhibit B** for: use of its existing diversion and conveyance works, electric energy, loss of energy generated at Parker Dam Power Plant, any other Colorado River Aqueduct energy cost or loss of energy that results from Emergency Deliveries, water treatment charges, and other expenses at a rate per acre-foot determined, on the basis of invoices to the Authority prepared in accordance with Article 7 of this Agreement.

(c) In the interest of international comity and recognizing that Emergency Deliveries for Tijuana are necessary for the health and welfare of the people of Tijuana, Reclamation agrees that in order to maximize use of available capacity, in any calendar year during the term of this Agreement when Metropolitan has surplus capacity temporarily available in its aqueduct, Reclamation upon demand by Metropolitan shall permit Metropolitan to divert additional quantities of water at its point of diversion from the Colorado River over and above both its right to delivery by Reclamation of water from the Colorado River for Metropolitan's own use in that year and the quantities making up the Portion of Treaty Water being diverted for delivery in that year, up to a quantity equivalent to the estimated requirement for the Portion of Treaty Water for the succeeding calendar year, such water to be stored in reservoirs within boundaries of Metropolitan rather than in Lake Mead, for Emergency Deliveries for Tijuana in the following year. Reclamation shall not charge such stored quantity of water against Metropolitan's right to delivery by Reclamation of water from the Colorado River for Metropolitan's own use in that year, but shall charge it against Treaty Water in the year the emergency deliveries are made for

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Tijuana. All charges related to such stored water shall be made in the year such Emergency Deliveries for Tijuana are made. At the time of the termination of this Agreement, if Metropolitan has any water in storage within the Metropolitan service area that had been intended for future delivery to Mexico pursuant to this subsection, the amount of such water shall be determined to be a delivery from Reclamation to Metropolitan of Metropolitan's Colorado River entitlement for the next succeeding calendar year, and Metropolitan shall have no obligation to deliver such water to Mexico. Metropolitan shall provide, in its monthly accounting report to Reclamation, a report of its diversions from Lake Havasu for Mexico's use at Tijuana during the month for which the report is being submitted, and any diversions made for Mexico in excess of Mexico's need for Emergency Deliveries for Tijuana during the month for which the report is being submitted.

(d) In months when Metropolitan would operate its aqueduct at full capacity for its own use, the transportation for Emergency Deliveries for Tijuana will displace water which, in the absence of this Agreement, would be transported for Metropolitan. In such event, transportation of Colorado River water for Metropolitan's use will be deferred (hereafter referred to as "Deferred Water") and must be pumped later in the calendar year or a succeeding year if and when economical power and aqueduct transporting capacity is available. If for any reason economical power or aqueduct transporting capacity in Metropolitan's aqueduct is not available during any calendar year of the term of this Agreement to transport the Deferred Water for Metropolitan's use, Reclamation, in order to make Metropolitan whole, shall deliver to Metropolitan during the next succeeding calendar year when economical power and aqueduct transporting capacity is available at Metropolitan's point of diversion from the Colorado River, a quantity of water equal

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to the amount of any undelivered Deferred Water, which Metropolitan was unable to transport, during a previous calendar year by reason of transporting Emergency Deliveries for Tijuana.

(e) In the event of unavailability of power for pumping the Portion of Treaty Water for delivery to the Service Connection SD-TJ, Metropolitan shall be relieved of its obligations under this Agreement for the periods of unavailability. In the event the Emergency Deliveries for Tijuana utilize power ordinarily scheduled for use in pumping Metropolitan's Colorado River water which pumping has been deferred until later in the calendar year in order to permit the pumping of the Emergency Deliveries for Tijuana in the expectation of subsequently receiving supplemental capacity and energy from any source for pumping, and such Deferred Water and the required power are not provided or available as expected, Metropolitan shall be relieved of its obligation to make the Emergency Deliveries for Tijuana for the period or periods during which such Deferred Water has not been delivered. Deferred Water shall be the first water delivered in the following calendar year.

(f) In no event shall the pumping of water for Emergency Deliveries for Tijuana result in any effect on Metropolitan's use of energy pursuant to its contractual rights to federally generated hydroelectric power.

ARTICLE 13. TRANSPORTATION AND DELIVERY OF WATER BY AUTHORITY

The Authority shall receive delivery from Metropolitan of Emergency Deliveries for Tijuana, transport the water through its distribution system facilities, and deliver it to OWD at Service Connection No. 13. Authority shall be reimbursed for delivery charges and other expenses as specified in Article 7(d) at the rate per acre-foot determined for that year, on the basis of statements prepared in accordance with Article 7 of this Agreement.

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ARTICLE 14. TRANSPORTATION AND DELIVERY OF WATER BY OWD

OWD shall receive delivery of the Emergency Deliveries for Tijuana from the Authority's Service Connection No. 13. OWD shall transport and deliver such water through its distribution system facilities, including distribution system facilities constructed by separate agreement for connection with the Mexican water distribution system at Service Connection SD-TJ. OWD shall be reimbursed for delivery charges and other expenses as specified in Article 7(d) at the rate per acre-foot determined for that year, on the basis of statements prepared in accordance with Article 7 of this Agreement. It shall render monthly statements to the Authority as provided in Article 7 of this Agreement.

ARTICLE 15. ENVIRONMENTAL COMPLIANCE

The USIBWC acted as lead agency for compliance with all Federal laws and regulations necessary to implement the Emergency Deliveries for Tijuana, including compliance with the National Environmental Policy Act of 1969, as amended, and the Federal Endangered Species Act of 1973, as amended. Authority acted as lead agency for compliance with all State of California laws and regulations necessary to implement the Emergency Deliveries for Tijuana, including compliance with the California Environmental Quality Act and the California Endangered Species Act of 1984, as amended. In both the federal and state environmental processes, it was determined that diverting, conveying, and treating the Emergency Deliveries for Tijuana will not have an environmental impact.

ARTICLE 16. COMMINGLING OF WATER AND CONVEYANCE LOSSES

Water may be commingled within the systems of the California Agencies and accounted for according to usual water accounting practices, with the conveyance losses credited to each of

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the parties according to the following percentages of the volumes of Emergency Deliveries for Tijuana: Metropolitan 3.6%; Authority 1.0%; and OWD 3.0%. In determining the number of acre-feet to which the rates and charges by each of the California Agencies shall apply, each California Agency shall add the sum of the actual volume of Emergency Deliveries for Tijuana at Service Connection SD-TJ, and the percentage of conveyance losses of the actual volume attributable to that California Agency expressed as a volume, and the percentage of conveyance losses of California Agencies associated with the Emergency Deliveries for Tijuana between that California Agency and Service Connection SD-TJ expressed as a volume. The means of determining assignment of conveyance losses is depicted in Exhibit B, attached hereto and incorporated herein as a part of this Agreement. All Emergency Deliveries for Tijuana at Service Connection SD-TJ shall be measured using the flow metering device installed and said deliveries shall be reported to the Commission. For inclusion in its annual Article V. Decree Accounting Report, done pursuant to the U.S. Supreme Court Consolidated Decree in *Arizona v. California*, 547 U.S. 150 (2006), Reclamation shall utilize the record of monthly deliveries at Service Connection SD-TJ, and include the above described losses. Record of deliveries to Mexico at the international boundary near Tijuana shall be reported separately from deliveries to the northerly international boundary (“NIB”), the southerly international boundary (“SIB”) near Yuma, and in the limitrophe section of the Colorado River.

ARTICLE 17. CALCULATION OF SALINITY

The United States Commissioner will charge Colorado River waters delivered under this Agreement, including system conveyance losses, as a portion of Mexico’s allotment of Colorado River waters provided for in Article 10(a) of the 1944 Treaty. For the purpose of compliance by

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the United States with Minute No. 242, during the period of Emergency Deliveries for Tijuana, the difference in salinity between Imperial Dam and the NIB with Mexico described in Resolution 1.a of Minute No. 242 shall be calculated as if the water delivered for use in Tijuana was delivered in the Colorado River at the NIB from Imperial Dam.

ARTICLE 18. TERMINATION

(a) This Agreement shall terminate and be no longer effective for any purpose, except for final payment for Emergency Deliveries for Tijuana at Service Connection SD-TJ and final liquidation of funds provided by Mexico, upon the occurrence of any one of the following conditions, unless otherwise agreed to by the parties by amendment to this Agreement:

(1) Upon the Termination Date noted in the first sentence of this Agreement.

(2) Whenever any of the funds to be provided by Mexico pursuant to this Agreement have not been so provided after Mexico has been provided with 90 days' notice in writing of the failure to timely provide funds and has failed to timely provide such funds.

(b) Upon the termination of the period during which this Agreement is in effect, or any subsequent extensions thereto, the materials, equipment, and facilities within OWD constructed pursuant to this Agreement, including distribution system facilities constructed by separate agreement for connection with the Mexican water distribution system at Service Connection SD-TJ, and considered by OWD to be integral to the ongoing operations of OWD shall become or remain the property of OWD. OWD may remove or cause to be removed any non-integral materials, equipment, and facilities and restore OWD's facilities to the condition which would exist if such materials, equipment, and facilities had not been constructed.

USIBWC shall obtain from Mexico and transfer to the Authority funds to cover the full cost of

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any removal and disposal of such non-integral materials, equipment, and facilities, and the estimated cost of restoring OWD's facilities to the condition which would exist if such materials, equipment, and facilities had not been constructed. Notwithstanding the foregoing, subject to approval of the Governments of the United States and Mexico, through IBWC, the local authorities in the two countries have the authority to agree upon and effect a different arrangement for the disposition of such materials, equipment, and facilities.

ARTICLE 19. FEDERAL LAW

(a) This Agreement is made upon the express condition, and with the express understanding, that all rights hereunder shall be subject to and controlled by (1) the Colorado River Compact, dated November 24, 1922, which was approved in Section 13(a) of the Boulder Canyon Project Act dated December 21, 1928 (45 Stat. 1057), (2) the Boulder Canyon Project Act, dated December 21, 1928, (3) the Consolidated Decree entered by the U.S. Supreme Court in the case of Arizona v. California (547 U.S. 150) (2006), and (4) the 1944 Treaty.

(b) This Agreement is considered to be a renewal of the June 14, 1972 contract as amended, the August 1, 1990 letter agreement, the January 27, 1993 letter agreement, and the September 29, 2003 agreement as amended on November 26, 2008 for delivery of part of Mexico's Colorado River water entitlements to Tijuana. However, this Agreement constitutes the entire agreement among the parties regarding the subject matter herein, and any agreements, documents, or understandings previously entered into, including the aforesaid June 14, 1972 contract as amended, shall be superseded by this Agreement.

ARTICLE 20. CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

The above signatures attest that the attached document has been reviewed and to the best of their ability the signers verify that it meets the District quality standard by clearly and concisely conveying the intended information; being grammatically correct and free of formatting and typographical errors; accurately presenting calculated values and numerical references; and being internally consistent, legible and uniform in its presentation style.

The expenditure or advance of any money or the performance of any obligation of the United States under this Agreement shall be contingent upon appropriation or allotment of funds. No liability shall accrue to the United States in case funds are not appropriated or allotted.

ARTICLE 21. NOTICE PROCEDURE

Any notice, demand, or request provided in this Agreement shall be deemed properly served, given, or made if sent by electronic mail, delivered in person, or sent by registered or certified mail, postage prepaid, to the persons specified below.

International Boundary and Water Commission
United States Section
United States Commissioner
4171 N. Mesa
Suite 100, Building C
El Paso, TX 79902

Bureau of Reclamation
Regional Director
Lower Colorado Region
P.O. Box 61470
Boulder City, NV 89006-1470

Metropolitan Water District of Southern California
General Manager
P.O. Box 54153
Los Angeles, CA 90054-0153
officeofthegeneralmanager2@mwdh2o.com

San Diego County Water Authority
General Manager
4677 Overland Ave
San Diego, CA 92123

Otay Water District
General Manager
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

ARTICLE 22. OFFICIALS NOT TO BENEFIT

The above signatures attest that the attached document has been reviewed and to the best of their ability the signers verify that it meets the District quality standard by clearly and concisely conveying the intended information; being grammatically correct and free of formatting and typographical errors; accurately presenting calculated values and numerical references; and being internally consistent, legible and uniform in its presentation style.

No Member of or Delegate to the Congress, Resident Commissioner, or official of Metropolitan, the Authority, and OWD shall benefit from this Agreement other than as a water user or landowner in the same manner as other water users or landowners.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement, and this Agreement shall take effect, on the day and year first above written.

THE UNITED STATES OF AMERICA

BY:

Edward Drusina
Commissioner
United States Section
International Boundary and Water
Commission
United States and Mexico

Terrance J. Fulp, Ph.D.
Regional Director
Lower Colorado Region
U.S. Bureau of Reclamation

Approved as to form:

Attorney-Advisor, Intermountain Region,
Office of the Solicitor

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By: _____
Jeffrey Kightlinger
General Manager

Approved as to form:

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Marcia L. Scully
General Counsel

SAN DIEGO COUNTY WATER AUTHORITY

By: _____
Maureen A. Stapleton
General Manager

Approved as to form:

Mark J. Hattam
General Counsel

OTAY WATER DISTRICT

By: _____
Mark Watton
General Manager

Approved as to form:

General Counsel

Exhibits:

Exhibit A: History of agreement

Exhibit B: Table of costs and charges

Exhibit C: Format for charges

Exhibit D: Minute No. 32X dated [day, month] __, 2016

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History

The Agreement is entered into in light of the following facts:

A. Tijuana is periodically experiencing severe shortages of water for domestic and municipal purposes.

B. The Acting United States Commissioner and the Mexican Commissioner signed Minute No. 310 dated July 28, 2003, of the Commission (“Minute”), for Emergency Deliveries for Tijuana at a point on the international boundary approximately 1.1 miles east of the Otay Mesa Border Crossing, of a portion of the waters of the Colorado River allotted to Mexico by Article 10(a) of the United States – Mexico Treaty for Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, signed on February 3, 1944 (hereinafter referred to as the “1944 Treaty”). The United States Commissioner and the Mexican Commissioner signed Minute No. 314, dated November 14, 2008, of the International Boundary and Water Commission, for subsequent Emergency Deliveries for Tijuana for a period ending no later than November 9, 2013 at the same point of delivery. The United States Commissioner and the Mexican Commissioner signed Minute No. 32X, dated [month] __, 201_, of the International Boundary and Water Commission (hereinafter referred to as “IBWC Minute” beginning XX, XX, 2016), for subsequent Emergency Deliveries for Tijuana for a period ending no later than _____, 20__, at the same point of delivery.

C. The United States Commissioner at the request of the Government of Mexico and acting in conformance with Minute No. 320 desires to complete arrangements with the appropriate agencies to ensure the delivery of water in the manner established in the IBWC

Minute, which is also the manner under which the California Agencies are willing and able to make the Emergency Deliveries for Tijuana.

D. The California Agencies (i) desire to strengthen the traditional bonds of friendship between said California Agencies and Tijuana; (ii) desire to reduce the threat of epidemic diseases which might result from such water shortage; and (iii) are willing to arrange by this Agreement for the transportation and delivery of such Portion of Treaty Water through available capacity in their respective distribution system facilities in accordance with the terms and conditions of this Agreement.

E. Due to the quantity of diversions, there would be no significant impact in Colorado River salinity concentrations below Parker Dam.

F. Reclamation operates works on the Colorado River for the control and release of Colorado River water and for the production of power.

G. Metropolitan has entered into certain contracts and agreements with the Department of the Interior and with other parties regarding Metropolitan's rights to the storage and delivery of Colorado River water and rights to the use of electric power and energy generated at the Hoover Dam and Parker Dam power plants.

H. Metropolitan has constructed and owns and operates an aqueduct and appurtenant facilities and distribution system facilities by means of which water is diverted from Lake Havasu, above Parker Dam, for delivery to and beneficial use within its service area through sales to the member public agencies of Metropolitan and for sales to United States agencies such as the Federal Highway Administration or to State of California agencies such as Caltrans. Metropolitan may, subject to certain conditions, sell water to any private corporation or public agency for use in generating electric power at plants located outside of Metropolitan's service

area where the major portion of that power is used directly, or indirectly through exchange, within Metropolitan's service area, or for pumping, treating, or reclaiming water for use within Metropolitan's service area. Additionally, Metropolitan may sell surplus water subject to certain conditions. Metropolitan adds fluoride to its treated water supplies to offer an additional level of public health protection.

I. The Authority has constructed and now owns and operates aqueducts and appurtenant facilities and distribution system facilities by means of which waters for Emergency Deliveries for Tijuana can be conveyed from the distribution system facilities of Metropolitan and delivered to OWD, and OWD has constructed and now owns and operates pipelines, pumps, and, appurtenant facilities which can be used for said Emergency Deliveries for Tijuana to Service Connection SD-TJ. The Authority, as a member public agency of Metropolitan, purchases and received imported water from Metropolitan for distribution within its service area. OWD, as a member agency of the Authority, purchases and receives imported water from the Authority for distribution within its service area.

J. By previous agreement among the Authority, OWD, and the United States Commissioner, the Authority and OWD constructed certain distribution system facilities owned and operated by OWD, which connect existing OWD water distribution system facilities with Mexican water distribution system facilities at the international boundary near Tijuana. Under that agreement, funding for construction was provided by Mexico through the United States Commissioner acting for the Commission.

K. The United States Commissioner has requested Metropolitan to utilize available capacity in its aqueduct and appurtenant facilities and distribution system facilities for the transportation of a Portion of Treaty Water for Emergency Deliveries for Tijuana, and

Reclamation will make certain commitments to Metropolitan provided in Article 11 of this Agreement.

L. The Commission, in the course of its administration of the 1944 Treaty, will account for that Portion of Treaty Water that is diverted from the Colorado River system at Lake Havasu for delivery to Mexico for Tijuana, including associated conveyance losses, against the annual volume required to be delivered to Mexico by the terms of the 1944 Treaty.

M. Although the California Agencies' distribution system facilities shall be utilized first to meet water demands of their respective customers, during the first year of the Agreement, the California Agencies anticipate that capacity will be available to transport and deliver a Portion of Treaty Water on a temporary basis under the terms and conditions provided in this Agreement. Subject to annual review and unforeseen circumstances, the California Agencies may be able to transport and deliver such water during subsequent years.

N. It is the intention of the California Agencies that their existing and any new facilities be utilized, as available subject to annual review, to divert from the Colorado River a Portion of Treaty Water for delivery at Service Connection SD-TJ at the international boundary on an emergency basis under the terms and conditions of this Agreement and pursuant to the Minute.

O. Because the California Agencies anticipate that they will, on occasion, require the entire capacity of their water distribution system facilities to meet water demands of their respective customers, and because Mexico has given assurances that it will construct facilities in Mexico and secure water as necessary to fulfill the requirements of the Tijuana area, the United States and Mexico have agreed by the terms of the IBWC Minute that Emergency Deliveries for Tijuana shall be limited to a one-year term subject to annual renewal for a period of no more than

five years. Should Mexico, through the United States Commissioner, acting for the Commission, request that Emergency Deliveries for Tijuana be continued after the end of that term, fulfillment of such a request would be subject to further negotiations through the Commission.

P. Metropolitan, the Authority, OWD, and the United States entered into an Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for Operation of Facilities in the United States, IBM No. 03-21, dated September 29, 2003 (“2003 Emergency Delivery Agreement”).

Q. Mexico thereafter formally commenced the Tijuana-Colorado River Aqueduct expansion project works.

R. Mexico executed a project to interconnect wells, convey water to the Monte de los Olivos pre-treatment plant and subsequently inject it into the Florido-Aguaje aqueduct in two phases.

S. Mexico reconditioned the La Mision-Tijuana Aqueduct, which transports water from the La Mision aquifer to the city of Playas de Rosarito, and rehabilitated the Abelardo L. Rodriguez purification plant.

T. Mexico then requested the continuation of a standby arrangement for Emergency Deliveries for Tijuana for a five-year period beyond November 9, 2008.

U. Metropolitan, the Authority, and OWD were willing to arrange for the transportation and delivery of a Portion of the Mexican Treaty Waters through available capacity in their respective distribution system facilities in accordance with the terms and conditions of Amendment No. 1 to the 2003 Emergency Delivery Agreement.

V. Continuation of a standby arrangement for Emergency Deliveries for Tijuana beyond five years after the year Emergency Deliveries for Tijuana were initiated under the Emergency Delivery Agreement required action by the International Boundary and Water Commission (“IBWC”).

W. Minute No. 314 of the IBWC, dated November 14, 2008, authorized continuation of a standby arrangement for Emergency Deliveries through and including November 9, 2013.

X. The Parties entered into Amendment No. 1 to conform the term of the Emergency Delivery Agreement to Minute No. 314 and for other purposes.

Y. Mexico has requested the continuation of a standby arrangement for Emergency Deliveries for Tijuana for another five-year period ending _____, 202_.

Z. Amendment No. 1 has expired.

AA. Metropolitan, the Authority, and OWD are willing to arrange for the transportation and delivery of a portion of the Mexican Treaty Waters through available capacity in their respective distribution system facilities through _____, 202_, in accordance with the terms and conditions of this Agreement.

BB. Continuation of a standby arrangement for Emergency Deliveries for Tijuana beyond November 9, 2013, required action by the International Boundary and Water Commission (“IBWC”).

CC. Minute No. 32X of the IBWC, dated [month] ____, 201_, authorizes continuation of a standby arrangement for Emergency Deliveries for Tijuana to and including _____, 202_.

DD. Exhibit D attached hereto is a copy of Minute No. 32X of the IBWC, dated [month] ____, 201_.

EE. The Parties desire to enter into this Agreement, among other things, to conform to the duration of Minute No. 32X.

FF. The Parties desire to make certain changes to the provisions of the 2003 Emergency Delivery Agreement and incorporated the new provisions into this Agreement, as follows:

GG. Changes to the provisions defining Metropolitan's energy charges are necessary because Metropolitan's agreement with Southern California Edison, titled the "District-Edison 1987 Service and Interchange Agreement" ("Edison Agreement"), will expire on September 30, 2017, which occurs before this Agreement expires. Because Metropolitan's energy charges in subarticles 4(a), 12(b), and 12(f) of the 2003 Emergency Delivery Agreement, relied on terms in the Edison Agreement, it is necessary to change them to avoid any future ambiguity.

HH. OWD desires to amend subarticle 4(a)(3) to clarify charges recovered through OWD's water charges.

II. OWD desires to address in subarticle 5(b) the requirement for funding in advance into the Authority Account to pay for planned construction, installation, replacement, improvements and repairs of facilities or equipment used to convey and deliver water to Mexico given that, in practice, such expenditures have not been recovered through water charges.

JJ. OWD desires to address in subarticle 5(b) the requirement for funding in advance into the Authority Account to pay for emergency construction, installation, and repairs of facilities or equipment used to convey and deliver water to Mexico given that, in practice, such expenditures have not been recovered through water charges but, instead, have been invoiced to Mexico upon project completion.

KK. OWD desires to address in subarticle 18(b) clarifications of the disposition of facilities constructed for purposes of providing emergency deliveries to Mexico upon termination of this Agreement.

LL. The United States has determined the proposal of diverting, conveying, and treating water deliveries to Tijuana for five more years will not create significant or cumulative impacts and therefore will not be considered a major Federal action significantly affecting the quality of the human environment for the purposes of the National Environmental Policy Act. Thus, the extension of water deliveries is categorically excluded under 46 FR 44083 (100.6a.5), which includes actions specifically required under any treaty or international agreement, or pursuant thereto, to which the United States is a party, or required by the decision of international organizations (including courts), authorities or consultations in which the United States is a member or participant.

MM. The Authority has performed an environmental assessment pursuant to the California Environmental Quality Act and determined that this action will not have a significant effect on the environment and is categorically exempt from the requirements for the preparation of environmental documents.

Exhibit B

TABLE # 1
Charges to Mexico for Emergency Deliveries for Tijuana
of a Portion of Mexico's 1944 Water Treaty Allotment
Effective in Calendar Year 2017^a

On the basis of total water handled including losses at unit charge for total water

Delivery to Mexico		
1.	Water delivered to Mexico at international boundary near Tijuana as measured at Service Connection SD-TJ (acre-feet)	
Payment to Otay Water District (OWD)		
2.	OWD system loss at 3.0% of Line 1 (acre-feet) ^b	
3.	OWD total deliveries (Line 1 + Line 2) (acre-feet)	
4.	Unit payment due OWD for delivery charges and other expenses (\$/acre-foot)	\$ 75.54
5.	Total payment to OWD (Line 3 x Line 4) (\$)	
Payment to the San Diego County Water Authority (Authority)		
6.	Water delivered by Authority for Mexico; same as Line 3 (acre-feet)	
7.	Authority system loss at 1.0% of Line 3 (acre-feet) ^b	
8.	Authority total deliveries (Line 6 + Line 7) (acre-feet)	
9.	Unit payment due Authority for delivery charges and other expenses (\$/acre-foot). (Unit charge is Authority's Transportation Rate.)	\$ 110.00
10.	Total payment to Authority (Line 8 x Line 9) (\$)	
Payment to Metropolitan Water District of Southern California (Metropolitan)		
11.	Water delivered by Metropolitan for Mexico; same as Line 8 (acre-feet)	
12.	Metropolitan system loss at 3.6% of Line 8 (acre-feet) ^b	
13.	Metropolitan total deliveries (Line 11 + Line 12) (acre-feet)	
14.	Unit payment due Metropolitan for use of existing diversion and conveyance works, water treatment, and other expenses. (Unit charge includes Metropolitan's System Access Rate, Water Stewardship Rate and Treatment Surcharge, as may be adjusted for Metropolitan member agencies) (\$/acre-foot)	\$ 654.00
15.	Unit payment due Metropolitan for electric energy, determined as the average cost (\$/megawatt-hour), including foregone sales and exchanges, incurred by Metropolitan for the incremental amount of water for the month that the water was delivered, including pumping costs, loss of Metropolitan's share of energy generated at Parker Dam Power Plant, and any other Colorado River Aqueduct energy cost or loss of energy that results from Emergency Deliveries (\$/acre-foot).	107 is 2016 rate
16.	Total payment to Metropolitan ((Line 13 x Line 14) + (Line 13 x Line 15)) (\$)	
17. Total Charge to Mexico (Line 5 + Line 10 + Line 16)		
aThe costs contained in Table #1 are as of 2016 and are subject to change.		
b Portion of Treaty Water diverted by Metropolitan at Lake Havasu.		

Exhibit C

TO: U.S. International Boundary and Water Commission **STATEMENT #:** 37
ADDRESS: 4171 N. Mesa Street, Suite C-310, El Paso, TX 79902-1441
DATE: December 18, 2012
SUBJECT: STATEMENT OF EMERGENCY WATER DELIVERIES AND CHARGES FOR NOVEMBER 2012

DELIVERIES

METER NO. SD-TJ	Start Read	End Read	Gallons	Total Acre Feet (AF)
Nov-12	3,389,959,000	3,420,772,000	30,813,000	<u>94.56</u>
Net Treated Deliveries				94.56

	Acre Feet	Rate (\$/acre-foot)	Total
OTAY WD CHARGES:			
Delivery	94.6		
System Loss at 3%	<u>2.8</u>		
Delivery charges - November 2012	97.4	65.39	\$ 6,368.99
SDCWA CHARGES:			
Delivery	97.4		
System Loss at 1%	<u>1.0</u>		
Delivery charges - November 2012	98.4	85.00	8,364.00
MWD CHARGES:			
Delivery	98.4		
System Loss at 3.6%	<u>3.5</u>		
Delivery charges - November 2012	101.9	494.00	50,338.60
Power - November 2012 (Final)	101.9	89.79	<u>9,047.70</u>
			\$ 74,119.29
TOTAL AMOUNT (deducted from deposit for November 2012 deliveries)			\$ 74,119.29

SUMMARY OF DEPOSIT ACCOUNT:

Balance as of September 30, 2012 (Statement No. 36):	\$ 265,803.74
Plus: Interest earned through October 31, 2012:	
Interest rate: 0.44%	
Number of days in period: 31	
Number of days in year: 365	
	<u>99.33</u>
Plus: Interest earned through November 30, 2012:	
Interest rate: 0.43%	
Number of days in period: 30	
Number of days in year: 365	
	<u>93.98</u>
	265,997.05
Less: November 2012 deliveries invoice:	(74,119.29)
Ending deposit balance as of November 30, 2012:	\$ 191,877.76

Signed by: 
 Rod Greek, Controller (CPA)

SDCWA short-term interest rates per Treasurer's Report (365 days in fiscal year 2012).

TO: U.S. International Boundary and Water Commission
 ADDRESS: 4171 N. Mesa Street, Suite C-310, El Paso, TX 79902-1441
 DATE: December 18, 2012

SUBJECT: ACCRUED INTEREST CALCULATION FROM October - November 30, 2012
 (MONTHLY COMPOUND INTEREST BASED ON A 365 DAY CALENDAR YEAR)

<u>Month</u>	<u>Interest Rate ⁽¹⁾</u>	<u>Number of Days in Period</u>	<u>Accrued Interest</u>	<u>Balance</u>
Balance, September 30, 2012				\$ 265,803.74
October, 2012	0.44%	31	99.33	265,903.07
November, 2012	0.43%	30	93.98	265,997.05

⁽¹⁾ SDCWA Pooled Funds interest rate

Prepared by: Priscilla Tam
 Priscilla Tam, Accounting Technician

Reviewed by: Rod Greek
 Rod Greek, Controller (CPA)

AGENDA ITEM 7a



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2016
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Marissa Dychitan Senior Accountant		
APPROVED BY:	<input checked="" type="checkbox"/> Rita Bell, Finance Manager <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:	Approve the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2016		

GENERAL MANAGER'S RECOMMENDATION:

That the Board approve the District's Audited Financial Statements (Attachment B), including the Independent Auditors' unqualified opinion, for the fiscal year ended June 30, 2016.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To inform the Board of the significant financial events which occurred during the fiscal year ended June 30, 2016 as reflected in the audited financial statements.

ANALYSIS:

Teaman, Ramirez & Smith, Inc., performed the audit and found that, in all material respects, the financial statements correctly represent

the financial position of the District. They found no material errors in the financial records or statements (Attachment D).

Total Assets:

Total assets decreased by \$2.5 million or 0.44% during Fiscal Year 2016, to \$566.4 million, due primarily to depreciation. This is partially offset by investments in capital assets.

Deferred Outflows & Deferred Inflows:

In May 2016, the District issued \$33.4 million of 2016 Water Revenue Refunding Bonds for an advance refunding of its 2007 Certificates of Participation, which will be called on September 1, 2017. Excluding costs of issuance the District received \$36.6 million in proceeds, including a \$3.6 million premium. The \$36.6 million proceeds from 2016 Water Revenue Refunding Bonds was used to fund the 2007 COPs \$34.8 million outstanding principal and \$1.8 million of remaining interest payments. In accordance with GASB Nos. 23 and 65, the remaining interest payments of \$1.3 million in FY 2016 is reflected as a deferred outflow of resources on the Statement of Net Position.

Deferred outflows and inflows of resources increased by \$4.8 million and \$0.7 million or 133.29% and 14.27%, respectively, mainly due to the increase in Deferred Actuarial Pension Cost and the recognition of the remaining interest payments for the defeased 2007 COPs.

Total Liabilities & Net Positions:

Total liabilities increased by approximately \$2.6 million from the previous fiscal year to \$167.7 million. This is attributable to the \$1.4 million increase in Net Pension Liability and an increase in accounts payable due to timing. This increase was partially offset by the decrease in long-term debt of \$1.7 million.

Net positions (equity) decreased by \$1.1 million or 0.28% to \$401.3 million. The change in net positions is the sum of the decrease in total assets of \$2.5 million and the increase in deferred outflow of \$4.7 million, reduced by the sum of the increase in deferred inflow of resources of \$0.7 million and the increase in total liabilities of \$2.6 million.

Capital Contributions:

Capital contributions totaled \$7.0 million during Fiscal Year 2016, an increase of \$3.9 million or 126.20% from Fiscal Year 2015 contributions. This increase is due to the District receiving more

contributed fixed assets and capacity fees from developers. The receipt of \$1.5 million from the California Department of Transportation (Caltrans) for utility relocation reimbursements added to the increase in capital contributions.

Results of Operations:

Operating revenues decreased by \$5.0 million or 5.95%, mainly as a result of the overall decrease in water sales volume from the prior fiscal year due to mandatory conservation.

Cost of water sales decreased \$2.5 million or 4.67% due to less water consumption as a result of the mandatory conservation.

Non-Operating Revenues & Expenses:

Non-operating revenues remains the same at \$8.9 million for FY 2016. Non-operating revenues comes from property taxes and assessments, rent and leases, investment earnings and BABs Subsidy. Non-operating expenses increased by \$0.2 million or 3.7% due to increase in interest expense and other miscellaneous expenses.

Additional Audit Correspondence:

As a part of completing the audit engagement, the audit firm also provides the following letters summarizing their observations and conclusions concerning the District's overall financial processes:

- Management Letter: The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses. See Attachment C.
- Audit Committee Letter: This letter describes overall aspects of the audit, to include audit principles, performance, dealings with management, and significant findings or issues.

There were no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

There were no disagreements with management concerning financial accounting, reporting, or auditing matters, and there were no significant difficulties in dealing with management in performing the audit. See Attachment D.

- Report on Applying Agreed-Upon Procedures: A review of the District's investment portfolio at year end, and a sample of specific investment transactions completed throughout the fiscal year was performed and there were no exceptions to compliance from the District's Investment Policy. See Attachment E.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning, formalized financial policies, enhanced budget controls, fair pricing, debt planning, and improved financial reporting.

LEGAL IMPACT:

None.

Attachments:

- A) Committee Action Form
- B) Audited Annual Financial Statements
- C) Management Letter
- D) Audit Committee Letter
- E) Report on Applying Agreed-Upon Procedures



ATTACHMENT A

SUBJECT/PROJECT:	Approve the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2016
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee (Committee) reviewed this item at a meeting held on October 18, 2016, and the following comments were made:

- Staff recommended that the Board approve the District's Audited Financial Statements (Attachment B), including the Independent Auditors' unqualified opinion, for the fiscal year ended June 30, 2016.
- It was noted that Teaman, Ramirez & Smith, Inc. performed the audit and found that, in all material respects, the financial statements correctly represent the financial position of the District.
- Staff provided a review of the District's financials. It was indicated that the auditors found no material errors in the financial records and there were no transactions entered into by the District during the year for which there was lack of authoritative guidance or consensus.
- Messrs. Rich Teaman, Sr. Partner, and Joshua Calhoun, Sr. Auditor, of Teaman Ramirez & Smith, Inc., were in attendance of the meeting and provided a review of the audit process and results of the audit.
 - Mr. Teaman indicated that his firm will be issuing a clean unqualified opinion. This is the highest level opinion that can be received on an audit.
 - He stated that this year, the District's financial statements returned to a comparative presentation.
 - He noted that there was an emphasis on the new GASB 72, Fair Value Measurements and Application related to investments.

- He discussed the refinancing of the District's 2007 Certificates of Participation to take advantage of lower interest rates which resulted in an economic gain.
- He indicated that the financial statements now have two (2) years of comparative data for pension plans. One significant impact that took place during the fiscal year was CalPERS discount rate assumption that increased from 7.5% to 7.65%.
- He noted along with the financial statements, the audit firm issues several reports:
 - o Management Letter which reviews internal controls and financial compliance which is required under government auditing standards. His firm had no findings or exceptions to report.
 - o Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements which reviews internal controls and compliance with the law. There were no issues to report on either internal controls or financial compliance.
 - o Agreed-Upon Procedures Report indicates their firms review of investment transactions in relation to the District's Investment Policy and State Law. His firm found no instances of non-compliance.
 - o SAS 114 Report which provides the auditors an opportunity to report to the board what transpired on the audit; if there were problems. He stated that the audit went very well and they did not have any issues or problems during the audit.
- The Committee inquired about the benefit of having debt for an agency such as the District. Staff stated that it comes down to generational equity, where the District builds assets now and has current and future customers pay for those assets over the assets' life span (40-60 years). If the rate payers were to pay for assets in cash as they are built, it would have a significant impact on rates.
- The Committee inquired if it is typical for the District to issue debt because it is a growing agency that requires funds for Capital Improvement Program (CIP) Projects. Staff stated that it is typical to issue debt instead of cash funding expansion, betterment or replacement projects. In addition, it would raise many questions as to why the District should have that much money on hand.

- In response to a question from the Committee, Mr. Teaman stated that assets are valued at cost less depreciation; it is not the market value of the assets.
- In response to a question from the Committee, the interest on the total pension liability went from \$7.9 million in 2015 to \$8.2 million in 2016. See pages 43 and 44 of the financial statements for the comparison.
- The Committee inquired how the decline in sales and the drought impacts are reflected in the financial statements number. Staff stated that these issues are reflected in the financial statements and that the Management Discussion and Analysis (MD&A) Report discuss these issues. Staff indicated that the lower sales was offset by the increase in water rates. See page 13 of the financial statements for detailed information.

Upon completion of the discussion, the committee accepted staffs' report and supported presentation to the full board as an action item.

OTAY WATER DISTRICT

FINANCIAL STATEMENTS

WITH

REPORT ON AUDIT BY INDEPENDENT

CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2016 and 2015



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JUNE 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Otay Water District
Spring Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Otay Water District (the "District"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Otay Water District as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

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PRELIMINARY & TENTATIVE
for DISCUSSION PURPOSES ONLY

Emphasis of Matter

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-10 and 56-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____ __, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Riverside, California
_____, 2016

Management's Discussion and Analysis

As management of the Otay Water District (the "District"), we offer readers of the District's financial statements, this narrative overview, and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the District's financial statements that follow Management's Discussion and Analysis. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$401.3 million (*net position*). Of this amount, \$45.3 million (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- Total assets decreased by \$2.5 million or .44% during Fiscal Year 2016, to \$566.4 million, due primarily to depreciation offset by investments in capital infrastructure, contributions, and improved operating results.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statements of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The *Statements of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statements of Cash Flows* presents information on cash receipts and payments for the fiscal year.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data supplied in each of the specific financial statements listed above.

Management's Discussion and Analysis

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Financial Analysis:

As noted, net position may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$401.3 million at the close of the most recent fiscal year.

By far, the largest portion of the District's net position, \$351.6 million (88%), reflects its investment in capital assets, less any remaining outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported effectively as a resource, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis

Statements of Net Position (In Millions of Dollars)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current and Other Assets	\$ 112.4	\$ 109.7	\$ 109.9
Capital Assets	<u>454.0</u>	<u>459.2</u>	<u>466.7</u>
Total Assets	<u>566.4</u>	<u>568.9</u>	<u>576.6</u>
Deferred Outflows of Resources			
Deferred Amount on Refunding	1.3	0.0	0.1
Deferred Contributions to Pension Plan	<u>7.0</u>	<u>3.6</u>	<u>0.0</u>
Total Deferred Outflows of Resources	<u>8.3</u>	<u>3.6</u>	<u>0.1</u>
Liabilities			
Long-Term Debt Outstanding	99.8	101.5	105.3
Net Pension Liability	40.1	38.7	0.0
Other Liabilities	<u>27.8</u>	<u>24.9</u>	<u>26.6</u>
Total Liabilities	<u>167.7</u>	<u>165.1</u>	<u>131.9</u>
Deferred Inflows of Resources			
Deferred Actuarial Pension Costs	<u>5.7</u>	<u>5.0</u>	<u>0.0</u>
Total Deferred Inflows of Resources	<u>5.7</u>	<u>5.0</u>	<u>0.0</u>
Net Position⁽¹⁾			
Net Investment in Capital Assets	351.6	354.0	357.9
Restricted for Debt Service	4.4	4.6	3.9
Unrestricted	<u>45.3</u>	<u>43.8</u>	<u>83.0</u>
Total Net Position	<u>\$ 401.3</u>	<u>\$ 402.4</u>	<u>\$ 444.8</u>

While the District's operations and population continue to grow, albeit at slower rates than the housing boom years, the pattern of reduced growth of the District's Net Position is indicative of the reduction and slow recovery of new development projects within the District. This reduction is a result of the slow recovery from the national housing slump.

In FY 2016, the District's Capital Assets increased by \$11.2 million before accumulated depreciation. (See Note 4 in the Notes to Financial Statements). The District also saw a decrease in Long-Term Debt of \$1.7 million due to the annual payments of long-term debt and the advance refunding of 2007 Certificates of Participation (See Note 5 in the Notes to Financial Statements).

⁽¹⁾GASB No. 68 & 71 implemented in FY 2015. Prior years were not restated as the information was not readily available.

Management's Discussion and Analysis

Certain planning and environmental study costs associated with capital projects such as the Otay Mesa Desalination and Disinfection System or San Miguel Habitat Management/Mitigation Area do not qualify as capital costs under Generally Accepted Accounting Principles and are included in the miscellaneous (non-operating) expenses of the District. For FY 2016 and FY 2015 those expenses were \$1.4 million and \$1.2 million, respectively.

At the end of FY 2016 the District is able to report positive balances in all categories of net position. This situation also held true for the prior two fiscal years.

Statements of Revenues, Expenses, and Changes in Net Position (In Millions of Dollars)

	2016	2015	2014
Water Sales	\$ 73.9	\$ 79.1	\$ 81.3
Wastewater Revenue	3.2	3.1	2.8
Connection and Other Fees	1.8	1.7	1.9
Non-operating Revenues	8.9	8.9	7.8
Total Revenues	87.8	92.8	93.8
Depreciation Expense	16.5	16.2	16.1
Other Operating Expenses	73.2	75.7	76.5
Non-operating Expenses	6.2	6.0	8.0
Total Expenses	95.9	97.9	100.6
Loss Before Capital Contributions	(8.1)	(5.1)	(6.8)
Capital Contributions	7.0	3.1	3.4
Change in Net Position	(1.1)	(2.0)	(3.4)
Beginning Net Position, As Previously Stated	402.4	444.8	448.2
Prior Period Adjustment	0.0	(40.4)	0.0
Beginning Net Position, As Restated	402.4	404.4	448.2
Ending Net Position	\$ 401.3	\$ 402.4	\$ 444.8

Water Sales decreased in FY 2016 and FY 2015 by \$5.2 million and \$2.2 million respectively. The year over year reduction was mainly due to decreases in units sold as a result of the ongoing drought conditions. This reduction as a result of the drought was partially offset by increases in rates.

Other Operating Expenses decreased predominantly due to the decrease in Cost of Water Sales brought about by the decrease in units purchased in FY 2016 and FY 2015.

Management's Discussion and Analysis

The District growth, has slowly starting to pick up as Connection and Other Fees revenues increased by \$.01 million in FY 2016 as compared to a decreased by \$0.2 million in FY 2015. The nationwide housing has improved due to lower interest rates and developers had started to work on new and existing projects that were previously put on hold. The improvement in economy has resulted in increased in Capital Contributions by \$3.9 million in FY 2016 and decreased by \$0.3 million in FY 2015.

Non-operating Revenues

Non-operating Revenues by Major Source (In Millions of Dollars)

	2016	2015	2014
Taxes and Assessments	\$ 4.0	\$ 3.8	\$ 3.5
Rents and Leases	1.3	1.2	1.3
Other Non-operating Revenue	3.6	3.9	3.0
Total Non-operating Revenues	\$ 8.9	\$ 8.9	\$ 7.8

The District's total non-operating revenues remains the same in FY 2016 and increased by \$1.1 million in FY 2015. The increase in FY 2015 was primarily a result of increased revenues from property taxes, availability fees, and investment earnings.

Capital Assets and Debt Administration

The District's capital assets (net of accumulated depreciation) as of June 30, 2016, totaled \$454.0 million. Included in this amount is land. The District's net capital assets decreased by 1.1% for FY 2016 and 1.6% for FY 2015.

Management's Discussion and Analysis

Capital Assets (In Millions of Dollars)

	2016	2015	2014
Land	\$ 14.1	\$ 13.7	\$ 13.7
Construction in Progress	12.5	15.1	11.7
Water System	476.6	468.7	465.9
Recycled Water System	111.8	110.5	110.3
Sewer System	42.8	42.0	41.2
Field Equipment	9.1	8.7	8.8
Buildings	20.6	19.0	18.9
Transportation Equipment	3.4	3.4	3.3
Communication Equipment	3.3	3.1	2.9
Office Equipment	19.4	18.2	17.5
	<u>713.6</u>	<u>702.4</u>	<u>694.2</u>
Less Accumulated Depreciation	<u>(259.6)</u>	<u>(243.2)</u>	<u>(227.5)</u>
Net Capital Assets	<u>\$ 454.0</u>	<u>\$ 459.2</u>	<u>\$ 466.7</u>

As indicated by figures in the table above, the majority of capital assets added during both fiscal years were related to the potable and recycled water systems. In addition, the majority of the cost of construction-in-progress is also related to these water systems. Additional information on the District's capital assets can be found in Note 4 of the Notes to Financial Statements.

At June 30, 2016, the District had \$99.8 million in outstanding debt (net of \$3.9 million of maturities occurring in FY 2017), which consisted of the following:

General Obligation Bonds	\$ 4.1
Certificates of Participation	8.2
Revenue Bonds	<u>87.5</u>
Total Long-Term Debt	<u>\$ 99.8</u>

In June 2013, the District issued \$7.7 million of 2013 Water Revenue Refunding Bonds for an advance refunding of its 2004 Certificates of Participation, which was called on September 1, 2014. Excluding costs of issuance the District received \$8.5 million in proceeds, including a \$1.0 million premium, to fund the \$8.1 million of outstanding principal and \$0.4 million of remaining interest payments. In accordance with GASB Nos. 23 and 65, the remaining interest payments of \$0.1 million in FY 2014 is reflected as a deferred outflow of resources on the Statements of Net Position.

In May 2016, the District issued \$33.4 million of 2016 Water Revenue Refunding Bonds for an advance refunding of its 2007 Certificates of Participation, which will be called on September 1, 2017. Excluding costs of issuance the District received \$36.6 million in proceeds, including a \$3.6 million premium, to fund the \$34.8 million of outstanding principal and \$1.8 million of remaining interest payments. In accordance

Management's Discussion and Analysis

with GASB Nos. 23 and 65, the remaining interest payments of \$1.3 million in FY 2016 is reflected as a deferred outflow of resources on the Statements of Net Position.

Additional information on the District's long-term debt can be found in Note 5 of the Notes to Financial Statements

Prior Period Adjustment

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and No. 71 *Pension Transitions for Contributions Made Subsequent to the Measurement Date-an amendment of GASB No. 68* for periods beginning after June 15, 2014. The District implemented these standards in fiscal year 2015. The result of the implementation of these standards was to decrease the net position at July 1, 2014 by \$40.4 million which consists of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

Fiscal Year 2016-2017 Budget

Economic Factors

The San Diego region imports 84% of its potable supply so factors such as local rainfall as well as weather conditions elsewhere in the western portion of the nation can affect the region. San Diego received more than normal rainfall in Fiscal Year 2016, and the District anticipates an average rainfall pattern in the coming years.

Water sales have declined for the District by nearly 35% in the last ten years. This was driven by many factors including the economic downturn caused by the great recession, increases in the price of imported water, and most recently the State mandated cuts in potable water use due to the prolonged statewide drought. In Fiscal Year 2016 the District was assigned a reduction target of 20% compared to the 2013 levels. In March of 2016, with the certification of the Claude "Bud" Lewis Carlsbad Desalination Plant as a drought- resilient supply, CWA agencies were allowed to reduce the target from 20% to 12%. Decreases in water sales revenue have been offset by the corresponding decreases in water purchase expense, as well as reductions in District managed cost such as reduced employee count and internal cost cuts, achieved through automation and streamlining of processes. Should further loss in water sales continue due to limited supplies or mandated cuts, the District's response will be modified based on the magnitude of the reduction.

The District continues to use the challenges presented by growth and the ongoing drought to create new opportunities and new organizational efficiencies. By utilizing and continuing to refine its Strategic Business Plan, it has captured the Board of Director's vision and united its staff in a common mission. The District has achieved a number of significant accomplishments based on its successful adherence to its Strategic Business Plan. The District is not only poised to continue successfully providing an affordable,

Management's Discussion and Analysis

safe, and reliable water supply for the people of its service area, but is set to reap the rewards of greater efficiencies and economies of scale.

The District is currently at about 52% of its projected ultimate population, serving approximately 220,000 people. Long-term, this percentage should continue to increase as the District's service area continues to develop and grow. By 2035, the District is projected to serve approximately 285,000 people, with an average daily demand of 46 million gallons per day (MGD). Currently, the District services the needs of this growing population by purchasing water from the San Diego County Water Authority (CWA), who in turn purchases its water from the Metropolitan Water District (MWD) and the Imperial Irrigation District (IID).

Otay takes delivery of the water through several connections of large diameter pipelines owned and operated by CWA. The District currently receives treated water from CWA directly and from the Helix Water District via a contract with CWA. In addition, the District has an emergency agreement with the City of San Diego to purchase water in the case of a shutdown of the main treated water source. The City of San Diego also has a long-term contract with the District to provide recycled water for landscape and irrigation usage. Through innovative agreements like these, benefits can be achieved by both parties by using excess capacity of another agency, and diversifying local supply, thereby increasing reliability.

Financial

The District is budgeted to deliver approximately 24,800 acre-feet of potable water to 49,500 potable customer accounts during Fiscal Year 2016-2017. Management feels that these projections are realistic after accounting for low growth, supply changes, and a focus on conservation. A combination of factors, including the ongoing drought and economic uncertainty, have created challenges in developing projections for the current fiscal year. Both unemployment and levels of distressed activity in the commercial and residential resale market have improved from their economic crisis peaks. However, while unemployment has recovered, housing starts remain significantly below the levels of the boom years from 2001 to 2005. The negative impacts to the District of the economic indicators and conservation are partially offset by growth as the District's commercial and residential permits have shown slow and steady improvement from previous lows. While all of these factors impact the region's water usage, people's need for water remains an underlying constant. Staff continues working diligently on developing new water supplies as they work through the financial impacts of conservation and the modest economic turnaround.

Management is unaware of any other conditions that could have a significant impact on the District's current financial position, net position, or operating results.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Otay Water District's finances for the Board of Directors, citizens, creditors, and other interested parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Finance Department, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978-2004.



STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 21,122,543	\$ 23,168,511
Restricted Cash and Cash Equivalents (Notes 1 and 2)	8,208	47,083
Investments (Note 2)	36,806,704	35,888,511
Board Designated Investments (Note 2)	23,876,678	22,395,347
Restricted Investments (Notes 1 and 2)	4,394,093	4,532,725
Accounts Receivable, Net	11,116,393	9,987,050
Accrued Interest Receivable	157,620	97,291
Taxes and Availability Charges Receivable, Net	341,651	321,178
Restricted Taxes and Availability Charges Receivable, Net	32,173	31,848
Inventories	722,225	807,008
Prepaid Items and Other Receivables	1,309,335	988,882
	<u>99,887,623</u>	<u>98,265,434</u>
Total Current Assets		
Non-current Assets:		
Net OPEB Asset (Note 8)	<u>12,519,549</u>	<u>11,472,386</u>
Capital Assets (Note 4):		
Land	14,085,251	13,714,963
Construction in Progress	12,541,701	15,106,336
Capital Assets, Net of Depreciation	<u>427,341,594</u>	<u>430,370,095</u>
	<u>453,968,546</u>	<u>459,191,394</u>
Total Capital Assets, Net of Depreciation		
	<u>466,488,095</u>	<u>470,663,780</u>
Total Non-current Assets		
	<u>566,375,718</u>	<u>568,929,214</u>
Total Assets		
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Actuarial Pension Costs (Note 7)	7,001,426	3,575,595
Deferred Amount on Refunding	1,339,997	-
	<u>8,341,423</u>	<u>3,575,595</u>
Total Deferred Outflows of Resources		

Continued



STATEMENTS OF NET POSITION - CONTINUED

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities:		
Current Maturities of Long-term Debt (Note 5)	\$ 3,920,000	\$ 3,690,000
Accounts Payable	11,497,728	9,779,477
Accrued Payroll Liabilities	574,037	1,057,976
Other Accrued Liabilities	3,813,262	3,642,511
Customer and Developer Deposits	3,313,631	2,227,173
Accrued Interest	1,197,113	1,540,122
Unearned Revenues	421,800	-
Liabilities Payable from Restricted Assets:		
Restricted Accrued Interest	<u>59,604</u>	<u>65,304</u>
 Total Current Liabilities	 <u>24,797,175</u>	 <u>22,002,563</u>
Non-current Liabilities:		
Long-term Debt (Note 5):		
General Obligation Bonds	4,095,853	4,697,208
Certificates of Participation	8,191,803	43,355,103
Revenue Bonds	87,483,686	53,402,993
Net Pension Liability	40,143,128	38,723,345
Other Non-current Liabilities	<u>3,040,648</u>	<u>2,933,331</u>
 Total Non-current Liabilities	 <u>142,955,118</u>	 <u>143,111,980</u>
 Total Liabilities	 <u>167,752,293</u>	 <u>165,114,543</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Actuarial Pension Costs (Note 7)	<u>5,677,071</u>	<u>4,967,940</u>
 Total Deferred Inflows of Resources	 <u>5,677,071</u>	 <u>4,967,940</u>
 NET POSITION		
Net Investment in Capital Assets	351,617,201	354,046,090
Restricted for Debt Service	4,402,301	4,579,808
Unrestricted	<u>45,268,275</u>	<u>43,796,428</u>
 Total Net Position	 <u>\$ 401,287,777</u>	 <u>\$ 402,422,326</u>

The accompanying notes are an integral part of these statements.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Water Sales	\$ 73,940,200	\$ 79,135,000
Wastewater Revenue	3,175,300	3,044,158
Connection and Other Fees	1,760,807	1,686,249
	<hr/>	<hr/>
Total Operating Revenues	78,876,307	83,865,407
	<hr/>	<hr/>
OPERATING EXPENSES		
Cost of Water Sales	51,826,046	54,364,884
Wastewater	2,051,913	1,866,711
Administrative and General	19,318,247	19,437,141
Depreciation	16,473,337	16,194,992
	<hr/>	<hr/>
Total Operating Expenses	89,669,543	91,863,728
	<hr/>	<hr/>
Operating Income (Loss)	(10,793,236)	(7,998,321)
	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings	758,004	656,925
Taxes and Assessments	3,966,593	3,856,276
Availability Charges	616,591	685,555
Gain (Loss) on Sale of Capital Assets	46,423	30,282
Rents and Leases	1,281,150	1,232,920
Miscellaneous Revenues	2,228,200	2,490,796
Donations	(120,722)	(117,462)
Interest Expense	(4,603,093)	(4,545,530)
Miscellaneous Expenses	(1,485,778)	(1,324,155)
	<hr/>	<hr/>
Total Non-operating Revenues (Expenses)	2,687,368	2,965,607
	<hr/>	<hr/>
Income (Loss) Before Capital Contributions	(8,105,868)	(5,032,714)
	<hr/>	<hr/>
Capital Contributions	6,971,319	3,081,894
	<hr/>	<hr/>
Change in Net Position	(1,134,549)	(1,950,820)
	<hr/>	<hr/>
Total Net Position, Beginning, As Previously Reported	402,422,326	444,807,820
	<hr/>	<hr/>
Prior Period Adjustment	-	(40,434,674)
	<hr/>	<hr/>
Total Net Position, Beginning, As Restated	402,422,326	404,373,146
	<hr/>	<hr/>
Total Net Position, Ending	\$ 401,287,777	\$ 402,422,326
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these statements.



STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 77,072,615	\$ 84,879,648
Receipts from Connections and Other Fees	1,760,807	1,686,249
Other Receipts	2,650,000	2,490,796
Payments to Suppliers	(52,065,783)	(57,803,850)
Payments to Employees	(22,197,793)	(20,838,190)
Other Payments	(1,505,690)	(1,501,218)
Net Cash Provided By (Used For) Operating Activities	<u>5,714,156</u>	<u>8,913,435</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from Taxes and Assessments	3,945,795	3,877,931
Receipts from Property Rents and Leases	<u>1,160,428</u>	<u>1,115,458</u>
Net Cash Provided By (Used For) Noncapital and Related Financing Activities	<u>5,106,223</u>	<u>4,993,389</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Contributions	5,122,137	2,979,305
Proceeds from Sale of Capital Assets	60,925	30,735
Proceeds from Debt Related Taxes and Assessments	616,591	685,555
Deposit to Escrow Account for Advance Refunding	(36,099,997)	-
Proceeds from Long-Term Debt	37,015,950	-
Principal Payments on Long-Term Debt	(3,690,000)	(3,495,000)
Interest Payments and Fees	(4,951,802)	(4,497,782)
Acquisition and Construction of Capital Assets	<u>(9,415,809)</u>	<u>(8,632,578)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(11,342,005)</u>	<u>(12,929,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	697,675	643,313
Proceeds from Sale and Maturities of Investments	65,385,175	44,917,589
Purchase of Investments	<u>(67,646,067)</u>	<u>(53,932,480)</u>
Net Cash Provided By (Used For) Investing Activities	<u>(1,563,217)</u>	<u>(8,371,578)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,084,843)	(7,394,519)
Cash and Cash Equivalents - Beginning	<u>23,215,594</u>	<u>30,610,113</u>
Cash and Cash Equivalents - Ending	<u>\$ 21,130,751</u>	<u>\$ 23,215,594</u>

Continued

The accompanying notes are an integral part of these statements.



STATEMENTS OF CASH FLOWS - CONTINUED FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Reconciliation of Operating Income (Loss) to Net Cash Flows		
Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (10,793,236)	\$ (7,998,321)
Adjustments to Reconcile Operating Income to		
Net Cash Provided By (Used For) Operating Activities:		
Depreciation	16,473,337	16,194,992
Miscellaneous Revenues	2,650,000	2,490,796
Miscellaneous Expenses	(1,505,690)	(1,501,218)
(Increase) Decrease in Accounts Receivable	(1,129,343)	2,892,071
(Increase) Decrease in Inventory	84,783	(32,001)
(Increase) Decrease in Net OPEB Asset	(1,047,163)	(1,087,050)
(Increase) Decrease in Prepaid Items and Other Receivables	(320,453)	58,826
(Increase) Decrease in Deferred Actuarial Pension Costs	(2,716,700)	4,529,519
Increase (Decrease) in Accounts Payable	1,718,251	(2,126,549)
Increase (Decrease) in Accrued Payroll and Related Expenses	(483,939)	280,629
Increase (Decrease) in Other Accrued Liabilities	170,751	245,011
Increase (Decrease) in Customer and Developer Deposits	1,086,458	(191,581)
Increase (Decrease) in Prepaid Capacity Fees	107,317	6,814
Increase (Decrease) in Net Pension Liability	1,419,783	(4,848,503)
	\$ 5,714,156	\$ 8,913,435
Net Cash Provided By (Used For) Operating Activities	\$ 5,714,156	\$ 8,913,435
 Schedule of Cash and Cash Equivalents:		
Current Assets:		
Cash and Cash Equivalents	\$ 21,122,543	\$ 23,168,511
Restricted Cash and Cash Equivalents	8,208	47,083
	\$ 21,130,751	\$ 23,215,594
Total Cash and Cash Equivalents	\$ 21,130,751	\$ 23,215,594
 Supplemental Disclosures		
Non-Cash Investing and Financing Activities Consisted of the Following:		
Contributed Capital for Water and Sewer System	\$ 1,849,182	\$ 102,590
Change in Fair Value of Investments and Recognized Gains/Losses	60,177	23,827
Amortization Related to Long-term Debt	191,428	78,118

The accompanying notes are an integral part of these statements.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The reporting entity Otay Water District (the “District”) includes the accounts of the District, Otay Service Corporation (the “Corporation”) and the Otay Water District Financing Authority (the “Financing Authority”).

The Otay Water District (the “District”) is a public entity established in 1956 pursuant to the Municipal Water District Law of 1911 (Section 711 et. Seq. of the California Water Code) for the purpose of providing water and sewer services to the properties in the District. The District is governed by a Board of Directors consisting of five directors elected by geographical divisions based on District population for a four-year alternating term.

The District formed the Otay Service Corporation on June 21, 1993, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Service Corporation was formed to assist the District in the financing of public capital improvements.

The District formed the Financing Authority on March 3, 2010 under the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code. The Financing Authority was formed to assist the District in the financing of public capital improvements.

The financial statements present the District and its component units. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component units will provide a financial benefit or impose a financial burden on the District. The District has accounted for the Service Corporation and Financing Authority as “blended” component units. Despite being legally separate, the Service Corporation and Financing Authority are so intertwined with the District that they are in substance, part of the District’s operations. Accordingly, the balances and transactions of these component units are reported within the funds of the District. Separate financial statements are not issued for the Service Corporation and the Financing Authority

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The basic financial statements of the Otay Water District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes.

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the assets, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of the net investment in capital assets.

Restricted Net Position

This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that do not meet the definition of “net investment in capital assets” or “restricted net position”.

The District distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not associated with the normal business of supplying water and wastewater treatment services.

The District recognizes revenues from water sales, wastewater revenues, and meter fees as they are earned. Taxes and assessments are recognized as revenues based upon amounts reported to the District by the County of San Diego, net of allowance for delinquencies of \$41,536 at June 30, 2016 and \$39,225 at June 30, 2015.

Additionally, capacity fee contributions received which are related to specific operating expenses are offset against those expenses and included in Cost of Water Sales in the Statements of Revenues and Expenses and Changes in Net Position.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s practice to consider restricted - net position to have been depleted before unrestricted - net position is applied, however it is at the Board’s discretion.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) New Accounting Pronouncements

Implemented

Governmental Accounting Standards Board Statement No. 72 - Fair Value Measurement and Application

The GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is effective for periods beginning after June 15, 2015. The District has implemented GASB No. 72 which is reflected on the District's financial statements.

Governmental Accounting Standard Board Statement No. 73

In June of 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions*. This Statement was issued to improve the usefulness of information about pensions for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68 and also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

Statement No. 73 requirements that addresses accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 76

In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement was issued to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements for state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) New Accounting Pronouncements - Continued

Implemented - Continued

Governmental Accounting Standard Board Statement No. 76 - Continued

authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 is effective for periods beginning after June 15, 2015 and should be applied retroactively. The District has adopted GASB No. 76 in the 2016 fiscal period.

Governmental Accounting Standard Board Statement No. 79

In December of 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Currently, this statement has no effect on the District's financial statements.

Pending Accounting Standards

GASB has issued the following statement which impact the District's financial reporting requirements in the future:

- i. GASB 74 – *“Financial Reporting for Postemployment Benefits Plans Other Than Pensions”*, effective for fiscal years beginning after June 15, 2016.
- ii. GASB 75 – *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for fiscal years beginning after June 15, 2017.
- iii. GASB 77 – *“Tax Abatement Disclosures”*, effective for fiscal years beginning after December 15, 2015.
- iv. GASB 78 – *“Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for fiscal years beginning after December 15, 2015.
- v. GASB 80 – *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”*, effective for fiscal years beginning after June 15, 2016.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) New Accounting Pronouncements - Continued

Implemented - Continued

vi. GASB 81 – “*Irrevocable Split Interest Agreements*”, effective for fiscal years beginning after December 15, 2016.

vii. GASB 82 – “*Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*”, effective for fiscal years beginning after June 15, 2016.

D) Deferred Outflows / Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, deferred accrued pension costs are items that are deferred and recognized as an outflow of resources in the period the amounts become available. Additionally, the category, deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. Accordingly, the item, deferred actuarial pension cost, are deferred and recognized as an inflow of resources in the period that the amounts become available.

E) Statements of Cash Flows

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity period, at purchase, of three months or less to be cash equivalents.

F) Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool. All investments are stated at their fair value, the District has not elected to report certain investments at amortized costs.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Inventory and Prepaids

Inventory consists primarily of materials used in the construction and maintenance of the water and sewer system and is valued at weighted average cost. Both inventory and prepaids use the consumption method whereby they are reported as an asset and expensed as they are consumed.

H) Capital Assets

Capital assets are recorded at cost, where historical records are available, and at an estimated historical cost where no historical records exist. Infrastructure assets in excess of \$20,000 and other capital assets in excess of \$10,000 are capitalized if they have an expected useful life of two years or more. The District will also capitalize individual purchases under the capitalization threshold if they are part of a new capital program. The cost of purchased and self-constructed additions to utility plant and major replacements of property are capitalized. Costs include materials, direct labor, transportation, and such indirect items as engineering, supervision, employee fringe benefits, overhead, and interest incurred during the construction period. Repairs, maintenance, and minor replacements of property are charged to expense. Donated assets are capitalized at their approximate fair market value on the date contributed.

The District capitalizes interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest for fiscal years ending June 30, 2016 of \$274,429 and 2015 of \$179,476 is included in the cost of water system assets and is depreciated on the straight-line basis over the estimated useful lives of such assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Water System	15-70 Years
Field Equipment	2-50 Years
Buildings	30-50 Years
Communication Equipment	2-10 Years
Transportation Equipment	2-4 Years
Office Equipment	2-10 Years
Recycled Water System	50-75 Years
Sewer System	25-50 Years

I) Compensated Absences

It is the District's policy to record vested or accumulated vacation and sick leave as an expense and liability as benefits accrue to employees.

June 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 2,530,192	\$ 6,226,374	\$ 6,121,716	\$ 2,634,850	\$ 263,485

Current portion is reflected in Accrued Payroll Liabilities and remainder in other non-current liabilities on the Statements of Net Position.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Compensated Absences

June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 2,352,861	\$ 2,700,572	\$ 2,523,241	\$ 2,530,192	\$ 253,019

Current portion is reflected in Accrued Payroll Liabilities and remainder in other non-current liabilities on the Statements of Net Position.

J) Classification of Liabilities

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

K) Allowance for Doubtful Accounts

The District charges doubtful accounts arising from water sales receivable to bad debt expense when it is probable that the accounts will be uncollectible. Uncollectible accounts are determined by the allowance method based upon prior experience and management's assessment of the collectibility of existing specific accounts. The allowance for doubtful accounts was \$170,887 for 2016 and \$158,716 for 2015, respectively.

L) Property Taxes

Tax levies are limited to 1% of full market value (at time of purchase) which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

M) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

N) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2) CASH AND INVESTMENTS

The primary goals of the District’s Investment Policy are to assure compliance with all Federal, State, and Local laws governing the investment of funds under the control of the organization, protect the principal of investments entrusted, and generate income under the parameters of such policies.

Cash and Investments are classified in the accompanying financial statements as follows:

Statements of Net Position:

	2016	2015
Cash and Cash Equivalents	\$ 21,122,543	\$ 23,168,511
Restricted Cash and Cash Equivalents	8,208	47,083
Investments	36,806,704	35,888,511
Board Designated Investments	23,876,678	22,395,347
Restricted Investments	4,394,093	4,532,725
Total Cash and Investments	\$ 86,208,226	\$ 86,032,177

Cash and Investments consist of the following:

	2016	2015
Cash on Hand	\$ 2,950	\$ 2,950
Deposits with Financial Institutions	1,485,808	2,074,424
Investments	84,719,468	83,954,803
Total Cash and Investments	\$ 86,208,226	\$ 86,032,177



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District’s Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s Investment Policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District’s Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	None	None
Certificates of Deposit	5 years	15%	None
Corporate Medium-Term Notes	5 years	15%	None
Commercial Paper	270 days	15%	10%
Money Market Mutual Funds	N/A	15%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

⁽¹⁾ Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s Investment Policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rates risk is by purchasing investments with shorter durations than the maximum allowable under the District investment policy and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations are provided by the following tables that show the distribution of the District’s investments by maturity as of June 30, 2016 and 2015.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

June 20, 2016

Investment Type		Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Government Sponsored Entities	\$ 64,993,625	\$ 10,005,920	\$ 17,207,568	\$ 37,780,137	\$ -
Local Agency Investment Fund (LAIF)	6,331,635	6,331,635	-	-	-
San Diego County Pool	13,386,000	13,386,000	-	-	-
Money Market Funds	8,208	8,208	-	-	-
Total	<u>\$ 84,719,468</u>	<u>\$ 29,731,763</u>	<u>\$ 17,207,568</u>	<u>\$ 37,780,137</u>	<u>\$ -</u>

June 30, 2015

Investment Type		Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Government Sponsored Entities	\$ 62,730,204	\$ 3,000,390	\$ 28,006,120	\$ 31,723,694	\$ -
Local Agency Investment Fund (LAIF)	7,593,516	7,593,516	-	-	-
San Diego County Pool	13,584,000	13,584,000	-	-	-
Money Market Funds	47,083	47,083	-	-	-
Total	<u>\$ 83,954,803</u>	<u>\$ 24,224,989</u>	<u>\$ 28,006,120</u>	<u>\$ 31,723,694</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, or debt agreements, and the Moody's ratings as of June 30, 2016 and 2015.

June 30, 2016

Investment Type		Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A-1	Not Rated
U.S. Government Sponsored Entities	\$ 64,993,625	N/A	\$ 64,993,625	-	-	\$ -
Local Agency Investment Fund (LAIF)	6,331,635	N/A	-	-	-	6,331,635
San Diego County Pool	13,386,000	N/A	-	-	-	13,386,000
Money Market Funds	8,208	N/A	-	-	8,208	-
Total	<u>\$ 84,719,468</u>		<u>\$ 64,993,625</u>	<u>\$ -</u>	<u>\$ 8,208</u>	<u>\$ 19,717,635</u>



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk - Continued

June 30, 2015

Investment Type		Minimum Legal Rating	Rating as of Year End			
			AAA	AA	A-1	Not Rated
U.S. Government Sponsored Entities	\$ 62,730,204	N/A	\$ 62,730,204	\$ -	\$ -	\$ -
Local Agency Investment Fund (LAIF)	7,593,516	N/A	-	-	-	7,593,516
San Diego County Pool	13,584,000	N/A	-	-	-	13,584,000
Money Market Funds	47,083	N/A	-	-	47,083	-
Total	\$ 83,954,803		\$ 62,730,204	\$ -	\$ 47,083	\$ 21,177,516

Concentration of Credit Risk

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments as of June 30, 2016 and 2015 are as follows:

June 20, 2016

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Government Sponsored Entities	\$ 13,221,648
Federal Home Loan Mortgage Corp	U.S. Government Sponsored Entities	\$ 26,023,080
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 11,740,057
Federal Farm Credit Banks	U.S. Government Sponsored Entities	\$ 14,008,840

June 30, 2015

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Government Sponsored Entities	\$ 13,989,160
Federal Home Loan Mortgage Corp	U.S. Government Sponsored Entities	\$ 22,006,280
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 8,003,200
Federal Farm Credit Banks	U.S. Government Sponsored Entities	\$ 18,731,564

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk- Continued

that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, \$1,403,394 and June 30, 2015, \$1,570,403 of the District’s deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost-basis.

San Diego County Pooled Fund

The San Diego County Pooled Investment Fund (SDCPIF) is pooled investment fund program governed by the County of San Diego Board of Supervisors, and administered by the County of San Diego Treasurers and Tax Collector. Investments in SDCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty.

The County of San Diego’s bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of San Diego Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of San Diego Auditor-Controller’s Office - 1600 Pacific Coast Highway, San Diego California 92101.

Restricted Cash and Cash Equivalents

	2016	2015
Debt Service:		
Water Revenue Bond Series 2010A	\$ 2,264	\$ 12,816
Water Revenue Bond Series 2010B	5,944	34,267
Total	\$ 8,208	\$ 47,083



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

2) CASH AND INVESTMENTS - Continued

Board Designated Investments

Investments are Board restricted for the cost of the following District projects:

	2016	2015
New Water Supply Replacement	\$ 487,059 <u>23,389,619</u>	\$ 287,697 <u>22,107,650</u>
Total	<u>\$ 23,876,678</u>	<u>\$ 22,395,347</u>

Restricted Investments

	2016	2015
Debt Service:		
General Obligation Bond ID No. 27-2009	\$ 657,076	\$ 793,131
Water Revenue Bond Series 2010A	1,030,556	1,031,267
Water Revenue Bond Series 2010B	<u>2,706,461</u>	<u>2,708,327</u>
Total	<u>\$ 4,394,093</u>	<u>\$ 4,532,725</u>

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

3) FAIR VALUE MEASUREMENTS - Continued

- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2016, are as follows:

<u>June 30, 2016</u>	<u>Fair Value</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Uncategorized</u>
U.S. Government Sponsored Entities	\$ 64,993,625	\$ 64,993,625	\$ -
Local Agency Investment Fund (LAIF)	6,331,635	-	6,331,635
San Diego County Pool	13,386,000	-	13,386,000
Money Market Funds	<u>8,208</u>	<u>8,208</u>	<u>-</u>
TOTALS	<u>\$ 84,719,468</u>	<u>\$ 65,001,833</u>	<u>\$ 19,717,635</u>

Fair value of assets measured on a recurring basis at June 30, 2015, are as follows:

<u>June 30, 2015</u>	<u>Fair Value</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Uncategorized</u>
U.S. Government Sponsored Entities	\$ 62,730,204	\$ 62,730,204	\$ -
Local Agency Investment Fund (LAIF)	7,593,516	-	7,593,516
San Diego County Pool	13,584,000	-	13,584,000
Money Market Funds	<u>47,083</u>	<u>47,083</u>	<u>-</u>
TOTALS	<u>\$ 83,954,803</u>	<u>\$ 62,777,287</u>	<u>\$ 21,177,516</u>

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Uncategorized investments do not fall under the fair value hierarchy as there is no active market for the investments.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

4) CAPITAL ASSETS

The following is a summary of changes in Capital Assets for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 13,714,963	\$ 370,418	\$ (130)	\$ 14,085,251
Construction in Progress	<u>15,106,336</u>	<u>9,127,008</u>	<u>(11,691,643)</u>	<u>12,541,701</u>
Total Capital Assets Not Depreciated	<u>28,821,299</u>	<u>9,497,426</u>	<u>(11,691,773)</u>	<u>26,626,952</u>
Capital Assets, Being Depreciated				
Infrastructure	621,338,227	9,880,756	(17,745)	631,201,238
Field Equipment	8,720,188	500,562	(97,572)	9,123,178
Buildings	18,992,652	1,592,991	(11,293)	20,574,350
Transportation Equipment	3,398,370	127,517	(88,093)	3,437,794
Communication Equipment	3,097,068	221,871	(35,688)	3,283,251
Office Equipment	<u>18,223,444</u>	<u>1,135,511</u>	<u>(3,417)</u>	<u>19,355,538</u>
Total Capital Assets Being Depreciated	<u>673,769,949</u>	<u>13,459,208</u>	<u>(253,808)</u>	<u>686,975,349</u>
Less Accumulated Depreciation:				
Infrastructure	206,825,493	13,972,386	(3,373)	220,794,506
Field Equipment	7,569,568	195,663	(97,572)	7,667,659
Buildings	8,841,448	473,567	(11,293)	9,303,722
Transportation Equipment	2,443,598	233,759	(88,093)	2,589,264
Communication Equipment	2,219,957	393,637	(35,688)	2,577,906
Office Equipment	<u>15,499,790</u>	<u>1,204,325</u>	<u>(3,417)</u>	<u>16,700,698</u>
Total Accumulated Depreciation	<u>243,399,854</u>	<u>16,473,337</u>	<u>(239,436)</u>	<u>259,633,755</u>
Total Capital Assets Being Depreciated, Net	<u>430,370,095</u>	<u>(3,014,129)</u>	<u>(14,372)</u>	<u>427,341,594</u>
Total Capital Assets, Net	<u>\$ 459,191,394</u>	<u>\$ 6,483,297</u>	<u>\$ (11,706,145)</u>	<u>\$ 453,968,546</u>

Depreciation expense for the year ended June 30, 2016 was \$16,473,337.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

4) CAPITAL ASSETS - Continued

The following is a summary of changes in Capital Assets for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 13,714,963	\$ -	\$ -	\$ 13,714,963
Construction in Progress	<u>11,642,506</u>	<u>8,453,369</u>	<u>(4,989,539)</u>	<u>15,106,336</u>
Total Capital Assets Not Depreciated	<u>25,357,469</u>	<u>8,453,369</u>	<u>(4,989,539)</u>	<u>28,821,299</u>
Capital Assets, Being Depreciated				
Infrastructure	617,602,562	4,032,123	(296,458)	621,338,227
Field Equipment	8,812,693	16,188	(108,693)	8,720,188
Buildings	18,928,879	63,773	-	18,992,652
Transportation Equipment	3,308,602	205,180	(115,412)	3,398,370
Communication Equipment	2,880,141	216,927	-	3,097,068
Office Equipment	<u>17,513,193</u>	<u>755,189</u>	<u>(44,938)</u>	<u>18,223,444</u>
Total Capital Assets Being Depreciated	<u>669,046,070</u>	<u>5,289,380</u>	<u>(565,501)</u>	<u>673,769,949</u>
Less Accumulated Depreciation:				
Infrastructure	193,479,391	13,624,785	(278,683)	206,825,493
Field Equipment	7,495,508	182,754	(108,694)	7,569,568
Buildings	8,336,568	504,880	-	8,841,448
Transportation Equipment	2,299,848	259,162	(115,412)	2,443,598
Communication Equipment	1,746,613	473,344	-	2,219,957
Office Equipment	<u>14,394,208</u>	<u>1,150,067</u>	<u>(44,485)</u>	<u>15,499,790</u>
Total Accumulated Depreciation	<u>227,752,136</u>	<u>16,194,992</u>	<u>(547,274)</u>	<u>243,399,854</u>
Total Capital Assets Being Depreciated, Net	<u>441,293,934</u>	<u>(10,905,612)</u>	<u>(18,227)</u>	<u>430,370,095</u>
Total Capital Assets, Net	<u>\$ 466,651,403</u>	<u>\$ (2,452,243)</u>	<u>\$ (5,007,766)</u>	<u>\$ 459,191,394</u>

Depreciation expense for the year ended June 30, 2015 was \$16,194,992.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2016 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Improvement District No. 27 - 2009	\$ 5,150,000	\$ -	\$ 570,000	\$ 4,580,000	\$ 585,000
Unamortized Bond Premium	<u>117,208</u>	<u>-</u>	<u>16,355</u>	<u>100,853</u>	<u>-</u>
Net General Obligation Bonds	<u>5,267,208</u>	<u>-</u>	<u>586,355</u>	<u>4,680,853</u>	<u>585,000</u>
Certificates of Participation:					
1996 Certificates of Participation	9,400,000	-	600,000	8,800,000	600,000
2007 Certificates of Participation	35,795,000	-	35,795,000	-	-
1996 COPS Unamortized Discount	(8,942)	-	(745)	(8,197)	-
2007 COPS Unamortized Discount	<u>(195,955)</u>	<u>-</u>	<u>(195,955)</u>	<u>-</u>	<u>-</u>
Net Certificates of Participation	<u>44,990,103</u>	<u>-</u>	<u>36,198,300</u>	<u>8,791,803</u>	<u>600,000</u>
Revenue Bonds:					
2010 Water Revenue Bonds Series A	10,590,000	-	870,000	9,720,000	900,000
2010 Water Revenue Bonds Series B	36,355,000	-	-	36,355,000	-
2013 Water Revenue Refunding Bonds	6,470,000	-	615,000	5,855,000	635,000
2016 Water Revenue Refunding Bonds	-	33,385,000	-	33,385,000	1,200,000
2010 Series A Unamortized Premium	688,215	-	74,402	613,813	-
2013 Bonds Unamortized Premium	784,778	-	96,095	688,683	-
2016 Bonds Unamortized Premium	<u>-</u>	<u>3,630,950</u>	<u>29,760</u>	<u>3,601,190</u>	<u>-</u>
Net Revenue Bonds	<u>54,887,993</u>	<u>37,015,950</u>	<u>1,685,257</u>	<u>90,218,686</u>	<u>2,735,000</u>
Total Long-Term Liabilities	<u>\$ 105,145,304</u>	<u>\$ 37,015,950</u>	<u>\$ 38,469,912</u>	<u>\$ 103,691,342</u>	<u>\$ 3,920,000</u>



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT - Continued

Long-term liabilities for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Improvement District No. 27 - 2009	\$ 5,700,000	\$ -	\$ 550,000	\$ 5,150,000	\$ 570,000
Unamortized Bond Premium	<u>133,563</u>	<u>-</u>	<u>16,355</u>	<u>117,208</u>	<u>-</u>
Net General Obligation Bonds	<u>5,833,563</u>	<u>-</u>	<u>566,355</u>	<u>5,267,208</u>	<u>570,000</u>
Certificates of Participation:					
1996 Certificates of Participation	9,900,000	-	500,000	9,400,000	600,000
2007 Certificates of Participation	36,790,000	-	995,000	35,795,000	1,035,000
1996 COPS Unamortized Discount	(9,687)	-	(745)	(8,942)	-
2007 COPS Unamortized Discount	<u>(204,999)</u>	<u>-</u>	<u>(9,044)</u>	<u>(195,955)</u>	<u>-</u>
Net Certificates of Participation	<u>46,475,314</u>	<u>-</u>	<u>1,485,211</u>	<u>44,990,103</u>	<u>1,635,000</u>
Revenue Bonds:					
2010 Water Revenue Bonds Series A	11,435,000	-	845,000	10,590,000	870,000
2010 Water Revenue Bonds Series B	36,355,000	-	-	36,355,000	-
2013 Water Revenue Refunding Bonds	7,075,000	-	605,000	6,470,000	615,000
2010 Series A Unamortized Premium	762,617	-	74,402	688,215	-
2013 Bonds Unamortized Premium	<u>880,873</u>	<u>-</u>	<u>96,095</u>	<u>784,778</u>	<u>-</u>
Net Revenue Bonds	<u>56,508,490</u>	<u>-</u>	<u>1,620,497</u>	<u>54,887,993</u>	<u>1,485,000</u>
Total Long-Term Liabilities	<u>\$ 108,817,367</u>	<u>\$ -</u>	<u>\$ 3,672,063</u>	<u>\$ 105,145,304</u>	<u>\$ 3,690,000</u>

General Obligation Bonds

In June 1998, the District issued \$11,835,000 of General Obligation Refunding Bonds. The proceeds of this issue, together with other lawfully available monies, were to be used to establish an irrevocable escrow to advance refund and defease in their entirety the District's previous outstanding General Obligation Bond issue. In November 2009, the District issued \$7,780,000 of General Obligation Refunding Bonds Improvement District No. 27-2009 to refund the 1998 issue. The proceeds from the bond issue were \$7,989,884, which included an original issue premium of \$209,884. An amount of \$7,824,647, which consisted of unpaid principal and accrued interest, was deposited into an escrow fund. Pursuant to an optional redemption clause in the 1998 bonds, the District was able to redeem the 1998 bonds, without premium at any time after September 1, 2009. On December 15, 2009 the 1998 bonds were refunded.

These bonds are general obligations of Improvement District No. 27 (ID 27) of the District. The Board of Directors has the power and is obligated to levy annual ad valorem taxes without limitation, as to rate or amount for payment of the bonds and the interest upon all property which is within ID 27 and subject to taxation. The General Obligation Bonds are payable from District-wide tax revenues. The Board may utilize other sources for servicing the bond debt and interest.



NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT - Continued

General Obligation Bonds - Continued

The Improvement District No. 27-2009 General Obligation Refunding Bonds have interest rates from 3.00% to 4.00% with maturities through Fiscal Year 2023.

Future debt service requirements for the bonds are as follows:

For the Year Ended	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2017	\$ 585,000	\$ 169,306
2018	605,000	147,700
2019	635,000	122,900
2020	650,000	97,200
2021	680,000	70,600
2022-2025	<u>1,425,000</u>	<u>57,300</u>
	<u>\$ 4,580,000</u>	<u>\$ 665,006</u>

Certificates of Participation (COPS)

In June 1996, COPS with face value of \$15,400,000 were sold by the Otay Service Corporation to finance the cost of design, acquisition, and construction of certain capital improvements. An installment purchase agreement between the District, as Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPS. The installment payments are to be paid from taxes and net revenues, as described in the installment agreement. The certificates bear interest at a variable weekly rate not to exceed 12%. The variable interest rate is tied to the 30-day LIBOR index and the Securities Industry and Financial Markets Association (SIFMA) index. An irrevocable letter of credit facility is necessary to market the District's variable rate debt. This facility is with Union Bank and covers the outstanding principal and interest. The facility expires on June 29, 2017. The interest rate at June 30, 2016 was 0.42%. The installment payments are to be paid annually at \$350,000 to \$900,000 from September 1, 1996 through September 1, 2026.

In March 2007, Revenue Certificates of Participation (COPS) with face value of \$42,000,000 were sold by the Otay Service Corporation to improve the District's water storage system and distribution facilities. An installment purchase agreement between the District, as a Buyer, and the Corporation, as Seller, was executed for the scheduled payment of principal and interest associated with the COPS. The installment payments are to be paid from taxes and net revenues, as described in the installment agreement. The certificates are due in annual installments of \$785,000 to \$2,445,000 from September 1, 2007 through September 1, 2036; bearing interest at 3.7% to 4.47%. On May 1, 2016 the 2007 COPS was refunded.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT - Continued

There is no aggregate reserve requirement for the COPS. Future debt service requirements for the certificates are as follows:

<u>For the Year Ended June 30,</u>	1996 COPS	
	Principal	Interest ⁽¹⁾
2017	\$ 600,000	\$ 16,600
2018	600,000	15,400
2019	700,000	14,033
2020	700,000	12,633
2021	700,000	11,233
2022-2026	4,400,000	31,067
2027	1,100,000	367
	\$ 8,800,000	\$ 101,333

⁽¹⁾Variable Rate - Interest reflected at June 30, 2016 at a rate of 0.42%.

The COPS debt issue contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water System which will at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2016.

Defeased Certificate of Participation (COPS)

In May 2016, the March 2007 COPS were refunded with the issuance of the 2016 Water Revenue Refunding Bonds. Proceeds of \$36,577,898, which consisted of unpaid principal and accrued interest, were used to establish an irrevocable escrow to advance refund and defease in their entirety the District's 2007 COPS. Pursuant to an optional redemption clause in the 2007 COPS, the District will be able to redeem the 2007 bonds, without premium at any time after September 1, 2017. As a result, the 2007 COPS are considered to be defeased and the liability of those bonds has been removed from long-term liabilities. The outstanding balance at June 30, 2016 was \$34,760,000.

Water Revenue Bonds

In April 2010, Water Revenue Bonds with a face value of \$50,195,000 were sold by the Otay Water District Financing Authority to provide funds for the construction of water storage and transmission facilities. The bond issue consisted of two series; Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt) with a face value of \$13,840,000 plus a \$1,078,824 original issue premium, and Water Revenue Bonds Series 2010B (Taxable Build America Bonds) with a face value of \$36,255,000. The Series 2010A bonds are due in annual installments of \$785,000 to \$1,295,000 from September 1, 2012 through September 1, 2025; bearing interest at 2% to 5.25%. The Series 2010B bonds are due in annual installments of \$1,365,000 to \$3,505,000 from September 1, 2026 through September 1, 2040; bearing interest at 6.377% to 6.577%.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT - Continued

Water Revenue Bonds - Continued

Interest on both Series is payable on September 1, 2010 and semiannually thereafter on March 1st and September 1st of each year until maturity or earlier redemption. The installment payments are to be made from Taxes and Net Revenues of the Water System as described in the installment purchase agreement, on parity with the payments required to be made by the District for the 1996, and 2007 Certificates of Participation described above and the 2013 Water Revenue Refunding Bonds described below.

The proceeds of the bonds will be used to fund the project described above as well as to fund reserve funds of \$1,030,688 (Series 2010A) and \$2,707,418 (Series 2010B). \$542,666 was used to fund various costs of issuance.

The original issue premium is being amortized over the 14 year life of the Series 2010A bonds. Amortization for the year ending June 30, 2016 was \$74,402 and is included in interest expense. The unamortized premium at June 30, 2016 is \$613,813 and June 30, 2015 was \$688,215.

The 2010 Water Revenue Bonds contains various covenants and restrictions, principally that the District fix, prescribe, revise and collection rates, fees and charges for the Water System which will at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2016.

In June 2013, the 2013 Water Revenue Refunding Bonds were issued to defease the 2004 Refunding Certificates of Participation. The bonds were issued with a face value of \$7,735,000 plus a \$984,975 original issue premium. The bonds are due in annual installments of \$660,000 to \$835,000 from September 1, 2013 through September 1, 2023; bearing interest at 1% to 4%. The installment payments are to be made from Taxes and Net Revenues of the Water System, on parity with the payments required to be made by the District for the 1996, and 2007 Certificates of Participation and the 2010A and 2010B described above.

The original issue premium is being amortized over the 11 year life of the Series 2013 bonds. Amortization for the year ending June 30, 2016 was \$96,095 and is included in interest expense. The unamortized premium at June 30, 2016 is \$688,683 and June 30, 2015 was \$784,778.

In May 2016, Water Revenue Refunding Bonds were issued to defease the 2007 Revenue Certificates of Participation. The bonds are due in annual installments of \$1,200,000 to \$2,235,000 from September 1, 2016 through September 1, 2036; bearing interest of 2% to 5%. The bonds were issued with a face value of \$33,385,000 plus \$3,630,950 original issue premium. The savings between the cash flow required to service, the old debt and the cash flow required to service the new debt is \$5,664,140 and represent an economic gain on refunding of \$4,538,175.

The original issue premium is being amortized over the 20 year life of the Series 2016 bonds. Amortization for the year ending June 30, 2016 was \$29,760 and is included in interest expense. The unamortized premium at June 30, 2016 is \$3,601,190.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

5) LONG-TERM DEBT - Continued

Water Revenue Bonds - Continued

The total amount outstanding at June 30, 2016 and aggregate maturities of the revenue bonds for the fiscal years subsequent to June 30, 2016, are as follows:

For the Year Ended June 30,	2010 Water Revenue Bond		2010 Water Revenue Bond	
	Series A		Series B	
	Principal	Interest	Principal	Interest
2017	\$ 900,000	\$ 443,088	\$ -	\$ 2,371,868
2018	940,000	406,288	-	2,371,868
2019	975,000	367,988	-	2,371,868
2020	1,015,000	323,112	-	2,371,868
2021	1,065,000	271,112	-	2,371,868
2022-2026	4,825,000	508,456	1,365,000	11,815,819
2027-2031	-	-	8,235,000	10,175,655
2032-2036	-	-	11,265,000	7,040,514
2037-2041	-	-	15,490,000	2,676,840
2042	-	-	-	-
	<u>\$ 9,720,000</u>	<u>\$ 2,320,044</u>	<u>\$ 36,355,000</u>	<u>\$ 43,568,168</u>

For the Year Ended June 30,	2013 Water Revenue		2016 Water Revenue	
	Refunding Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 635,000	\$ 221,500	\$ 1,200,000	\$ 994,709
2018	660,000	195,600	1,015,000	1,214,806
2019	685,000	168,700	1,045,000	1,173,456
2020	715,000	140,700	1,100,000	1,119,831
2021	745,000	111,500	1,155,000	1,063,456
2022-2026	2,415	147,300	6,765,000	4,362,031
2027-2031	-	-	8,570,000	2,582,407
2032-2036	-	-	10,300,000	1,041,841
2037	-	-	2,235,000	33,525
	<u>\$ 5,855,000</u>	<u>\$ 985,300</u>	<u>\$ 33,385,000</u>	<u>\$ 13,586,062</u>

Revenues Pledged

The District has pledged a portion of future water sales revenues to repay its Water Revenue Bonds and Certificates of Participation. Total principal and interest remaining on the water revenue bonds and certificates of participation is \$154,675,907 payable through fiscal year 2042. For the current year, principal and interest paid by the water sales revenues were \$3,120,000 and \$4,584,149, respectively.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

6) NET POSITION

Designations of Net Position

In addition to the restricted net position, a portion of unrestricted net position, have been designated by the Board of Directors for the following purposes as of June 30, 2016 and 2015:

	2016	2015
Designated Betterment	\$ 2,081,586	\$ 5,072,063
Expansion Reserve	-	4,486,171
Replacement Reserve	32,508,472	23,822,678
Designated New Supply Fund	64,711	758,956
Employee Benefits Reserve	135,933	31,445
Total	\$ 34,790,702	\$ 34,171,313

7) DEFINED BENEFIT PENSION PLAN

A) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District’s Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

A) General Information about the Pension Plans - Continued

Benefits Provided - Continued

The Plans' provisions and benefits in effect at June 30, 2016 and 2015, are summarized as follows:

	Prior to January 1, 2013	On or After January 1, 2013
Hire Date	2.7% at 55	2% at 62
Benefit Formula	5 years service	5 years service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	50 - 55	52 - 67
Retirement Age	2.0% to 2.7%	1.0% to 2.5%
Monthly Benefits, as a % of Eligible Compensation	8%	6.25%
Required Employee Contribution Rates	20.869% - 25.435%	25.435% - 30.812%
Required Employer Contribution Rates		

Employees Covered

The following employees were covered by the benefit terms for the Plan:

	2016	2015
Inactive Employees or Beneficiaries Currently Receiving Benefits	169	161
Inactive Employees Entitled to But Not Yet Receiving Benefits	138	142
Active Employees	138	137
Total	445	440

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B) Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using the annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page:



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

B) Net Pension Liability - Continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

B) Net Pension Liability - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrator expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

B) Net Pension Liability - Continued

Discount Rate

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

C) Changes in the Net Position Liability

The changes in the Net Position Liability for the Plan for June 30, 2016:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Beginning Balance	\$ 112,069,436	\$ 73,346,091	\$ 38,723,345
Changes in the Year:			
Service Cost	2,350,860		2,250,860
Interest on the Total Pension Liability	8,229,312		8,229,312
Changes in Benefit Terms			-
Differences Between Actual and Expected Experience	(981,200)		(981,200)
Changes in Assumptions	(1,996,819)		(1,996,819)
Contribution - Employer		3,557,098	(3,557,098)
Contribution - Employee		1,007,023	(1,007,023)
Net Investment Income		1,601,760	(1,601,760)
Benefit Payments, Including Refunds of Employee Contributions	(5,288,251)	(5,288,251)	-
Administrative Expense		(83,511)	83,511
Net Changes	2,213,902	794,119	1,419,783
Ending Balance	\$ 114,283,338	\$ 74,140,210	\$ 40,143,128



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

C) Changes in the Net Position Liability

The changes in the Net Position Liability for the Plan for June 30, 2015:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Beginning Balance	\$ 106,716,218	\$ 63,144,370	\$ 43,571,848
Changes in the Year:			
Service Cost	2,330,709		2,330,709
Interest on the Total Pension Liability	7,907,915		7,907,915
Changes in Benefit Terms		-	-
Differences Between Actual and Expected Experience	-		-
Changes in Assumptions	-		-
Contribution - Employer		3,137,174	(3,137,174)
Contribution - Employee		1,074,954	(1,074,954)
Net Investment Income		10,874,999	(10,874,999)
Benefit Payments, Including Refunds of Employee Contributions	(4,885,406)	(4,885,406)	-
Net Changes	5,353,218	10,201,721	(4,848,503)
Ending Balance	\$ 112,069,436	\$ 73,346,091	\$ 38,723,345

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District for the Plan, calculated using the discount rate for the Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2016	2015
1% Decrease	6.65%	6.50%
Net Pension Liability	\$ 55,289,674	\$ 53,440,281
Current Discount Rate	7.65%	7.50%
Net Pension Liability	\$ 40,143,128	\$ 38,723,345
1% Increase	8.65%	8.50%
Net Pension Liability	\$ 27,584,842	\$ 26,496,138



NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

C) Changes in the Net Position Liability - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

D) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of \$2,557,616. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,854,533	\$
Differences between actual and expected experience		(642,855)
Changes in assumptions		(1,308,261)
Net differences between projected and actual earnings on pension plan investments	3,146,893	(3,725,955)
Total	\$ 7,001,426	\$ (5,677,071)

\$3,854,533 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	\$ (1,482,165)
2018	(1,379,475)
2019	(455,262)
2020	786,724
2021	
Thereafter	



NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 and 2015

7) DEFINED BENEFIT PENSION PLAN - Continued

D) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2015, the District recognized pension expense of \$3,256,611. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,575,595	\$
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on pension plan investments		(4,967,940)
	\$ 3,575,595	\$ (4,967,940)
Total	\$ 3,575,595	\$ (4,967,940)

\$3,575,595 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (1,241,985)
2017	(1,241,985)
2018	(1,241,985)
2019	(1,241,985)
2020	
Thereafter	

E) Payable to the Pension Plan

At June 30, 2016, the District reported a payable of \$61,904 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016 and \$167,970 for June 30, 2015 reflected in the accrued payroll liabilities on the Statements of Net Position.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

8) OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's defined benefit postemployment healthcare plan, (DPHP), provides medical benefits to eligible retired District employees and beneficiaries. DPHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Prior to the plan agreements signed in 2011, the eligibility in the plan was broken into 3 tiers, employees hired before January 1, 1981, employees hired on or after January 1, 1981 but before July 1, 1993 and employees hired on or after July 1, 1993. Board members elected before January 1, 1995 are also eligible for the plan. Eligibility also includes age and years of service requirements which vary by tier. Benefits include up to 100% medical and/or dental premiums for life for the retiree for Tier I, II or III employees, and up to 100% spouse premium until death of retiree or age 65 whichever is greater and dependent premium up to age 19 depending on the tier.

Subsequent to the agreements in 2011 and 2012 all employees are eligible for the plan after 20 years of consecutive service and unrepresented employees hired before January 1, 2013 are eligible after 15 years. Survivor benefits are covered beyond Medicare.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. Effective January 1, 2013, represented employees hired prior to January 1, 2013 or hired on or after January 1, 2013 from another public agency that has reciprocity without having a break in service of more than six months, contribute .75% of covered salaries. In addition, unrepresented and represented employees hired on or after January 1, 2013, and do not have reciprocity from another public agency, contribute 1.75% and 2.5% of covered salaries, respectively. DPHP members receiving benefits contribute based on their selected plan options of EPO, HMO or PPO and whether they are outside the State of California. Contributions by plan members range from \$0 to \$181 per month for coverage to age 65, and from \$0 to \$186 per month, respectively, thereafter.

Annual OPEB Cost and Net OPEB Obligation/Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 9.5% of the annual covered payroll.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

8) OTHER POST EMPLOYMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation/Asset - Continued

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation/assets:

	2016	2015
Annual Required Contribution (ARC)	\$ 1,239,000	\$ 1,413,000
Interest on Net OPEB Asset	(831,748)	(752,937)
Adjustment to Annual Required Contribution (ARC)	810,000	713,000
Annual OPEB Cost (Expense)	1,217,252	1,373,063
Contributions Made	2,264,415	2,460,113
Increase in Net OPEB Asset	(1,047,163)	(1,087,050)
Net OPEB Asset - Beginning of Year	(11,472,386)	(10,385,336)
Net OPEB Asset - End of Year	\$ (12,519,549)	\$ (11,472,386)

For 2016, in addition to the ARC, the District contributed cash benefit payments outside the trust (healthcare premium payments for retirees to Special District Risk Management Authority (SDRMA) in the amount of \$909,415, which is included in the \$2,264,415 of contributions shown above. For 2015, this amount was \$929,113, which is included in the \$2,460,113 of contributions shown above.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/asset for the fiscal years 2016, 2015 and 2014 were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 1,217,252	186%	\$ (12,519,549)
6/30/15	\$ 1,373,063	179%	\$ (11,472,386)
6/30/14	\$ 1,386,456	175%	\$ (10,385,336)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 23,689,000
Actuarial Value of Plan Assets	\$ 16,920,000
Unfunded Actuarial Accrued Liability (UAAL)	\$ 6,769,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	71.42%
Covered Payroll (Active Plan Members)	\$ 13,080,000
UAAL as a Percentage of Covered Payroll	51.75%



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

8) OTHER POST EMPLOYMENT BENEFITS - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	23-Year Fixed (Closed) Period as of the Valuation Date
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.25% (Net of Administrative Expenses)
Projected Salary Increase	3.25%
Inflation	3.00%
Individual Salary Growth	CalPERS 1997-2007 Experience Study
Healthcare Cost Trend Rate	Medical: 10% per annum graded down in approximately one-half percent increments to an ultimate rate of 5%. Dental: 4% per annum.

9) WATER CONSERVATION AUTHORITY

In 1999 the District formed the Water Conservation Garden Authority (the “Authority”), a Joint Powers Authority, with other local entities to construct, maintain and operate a xeriscape demonstration garden in the furtherance of water conservation. The authority is a non-profit public charity organization and is exempt from income taxes. During the years ended June 30, 2016 and 2015, the District contributed \$120,722 and \$117,462, respectively, for the development, construction and operation costs of the xeriscape demonstration garden.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

9) WATER CONSERVATION AUTHORITY - Continued

A summary of the Authority’s June 30, 2015 audited financial statement is as follows (latest report available):

Assets	\$ 1,386,314
Liabilities	<u>0</u>
Net Assets	\$ 1,386,314
Revenues, Gains and Other Support	\$ 500,000
Expenses	<u>581,019</u>
Changes in Net Assets	<u><u>\$ (81,019)</u></u>

10) COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District had committed to capital projects under construction with an estimated cost to complete of \$9,616,369 at June 30, 2016.

Litigation

Certain claims, suits and complaints arising in the ordinary course of operation have been filed or are pending against the District. In the opinion of the staff and counsel, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have significant effect on the financial position or results of operations of the District if disposed of unfavorably.

Refundable Terminal Storage Fees

The District has entered into an agreement with several developers whereby the developers prepaid the terminal storage fee in order to provide the District with the funds necessary to build additional storage capacity. The agreement further allows the developers to relinquish all or a portion of such water storage capacity. If the District grants to another property owner the relinquished storage capacity, the District shall refund to the applicable developer \$746 per equivalent dwelling unit (EDU). There were 17,867 EDUs that were subject to this agreement. At June 30, 2016, 1,750 EDUs had been relinquished and refunded, 15,083 EDUs had been connected, and 1,034 EDUs have neither been relinquished nor connected. At June 30, 2015, 1,750 EDUs had been relinquished and refunded, 15,076 EDUs had been connected, and 1,041 EDUs have neither been relinquished nor connected.

Developer Agreements

The District has entered into various Developer Agreements with developers towards the expansion of District facilities. The developers agree to make certain improvements and after the completion of the projects the District agrees to reimburse such improvements with a maximum reimbursement amount for each developer. Contractually, the District does not incur a liability for the work until the work is accepted by the District. As of June 30, 2016, none of the outstanding developer agreements had been accepted, however it is anticipated that the District will be liable for an amount not to exceed \$201,020 at the point of acceptance. Accordingly, the District has accrued a liability as of year end.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

11) RISK MANAGEMENT

General Liability

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. Beginning in July 2003, the District began participation in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

General and Auto Liability, Public Officials' Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$10 million combined single limit at \$10 million per occurrence, subject to the following deductibles:

- \$500 per occurrence for third party general liability property damage;
- \$1,000 per occurrence for third party auto liability property damage;
- 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, as respects any employment practices claim or suit arising in whole or any part out of any action involving discipline, demotion, reassignment or termination of any employee of the member.

Employee Dishonesty Coverage: Total of \$1,000,000 per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage's effective July 1, 2015.

Property Loss: Replacement cost, for property on file, if replaced, and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence, effective July 1, 2015.

Boiler and Machinery: Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible, effective July 1, 2015.

Public Officials Personal Liability: \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage's, deductible of \$500 per claim, effective July 1, 2015.

Comprehensive and Collision: On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by SDRMA; Policy No. LCA - SDRMA – 2014-15, effective July 1, 2015.

Workers' Compensation Coverage and Employer's Liability: Statutory limits per occurrence for Workers' Compensation and \$5.0 million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, effective July 1, 2015.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015

11) RISK MANAGEMENT - Continued

Health Insurance

Beginning in January 2008, the District began providing health insurance through SDRMA covering all of its employees, retirees, and other dependents. SDRMA is a pooled medical program, administered in conjunction with the California State Association of Counties (CSAC).

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

12) INTEREST EXPENSE

Interest expense for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Amount Expensed	\$ 4,603,093	\$ 4,545,530
Amount Capitalized as a Cost of Construction Projects	<u>274,429</u>	<u>179,476</u>
Total Interest	<u>\$ 4,877,522</u>	<u>\$ 4,725,006</u>

13) SEGMENT INFORMATION

During the June 30, 2011 fiscal year, the District issued Revenue Bonds to finance certain capital improvements. While water and wastewater services are accounted for jointly in these financial statements, the investors in the Revenue Bonds rely solely on the revenues of the water services for repayment.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

13) SEGMENT INFORMATION - Continued

Summary financial information for the water services is presented for June 30, 2016:

Condensed Statement of Net Position June 30, 2016

	<u>Water Services</u>
ASSETS	
Cash and Investments	\$ 75,203,843
Accounts Receivable	10,936,612
Other Current Asset	2,528,704
Capital Assets	436,033,611
Other Assets	12,101,043
	<hr/>
Total Assets	536,303,813
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount of Refunding	1,339,997
Deferred Actuarial Pension Costs	6,723,896
	<hr/>
Total Deferred Outflows of Resources	8,063,893
LIABILITIES	
Accounts Payable	11,306,394
Other Miscellaneous Liabilities	4,176,741
Other Current Liabilities	8,912,148
General Obligation Bonds	4,095,853
Certificates of Participation	8,191,803
Revenue Bonds	87,483,686
Net Pension Liability	38,315,001
Other Non-current Liabilities	3,040,648
	<hr/>
Total Liabilities	165,522,274
DEFERRED INFLOWS OF RESOURCES	
Deferred Actuarial Pension Costs	5,425,144
	<hr/>
Total Deferred Inflows of Resources	5,425,144
NET POSITION	
Net Investment in Capital Assets	333,682,266
Restricted for Debt Service	4,402,301
Unrestricted	35,835,721
	<hr/>
Total Net Position	\$ 373,920,288



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

13) SEGMENT INFORMATION - Continued

Condensed Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2016

	Water Services
Operating Revenues	
Water Sales	\$ 73,940,200
Connection and Other Fees	1,757,043
Total Operating Revenues	75,697,243
Operating Expenses	
Cost of Water Sales	51,826,046
Administrative and General	19,348,647
Depreciation	15,456,157
Total Operating Expenses	86,630,850
Operating Income (Loss)	(10,933,607)
Nonoperating Revenues (Expenses)	
Investment Earnings	663,836
Taxes and Assessments	3,966,590
Availability Charges	544,122
Gain (Loss) on Sale of Capital Assets	46,423
Rents and Leases	1,281,150
Miscellaneous Revenues	1,371,892
Donations	(120,722)
Interest Expense	(4,603,093)
Miscellaneous Expenses	(1,485,776)
Total Nonoperating Revenues (Expenses)	1,664,422
Income (Loss) Before Capital Contributions	(9,269,185)
Capital Contributions	6,873,482
Change in Net Position	(2,395,703)
Total Net Position, Beginning	376,315,991
Total Net Position, Ending	\$ 373,920,288



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

13) SEGMENT INFORMATION - Continued

Condensed Statement of Cash Flows For the Year Ended June 30, 2016

	<u>Water Services</u>
Net Cash Provided/(Used) by:	
Operating Activities	\$ 4,791,143
Non-capital and Related Financing Activities	5,106,223
Capital and Related Financing Activities	(10,324,822)
Investing Activities	<u>(1,657,387)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,084,843)
Cash and Cash Equivalents, Beginning	<u>23,215,594</u>
Cash and Cash Equivalents, Ending	<u>\$ 21,130,751</u>

14) PRIOR PERIOD ADJUSTMENT

In June 30, 2015, the prior period adjustment of \$40,434,674 relates to the implementation of GASB Statements 68 and 71 for defined benefit pension plans. According to GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB 68 Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*, which was implemented by the District in the 2015 fiscal year, recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to defined benefit pension plans.

REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 and 2015



REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2016 and 2015

Schedule of Funding Progress for DPHP

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll [(B-A)/C]
6/30/15						
Miscellaneous	\$ 16,920,000	\$ 23,689,000	\$ 6,769,000	71.42%	\$ 13,080,000	51.75%
6/30/13						
Miscellaneous	\$ 11,831,000	\$ 22,891,000	\$ 11,060,000	51.68%	\$ 11,969,000	92.41%
6/30/11						
Miscellaneous	\$ 7,893,000	\$ 18,289,000	\$ 10,396,000	43.16%	\$ 12,429,000	83.64%



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS YEARS ENDED JUNE 30, 2016 and 2015

Measurement Period ¹	2014-2015	2013-2014
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,250,860	\$ 2,330,709
Interest	8,229,312	7,907,915
Changes of Benefit Terms	-	-
Changes of Assumptions	(1,996,819)	-
Difference Between Expected and Actual Experience	(981,200)	-
Benefit Payments, Including Refunds of Employee Contributions	(5,288,251)	(4,885,406)
Net Change in Total Pension Liability	<u>2,213,902</u>	<u>5,353,218</u>
Total Pension Liability - Beginning	112,069,436	106,716,218
Total Pension Liability - Ending (a)	<u>\$ 114,283,338</u>	<u>\$ 112,069,436</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 3,557,098	\$ 3,137,174
Contributions - Employee	1,007,023	1,074,954
Net Investment Income	1,601,760	10,874,999
Benefit Payments, Including Refunds of Employee Contributions	(5,288,251)	(4,885,406)
Administrative Expense	(83,511)	-
Other Changes in Fiduciary Net Position	-	-
Net Change in Fiduciary Net Position	<u>794,119</u>	<u>10,201,721</u>
Plan Fiduciary Net Position - Beginning	73,346,091	63,144,370
Plan Fiduciary Net Position - Ending (b)	<u>\$ 74,140,210</u>	<u>\$ 73,346,091</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 40,143,128</u>	<u>\$ 38,723,345</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.87%	65.45%
Covered-Employee Payroll	\$ 12,451,513	\$ 12,276,578
Plan Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	322.40%	315.42%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have results from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: For the 2016 fiscal year the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.



SCHEDULE OF CONTRIBUTIONS YEARS ENDED JUNE 30, 2016 and 2015

Schedule of Plan Contributions¹

	Fiscal Year 2014-15	Fiscal Year 2013-14
Actuarially Determined Contribution ²	\$ 3,557,098	\$ 3,137,174
Contributions in Relation to the Actuarially Determined Contribution ²	(3,557,098)	(3,137,174)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll ³	\$ 12,451,513	\$ 12,276,578
Contributions as a Percentage of Covered-Employee Payroll ³	28.55%	25.55%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions toward their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Payroll from prior year \$12,088,848 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Otay Water District
Spring Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Otay Water District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Riverside, California
_____, 2016

_____, 2016

Board of Directors
Otay Water District
Spring Valley, CA

We have audited the financial statements of the business-type activities of the Otay Water District (the "District") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to Statement of Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application* in the 2016 fiscal year. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year are reported in the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the business-type activities' financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net other postemployment benefits (OPEB) obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation of defined benefit pension obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the defined benefit pension obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Notes 2 and 3 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note 4 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of other postemployment benefits and the net OPEB obligation in Note 8 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on these key factors and assumptions used for the actuarial valuation.

The disclosure of defined benefit pension plan in Note 7 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on these key factors and assumptions used for the actuarial valuation.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as of a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management and discussion and analysis, Schedule of Funding Progress for DPHP, Schedule of Changes in the Net Pension Liability and Related Ratios, and Schedule of Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. Joseph Beachem
Chief Financial Officer
Otay Water District
Spring Valley, CA

We have performed the procedures enumerated below, which were agreed to by the Otay Water District (the "District"), solely to assist the District's senior management in evaluating the investments of the District as of and for the fiscal year ended June 30, 2016. The District's management is responsible for evaluating the investments of the District. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Obtain a copy of the District's investment policy and determine that it is in effect for the fiscal year ended June 30, 2016.

Finding: At June 30, 2016, the current investment policy (Policy #27) is dated May 4, 2016. This policy is reviewed and approved at May 6, 2015 and was last amended on May 4, 2016 at the regular board meeting. Prior to this the policy was last amended on May 7, 2014. Therefore the investment policy is in effect for the time period under review.

2. Select 4 investments held at year end and determine if they are allowable investments under the District's Investment Policy.

Finding: We selected the following investments: FHLM - Maturity 7/27/2018, FHLB - Maturity 1/29/2019, FHLM - Maturity 3/29/2019, and FFCB - Maturity 3/27/2017. All four investments are allowable and within maturity limits as stated in the District's investment policy at June 30, 2016.

3. For the four investments selected in #2 above, determine if they are held by a third party custodian designated by the District.

Finding: The four investments examined are held by a third party custodian, Union Bank of California, designated by the District in compliance with the District's investment policy. Per discussion with the District's management and evidenced by Union Bank of California's statement, Union Bank does not act as a broker dealer for the District but acts as a custodial agent of the District holding the investments in a trust capacity.

4. Confirm the par or original investment amount and market value for the four investments selected above with the custodian or issuer of the investments.

Finding: No exceptions were noted as a result of our procedures.

5. Select two investment earnings transactions that took place during the year and recompute the earnings to determine if the proper amount was received.

Finding: Selected the following investment earnings transactions: interest earned on FNMA Note on March 28, 2016 and interest earned on FFCB Bond on August 17, 2015. No exceptions were noted as a result of our procedures.

6. Trace amounts received for transactions selected at #5 above into the District's bank accounts.

Finding: No exceptions were noted as a result of our procedures.

7. Select five investment transactions (buy, sell, trade or maturity) occurring during the year under review and determine that the transactions are permissible under the District's investment policy.

Finding: We selected the following investment transactions: FNMA Note purchased on October 10, 2015, FHLB Bond sold on November 4, 2015, FHLB Bond purchased on June 23, 2015, FHLMC Bond purchased on March 29, 2016, and FHLMC Bond purchased on June 29, 2016. Those transactions were permissible under the District's investment policy. No exceptions were noted as a result of our procedures.

8. Review the supporting documents for the five investments selected at #7 above to determine if the transactions were appropriately recorded into the District's general ledger.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the investments of the District for the fiscal year ending June 30, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is limited solely for the information and use of the Board of Directors and senior management of the Otay Water District and is not limited to be and should not be used by anyone other than these specified parties.

Riverside, California
_____, 2016

AGENDA ITEM 8a



STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	November 2, 2016
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 2016 Calendar of Meetings		

GENERAL MANAGER'S RECOMMENDATION:

At the request of the Board, the attached Board of Director's meeting calendar for 2016 is being presented for discussion.

PURPOSE:

This staff report is being presented to provide the Board the opportunity to review the 2016 Board of Director's meeting calendar 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.

Attachment: Calendar of Meetings for 2016

**Board of Directors, Workshops
and Committee Meetings
2016**

Regular Board Meetings:

January 6, 2016
February 3, 2016
March 2, 2016
April 6, 2016
May 4, 2016
June 1, 2016
July 6, 2016
August 3, 2016
September 7, 2016
October 5, 2016
November 2, 2016
December 7, 2016

**Special Board or Committee Meetings (3rd
Wednesday of Each Month or as Noted)**

January 20, 2016
February 17, 2016
March 16, 2016
April 20, 2016
May 18, 2016
June 15, 2016
July 20, 2016
August 23, 2016
September 14, 2016
October 19, 2016
November 16, 2016
December 21, 2016

SPECIAL BOARD MEETINGS:

AGENDA ITEM 9a



STAFF REPORT

TYPE		MEETING			
MEETING:	Regular Board	DATE:	November 2, 2016		
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				

ADMINISTRATIVE SERVICES:

Purchasing & Facilities:

- Certificate of Insurance (COI) Tracking and Verification Service - Purchasing and Engineering have reviewed COI tracking services and have selected MyCOI's Concierge program to actively manage and track the District's insurance requirements for its various contracts. At an annual cost of \$6,585.00, the service will save an estimated \$18,866.00 in staff time while significantly increasing contractor and supplier compliance thereby reducing the District's exposure to the liabilities of canceled and expired policies as well as missing endorsements.
- Fuel Island Upgrade - Western Pump, Inc., the District's Fuel Island operator, turned over to the District the upgraded Fuel Island on October 10th, which was completed on time and on budget. The upgrade consists of all new fuel dispensers, under dispenser containment, underground piping, diesel fill bucket, and updated leak detectors. The upgrade met all regulatory requirements, passed all inspections and will extend the life of the fuel island for an additional 20 years.

Human Resources:

- Benefits:
 - Open Enrollment - Open Enrollment was held in the month of October. An Informational meeting was held on October 19th.
 - Change in Third Party Administrators - The Special District Risk Management Authority's (SDRMA) recently transitioned its third party administrators service (TPA) from Employee Benefits Specialist (EBS) to Businessolver in October. HR is working with the District's Benefits Consultant, Alliant, and SDRMA to ensure

a smooth transition. In addition, since the District utilizes a TPA for COBRA, retiree and Board billing administration, HR is working with EBS to set up contracts to continue these services.

- o Required Health Benefit Tax Reporting - Due to the change in TPA's, HR conducted a review of the services that Businessolver provides related to required health benefit tax reporting (1095C/1094c) to ensure the District will have a smooth transition.
- o Compensation and Benefits Survey - In preparation for negotiations next year, HR staff sent out a request for quote to four (4) consulting firms to conduct a comprehensive compensation and benefits survey and received three (3) qualified responses. Based on predefined rating criteria (qualifications/background and experience, content and technical approach, overall project design and methodology, project schedule, and cost), staff selected Ralph Andersen & Associates. The rating criteria was published in the RFQ to all consulting firms. All consulting firms who were invited to submit a quote were aware of this information.
- o New Hires/Recruitments:
 - o Two (2) positions were filled in the month of October: Communications Assistant and Utility Worker II.
 - o There are currently no recruitments.

Safety & Security:

- Emergency Preparedness - Staff completed the monthly WebEOC exercise, which consisted of creating an agency sample planning document.
- District Occupational Safety Program Review - Staff completed a review of the District's Respiratory Protection Program requirements for affected field job classifications. The program will be updated and revised with the most current requirements based on job requirements and classifications.
- Safety Training - Staff completed use and maintenance training of the District's Confined Space gas detector instrumentation. These meters provide atmospheric and chemical gas detection readings for oxygen, hydrogen sulfide, carbon monoxide as well as flammable and explosion detection levels.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- Mobile Device Evaluation - Staff has completed the evaluation of telecommunication carrier services. Based on performance evaluation and analysis, the District will be migrating from Verizon to Sprint (for District-issued devices only). The team assessed Sprint's network reliability, customer service support, and application

responsiveness. Staff also conducted a comprehensive cost-benefit analysis based on tangible benefits, capital upfront costs, and ongoing operational costs. Staff estimates the District will save over \$8,000 annually.

FINANCE:

- EOC Committee - Staff is performing a review of the District's insurance policies to ensure there is adequate insurance coverage in the event of a natural disaster.
- FY 2016 CAFR - With completion of the annual financial audit report, staff has begun to prepare the FY 2016 CAFR. The CAFR will be submitted to GFOA for the award program.
- **The financial reporting for September 30, 2016 is as follows:**
 - For the third month ending September 30, 2016, there are total revenues of \$27,299,738 and total expenses of \$24,730,938. The revenues exceeded expenses by \$2,568,800.
- **The financial reporting for investments for September 30, 2016 is as follows:**
 - The market value shown in the Portfolio Summary and in the Investment Portfolio Details as of September 30, 2016 total \$81,289,301 with an average yield to maturity of 0.94%. The total earnings year-to-date are \$202,021.

ENGINEERING AND WATER SYSTEM OPERATIONS:

Engineering:

- **927 Zone, Force Main Assessment and Repair Project:** This project consists of inspection, condition assessment, and repair of the existing Ralph W. Chapman Water Reclamation Facility (RWCWRF) 1980 era, 16,000 feet long, 14-inch diameter steel force main. Charles King commenced potholing and excavation for replacement blow offs, a new flow metering vault, cathodic protection improvements, and road repairs early October 2016. Pipeline Inspection and Condition Analysis Corporation (PICA) will return to inspect the lower 12,000 feet of force main in December 2016. The overall project is within budget and on schedule to be completed in February 2017. (R2116)
- **36-Inch Main Pumpouts and Air/Vacuum Ventilation Installations:** This project consists of inspection, repairs, and improvements to the District's La Presa 36-Inch Pipeline between San Diego County Water Authority Flow Control Facility Number 11 and the District's Regulatory site. At the October 5, 2016 Board Meeting, the Board authorized the General Manager to enter into a construction agreement with Underground Pipeline Solutions, Inc. from Alpine,

CA. The construction agreement will relocate six (6) existing air/vacuum valves from underground vaults to above ground locations. The project is within budget and on schedule to be completed in February 2017. (P2267)

- **978-1 & 850-2 Reservoir Interior/Exterior Coatings & Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 978-1 0.5 MG Reservoir and the 850-2 3.1 MG Reservoir, along with providing structural upgrades, to ensure the tanks comply with both State and Federal OSHA standards as well as the American Water Works Association and the County Health Department standards. At the October 5, 2016 Board Meeting, the Board authorized the General Manager to enter into a construction agreement with Blastco, Inc. from Downey, CA. The project is within budget and on schedule to be completed in June 2017. (P2534 & P2544)
- **711-1 & 711-2 Reservoir Interior/Exterior Coatings & Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 711-1 3.1 MG Reservoir and the 711-2 2.3 MG Reservoir, along with providing structural upgrades, to ensure the tanks comply with both State and Federal OSHA standards as well as the American Water Works Association and the County Health Department standards. The contractor, Advanced Industrial Services, Inc., has completed the work on the 711-1 Reservoir and the reservoir has been placed into service. The contractor also completed all work on the 711-2 Reservoir. The test results of the newly filled reservoir indicated that the water met all requirements of the State of California and as a result, the 711-2 Reservoir was placed into service on September 19, 2016. The remaining items on the project consist of punch list work. The project is within budget and contract acceptance is anticipated for October 2016. (P2529 & P2530)
- **980-1 Reservoir Interior/Exterior Coatings & Upgrades:** This project consists of removing and replacing the interior and exterior coatings of the 980-1, 5.0 MG, Reservoir, along with providing structural upgrades, to ensure the tank complies with both State and Federal OSHA standards as well as the American Water Works Association and the County Health Department standards. The contractor, Advanced Industrial Services, Inc., completed the work on the 980-1 Reservoir and the reservoir was placed into service in August 2016. The project is within budget and the contract was accepted on October 5, 2016. (P2545)
- **Rancho San Diego Basin Sewer Rehabilitation - Phase 1:** This project consists of sewer system improvements at fourteen (14) locations within the Rancho San Diego Basin. The work includes replacement of approximately 3,250 linear feet of 8-inch gravity sewer main and the installation of four (4) new manholes. The contractor, Transtar

Pipeline, Inc., has installed sewer along Hillsdale Road, Juliana Street, Donahue Drive, Paseo Grande, Vista Grande Road, and Tina Street, with final paving and punch list work pending. Sewer replacement work located within Burriss Drive is currently under construction. The project is within budget; however, the construction is behind schedule as a result of a late start by the contractor and slow contractor progress. It is anticipated that construction will be completed in November 2016. The contractor has been notified that the project is subject to liquidated damages associated with late delivery. (S2033)

- **Hillsdale Road Potable Water and Sanitary Sewer Replacement:** On June 23, 2016, the District issued a Task Order to Psomas to design about 4,000 feet of new potable water pipeline and replacement of two segments of sanitary sewer located in Hillsdale Road between Jamacha Road and Vista Grande Road. The Preliminary Design Report was submitted to the District on September 30, 2016, followed by the 30% Design Submittal on October 3, 2016. Design is scheduled to be completed in the Spring of 2017. Caltrans approval of traffic control on Jamacha Road will be required as well as County of San Diego permits. (P2573, S2048)
- **Water Facilities Master Plan Update:** This project will update the District's existing Water Resources Master Plan that was previously updated in October 2008 and revised in May 2013. The draft Program Environmental Impact Report (PEIR) 45-day public comment period ended September 17, 2016. The final PEIR and Water Facilities Master Plan Update will be ready for Board consideration before the end of the calendar year. (P1210)
- **San Diego County Sanitation District Meetings:** Staff from the District and the County have been meeting periodically since September 11, 2013 to discuss common issues and to develop a plan to coordinate the maintenance work of both agency's wastewater collection systems that are within the same geographic area known as the Jamacha Sewer Basin. Both agencies have maintenance staff and equipment working in close proximity and both agencies have discussed the possibility of entering into an agreement for the maintenance of each other's facilities in the basin as a way to operate more efficiently and effectively. On September 8, 2016, the District requested the County to estimate the cost to have the County maintain the District's wastewater collection system to see if this was worth discussing in more detail at a future meeting. Staff will continue to meet with the County to look for ways to operate more efficiently in the Jamacha Sewer Basin.
- **Ralph W. Chapman Water Reclamation Facility (RWCWRF) Facility Master Plan:** On February 29, 2016, the District issued a Task Order to Arcadis to prepare a Master Plan for the RWCWRF to develop a phased approach to implement improvements with prioritizing

identified improvements considering the needs, overall costs, long-term payback on investment, and other factors. The District assembled a list of projects to begin the study, but Arcadis will draw upon their expertise to identify additional work that would improve the operation of the facility. Improved instrumentation to enhance the operation and automation is also being studied. A draft of the master plan was submitted to the District at the end of July 2016, with comments returned to Arcadis at the end of August 2016. The final plan is expected to be completed in early November 2016 and will be used for prioritizing future CIP projects. (R2119)

- **Rosarito Desalination:** Aguas de Rosarito, a private consortium that signed a 40-year definitive public-private partnership agreement with the Baja California government on August 25, 2016 to build the plant and operate it for 37 years. Under the current schedule, operations would start in late 2019 or early 2020 under an initial phase that would produce 50 million gallons a day. The companies that make up Aguas de Rosarito are NuWater of Singapore, French-owned Degremont, a subsidiary of Suez Environment, and a Mexican company called NSC Agua that is a subsidiary of Cayman-Islands based Consolidated Water. District staff and representatives from NSC Agua continue to coordinate on complying with the California Water Resources Control Board Drinking Water Program regulatory requirements related to source water quality testing. (P2451)
- **Presidential Permit:** After Board certification of the EIR/EIS on September 7, 2016, a notice of the 30-day public comment period was published in the Federal Register on September 14, 2016. Federal agencies have 90-days to comment on whether they feel the project is in the National Interest. After this 90-day period, the State Department will issue a Record of Decision/National Interest Determination and there will be an additional 15-day comment period. If it is determined that the project will be in the National Interest, the Presidential Permit could be issued late January 2017. (P2451)
- For the month of September 2016, the District sold 21 meters (28 EDUs), generating \$271,774 in revenue. Projection for this period was 9.7 meters (28.5 EDUs), with budgeted revenue of \$270,175. Total revenue for Fiscal Year 2017 is \$647,689 against the annual budget of \$3,242,100.

Water System Operations (reporting for September):

- On September 1, the City of San Diego requested water deliveries via the emergency interconnect located in Otay Mesa Road near Cactus Road. The emergency interconnect was opened that day and closed on September 2 with a total usage of 157,000 gallons. This will be credited to the District via the San Diego County Water

Authority under treated exchange per the current agreement with the City of San Diego.

- On September 12, staff received confirmation that test results for the second and final round of the special "Lead and Copper Sampling" are all in compliance.
- The District's current bacteriological sampling plan is in the process of being updated due to an increase in the population that Otay Water District serves. The population increased from 208,000 in 2012 to 220,213 in 2016. This requires staff to take additional samples along the water distribution system; 40 weekly samples will be taken instead of 33 weekly samples to comply with State Water Resources Control Board rules and regulations. The new sampling plan will be submitted to the State for approval in late October, early November.
- On September 12, SDG&E requested that the Otay Water District accommodate an 8-hour gas outage on September 15 to allow SDG&E to switch the existing High Head Pump Station to their new gas line feeding from Alta Road. The new gas line is lower pressure and feeds the opposite direction (south to north rather than north to south) than the existing gas line.
- On September 15, a planned shutdown for a tie-in was performed on Presilla Drive in Rancho Jamul from 8:00am to 5:00pm. Four residential homes were affected and a water trailer was on site for customers affected.
- On Friday September 16, it was discovered that the High Head Pump Station engines 5, 4 and 3 did not have gas feeding them. A gas leak was discovered by SDG&E and the meter was left off for the weekend. An action plan was developed to pump and meet water demands with two electric pumps for the weekend.

Purchases and Change Orders:

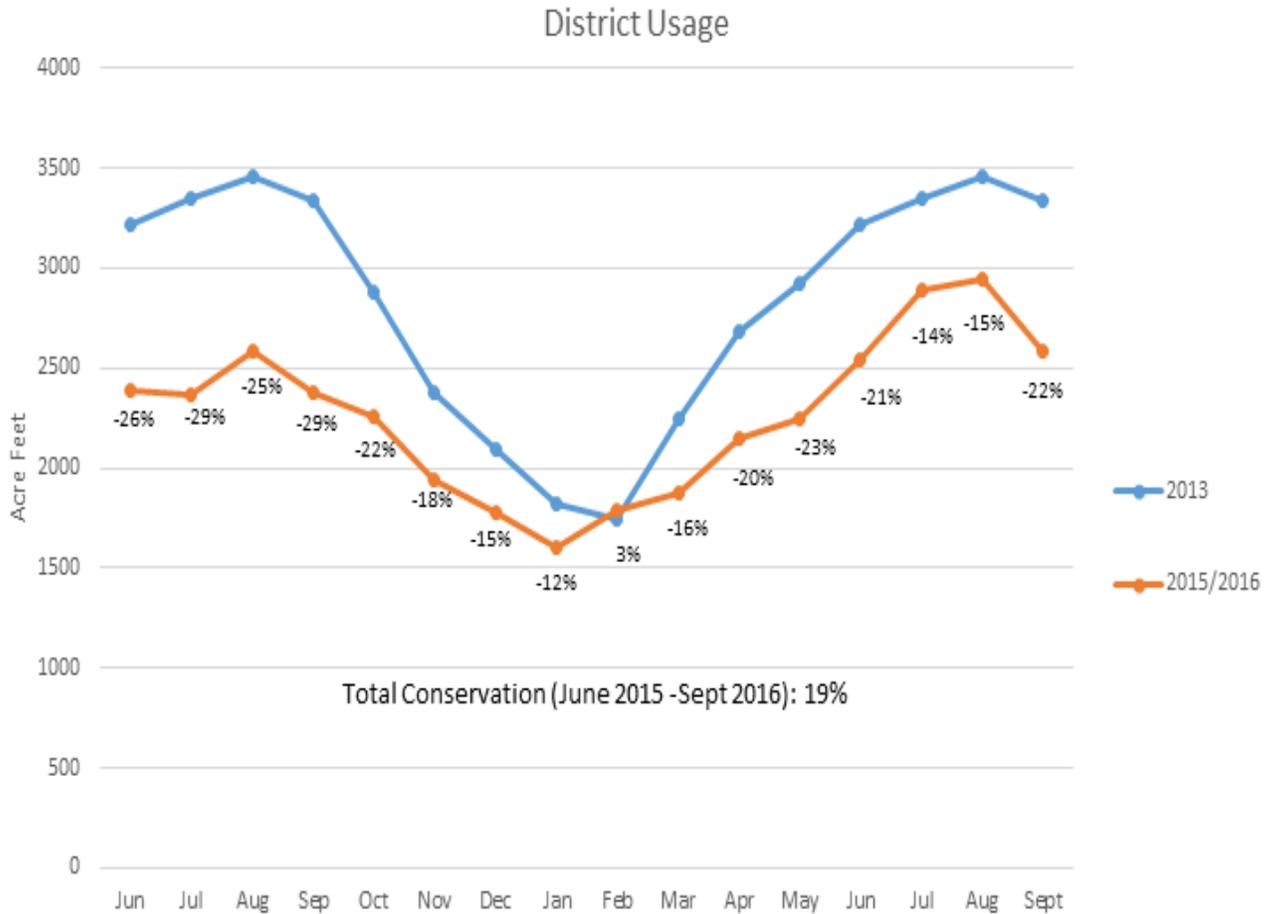
- The following table summarizes purchases and Change Orders issued during the period of September 23, 2016 through October 21, 2016 that were within staff signatory authority:

Date	Action	Amount	Contractor/ Consultant	Project
10/5/2016	P.O.	\$4,972.40	Southland Pipe Corp	14-Inch Reclaimed Water Force Main Assessment and Repair (R2116)

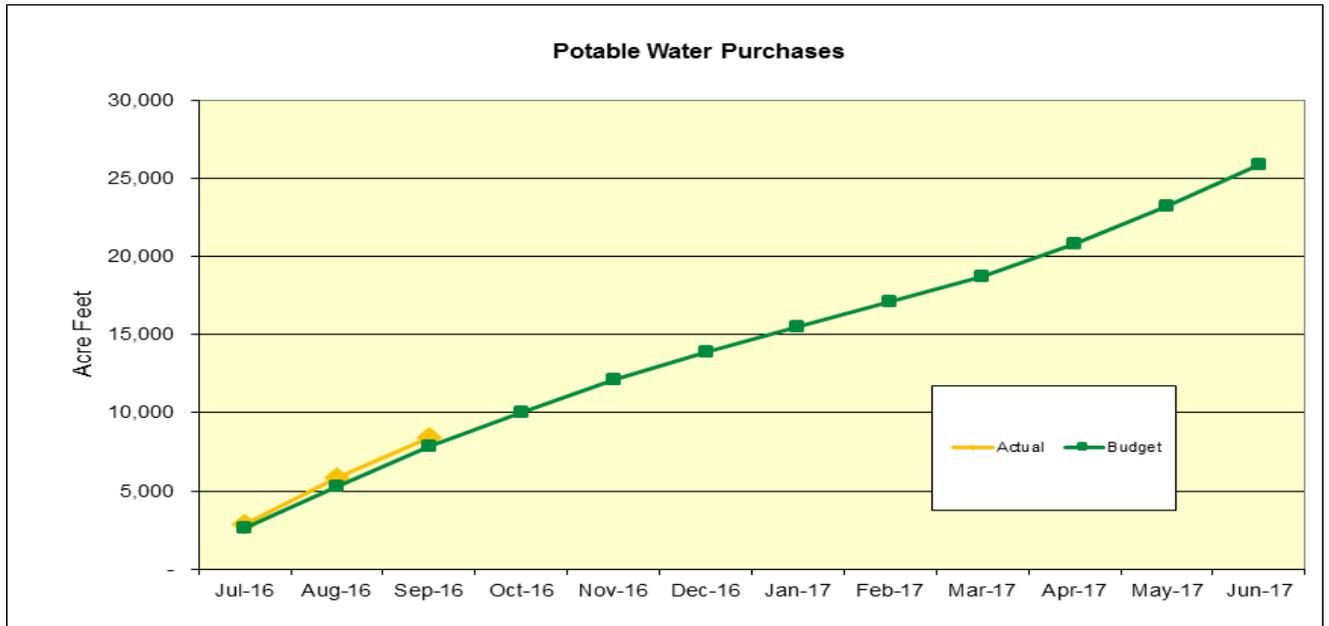
10/6/2016	P.O. & C.O.	\$23,684.24	South Gate Engineering LLC	RWCWRF 927-1 Effluent Pump Station Surge Tank (P2559)
9/27/16	P.O.	\$1,500	Lance Picotte Safety Consulting	Safety Training
10/7/16	P.O.	\$41,000	HDR Engineering, Inc. (hired through Artiano Shinoff)	Cost of Service Study

Water Conservation and Sales:

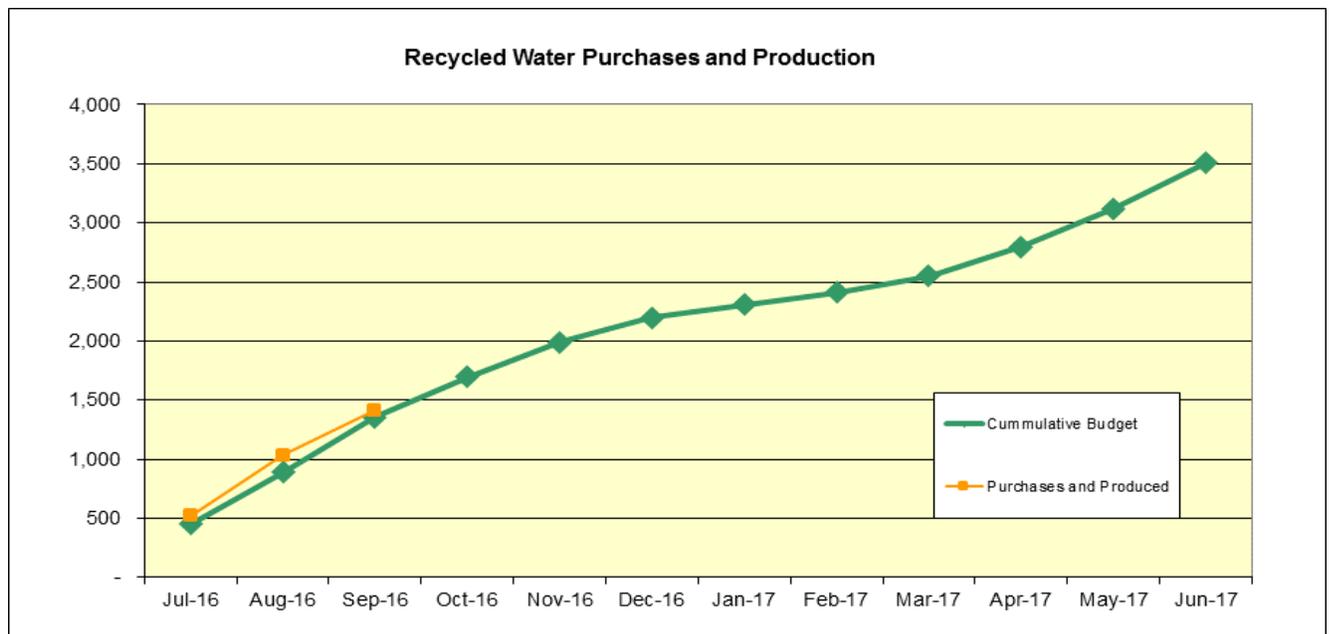
- Water Conservation - September 2016 usage was 22% lower than September 2013 usage. Since the State's Conservation Mandate began in June 2015, customers have saved an average of 19%.



- The September potable water purchases were 2,589.7 acre-feet which is 1.1% above the budget of 2,561.8 acre-feet. The cumulative purchases through September were 8,429.9 acre-feet which is 7.1% above the cumulative budget of 7,870.4 acre-feet.



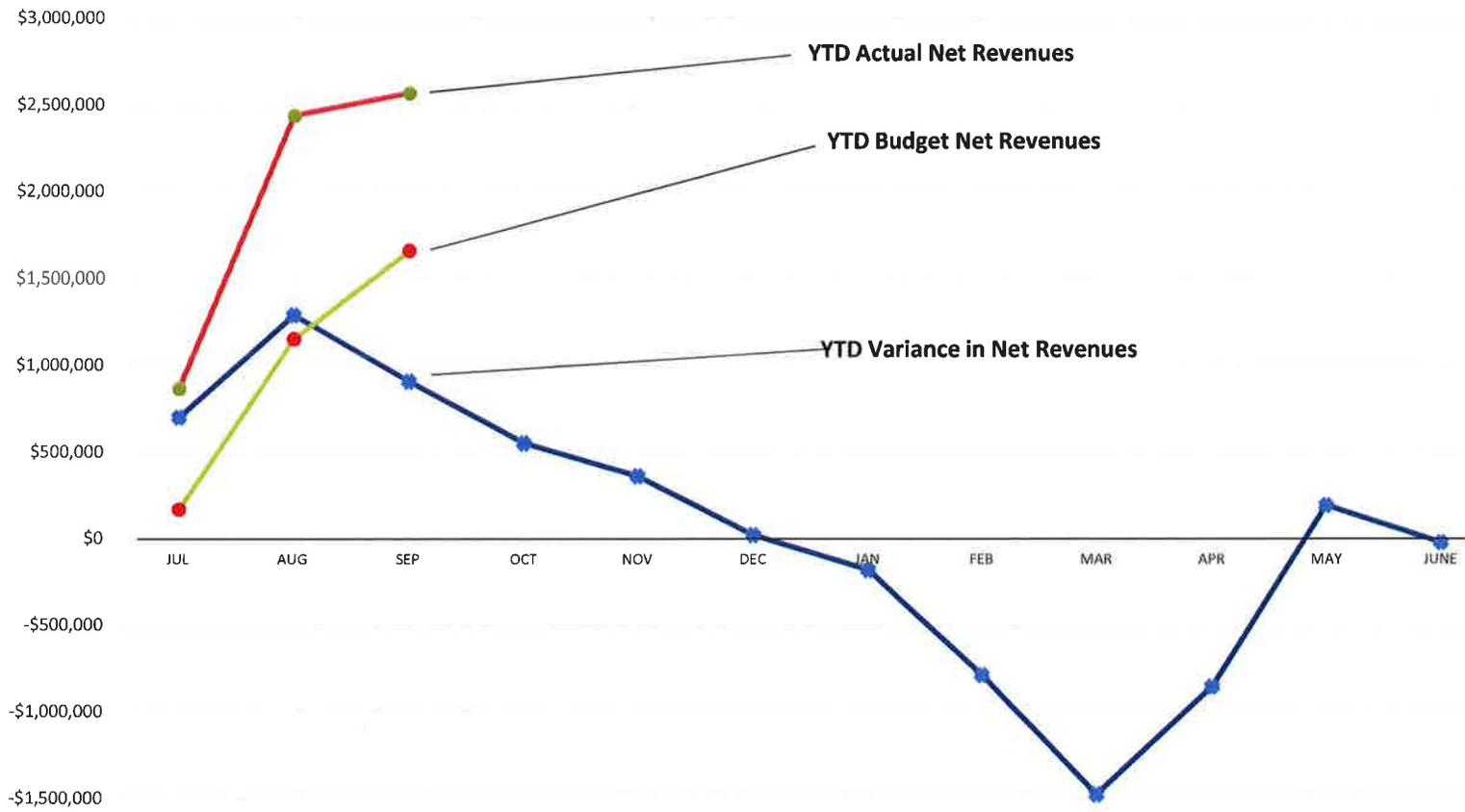
- The September recycled water purchases and production were 376.9 acre-feet which is 19.2% below the budget of 466.7 acre-feet. The cumulative production and purchases through September were 1,411.0 acre-feet which is 4.2% above the cumulative budget of 1354.5 acre-feet.



Potable, Recycled, and Sewer (Reporting up to the month of September):

- Total number of potable water meters is 49,581.
- Recycled water consumption for the month of September is as follows:
 - Total consumption was 504.6 acre-feet or 164,354,300 gallons and the average daily consumption was 5,478,477 gallons per day.
 - Total cumulative recycled water consumption since July 1, 2016 is 1551.8 acre-feet.
 - Total number of recycled water meters is 711.
- Wastewater flows for the month of September were as follows:
 - Total basin flow, gallons per day: 1,536,800. This is an increase of 3.80% from September 2015.
 - Spring Valley Sanitation District Flow to Metro, gallons per day: 507,941.
 - Total Otay flow, gallons per day: 1,028,900.
 - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 765,033.
 - Flow to Metro from Otay Water District was 263,867 gallons per day.
- By the end of September there were 6,105 wastewater EDUs.

**COMPARATIVE BUDGET SUMMARY
NET REVENUES AND EXPENSES
FOR THREE MONTHS ENDED SEPTEMBER 30, 2016**



The year-to-date actual net revenues through September were positive variance of \$1,661,149.

OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
 FOR THREE MONTHS ENDED SEPTEMBER 30, 2016

	Annual Budget	Actual	Budget	YTD Variance	Var %
REVENUES:					
Potable Water Sales	\$ 44,450,600	\$ 14,155,997	\$ 12,658,200	\$ 1,497,797	11.8%
Recycled Water Sales	8,900,300	3,619,254	3,180,700	438,554	13.8%
Potable Energy Charges	2,164,200	894,101	805,300	88,801	11.0%
Potable System Charges	12,204,600	3,320,434	3,309,900	10,534	0.3%
Potable MWD & CWA Fixed Charges	12,535,200	3,279,908	3,273,000	6,908	0.2%
Potable Penalties	884,000	196,127	268,500	(72,373)	(27.0%)
Total Water Sales	<u>81,138,900</u>	<u>25,465,821</u>	<u>23,495,600</u>	<u>1,970,221</u>	<u>8.4%</u>
Sewer Charges	2,918,900	765,878	771,200	(5,322)	(0.7%)
Meter Fees	66,200	18,567	16,600	1,967	11.9%
Capacity Fee Revenues	1,248,200	395,555	312,100	83,455	26.7%
Non-Operating Revenues	2,179,300	515,110	439,700	75,410	17.2%
Tax Revenues	4,033,100	108,208	97,600	10,608	10.9%
Interest	156,900	30,598	39,200	(8,602)	(21.9%)
Total Revenues	<u>\$ 91,741,500</u>	<u>\$ 27,299,738</u>	<u>\$ 25,172,000</u>	<u>\$ 2,127,738</u>	<u>8.5%</u>
EXPENSES:					
Potable Water Purchases	\$ 31,271,300	\$ 9,820,834	\$ 9,178,800	\$ (642,034)	(7.0%)
Recycled Water Purchases	3,615,900	1,506,870	1,482,950	(23,920)	(1.6%)
CWA-Infrastructure Access Charge	1,976,400	483,429	483,300	(129)	(0.0%)
CWA-Customer Service Charge	1,714,200	436,646	436,500	(146)	(0.0%)
CWA-Reliability Charge	1,848,000	475,026	474,900	(126)	0.0%
CWA-Emergency Storage Charge	4,579,800	1,151,014	1,151,100	86	0.0%
MWD-Capacity Res Charge	988,800	240,111	240,000	(111)	(0.0%)
MWD-Readiness to Serve Charge	1,428,000	317,040	396,800	79,760	20.1%
Subtotal Water Purchases	<u>47,422,400</u>	<u>14,430,970</u>	<u>13,844,350</u>	<u>(586,620)</u>	<u>(4.2%)</u>
Power Charges	2,938,000	919,786	886,900	(32,886)	(3.7%)
Payroll & Related Costs	20,899,900	4,634,772	4,656,100	21,328	0.5%
Material & Maintenance	3,456,300	729,997	776,665	46,668	6.0%
Administrative Expenses	4,900,100	986,518	1,069,035	82,517	7.7%
Legal Fees	250,000	60,094	62,500	2,406	3.8%
Transfer to General Fund Reserve	1,482,500	370,600	370,600	-	0.0%
Expansion Reserve	4,093,600	1,023,400	1,023,400	-	0.0%
Betterment Reserve	3,466,400	866,600	866,600	-	0.0%
Replacement Reserve	464,500	116,100	116,100	-	0.0%
Transfer to Sewer General Fund	1,371,800	343,000	343,000	-	0.0%
OPEB Trust	961,000	240,300	240,300	-	0.0%
New Supply Reserve	35,000	8,800	8,800	-	0.0%
Total Expenses	<u>\$ 91,741,500</u>	<u>\$ 24,730,938</u>	<u>\$ 24,264,350</u>	<u>\$ (466,588)</u>	<u>(1.9%)</u>
EXCESS REVENUES(EXPENSE)	<u>\$ -</u>	<u>\$ 2,568,800</u>	<u>\$ 907,650</u>	<u>\$ 1,661,149</u>	

**OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
September 30, 2016**

INVESTMENT OVERVIEW & MARKET STATUS:

The federal funds rate has remained constant for over 5 years. On December 16, 2015, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was increased from 0.25% to 0.50% in response to the nation's gradual economic improvement. The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective. The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation. There have been no further changes made to the federal funds rate at the Federal Reserve Board's subsequent regular meetings, the most recent of which was held on September 21, 2016. In determining the timing and size of future adjustments to the target range for the federal funds rate, they went on to say: *"the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments. In light of the current shortfall of inflation from 2 percent, the Committee will carefully monitor actual and expected progress toward its inflation goal. The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data."*

The District's overall effective rate of return at September 30, 2016 was 0.94%, which was one basis points higher than the previous month. At the same time the LAIF return on deposits has improved over the previous month, reaching an average effective yield of 0.634% for the month of September 2016. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of low interest rates, no changes in investment strategy regarding returns on investment are being considered at this time. The desired portfolio mix is important in mitigating any liquidity risk from unforeseen changes in LAIF or County Pool policy.

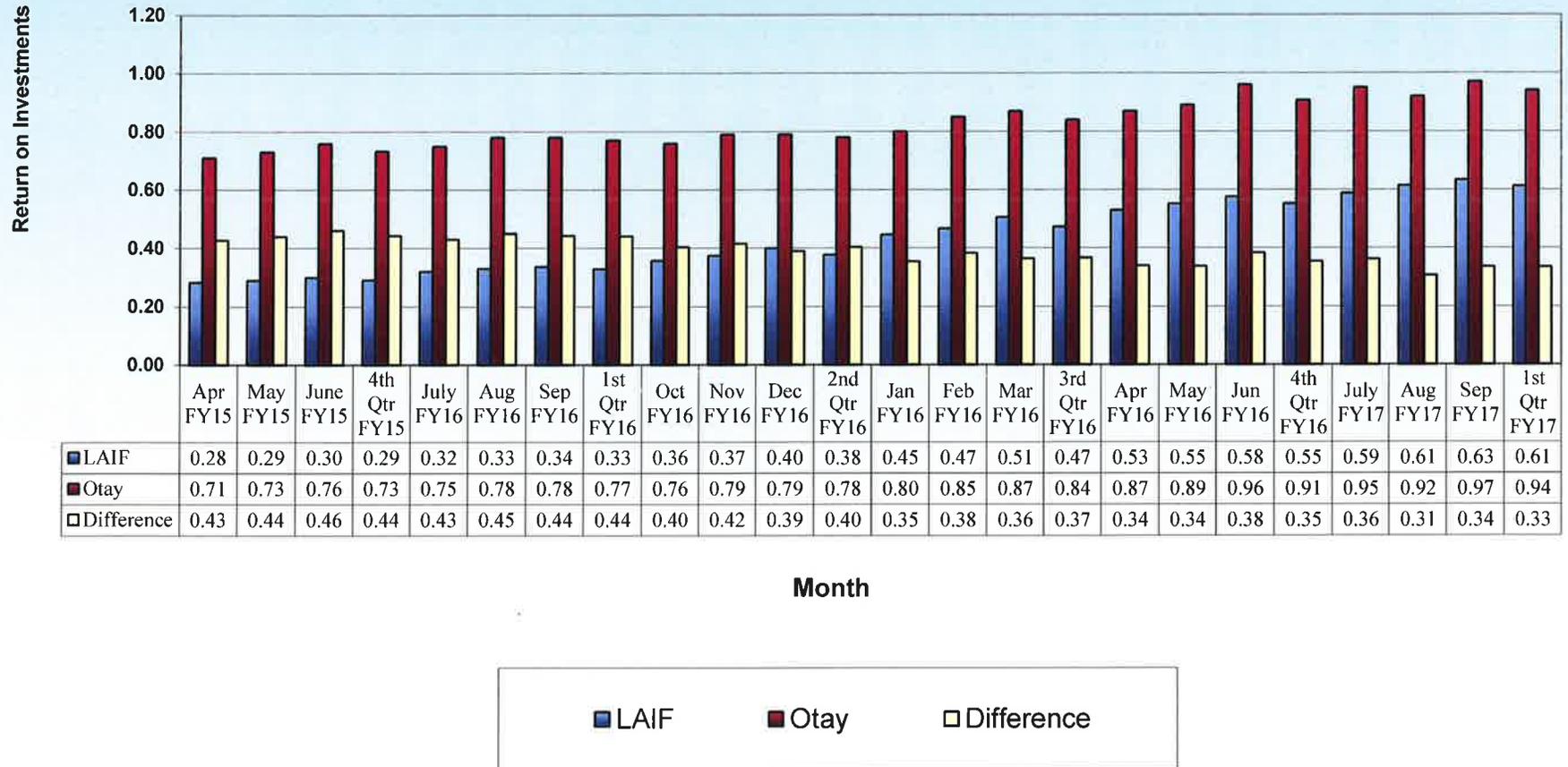
In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

PORTFOLIO COMPLIANCE: September 30, 2016

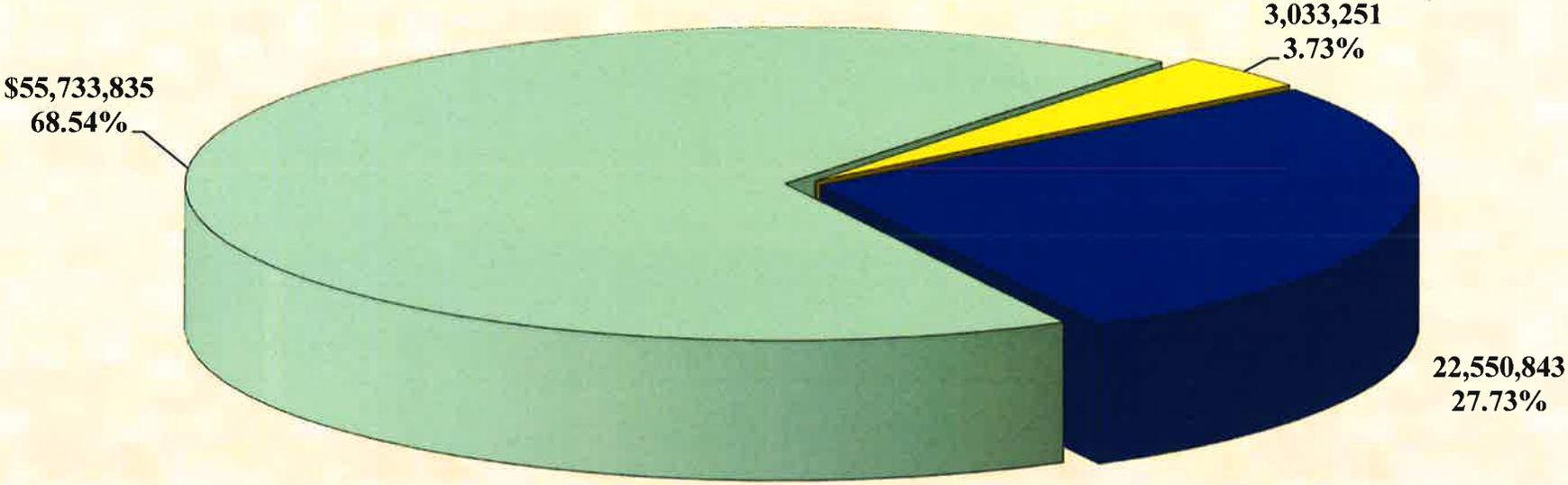
<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01: Treasury Securities	100%	100%	0
8.02: Local Agency Investment Fund (Operations)	\$65 Million	\$65 Million	\$9.14 Million
8.02: Local Agency Investment Fund (Bonds)	100%	100%	0
8.03: Federal Agency Issues	100%	100%	68.54%
8.04: Certificates of Deposit	30%	15%	.10%
8.05: Short-Term Commercial Notes	25%	10%	0
8.06: Medium-Term Commercial Debt	30%	10%	0
8.07: Money Market Mutual Funds	20%	10%	0
8.08: San Diego County Pool	100%	100%	16.49%
12.0: Maximum Single Financial Institution	100%	50%	3.63%

Performance Measure FY-17 Return on Investment

Target: Meet or Exceed 100% of LAIF



Otay Water District Investment Portfolio: 09/30/2016



Total Cash and Investments: \$81,317,929

■ Banks (Passbook/Checking/CD)

■ Pools (LAIF & County)

■ Agencies & Corporate Notes

**Month End
Portfolio Management
Portfolio Summary
September 30, 2016**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	53,735,000.00	53,716,957.95	53,735,000.00	68.57	916	759	1.035	1.049
Federal Agency Issues - Coupon	2,000,000.00	1,999,920.00	1,998,835.22	2.55	640	177	0.661	0.670
Certificates of Deposit - Bank	81,833.21	81,833.21	81,833.21	0.10	731	478	0.030	0.030
Local Agency Investment Fund (LAIF)	9,140,374.48	9,143,171.73	9,140,374.48	11.66	1	1	0.625	0.634
San Diego County Pool	13,410,468.41	13,396,000.00	13,410,468.41	17.11	1	1	0.931	0.944
Investments	78,367,676.10	78,337,882.89	78,366,511.32	100.00%	645	526	0.959	0.972
Cash								
Passbook/Checking (not included in yield calculations)	2,951,417.87	2,951,417.87	2,951,417.87		1	1	0.121	0.122
Total Cash and Investments	81,319,093.97	81,289,300.76	81,317,929.19		645	526	0.959	0.972

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	65,927.49	202,021.33
Average Daily Balance	83,066,346.53	84,951,435.66
Effective Rate of Return	0.97%	0.94%

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 May 4, 2016. 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.


 _____ 10-20-16
 Joseph Beachem, Chief Financial Officer

**Month End
Portfolio Management
Portfolio Details - Investments
September 30, 2016**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Federal Agency Issues- Callable												
3134G5A47	2301	Federal Home Loan Mortgage		06/30/2014	2,000,000.00	2,001,400.00	2,000,000.00	0.650		0.641	90	12/30/2016
3134G8NM7	2345	Federal Home Loan Mortgage		03/29/2016	2,000,000.00	2,000,900.00	2,000,000.00	0.850	AA	0.838	363	09/29/2017
3134G8WW5	2349	Federal Home Loan Mortgage		04/27/2016	2,000,000.00	2,000,000.00	2,000,000.00	0.850	AA	0.838	391	10/27/2017
3134G9D38	2363	Federal Home Loan Mortgage		06/29/2016	2,000,000.00	1,997,040.00	2,000,000.00	0.700	AAA	0.690	454	12/29/2017
3130A85A7	2355	Federal Home Loan Bank		05/26/2016	2,000,000.00	2,000,120.00	2,000,000.00	0.900	AAA	0.888	513	02/26/2018
3130A7H73	2346	Federal Home Loan Bank		03/29/2016	2,000,000.00	2,001,200.00	2,000,000.00	1.000	AA	0.986	544	03/29/2018
3134G9AF4	2350	Federal Home Loan Mortgage		04/26/2016	2,000,000.00	2,000,720.00	2,000,000.00	1.050	AA	1.036	572	04/26/2018
3133EGJU0	2362	Federal Farm Credit Bank		07/05/2016	2,000,000.00	1,995,280.00	2,000,000.00	0.820	AA	0.809	642	07/05/2018
3130A8KR3	2358	Federal Home Loan Bank		06/23/2016	2,000,000.00	1,998,020.00	2,000,000.00	0.820		0.809	643	07/06/2018
3134G8XA2	2348	Federal Home Loan Mortgage		04/27/2016	2,000,000.00	2,000,280.00	2,000,000.00	1.000	AA	0.986	664	07/27/2018
3133EGBG9	2354	Federal Farm Credit Bank		05/23/2016	2,000,000.00	1,999,920.00	2,000,000.00	1.000		0.986	691	08/23/2018
3130A9C90	2368	Federal Home Loan Bank		09/28/2016	2,000,000.00	1,998,180.00	2,000,000.00	1.050	AA	1.036	727	09/28/2018
3135G0G64	2336	Fannie Mae		10/30/2015	2,000,000.00	1,995,260.00	2,000,000.00	1.100		1.085	758	10/29/2018
3136G2R665	2334	Fannie Mae		11/19/2015	2,000,000.00	2,001,040.00	2,000,000.00	1.150		1.134	779	11/19/2018
3130A6UZ8	2338	Federal Home Loan Bank		12/28/2015	2,000,000.00	2,002,600.00	2,000,000.00	1.375		1.356	818	12/28/2018
3134G9ZR1	2360	Federal Home Loan Mortgage		06/28/2016	2,000,000.00	1,995,980.00	2,000,000.00	1.000		0.986	818	12/28/2018
3134G9AW7	2347	Federal Home Loan Mortgage		04/26/2016	2,000,000.00	2,000,520.00	2,000,000.00	1.150	AA	1.134	937	04/26/2019
3134G8ZM4	2351	Federal Home Loan Mortgage		04/29/2016	2,000,000.00	2,000,040.00	2,000,000.00	1.300	AA	1.282	940	04/29/2019
3130A7WK7	2352	Federal Home Loan Bank		05/24/2016	2,000,000.00	2,003,200.00	2,000,000.00	1.250		1.233	965	05/24/2019
3133EGCZ6	2357	Federal Farm Credit Bank		06/06/2016	2,000,000.00	2,003,480.00	2,000,000.00	1.300	AA	1.282	978	06/06/2019
3133EGGS8	2359	Federal Farm Credit Bank		06/27/2016	2,000,000.00	1,998,560.00	2,000,000.00	1.200	AA	1.184	999	06/27/2019
3134G9SL2	2356	Federal Home Loan Mortgage		06/28/2016	2,000,000.00	2,002,680.00	2,000,000.00	1.300		1.282	1,000	06/28/2019
3133EGJR7	2361	Federal Farm Credit Bank		07/05/2016	2,000,000.00	1,997,560.00	2,000,000.00	1.020		1.006	1,007	07/05/2019
3136G33N3	2364	Federal National Mortgage Assoc		08/30/2016	1,030,000.00	1,027,909.10	1,030,000.00	1.125		1.110	1,061	08/28/2019
3136G33N3	2365	Federal National Mortgage Assoc		08/30/2016	2,705,000.00	2,699,508.85	2,705,000.00	1.125		1.110	1,061	08/28/2019
3136G33N3	2366	Federal National Mortgage Assoc		08/30/2016	2,000,000.00	1,995,940.00	2,000,000.00	1.125		1.110	1,061	08/28/2019
3136G34U6	2367	Federal National Mortgage Assoc		08/30/2016	2,000,000.00	1,999,620.00	2,000,000.00	1.125		1.110	1,061	08/28/2019
Subtotal and Average			54,735,000.00		53,735,000.00	53,716,957.95	53,735,000.00			1.035	759	
Federal Agency Issues - Coupon												
3133EEC73	2329	Federal Farm Credit Bank		06/26/2015	2,000,000.00	1,999,920.00	1,998,835.22	0.550	AA	0.661	177	03/27/2017
Subtotal and Average			1,998,739.26		2,000,000.00	1,999,920.00	1,998,835.22			0.661	177	

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**Month End
Portfolio Management
Portfolio Details - Investments
September 30, 2016**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
Certificates of Deposit - Bank												
2050003183-7	2341	California Bank & Trust		01/22/2016	81,833.21	81,833.21	81,833.21	0.030		0.030	478	01/22/2018
Subtotal and Average			81,833.21		81,833.21	81,833.21	81,833.21			0.030	478	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA			9,140,374.48	9,143,171.73	9,140,374.48	0.634		0.625	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		07/01/2016	0.00	0.00	0.00	0.267		0.263	1	
Subtotal and Average			10,740,374.48		9,140,374.48	9,143,171.73	9,140,374.48			0.625	1	
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County			13,410,468.41	13,396,000.00	13,410,468.41	0.944		0.931	1	
Subtotal and Average			13,410,468.41		13,410,468.41	13,396,000.00	13,410,468.41			0.931	1	
Total and Average			83,066,346.53		78,367,676.10	78,337,882.89	78,366,511.32			0.959	526	

**Month End
Portfolio Management
Portfolio Details - Cash
September 30, 2016**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity
Union Bank											
UNION MONEY	9002	STATE OF CALIFORNIA			2,010,002.30	2,010,002.30	2,010,002.30	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA			2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA			851,755.74	851,755.74	851,755.74	0.400		0.395	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2016	27,861.29	27,861.29	27,861.29			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			8,082.56	8,082.56	8,082.56	0.010		0.010	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			21,227.52	21,227.52	21,227.52	0.010		0.010	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		07/01/2016	0.00	0.00	0.00			0.000	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		07/01/2016	29,538.46	29,538.46	29,538.46			0.000	1
		Average Balance	0.00								1
Total Cash and Investments			83,066,346.53		81,319,093.97	81,289,300.76	81,317,929.19			0.959	526

**Month End
GASB 31 Compliance Detail
Sorted by Fund - Fund
September 1, 2016 - September 30, 2016**

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
3134G8ZM4	2351	99	Fair Value	04/29/2019	1,999,140.00	0.00	0.00	0.00	0.00	900.00	2,000,040.00
3134G5A47	2301	99	Fair Value	12/30/2016	2,003,920.00	0.00	0.00	0.00	0.00	-2,520.00	2,001,400.00
3134G9AF4	2350	99	Fair Value	04/26/2018	2,000,060.00	0.00	0.00	0.00	0.00	660.00	2,000,720.00
3134G8NM7	2345	99	Amortized	09/29/2017	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
3134G8Q44	2344	99	Fair Value	03/29/2019	2,000,040.00	0.00	0.00	2,000,000.00	0.00	-40.00	0.00
3134G8XA2	2348	99	Fair Value	07/27/2018	1,999,160.00	0.00	0.00	0.00	0.00	1,120.00	2,000,280.00
3134G9AW7	2347	99	Fair Value	04/26/2019	1,999,520.00	0.00	0.00	0.00	0.00	1,000.00	2,000,520.00
3134G8WW5	2349	99	Fair Value	10/27/2017	1,999,020.00	0.00	0.00	0.00	0.00	980.00	2,000,000.00
3134G9SL2	2356	99	Amortized	06/28/2019	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
3134G9ZR1	2360	99	Fair Value	12/28/2018	1,993,680.00	0.00	0.00	0.00	0.00	2,300.00	1,995,980.00
3134G9D38	2363	99	Fair Value	12/29/2017	1,995,340.00	0.00	0.00	0.00	0.00	1,700.00	1,997,040.00
3136G33N3	2365	99	Fair Value	08/28/2019	2,701,537.60	0.00	0.00	0.00	0.00	-2,028.75	2,699,508.85
3136G33N3	2366	99	Fair Value	08/28/2019	1,997,440.00	0.00	0.00	0.00	0.00	-1,500.00	1,995,940.00
3136G34U6	2367	99	Fair Value	08/28/2019	1,996,460.00	0.00	0.00	0.00	0.00	3,160.00	1,999,620.00
3136G33N3	2364	99	Fair Value	08/28/2019	1,028,681.60	0.00	0.00	0.00	0.00	-772.50	1,027,909.10
3130A85A7	2355	99	Fair Value	02/26/2018	1,999,520.00	0.00	0.00	0.00	0.00	600.00	2,000,120.00
3130A7H73	2346	99	Fair Value	03/29/2018	2,000,860.00	0.00	0.00	0.00	0.00	340.00	2,001,200.00
3130A8KR3	2358	99	Fair Value	07/06/2018	1,996,940.00	0.00	0.00	0.00	0.00	1,080.00	1,998,020.00
3130A9C90	2368	99	Fair Value	09/28/2018	0.00	2,000,000.00	0.00	0.00	0.00	-1,820.00	1,998,180.00
3130A7WK7	2352	99	Fair Value	05/24/2019	2,002,820.00	0.00	0.00	0.00	0.00	380.00	2,003,200.00
3130A6UZ8	2338	99	Amortized	12/28/2018	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
RESERVE-10 COPS	9010	99	Amortized		8,057.82	0.00	24.74	0.00	0.00	0.00	8,082.56
LAIF BABS 2010	9012	99	Fair Value		0.00	0.00	0.00	0.00	0.00	0.00	0.00
RESERVE-10 BABS	9011	99	Amortized		21,162.26	0.00	65.26	0.00	0.00	0.00	21,227.52
UNION OPERATING	9004	99	Amortized		1,776,099.39	0.00	785.22	925,128.87	0.00	0.00	851,755.74
UNION MONEY	9002	99	Amortized		10,009.16	0.00	6,040,780.08	4,040,786.94	0.00	0.00	2,010,002.30
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
PAYROLL	9005	99	Amortized		27,861.29	0.00	0.00	0.00	0.00	0.00	27,861.29
UBNA-2010 BOND	9013	99	Amortized		0.00	0.00	0.00	0.00	0.00	0.00	0.00
UBNA-FLEX ACCT	9014	99	Amortized		36,025.08	0.00	0.00	6,486.62	0.00	0.00	29,538.46

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Portfolio OTAY

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**Month End
GASB 31 Compliance Detail
Sorted by Fund - Fund**

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
LAIF	9001	99	Fair Value		8,945,928.44	0.00	6,900,000.00	6,700,000.00	0.00	-2,756.71	9,143,171.73
3133EGJU0	2362	99	Fair Value	07/05/2018	1,993,340.00	0.00	0.00	0.00	0.00	1,940.00	1,995,280.00
3133EEC73	2329	99	Amortized	03/27/2017	1,998,636.68	0.00	0.00	0.00	198.54	0.00	1,998,835.22
3133EGJR7	2361	99	Amortized	07/05/2019	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
3133EGGS8	2359	99	Fair Value	06/27/2019	1,995,480.00	0.00	0.00	0.00	0.00	3,080.00	1,998,560.00
3133EEYE4	2320	99	Fair Value	01/16/2018	1,998,160.00	0.00	0.00	2,000,000.00	0.00	1,840.00	0.00
3133EGBG9	2354	99	Fair Value	08/23/2018	1,998,160.00	0.00	0.00	0.00	0.00	1,760.00	1,999,920.00
3133EGCZ6	2357	99	Fair Value	06/06/2019	2,002,960.00	0.00	0.00	0.00	0.00	520.00	2,003,480.00
2050003183-7	2341	99	Amortized	01/22/2018	81,833.21	0.00	0.00	0.00	0.00	0.00	81,833.21
3136G2R665	2334	99	Amortized	11/19/2018	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
3135G0G64	2336	99	Amortized	10/29/2018	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00
SD COUNTY POOL	9007	99	Fair Value		13,394,000.00	0.00	0.00	0.00	0.00	2,000.00	13,396,000.00
Subtotal					82,004,802.53	2,000,000.00	12,941,655.30	15,672,402.43	198.54	13,922.04	81,288,175.98
Total					82,004,802.53	2,000,000.00	12,941,655.30	15,672,402.43	198.54	13,922.04	81,288,175.98

**Month End
Activity Report
Sorted By Issuer
September 1, 2016 - September 30, 2016**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
Issuer: STATE OF CALIFORNIA									
Union Bank									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		6,040,780.08	4,040,786.94	
UNION OPERATING	9004	STATE OF CALIFORNIA			0.400		785.22	925,128.87	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA			0.010		24.74	0.00	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.010		65.26	0.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					0.00	6,486.62	
Subtotal and Balance				1,882,165.00			6,041,655.30	4,972,402.43	2,951,417.87
Local Agency Investment Fund (LAIF)									
LAIF	9001	STATE OF CALIFORNIA			0.634		6,900,000.00	6,700,000.00	
Subtotal and Balance				8,940,374.48			6,900,000.00	6,700,000.00	9,140,374.48
Issuer Subtotal		14.870%		10,822,539.48			12,941,655.30	11,672,402.43	12,091,792.35
Issuer: California Bank & Trust									
Certificates of Deposit - Bank									
Subtotal and Balance				81,833.21					81,833.21
Issuer Subtotal		0.101%		81,833.21			0.00	0.00	81,833.21
Issuer: Fannie Mae									
Federal Agency Issues- Callable									
Subtotal and Balance				4,000,000.00					4,000,000.00
Issuer Subtotal		4.919%		4,000,000.00			0.00	0.00	4,000,000.00
Issuer: Federal Farm Credit Bank									
Federal Agency Issues- Callable									
3133EEYE4	2320	Federal Farm Credit Bank			1.000	09/15/2016	0.00	2,000,000.00	

Month End
Activity Report
September 1, 2016 - September 30, 2016

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Current Rate	Transaction Date	Par Value		Ending Balance
				Beginning Balance				Purchases or Deposits	Redemptions or Withdrawals	
Issuer: Federal Farm Credit Bank										
Federal Agency Issues- Callable										
				12,000,000.00				0.00	2,000,000.00	10,000,000.00
				Subtotal and Balance				0.00	2,000,000.00	10,000,000.00
Federal Agency Issues - Coupon										
				2,000,000.00						2,000,000.00
				Subtotal and Balance						2,000,000.00
			14.757%	Issuer Subtotal				0.00	2,000,000.00	12,000,000.00
Issuer: Federal Home Loan Bank										
Federal Agency Issues- Callable										
3130A9C90	2368	Federal Home Loan Bank			1.050	09/28/2016		2,000,000.00	0.00	
				10,000,000.00				2,000,000.00	0.00	12,000,000.00
				Subtotal and Balance				2,000,000.00	0.00	12,000,000.00
			14.757%	Issuer Subtotal				2,000,000.00	0.00	12,000,000.00
Issuer: Federal Home Loan Mortgage										
Federal Agency Issues- Callable										
3134G8Q44	2344	Federal Home Loan Mortgage			1.350	09/29/2016		0.00	2,000,000.00	
				22,000,000.00				0.00	2,000,000.00	20,000,000.00
				Subtotal and Balance				0.00	2,000,000.00	20,000,000.00
			24.594%	Issuer Subtotal				0.00	2,000,000.00	20,000,000.00
Issuer: Federal National Mortgage Assoc										
Federal Agency Issues- Callable										
				7,735,000.00						7,735,000.00
				Subtotal and Balance						7,735,000.00
			9.512%	Issuer Subtotal				0.00	0.00	7,735,000.00
Issuer: San Diego County										
San Diego County Pool										
				13,410,468.41						13,410,468.41
				Subtotal and Balance						13,410,468.41

**Month End
Activity Report
September 1, 2016 - September 30, 2016**

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value		Transaction Date	Par Value		Ending Balance
				Beginning Balance	Current Rate		Purchases or Deposits	Redemptions or Withdrawals	
		Issuer Subtotal	16.491%	13,410,468.41			0.00	0.00	13,410,468.41
		Total	100.000%	82,049,841.10			14,941,655.30	15,672,402.43	81,319,093.97

**Month End
Duration Report
Sorted by Investment Type - Investment Type
Through 09/30/2016**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3134G5A47	2301	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,001,400.00	.6500000	0.641	0.510	12/30/2016	0.246
3136G2R665	2334	99	Fannie Mae	Amort	2,000,000.00	2,000,000.00	2,001,040.00	1.150000	1.134	1.125	11/19/2018	2.092
3135G0G64	2336	99	Fannie Mae	Amort	2,000,000.00	2,000,000.00	1,995,260.00	1.100000	1.085	1.216	10/29/2018	2.038
3130A6UZ8	2338	99	Federal Home Loan Bank	Amort	2,000,000.00	2,000,000.00	2,002,600.00	1.375000	1.356	1.316	12/28/2018	2.193
3134G8NM7	2345	99	Federal Home Loan Mortgage	Amort	2,000,000.00	2,000,000.00	2,000,900.00	.8500000	0.838	0.804	09/29/2017	0.988
3130A7H73	2346	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,001,200.00	1.000000	0.986	0.959	03/29/2018	1.479
3134G9AW7	2347	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,520.00	1.150000	1.134	1.140	04/26/2019	2.512
3134G8XA2	2348	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,280.00	1.000000	0.986	0.992	07/27/2018	1.793
3134G8WW5	2349	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,000.00	.8500000	0.838	0.850	10/27/2017	1.060
3134G9AF4	2350	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,720.00	1.050000	1.036	1.027	04/26/2018	1.545
3134G8ZM4	2351	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,040.00	1.300000	1.282	1.299	04/29/2019	2.513
3130A7WK7	2352	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,003,200.00	1.250000	1.233	1.189	05/24/2019	2.586
3133EGBG9	2354	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,999,920.00	1.000000	0.986	1.002	08/23/2018	1.870
3130A85A7	2355	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,000,120.00	.9000000	0.888	0.888	02/26/2018	1.390
3134G9SL2	2356	99	Federal Home Loan Mortgage	Amort	2,000,000.00	2,000,000.00	2,002,680.00	1.300000	1.282	1.250	06/28/2019	2.676
3133EGCZ6	2357	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	2,003,480.00	1.300000	1.282	1.234	06/06/2019	2.616
3130A8KR3	2358	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,998,020.00	.8200000	0.809	0.877	07/06/2018	1.743
3133EGGS8	2359	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,998,560.00	1.200000	1.184	1.227	06/27/2019	2.678
3134G9ZR1	2360	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,995,980.00	1.000000	0.986	1.091	12/28/2018	2.204
3133EGJR7	2361	99	Federal Farm Credit Bank	Amort	2,000,000.00	2,000,000.00	1,997,560.00	1.020000	1.006	1.065	07/05/2019	2.709
3133EGJU0	2362	99	Federal Farm Credit Bank	Fair	2,000,000.00	2,000,000.00	1,995,280.00	.8200000	0.809	0.956	07/05/2018	1.740
3134G9D38	2363	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	1,997,040.00	.7000000	0.690	0.820	12/29/2017	1.234
3136G33N3	2364	99	Federal National Mortgage Assoc	Fair	1,030,000.00	1,030,000.00	1,027,909.10	1.125000	1.110	1.196	08/28/2019	2.849
3136G33N3	2365	99	Federal National Mortgage Assoc	Fair	2,705,000.00	2,705,000.00	2,699,508.85	1.125000	1.110	1.196	08/28/2019	2.849
3136G33N3	2366	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,995,940.00	1.125000	1.110	1.196	08/28/2019	2.849
3136G34U6	2367	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,999,620.00	1.125000	1.110	1.132	08/28/2019	2.850
3130A9C90	2368	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,998,180.00	1.050000	1.036	1.096	09/28/2018	1.965

**Month End
Duration Report
Sorted by Investment Type - Investment Type
Through 09/30/2016**

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3133EEC73	2329	99	Federal Farm Credit Bank	Amort	1,998,835.22	2,000,000.00	1,999,920.00	.5500000	0.661	0.558	03/27/2017	0.464
2050003183-7	2341	99	California Bank & Trust	Amort	81,833.21	81,833.21	81,833.21	.0300000	0.030	0.030	01/22/2018	1.308 †
LAIF	9001	99	STATE OF CALIFORNIA	Fair	9,140,374.48	9,140,374.48	9,143,171.73	.6340000	0.625	0.634		0.000
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	.2670000	0.263	0.267		0.000
SD COUNTY	9007	99	San Diego County	Fair	13,410,468.41	13,410,468.41	13,396,000.00	.9440000	0.931	0.944		0.000
Report Total					78,366,511.32	78,367,676.10	78,337,882.89			0.977		1.414 †

† = Duration can not be calculated on these investments due to incomplete Market price data.

**Month End
Interest Earnings
Sorted by Fund - Fund
September 1, 2016 - September 30, 2016
Yield on Beginning Book Value**

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Annualized Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Treasury Fund												
3134G8ZM4	2351	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/29/2019	1.300	1.318	2,166.67	0.00	2,166.67
3134G5A47	2301	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/30/2016	0.650	0.659	1,083.33	0.00	1,083.33
3134G9AF4	2350	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/26/2018	1.050	1.065	1,750.00	0.00	1,750.00
3134G8NM7	2345	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	09/29/2017	0.850	0.862	1,416.66	0.00	1,416.66
3134G8Q44	2344	99	MC1	0.00	2,000,000.00	0.00	03/29/2019	1.350	1.369	2,100.00	0.00	2,100.00
3134G8XA2	2348	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	07/27/2018	1.000	1.014	1,666.67	0.00	1,666.67
3134G9AW7	2347	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	04/26/2019	1.150	1.166	1,916.67	0.00	1,916.67
3134G8WW5	2349	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/27/2017	0.850	0.862	1,416.66	0.00	1,416.66
3134G9SL2	2356	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/28/2019	1.300	1.318	2,166.67	0.00	2,166.67
3134G9ZR1	2360	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/28/2018	1.000	1.014	1,666.67	0.00	1,666.67
3134G9D38	2363	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/29/2017	0.700	0.710	1,166.67	0.00	1,166.67
3136G33N3	2365	99	MC1	2,705,000.00	2,705,000.00	2,705,000.00	08/28/2019	1.125	1.141	2,535.94	0.00	2,535.94
3136G33N3	2366	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/28/2019	1.125	1.141	1,875.00	0.00	1,875.00
3136G34U6	2367	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/28/2019	1.125	1.141	1,875.00	0.00	1,875.00
3136G33N3	2364	99	MC1	1,030,000.00	1,030,000.00	1,030,000.00	08/28/2019	1.125	1.141	965.62	0.00	965.62
3130A85A7	2355	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	02/26/2018	0.900	0.913	1,500.00	0.00	1,500.00
3130A7H73	2346	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	03/29/2018	1.000	1.014	1,666.67	0.00	1,666.67
3130A8KR3	2358	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	07/06/2018	0.820	0.831	1,366.66	0.00	1,366.66
3130A9C90	2368	99	MC1	2,000,000.00	0.00	2,000,000.00	09/28/2018	1.050	1.065	175.00	0.00	175.00
3130A7WK7	2352	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	05/24/2019	1.250	1.267	2,083.33	0.00	2,083.33
3130A6UZ8	2338	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	12/28/2018	1.375	1.394	2,291.67	0.00	2,291.67
RESERVE-10 COPS	9010	99	PA1	8,082.56	8,057.82	8,082.56		0.010	0.009	0.06	0.00	0.06
RESERVE-10 BABS	9011	99	PA1	21,227.52	21,162.26	21,227.52		0.010	0.010	0.17	0.00	0.17
UNION OPERATING	9004	99	PA1	851,755.74	1,776,099.39	851,755.74		0.400	0.389	568.21	0.00	568.21
UNION MONEY	9002	99	PA1	2,010,002.30	10,009.16	2,010,002.30		0.010	0.278	2.29	0.00	2.29
LAIF	9001	99	LA1	9,140,374.48	8,940,374.48	9,140,374.48		0.634	0.762	5,596.77	0.00	5,596.77
3133EGJU0	2362	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	07/05/2018	0.820	0.831	1,366.67	0.00	1,366.67
3133EEC73	2329	99	FAC	2,000,000.00	1,998,636.68	1,998,835.22	03/27/2017	0.550	0.679	916.67	198.54	1,115.21
3133EGJR7	2361	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	07/05/2019	1.020	1.034	1,700.00	0.00	1,700.00

Data Updated: SET_ME8: 10/18/2016 16:13

Run Date: 10/18/2016 - 16:13

Portfolio OTAY

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IE (PRF_IE) 7.2.0
Report Ver. 7.3.5

**Month End
Interest Earnings
September 1, 2016 - September 30, 2016**

CUSIP	Investment #	Fund	Security Type	Ending Par Value	Beginning Book Value	Ending Book Value	Maturity Date	Current Rate	Annualized Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Treasury Fund												
3133EGGS8	2359	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/27/2019	1.200	1.217	2,000.00	0.00	2,000.00
3133EYE4	2320	99	MC1	0.00	2,000,000.00	0.00	01/16/2018	1.000	1.014	777.78	0.00	777.78
3133EGBG9	2354	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	08/23/2018	1.000	1.014	1,666.67	0.00	1,666.67
3133EGCZ6	2357	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	06/06/2019	1.300	1.318	2,166.67	0.00	2,166.67
2050003183-7	2341	99	BCD	81,833.21	81,833.21	81,833.21	01/22/2018	0.030	0.030	2.04	0.00	2.04
3136G2R665	2334	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	11/19/2018	1.150	1.141	1,875.00	0.00	1,875.00
3135G0G64	2336	99	MC1	2,000,000.00	2,000,000.00	2,000,000.00	10/29/2018	1.100	1.115	1,833.34	0.00	1,833.34
SD COUNTY POOL	9007	99	LA3	13,410,468.41	13,410,468.41	13,410,468.41		0.944	0.944	10,405.05	0.00	10,405.05
			Subtotal	81,258,744.22	81,981,641.41	81,257,579.44			0.990	65,728.95	198.54	65,927.49
			Total	81,258,744.22	81,981,641.41	81,257,579.44			0.990	65,728.95	198.54	65,927.49



STAFF REPORT

TYPE MEETING: Regular Board
MEETING DATE: November 2, 2016
SUBMITTED BY: Rita Bell, Finance Manager, Treasury & Accounting Services
APPROVED BY: Joseph Beachem, Chief Financial Officer
APPROVED BY: German Alvarez, Assistant General Manager
SUBJECT: Accounts Payable Demand List

PURPOSE:

Attached is the list of demands for the Board's information.

FISCAL IMPACT:

Table with 2 columns: SUMMARY FOR PERIOD 9/22/2016 - 10/19/2016 and NET DEMANDS. Rows include CHECKS (2046787 - 2046952), VOID CHECKS (4), WIRE TO: CALPERS, CITY OF CHULA VISTA, CITY TREASURER, OTAY WATER DISTRICT, PREFERRED BENEFIT INSURANCE, SAN DIEGO COUNTY WATER AUTH, SPECIAL DISTRICT RISK, STATE DISBURSEMENT UNIT, STATE OF CALIFORNIA, UNION BANK, and TOTAL CASH DISBURSEMENTS \$ 10,650,340.35.

RECOMMENDED ACTION:

That the Board received the attached list of demands.

Jb/Attachment

CHECK REGISTER

Otay Water District

Date Range: 9/22/2016 - 10/19/2016

Check #	Date	Vendor	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
2046787	09/28/16	01910	ABCANA INDUSTRIES	994095	09/01/16	SODIUM HYPOCHLORITE	2,889.98	8,256.95
				994434	09/08/16	SODIUM HYPOCHLORITE	2,867.89	
				994435	09/08/16	SODIUM HYPOCHLORITE	1,296.60	
				994438	09/08/16	SODIUM HYPOCHLORITE	1,202.48	
2046865	10/12/16	01910	ABCANA INDUSTRIES	995380	09/22/16	SODIUM HYPOCHLORITE	2,107.22	9,089.65
				994930	09/15/16	SODIUM HYPOCHLORITE	2,015.01	
				995536	09/26/16	SODIUM HYPOCHLORITE	1,234.17	
				994931	09/15/16	SODIUM HYPOCHLORITE	889.37	
				995381	09/22/16	SODIUM HYPOCHLORITE	826.94	
				995162	09/19/16	SODIUM HYPOCHLORITE	768.36	
				994862	09/14/16	SODIUM HYPOCHLORITE	672.31	
				995282	09/21/16	SODIUM HYPOCHLORITE	576.27	
2046910	10/19/16	08488	ABLEFORCE INC	7136	10/07/16	SHAREPOINT SERVICES (9/26/19-9/29/16)	825.00	825.00
2046911	10/19/16	16899	ACCARDO, BRIAN	101216101316	10/17/16	MILEAGE REIMBURSEMENT (10/12/16-10/13/16)	166.00	166.00
2046912	10/19/16	17594	ADAM EATON	Ref002468603	10/17/16	UB Refund Cst #0000188917	11.35	11.35
2046788	09/28/16	13901	ADVANCED INDUSTRIAL SVCS INC	908312016	08/31/16	711-1 & 2 RESERVOIR (ENDING 8/31/16)	156,947.60	162,505.10
				708312016	09/08/16	980-1 RESERVOIR (ENDING 8/30/2016)	5,557.50	
2046913	10/19/16	17545	ADVANCED PLUMBING COMPANY	10031601	10/03/16	INSTALL GALVANIZED GAS LINE	15,490.00	15,490.00
2046789	09/28/16	12174	AECOM TECHNICAL SERVICES INC	44	09/02/16	DISINFECTION SYSTEM (ENDING 8/26/16)	10,101.54	10,101.54
2046866	10/12/16	11462	AEGIS ENGINEERING MGMT INC	1417	09/22/16	DEVELOPER PLAN REVIEW (7/30/16-9/16/16)	11,980.28	11,980.28
2046826	10/05/16	17550	AIMEE WILSON	Ref002466870	10/03/16	UB Refund Cst #0000146731	10.89	10.89
2046790	09/28/16	07732	AIRGAS SPECIALTY PRODUCTS INC	131453772	08/30/16	AQUA AMMONIA	2,225.50	3,448.50
				131453774	08/30/16	AQUA AMMONIA	940.50	
				131453773	08/30/16	AQUA AMMONIA	282.50	
2046791	09/28/16	13753	AIRGAS USA LLC	9939043247	08/31/16	BREATHING AIR BOTTLES	52.02	52.02
2046792	09/28/16	15024	AIRX UTILITY SURVEYORS INC	8083116	09/06/16	UTILITY LOCATING SERVICES (8/1/16-8/31/16)	11,227.00	11,227.00
2046793	09/28/16	14462	ALYSON CONSULTING	CM201659	09/06/16	MGMT/INSP (8/1/16-8/31/16)	11,320.00	23,940.00
				CM201657	09/06/16	MGMT/INSP (8/1/16-8/31/16)	3,600.00	
				CM201662	09/06/16	MGMT/INSP (8/1/16-8/31/16)	3,080.00	
				CM201661	09/06/16	MGMT/INSP (8/1/16-8/31/16)	2,420.00	
				CM201658	09/06/16	MGMT/INSP (8/1/16-8/31/16)	2,250.00	
				CM201660	09/06/16	MGMT/INSP (8/1/16-8/31/16)	1,270.00	
2046914	10/19/16	17596	AMANDA MCARTHUR	Ref002468605	10/17/16	UB Refund Cst #0000205589	21.52	21.52

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2046915	10/19/16	00107	AMERICAN WATER WORKS ASSN	SROM	10/17/16	AWWA STANDARDS RENEWAL	716.00	716.00
2046827	10/05/16	08967	ANTHEM EAP	55753	09/28/16	EMPLOYEE ASSIST PROGRAM (OCT-DEC 2016)	929.91	929.91
2046867	10/12/16	03492	AQUA-METRIC SALES COMPANY	0062327IN	09/15/16	LARGE SENSUS METERS	16,904.67	16,904.67
2046828	10/05/16	17264	ARTIANO SHINOFF	214560	08/25/16	LEGAL SERVICES (JULY 2016)	29,795.60	
				214621	09/22/16	LEGAL SERVICES (AUG 2016)	13,274.79	43,070.39
2046916	10/19/16	17264	ARTIANO SHINOFF	214734	10/13/16	LEGAL SERVICES (SEPT 2016)	17,754.09	17,754.09
2046868	10/12/16	08156	BROWNSTEIN HYATT FARBER	653534	09/30/16	LEGISLATIVE ADVOCACY (THRU 8/31/16)	2,252.50	2,252.50
2046829	10/05/16	14112	BSE ENGINEERING INC	75400406	07/31/16	ELECTRICAL SERVICES (ENDING 6/30/16)	1,237.50	
				75400407	08/31/16	ELECTRICAL SERVICES (ENDING 8/31/16)	747.50	1,985.00
2046830	10/05/16	17548	BURT GROSSMAN	Ref002466868	10/03/16	UB Refund Cst #0000089735	72.84	72.84
2046831	10/05/16	17559	C W DRIVER	Ref002466879	10/03/16	UB Refund Cst #0000207267	968.42	968.42
2046869	10/12/16	17525	CALIFORNIA COMMERCIAL SECURITY	0000127826	09/13/16	SOFTWARE SERVICE AGREEMENT	14,149.36	14,149.36
2046870	10/12/16	12465	CALIFORNIA SURVEYING DRAFTING	661371	09/26/16	SOFTWARE UPDATES	1,296.00	1,296.00
2046871	10/12/16	02758	CARMEL BUSINESS SYSTEMS INC	8076	09/13/16	SCANNING SERVICES (9/9/16)	90.72	
				8077	09/16/16	SCANNING SERVICES (9/16/16)	35.00	125.72
2046794	09/28/16	02758	CARMEL BUSINESS SYSTEMS INC	8073	09/08/16	DESTRUCTION SERVICES (9/1/16 & 9/7/16)	115.50	115.50
2046917	10/19/16	17589	CAROL PATON	Ref002468598	10/17/16	UB Refund Cst #0000026693	43.16	43.16
2046872	10/12/16	17022	CASTLE ACCESS INC	0223092272	10/01/16	COLOCATION SERVICES	2,098.25	2,098.25
2046795	09/28/16	16746	CH2M HILL ENGINEERS INC	381077195	09/02/16	2015 UWMP UPDATE (6/25/16-7/29/16)	1,897.20	1,897.20
2046873	10/12/16	04349	CHAMBERS, JONATHAN	100716	10/07/16	TRAVEL ADVANCEMENT	539.26	539.26
2046832	10/05/16	01788	CHAVARELA, GERARDO	09222016	09/23/16	SAFETY BOOT REIMBURSEMENT	150.00	150.00
2046833	10/05/16	01828	CHICAGO TITLE COMPANY	00044687	09/19/16	TITLE REPORT	750.00	750.00
2046834	10/05/16	00446	CITY OF CHULA VISTA	91516	09/15/16	SPONSORSHIP	500.00	500.00
2046796	09/28/16	04119	CLARKSON LAB & SUPPLY INC	86307	08/31/16	BACTERIOLOGICAL TESTING (8/23/16-8/24/16)	756.00	
				86299	08/31/16	BACTERIOLOGICAL TESTING (7/26/16-7/28/16)	688.00	
				86301	08/31/16	BACTERIOLOGICAL TESTING (8/3/16)	510.00	
				86302	08/31/16	BACTERIOLOGICAL TESTING (8/17/16)	510.00	
				86309	08/31/16	BACTERIOLOGICAL TESTING (8/30/16-8/31/16)	453.50	
				86308	08/31/16	BACTERIOLOGICAL TESTING (8/29/16)	453.00	
				86306	08/31/16	BACTERIOLOGICAL TESTING (8/22/16)	263.00	

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				86304	08/31/16	BACTERIOLOGICAL TESTING (8/15/16)	188.00	
				86305	08/31/16	BACTERIOLOGICAL TESTING (8/15/16)	188.00	
				86300	08/31/16	BACTERIOLOGICAL TESTING (8/2/16)	178.00	
				86303	08/31/16	BACTERIOLOGICAL TESTING	56.00	4,243.50
2046918	10/19/16	15616	COGENT COMMUNICATIONS INC	0002100116	10/01/16	INTERNET CIRCUITS (OCT 2016)	1,333.00	1,333.00
2046874	10/12/16	05622	CORRPRO COMPANIES INC	400936	09/26/16	COATING INSPECTION (9/1/16-9/30/16)	1,825.50	1,825.50
2046835	10/05/16	05622	CORRPRO COMPANIES INC	397848	08/31/16	COATING INSPECTION (8/1/16-8/31/16)	13,308.00	13,308.00
2046875	10/12/16	00099	COUNTY OF SAN DIEGO	DPWAROTAYMW	09/17/16	EXCAVATION PERMITS (AUG 2016)	5,135.30	5,135.30
2046876	10/12/16	00184	COUNTY OF SAN DIEGO	5364103116	08/17/16	UPFP PERMIT RENEWAL (10/31/16-10/31/17)	2,156.00	
				5363103116	08/17/16	UPFP PERMIT RENEWAL (10/31/16-10/31/17)	1,467.00	
				5365103116	08/17/16	UPFP PERMIT RENEWAL (10/31/16-10/31/17)	292.00	
				1354103116	08/17/16	UPFP PERMIT RENEWAL (10/31/16-10/31/17)	292.00	4,207.00
2046877	10/12/16	07494	COUNTY OF SAN DIEGO	1750523016A	09/14/16	SEWER SERVICE (7/1/15-6/30/16)	2,198.84	
				1750523130A	09/14/16	SEWER SERVICE (7/1/15-6/30/16)	1,570.60	
				1750523023A	09/14/16	SEWER SERVICE (7/1/15-6/30/16)	376.95	4,146.39
2046878	10/12/16	02756	COX COMMUNICATIONS INC	6702092416	09/24/16	TELECOMM SVCS/METRO-E (9/24/16-10/23/16)	5,053.64	5,053.64
2046919	10/19/16	02756	COX COMMUNICATIONS INC	8801100416	10/04/16	TELECOMM SVCS/METRO-E (10/4/16-11/3/16)	135.17	135.17
2046836	10/05/16	17552	CYNTHIA MORENO	Ref002466872	10/03/16	UB Refund Cst #0000163443	30.57	30.57
2046879	10/12/16	11797	D & H WATER SYSTEMS INC	I20160803	09/19/16	VACUUM ALARM SWITCH	4,815.45	4,815.45
2046920	10/19/16	17598	DIANNE CHRISMAN	Ref002468607	10/17/16	UB Refund Cst #0000221259	20.96	20.96
2046921	10/19/16	17602	DONALD LAING	Ref002468611	10/17/16	UB Refund Cst #0000226002	34.63	34.63
2046837	10/05/16	17555	EDDIE ZELLARS	Ref002466875	10/03/16	UB Refund Cst #0000182433	66.79	66.79
2046922	10/19/16	08023	EMPLOYEE BENEFIT SPECIALISTS	0077663IN	08/31/16	EMPLOYEE BENEFITS (AUG 2016)	678.50	678.50
2046880	10/12/16	03227	ENVIROMATRIX ANALYTICAL INC	6090942	09/26/16	LAB ANALYSIS (9/10/16-9/18/16)	665.00	
				6090770	09/19/16	LAB ANALYSIS (9/3/16-9/9/16))	500.00	1,165.00
2046797	09/28/16	03227	ENVIROMATRIX ANALYTICAL INC	6090599	09/12/16	LAB ANALYSIS (8/26/16-9/9/16)	575.00	
				6090419	09/06/16	LAB ANALYSIS (8/19/16-8/25/16)	435.00	1,010.00
2046798	09/28/16	14320	EUROFINS EATON ANALYTICAL INC	L0283247	09/23/16	OUTSIDE LAB SERVICES (9/6/16-9/7/16)	265.00	265.00
2046923	10/19/16	17603	EXCEL PROPERTIES	Ref002468612	10/17/16	UB Refund Cst #0000226347	40.59	40.59
2046881	10/12/16	02753	FERGUSON ENTERPRISES INC #1083	0570170	09/23/16	METER BOX LIDS	1,068.12	
				0570189	10/04/16	AMR PLUMR STAR MNT LID	325.08	1,393.20

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2046799	09/28/16	03546	FERGUSON WATERWORKS # 1083	0567867 0566424	09/06/16 09/09/16	INVENTORY INVENTORY	7,570.01 6,423.84	13,993.85
2046800	09/28/16	12187	FIRST AMERICAN DATA TREE LLC	9003400816	08/31/16	ONLINE DOCUMENTS (MONTHLY)	99.00	99.00
2046882	10/12/16	16469	FIRST CHOICE SERVICES	067629	09/27/16	COFFEE SERVICES	230.44	230.44
2046883	10/12/16	11962	FLEETWASH INC	x866791	09/23/16	VEHICLE WASHING (9/23/16)	58.32	58.32
2046801	09/28/16	11962	FLEETWASH INC	x851752 x857322	09/02/16 09/09/16	VEHICLE WASHING (9/2/16) VEHICLE WASHING (9/9/16)	162.00 77.76	239.76
2046884	10/12/16	01535	FLO-SYSTEMS INC	F1608916B155	09/26/16	3" WASTE BACKWASH PUMP	14,115.60	14,115.60
2046924	10/19/16	17601	FOCUS DEVELOPERS & BUILDERS	Ref002468610	10/17/16	UB Refund Cst #0000224959	775.36	775.36
2046925	10/19/16	01612	FRANCHISE TAX BOARD	Ben2468651	10/20/16	BI-WEEKLY PAYROLL DEDUCTION	100.00	100.00
2046838	10/05/16	01612	FRANCHISE TAX BOARD	Ben2467170	10/06/16	BI-WEEKLY PAYROLL DEDUCTION	100.00	100.00
2046802	09/28/16	13563	FRIENDS OF THE WATER	334	08/30/16	GARDEN TOURS (AUG 2016)	3,800.00	3,800.00
2046885	10/12/16	13563	FRIENDS OF THE WATER	339	09/26/16	GARDEN TOURS (9/13/16 & 9/14/16)	1,520.00	1,520.00
2046803	09/28/16	14480	GARCIA, GERMAN	091816	09/22/16	SAFETY BOOTS	150.00	150.00
2046886	10/12/16	10817	GEXPRO	S114781440001	09/23/16	RX3I PLC	16,214.58	16,214.58
2046887	10/12/16	03537	GHA TECHNOLOGIES INC	9885713	09/21/16	DESKTOP COMPUTERS	6,174.25	6,174.25
2046839	10/05/16	17566	GOOD & ROBERTS INC	Ref002466886	10/03/16	UB Refund Cst #0000230967	1,848.48	1,848.48
2046888	10/12/16	00101	GRAINGER INC	9232882085	09/22/16	WAREHOUSE SUPPLIES	1,672.25	1,672.25
2046889	10/12/16	00174	HACH COMPANY	10104324	09/13/16	HACH ANALYZER	3,121.20	3,121.20
2046840	10/05/16	17556	HARRY LARSEN	Ref002466876	10/03/16	UB Refund Cst #0000194895	84.33	84.33
2046804	09/28/16	02008	HELIX ENVIRONMNTL PLANNING INC	22	09/07/16	ENVIRONMENTAL SERVICES (8/1/16-8/31/16)	8,975.58	8,975.58
2046805	09/28/16	13349	HUNSAKER & ASSOCIATES	2016080003 201608002	09/08/16 09/08/16	LAND SURVEYING (8/15/16-8/25/16) LAND SURVEYING (8/11/16-8/19/16)	5,124.00 3,952.00	9,076.00
2046806	09/28/16	15622	ICF JONES & STOKES INC	0117142 117146	09/09/16 09/09/16	ENVIRONMENTAL SERVICES (7/30/16-8/26/16) ENVIRONMENTAL SERVICES (7/1/16-7/29/16)	715.00 650.00	1,365.00
2046807	09/28/16	08969	INFOSEND INC	110239 110238 110425	08/31/16 08/31/16 09/02/16	BILL PRINTING SERVICES (AUG 2016) BILL PRINTING SERVICES (AUG 2016) BILL PRINTING SERVICES (AUG 2016)	12,726.90 3,862.26 2,123.48	18,712.64
2046808	09/28/16	17106	INSITE TOWERS DEVELOPMENT LLC	368803	10/01/16	ANTENNA SUBLEASE (OCT 2016)	1,593.00	1,593.00

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2046841	10/05/16	17565	INTERNATIONAL REAL ESTATE SVC	Ref002466885	10/03/16	UB Refund Cst #0000230869	75.00	75.00
2046926	10/19/16	17588	JAMACHA JUNCTION	Ref002468597	10/17/16	UB Refund Cst #0000013576	1,153.65	1,153.65
2046890	10/12/16	10563	JCI JONES CHEMICALS INC	700812	09/14/16	CHEMICALS	225.20	225.20
2046927	10/19/16	17606	JEFFREY DEQUINA	Ref002468615	10/17/16	UB Refund Cst #0000230692	23.74	23.74
2046842	10/05/16	17554	JENNIFER PAREDES	Ref002466874	10/03/16	UB Refund Cst #0000177162	115.16	115.16
2046928	10/19/16	17599	JOHN DELONG	Ref002468608	10/17/16	UB Refund Cst #0000222627	31.92	31.92
2046843	10/05/16	17560	JOHN SORENSEN	Ref002466880	10/03/16	UB Refund Cst #0000213177	111.90	111.90
2046929	10/19/16	17592	JUAN TADLOCK	Ref002468601	10/17/16	UB Refund Cst #0000169634	13.81	13.81
2046844	10/05/16	17549	JUDITH FORSYTH	Ref002466869	10/03/16	UB Refund Cst #0000090790	9.24	9.24
2046845	10/05/16	17546	KATHLEEN BLACKWELL	8936092816	09/29/16	CUSTOMER REFUND	521.25	521.25
2046809	09/28/16	05840	KIRK PAVING INC	6285	09/14/16	ASPHALTIC CONCRETE PAVING	16,476.90	16,476.90
2046930	10/19/16	17607	KIRK PAVING INC	Ref002468616	10/17/16	UB Refund Cst #0000231302	1,873.76	1,873.76
2046810	09/28/16	03643	KOCH-ARMSTRONG	92379	08/31/16	CURB & GUTTER REPLACEMENT	6,992.00	6,992.00
2046811	09/28/16	15615	LAYFIELD USA CORPORATION	E06704	08/31/16	RESERVOIR COVER MAINT (8/22/16-8/31/16)	24,200.00	24,200.00
2046846	10/05/16	17562	LEROY DANIELS	Ref002466882	10/03/16	UB Refund Cst #0000216765	14.50	14.50
2046847	10/05/16	17561	M.A. STEVENS CONSTRUCTION INC	Ref002466881	10/03/16	UB Refund Cst #0000216696	774.69	774.69
2046848	10/05/16	17563	MARGA LOAIZA	Ref002466883	10/03/16	UB Refund Cst #0000229356	86.26	86.26
2046931	10/19/16	17604	MARIA GUADALUPE GUTIERREZ	Ref002468613	10/17/16	UB Refund Cst #0000229949	58.08	58.08
2046891	10/12/16	05329	MASTER METER INC	157467	09/21/16	3G REGISTERS	4,150.46	
				157466	09/21/16	3G REGISTERS	2,075.24	6,225.70
2046849	10/05/16	17553	MELANIE DELGADO	Ref002466873	10/03/16	UB Refund Cst #0000176446	55.00	55.00
2046892	10/12/16	02371	MOODY'S INVESTORS SERVICE	C1976227000	09/15/16	ANNUAL FEE 96 COPS	5,500.00	5,500.00
2046932	10/19/16	16255	NATIONWIDE RETIREMENT	Ben2468641	10/20/16	BI-WEEKLY DEFERRED COMP PLAN	8,530.12	8,530.12
2046850	10/05/16	16255	NATIONWIDE RETIREMENT	Ben2467160	10/06/16	BI-WEEKLY DEFERRED COMP PLAN	8,630.12	8,630.12
2046933	10/19/16	16505	NIGHTCLUBPOOL LLC	112	10/13/16	WEB CONSULTING	1,980.00	1,980.00
2046812	09/28/16	00510	OFFICE DEPOT INC	861248368001	09/01/16	OFFICE SUPPLIES	236.09	236.09
2046893	10/12/16	00510	OFFICE DEPOT INC	864159427001	09/14/16	OFFICE SUPPLIES	208.46	
				864159662001	09/14/16	OFFICE SUPPLIES	155.20	

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				864159665001	09/15/16	OFFICE SUPPLIES	140.39	
				861289499001	09/14/16	OFFICE SUPPLIES	87.57	
				862835512001	09/13/16	OFFICE SUPPLIES	73.59	
				861159664001	09/14/16	OFFICE SUPPLIES	67.44	
				864159662002	09/16/16	OFFICE SUPPLIES	66.52	
				864289903001	09/14/16	OFFICE SUPPLIES	55.35	
				864289904001	09/14/16	OFFICE SUPPLIES	53.20	907.72
2046934	10/19/16	17600	PATRICIA RODRIGUEZ	Ref002468609	10/17/16	UB Refund Cst #0000224046	175.30	175.30
2046851	10/05/16	17564	PATRICK OCONNOR	Ref002466884	10/03/16	UB Refund Cst #0000229655	43.63	43.63
2046852	10/05/16	17551	PETRI SYRJALA	Ref002466871	10/03/16	UB Refund Cst #0000156093	132.17	132.17
2046894	10/12/16	03613	PSOMAS	122414	09/15/16	DESIGN SERVICES (ENDING 7/28/16)	17,050.30	
				122345	09/21/16	AS-NEEDED DESIGN (ENDING 6/30/16)	3,832.50	20,882.80
2046895	10/12/16	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2467162	10/06/16	BI-WEEKLY PERS CONTRIBUTION	201,580.00	201,580.00
2046813	09/28/16	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2466757	09/22/16	BI-WEEKLY PERS CONTRIBUTION	201,627.40	201,627.40
2046896	10/12/16	00021	RCP BLOCK & BRICK INC	30940287	09/26/16	CONCRETE	1,971.00	1,971.00
2046814	09/28/16	15647	RFYEAGER ENGINEERING LLC	16150	09/12/16	CORROSION/COATING INSP (8/1/16-8/31/16)	2,500.00	2,500.00
2046853	10/05/16	08972	RICK ENGINEERING COMPANY	174921	08/26/16	TRAFFIC ENGINEERING SVCS (6/25/16-7/29/16)	9,393.10	9,393.10
2046897	10/12/16	08972	RICK ENGINEERING COMPANY	174922	09/26/16	TRAFFIC ENGINEERING SVCS (7/30/16-8/26/16)	2,207.50	2,207.50
2046815	09/28/16	00521	RICK POST WELD & WET TAPPING	11271	09/07/16	WELDING & WET TAPS (8/23/16-8/24/16)	2,200.00	2,200.00
2046935	10/19/16	17593	ROBERT DURAN	Ref002468602	10/17/16	UB Refund Cst #0000174595	38.25	38.25
2046936	10/19/16	17590	RUSSELL V WILLIAMS	Ref002468599	10/17/16	UB Refund Cst #0000051910	47.84	47.84
2046898	10/12/16	02683	SAFECHECKS INC	0529471	09/15/16	MANUAL CHECK STOCK	164.54	164.54
2046816	09/28/16	11596	SAN DIEGO CONSTRUCTION WELDING	10577	08/31/16	HEADWORKS SLIDE GATES	3,645.00	3,645.00
2046899	10/12/16	00003	SAN DIEGO COUNTY WATER AUTH	0000001462	09/19/16	MWD SCWS - HEWS	400.00	400.00
2046900	10/12/16	00121	SAN DIEGO GAS & ELECTRIC	100216	10/02/16	UTILITY EXPENSES (MONTHLY)	101,065.10	
				092616	09/26/16	UTILITY EXPENSES (MONTHLY)	76,809.13	
				092316a	09/23/16	UTILITY EXPENSES (MONTHLY)	6,433.49	
				092916	09/29/16	UTILITY EXPENSES (MONTHLY)	664.63	184,972.35
2046817	09/28/16	00121	SAN DIEGO GAS & ELECTRIC	091916	09/16/16	UTILITY EXPENSES (MONTHLY)	47,658.31	
				092116	09/21/16	UTILITY EXPENSES (MONTHLY)	12,362.16	60,020.47
2046854	10/05/16	00121	SAN DIEGO GAS & ELECTRIC	092316	09/23/16	UTILITY EXPENSES (MONTHLY)	27,751.32	

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				092116a	09/21/16	UTILITY EXPENSES (MONTHLY)	215.16	27,966.48
2046855	10/05/16	10578	SAN DIEGO INTERNATIONAL PUBLIC	10032016	10/03/16	MEMBERSHIP DUES	75.00	75.00
2046856	10/05/16	17558	SARAH STEWART	Ref002466878	10/03/16	UB Refund Cst #0000205757	31.60	31.60
2046937	10/19/16	17595	SHANNA KLOBUCNIK	Ref002468604	10/17/16	UB Refund Cst #0000203275	17.92	17.92
2046938	10/19/16	17605	SOLANA VISTA BUILDERS	Ref002468614	10/17/16	UB Refund Cst #0000230455	1,849.42	1,849.42
2046901	10/12/16	03516	SPECIAL DISTRICT RISK	54646	10/04/16	PROPERTY & LIABILITY INS (PRORATED)	2,932.00	2,932.00
2046818	09/28/16	03516	SPECIAL DISTRICT RISK	54368	08/31/16	2016-17 WORKERS' COMP FINAL INV	26,277.37	26,277.37
2046819	09/28/16	01460	STATE WATER RESOURCES	EA10161658	07/15/16	ELAP ANNUAL FEE	3,555.00	3,555.00
2046902	10/12/16	05755	STATE WATER RESOURCES	9400100816	10/06/16	CERTIFICATION RENEWAL	340.00	340.00
2046939	10/19/16	17597	STEPHANIE RABARA	Ref002468606	10/17/16	UB Refund Cst #0000213450	31.27	31.27
2046940	10/19/16	15974	SUN LIFE FINANCIAL	Ben2468639	10/20/16	MONTHLY CONTRIBUTION TO LTD	5,105.05	5,105.05
2046903	10/12/16	10339	SUPREME OIL COMPANY	429293	09/23/16	DIESEL FUEL	1,015.24	1,015.24
2046904	10/12/16	16610	SVPR COMMUNICATIONS	1124	09/30/16	OUTSIDE CONSULTANT SERVICES	2,900.00	2,900.00
2046941	10/19/16	09221	TACKETT, ZACHARY	101216101316	10/17/16	MILEAGE REIMBURSEMENT (10/12/16-10/13/16)	160.60	160.60
2046942	10/19/16	17591	TERESA CISNEROS	Ref002468600	10/17/16	UB Refund Cst #0000090232	122.21	122.21
2046943	10/19/16	15926	TEXAS CHILD SUPPORT UNIT	Ben2468653	10/20/16	BI-WEEKLY PAYROLL DEDUCTION	184.61	184.61
2046857	10/05/16	15926	TEXAS CHILD SUPPORT UNIT	Ben2467174	10/06/16	BI-WEEKLY PAYROLL DEDUCTION	184.61	184.61
2046944	10/19/16	03236	THE CENTRE FOR ORGANIZATION	TCFOE1491	09/14/16	MANAGEMENT TRAINING	4,498.00	4,498.00
2046820	09/28/16	16744	THE SAN DIEGO UNION-TRIBUNE	002901443	09/09/16	NOTICE	505.32	505.32
2046821	09/28/16	03071	THE SOCO GROUP INC	CL80457	09/15/16	FUEL CARD PURCHASES (9/9/16-9/15/16)	749.57	749.57
2046905	10/12/16	03071	THE SOCO GROUP INC	CL81888	09/30/16	CFN GAS PURCHASES (9/16/16-9/30/16)	5,547.98	5,547.98
2046945	10/19/16	17587	THOMAS R SCOTT	Ref002468596	10/17/16	UB Refund Cst #0000001758	34.44	34.44
2046858	10/05/16	17557	TONY FERRIGNO	Ref002466877	10/03/16	UB Refund Cst #0000205236	90.00	90.00
2046822	09/28/16	17000	TRANSTAR PIPELINE INC	608312016	09/02/16	RSD SEWER REHABILITATION (ENDING 8/31/16)	163,745.59	163,745.59
2046823	09/28/16	00427	UNDERGROUND SERVICE ALERT OF	820160490	09/01/16	UNDERGROUND ALERTS (MONTHLY)	1,191.00	1,191.00
2046946	10/19/16	15675	UNITED SITE SERVICES INC	1144472059	09/21/16	PORTABLE TOILET RENTALS (9/16/16-10/13/16)	80.03	
				1144472057	09/21/16	PORTABLE TOILET RENTALS (9/16/16-10/13/16)	79.98	
				114472056	09/21/16	PORTABLE TOILET RENTALS (9/17/16-10/14/16)	79.98	

CHECK REGISTER

Otay Water District

Date Range: 9/22/2016 - 10/19/2016

Check #	Date	Vendor	Vendor Name	Invoice	Inv. Date	Description	Amount	Check Total
				1144472058	09/21/16	PORTABLE TOILET RENTALS (9/16/16-10/13/16)	79.98	319.97
2046906	10/12/16	15675	UNITED SITE SERVICES INC	1144449673	09/15/16	PORTABLE TOILET RENTALS (9/8/16-10/5/16)	98.17	
				1144449755	09/15/16	PORTABLE TOILET RENTALS (9/9/16-10/6/16)	79.98	178.15
2046860	10/05/16	07674	US BANK	CC20160922233	09/22/16	CAL CARD EXPENSES (MONTHLY)	155,827.83	155,827.83
2046861	10/05/16	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2467166	10/06/16	BI-WEEKLY DEFERRED COMP PLAN	13,849.24	13,849.24
2046947	10/19/16	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2468647	10/20/16	BI-WEEKLY DEFERRED COMP PLAN	13,974.57	13,974.57
2046862	10/05/16	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2467168	10/06/16	BI-WEEKLY 401A PLAN	820.77	820.77
2046948	10/19/16	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2468649	10/20/16	BI-WEEKLY 401A PLAN	820.77	820.77
2046863	10/05/16	12686	VANTAGEPOINT TRANSFER AGENTS	Ben2467172	10/06/16	401A TERMINAL PAY	3,486.41	3,486.41
2046824	09/28/16	15807	WATCHLIGHT CORPORATION, THE	485454	09/06/16	SECURITY & ACCESS UPGRADE (8/1/16-8/8/16)	20,107.39	
				488079	09/15/16	ALARM MONITORING	1,548.92	21,656.31
2046907	10/12/16	15807	WATCHLIGHT CORPORATION, THE	488747	09/20/16	SECURITY AND ACCESS UPGRADE	8,340.00	
				488749	09/20/16	SECURITY SYSTEM SERVICE CALL (9/14/16)	797.11	
				488750	09/20/16	SECURITY SYSTEM SERVICE CALL (9/15/16)	408.00	9,545.11
2046949	10/19/16	15807	WATCHLIGHT CORPORATION, THE	485455	09/06/16	SECURITY & ACCESS UPGRADE (8/9/16-9/2/16)	64,494.91	
				489002	09/26/16	SECURITY & ACCESS UPGRADE (9/19/16)	1,190.53	65,685.44
2046908	10/12/16	14879	WATER CONSERVATION GARDEN	1172	09/26/16	GARDEN COSTS (2ND QTR FY16-17)	24,405.50	24,405.50
2046825	09/28/16	15726	WATER SYSTEMS CONSULTING INC	2171	08/31/16	HYDRAULIC MODELING (ENDING 8/31/16)	532.50	532.50
2046950	10/19/16	03781	WATTON, MARK	090116093016	10/13/16	MILEAGE REIMBURSEMENT (9/1/16-9/30/16)	174.96	174.96
2046951	10/19/16	01343	WE GOT YA PEST CONTROL	108369	09/23/16	BEE REMOVAL	115.00	115.00
2046909	10/12/16	00125	WESTERN PUMP INC	1703093016	09/01/16	RETROFIT FUEL ISLAND (SEPT 2016)	93,076.75	93,076.75
2046952	10/19/16	17608	WG CONSTRUCTION	0000101716	10/17/16	CUSTOMER REFUND	2,046.00	2,046.00
2046864	10/05/16	17547	YOLANDA SAINZ	Ref002466867	10/03/16	UB Refund Cst #0000032049	34.35	34.35
Amount Pd Total:							1,948,854.97	
Check Grand Total:							1,948,854.97	