

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

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM

WEDNESDAY
February 15, 2017
12:00 P.M.

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

AGENDA

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

DISCUSSION ITEMS

3. OTAY WATER DISTRICT 2017 LEGISLATIVE PROGRAM PRIORITIES (OTERO) [5 minutes]
4. ADOPT ORDINANCE NO. 561 AMENDING CHAPTER 6, SECTION 9.03, ANNEXATIONS TO OR DETACHMENTS FROM THE DISTRICT THROUGH LAFCO; SECTION 9.06, OTHER CONDITIONS OF ANNEXATION; AND ADDING SECTION 9.07, ANNEXATION OF TRIBAL LANDS; TO THE DISTRICT'S CODE OF ORDINANCES (BLUMENFELD) [5 minutes]
5. AUTHORIZE AN AGREEMENT WITH CONCORD UTILITY SERVICES, INC. FOR MASTER METER REGISTER AND METER CHANGE OUTS IN FISCAL YEAR 2017 AND INCREASE THE BUDGET FOR THE AUTOMATED METER READING CHANGE OUT CAPITAL IMPROVEMENT PROGRAM PROJECT BY \$200,000 FOR THE LABOR ASSOCIATED WITH THE CHANGE OUT PROCESS (CAREY) [5 minutes]
6. ADOPT ORDINANCE NO. 562 AMENDING APPENDIX A WITH PROPOSED CHANGES TO VARIOUS FEES AND CHARGES; AND SECTION 34, ISSUANCE AND PAYMENT OF WATER BILLS; OF THE DISTRICT'S CODE OF ORDINANCES (CAREY) [5 minutes]

AGENDA ITEM 3



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 1, 2017
SUBMITTED BY:	Tenille M. Otero, Communications Officer	PROJECT:	Various DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	2017 Legislative Program Priorities		

GENERAL MANAGER'S RECOMMENDATION:

To present to the Board of Directors the 2017 Legislative Program Priorities.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To present to the Board of Directors the 2017 Legislative Program priorities on issues affecting the District, which staff and legislative advocates will proactively monitor and/or take action on during the 2017 legislative session and throughout the year.

ANALYSIS:

Otay Water District maintains a set of legislative policy guidelines to direct staff and legislative advocates on issues important to the District. The legislative guidelines are updated annually and presented to the Otay Water District's Board of Directors for review, comment, and adoption.

At the February 1, 2017 Board of Director's meeting, the Board adopted the 2017 Otay Water District Program Guidelines. The guidelines will provide a useful framework for staff when evaluating

the potential impact of state or federal legislation on the District, protecting the District's interests.

Through its adoption of the guidelines, the Board agreed with the Finance, Administration, and Communications Committee that the Legislative Guidelines is a comprehensive list. However, it has grown over the years and has become quite an extensive list, which makes it difficult to distinguish specific legislation or issues the District is proactively reviewing or taking action on for the year. The Board suggested that staff review the Legislative Guidelines list and condense it into a separate list prioritizing the District's "top 10" or so priorities for the year.

Unfortunately, it is too early in the legislative session to know the specifics on the bills as the deadline for bill introduction is Friday, February 17, 2017. Typically, lobbyists and legislative staff wait until the last couple of days leading up to the deadline, and then hundreds of bills will be introduced. For now, Otay staff does not know what the priority bills of interest will be, but will assess them as they are introduced and monitor those bills/issues that will affect the District throughout the year. Staff will also report to the Board as necessary throughout the year to provide an update on legislative issues affecting the District and if the District is taking a position on specific issues. Attached you will find a list of priority issues that District staff and/or the San Diego County Water Authority is currently monitoring and/or may take a position on.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

LEGAL IMPACT:

None

Attachments: Attachment A - Committee Action
 Attachment B - 2017 Legislative Program Priorities



ATTACHMENT A

SUBJECT/PROJECT:	2017 Legislative Program Priorities
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee is scheduled to review this item at the monthly Board meeting to be held on March 1, 2017. The attachment will be updated with notes from the committee's discussion.

2017 Legislative Priorities

1. Monitor unfunded mandates in an effort to decrease the amount of unfunded mandates/regulations that do not provide value to the public while increasing costs and diverting resources from the day-to-day operations to ensure safe, reliable and cost effective water supplies. Examples of these mandates/regulations include:
 - Meeting the ever-changing emissions requirements of the California Air Pollution Control (APCD in San Diego). Consistently more difficult to operate equipment vital to provide drinking water to the public.
 - State Water Resources Control Board Lead and Copper Testing in schools. Water agencies already have strict testing requirements that ensure the water supplied to all customers, including schools are in accordance with regulatory limits. Therefore, water agencies do not have the appropriate jurisdiction to monitor what is taking place inside the schools because schools or similar facilities have their own regulations outside of the District's jurisdiction. This mandate and communication to schools from the State increases costs and diverts resources that the District needs to conduct additional tests and to manage community concerns outside of its control.
 - National Pollutant Discharge Elimination System (NPDES), which regards drinking water discharged into waterways as a contaminant does not change the operations, but increases the documentation and administration required by each agency to manage, thus increasing costs and resources to the District.

2. Conservation – District staff, along with the San Diego County Water Authority and other local agencies, is closely monitoring developments at the State Water Regional Control Board, State Department of Water Resources, and within the Legislature including any potential revisitation of mandatory water-use restrictions resulting from implementation of drought emergency regulations to determine whether Otay-legislative action may be necessary at a future point during 2017 on the following:
 - Long-term water use efficiency – Likely to see several bills on this issue.
 - Process for development and implementation of emergency drought declarations and regulations that recognizes variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of droughts, and ensures that any temporary or permanent statutory or regulatory direction for improving water-use efficiency to meet statutory or regulatory goals or standards is focused on regional achievement of objectives rather than a one-size-fits-all approach.

3. Monitor and Support the Ocean Pollution Reduction Act (OPRA) II legislation. Development and deployment of agreed legislation that accepts secondary equivalency for Point Loma wastewater treatment plant. Preferred Alternative: Submit a modified permit application, commit to building potable reuse and modify the Clean Water Act to allow for secondary equivalency.

4. Monitor and engage when appropriate to ensure funding from various propositions for local and regional water-related projects and support continued funding of the Title XVI Water Reclamation and Reuse Program including Water Reclamation and Reuse Projects, the WaterSMART Program, and the Desalination and Water Purification Research Program.

5. Increase and/or secure funding for projects and technologies that strengthen and enhance security against terrorist acts or other criminal threats to water operation, services, facilities, or supplies for District facilities including, but not limited to training and upgrades.
6. Monitor the water affordability and public goods charge on water. This is the issue related to a “tax” on the water bill to finance low-income water rate assistance and operations and maintenance costs associated with water supply and treatment facilities within disadvantaged communities.
7. Monitor Proposition 218 Reform. This is the constitutional amendment to address conservation-pricing and low-income water rate assistance, and a statutory measure to address stormwater charges.
8. Monitor the Water/Resources Bond. Two measures have been introduced – AB 18 and SB 5. These are placeholders for discussions on a water bond for one of the 2018 ballots.
9. Monitor Assembly Bill 313 (Gray, Adam D) to overhaul California’s water management structure. It proposes to restructure the administration and enforcement of water rights and the State Water Project. Authority and enforcement over water rights would be moved from the State Water Resources Control Board and housed under the Department of Water Resources (DWR) with enforcement proceedings conducted separately by the Office of Administrative Hearings. DWR’s current authority and water rights underlying the State Water Project would be transferred to a new State Water Project Authority to eliminate the conflict of DWR both administering and enforcing water rights while simultaneously possessing water rights of its own.
10. Monitor Cap and Trade. There is a potential plan outlined in the Governor’s proposed State Budget to advance the cap/trade (greenhouse gas-reduction program) auction process in the coming year to secure approximately \$2.2 billion in auction revenues available for programs. The proposed State Budget identifies a very small portion of that \$2.2 billion for energy efficiency and water use efficiency (\$27.5 million).
11. Monitor the California WaterFix. There may be a bill or two that emerges on the WaterFix project. The Legislature has indicated it will assert an oversight role by scheduling two informational hearings on the project for February.
12. Monitor advancement of robust state funding opportunities through a general obligation bond measure, or similar state funding instrument, to address outstanding state settlement obligations, including Salton Sea restoration and implementation of the Quantification Settlement Agreement. The Water Authority plans to sponsor this proposal and their approach requires extensive outreach to other directly affected interests, and development of a broad coalition to advance a general obligation bond funding approach.

AGENDA ITEM 4



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 1, 2017
SUBMITTED BY:	Jeanne Blumenfeld, Attorney	PROJECT:	Various DIV. NO. ALL
APPROVED BY:	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Adopt Ordinance No. 561 Amending Chapter 6, Section 9, Annexations and Detachments, of the District's Code of Ordinances		

GENERAL MANAGER'S RECOMMENDATION:

Adopt Ordinance No. 561 Amending Chapter 6, Section 9.03, Annexations to or Detachments from the District Through LAFCO; Section 9.06, Other Conditions of Annexation; and adding Section 9.07, Annexation of Tribal Lands; to the District's Code of Ordinances.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To present for the Board's consideration the adoption of proposed amendments to Chapter 6, Section 9.03, Annexations to or Detachments from the District through LAFCO; Section 9.06, Other Conditions of Annexation; and the addition of Section 9.07, Annexation of Tribal Lands; to the District's Code of Ordinances to bring the District's policies in line with the County standards, and ensure that the District acts in accordance with recent statutory changes on the annexation of tribal lands.

ANALYSIS:

Annexation is the process of expanding existing territorial corporate boundaries. Generally, it is a five-part process: (1) Pre-application, (2) Application filing and processing, (3) LAFCO review and consideration, (4) Protest proceedings, and (5) Final Certification. The District's Ordinance is concerned with the first two steps of this process: pre-application and application filing and processing.

Once the first two steps have been completed, LAFCO considers the benefits and detriments of the proposed annexation. An annexation will not be complete until it has been certified by LAFCO's executive officer.

The proposed changes to the Ordinance are intended to clarify the procedures used for the annexation of territory utilizing the Local Agency Formation Commission (LAFCO). The San Diego Local Agency Formation Commission (LAFCO) was established by State Law in 1963. It is a regulatory agency with quasi-legislative authority. LAFCO's responsibilities include coordinating, directing, and overseeing logical and timely changes to local governmental boundaries, including the annexation and detachment of territory.

The existing Otay Annexation Ordinance, found in Chapter 6, Section 9 of the Otay Water District's Code of Ordinances, was not updated to reflect the re-writing of pertinent Government Code sections in 2000, which updated the previous codes from 1985. The new policy updates the law and details two methods by which owners desiring to annex land to or to detach land from the District may proceed. They may:

- (1) File a petition directly with LAFCO for the annexation or detachment; or
- (2) Request that the District file a petition with LAFCO for the annexation or detachment. Any change through this process is subject to the requirements of Government Code sections 56000 et. seq.

The newly added portions of the Ordinance set forth the requirements for a request by the owners and representatives of the annexing or detaching land for the District to file a petition with LAFCO for annexation or detachment. The Otay Water District's Board of Directors will make a determination as to whether the request is in the best interests of the District. These interests, as set forth in the Ordinance, include the existing planned water use, the water needs of the area to be annexed, and Otay Water District's future plans.

The Otay Water District's Board of Directors must consider any request for annexation at the first meeting taking place at least 60 days after receipt the request and all required information. This provides at least two months for the District to review and consider the request.

If the District approves the request, it must promptly file an application with the San Diego LAFCO, and cooperate with LAFCO to ensure that the request is approved. The annexation is not complete until it has been certified by LAFCO's executive officer.

Additionally, The California Water Code relating to the annexation of tribal lands was amended in September 2016. The amendment added Water Code section 71611.5, which provides that upon request of an Indian tribe, subject to the conditions within the statute, a water District shall provide water service to the tribal lands at substantially the same terms applicable to customers of the District, as if the tribal land had been annexed into the District. This amendment has been added to the District's ordinance as Section 9.07, Annexation of Tribal Lands.

The statute requires that before the District provides water service to a tribal territory, the Indian tribe must:

- (1) Comply with all federal and tribal laws;
- (2) Acquire all federal and tribal approvals necessary for the provision of water service to tribal lands on substantially the same terms as other customers; and
- (3) Accept by agreement all District terms of payment as if the land was annexed into the District and into the service area of any other public agency required for the provision of water service.

In addition, Water Code section 71611.5(b) and the Ordinance require that before the District provides water to an Indian Tribe's lands an agreement with the Tribal government must be entered into to assure, among other things, payment for services and other charges from which the tribal lands would otherwise be exempt. The Ordinance also requires a waiver of sovereign immunity from the Tribe, so that the Tribe may be sued under either California law or Federal law, in either the Superior Court of California or the appropriate Federal Court. These requirements protect the District's interests in the event of a dispute between Otay Water District and the Tribal government (an otherwise immune entity) and they provide a remedy because there is an enforcement mechanism if payment for the water provided is not forthcoming.

The fees to be paid to Otay by the area to be annexed remain unchanged.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

None.

STRATEGIC GOAL:

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 maximize efficiency in providing effective water services.

LEGAL IMPACT:

None.

Attachments: Attachment A - Committee Action
Attachment B - Ordinance No. 561
Attachment C - Proposed Chapter 6



ATTACHMENT A

SUBJECT/PROJECT:	Adopt Ordinance No. 561 Amending Chapter 6, Section 9, Annexations and Detachments, of the District's Code of Ordinances
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COMMITTEE ACTION:

The Finance Administration and Communications Committee is scheduled to review this item on February 15, 2017. Attachment A will be updated with notes from the committee's discussion.

ATTACHMENT B

ORDINANCE NO. 561

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AMENDING SECTION 9, ANNEXATIONS AND DETACHMENTS, 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 9, Annexations and Detachments be amended as per Exhibit 1 (attached).

NOW, THEREFORE, BE IT RESOLVED that the new proposed Section 9 (Attachment C) of the Code of Ordinances shall become effective March 1, 2017.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting duly held this 1st day of March, 2017, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

President

ATTEST:

District Secretary

CHAPTER 6 MISCELLANEOUS ADMINISTRATION PROCEDURES

SECTION 9 ANNEXATIONS AND DETACHMENTS9.01 REQUIREMENT OF ANNEXATION FOR SERVICE

Except as provided elsewhere in this Code, whenever utility service is requested for land outside the boundaries of an improvement district, the land to be serviced must first be annexed to an improvement district(s). If the land is located outside the boundaries of the District, the land must also be annexed to the District.

9.02 ANNEXATIONS TO OR DETACHMENTS FROM IMPROVEMENTS DISTRICTS

An owner or owners of land within the District desiring to annex to or detach land from an improvement district within the District must file a petition for such proceeding with the District. Annexation proceedings shall be conducted pursuant to Chapter I (commencing with Section 72670) of Part 11, Division 20 of the California Water Code. Detachment or exclusion proceedings shall be conducted pursuant to Part 8.5 (commencing with Section 72080) of Division 20 of the California Water Code.

If the land proposed to be annexed is outside the boundaries of the territory served by the Metropolitan Water District of Southern California and the territory served by the San Diego County Water Authority, and no local sources of water are available to serve such land, the District will require that the land be annexed to those entities as well.

9.03 ANNEXATIONS TO OR DETACHMENTS FROM THE DISTRICT THROUGH LAFCO

~~An owner or owners desiring to annex land to or to detach land from the District may either (i) file a petition directly with the Local Agency Formation Commission (LAFCO) for the annexation or detachment or (ii) request the District to file the petition with LAFCO for such annexation or detachment. Any such proceeding for annexation or detachment, which is deemed a change of organization or reorganization pursuant to the Cortese-Knox Local Government Reorganization Act of 1985, shall be initiated, conducted and completed pursuant to Title 6, Division 1 (commencing with Section 56000) of the California Government Code.~~

~~By annexing to the District the owners and representatives of the annexing land agree, on behalf of themselves and all future owners and occupants of the annexed lands, to comply with all laws, statutes, policies, plans, conditions and requirements applicable to the services provided by the District to such lands, including~~

~~without limitation any conservation or local supply use requirements.~~

1. Application Process Options

An owner or owners desiring to annex land to or to detach land from the District may either

- (i) file a petition directly with the Local Agency Formation Commission (LAFCO) for the annexation or detachment or
- (ii) request the District file a petition with LAFCO for such annexation or detachment. Any such proceeding for annexation or detachment, which is deemed a change of organization or reorganization pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, shall be initiated, conducted and completed pursuant to Title 6, Division 1 (commencing with Section 56000) of the California Government Code.

By annexing to the District the owners and representatives of the annexing land agree, on behalf of themselves and all future owners and occupants of the annexed lands, to comply with all laws, statutes, policies, plans, conditions and requirements applicable to the services provided by the District to such lands, including without limitation any conservation or local supply use requirements.

2. Board Approval Process for a request the District file the LAFCO petition

a. The Board, or any standing committee of the Board reviewing an annexation request will consider the request at the next regular meeting taking place no earlier than 60 days after the receipt by the District of the request for the annexation and all accompanying required information.

b. A request for annexation shall include:

- (1) A legal description and a detailed map of the area proposed to be annexed, clearly indicating the metes and bounds of the area and the gross and net acreage for the area with sufficient documentation to support the gross and net acreage specified;

(2) A certificate from the assessor of the county within which the area proposed to be annexed is situated setting forth the assessed valuation of each parcel included within the area;

(3) Identification of the ownership of each parcel included within the area proposed to be annexed;

(4) For each parcel included in the area proposed to be annexed, a description of:

- The present use of each of the parcels
- Existing or proposed development plans
- An estimate of the total annual and peak demands for water service, including an estimate of the proportion of those demands to be supplied by Otay Water District
- Any infrastructure requirements for servicing the proposed annexation area
- A plan for implementing all current water use efficiency and restrictions
- All appropriate California Environmental Quality Act (CEQA), and if applicable, National Environmental Policy Act (NEPA) documents
- Payment of all applicable fees.

c. The Water District shall consider its current and planned water supplies, the above-listed information, whether annexing the property would diminish the District's ability to serve its current obligations.

d. The Otay Water District will submit a petition to LAFCO for annexation or detachment following District approval of the request for annexation or detachment and upon payment of all applicable fees by the owners and representatives of the annexing or detaching land.

9.04 FEES AND CHARGES FOR ANNEXATIONS OR DETACHMENTS

A petitioner requesting an annexation to or detachment from the District or within the District shall pay the following applicable fees and charges:

A. Administrative Processing Fees

1. District Processing Fee. A District processing fee (see Appendix A, Section 9 for fee) shall be paid to the District for each annexation or detachment proceeding, regardless of the number of parcels involved, provided all parcels are included in one proceeding. This fee shall constitute the "base rate" on March 3, 1997. The base rate shall be adjusted annually for fluctuations in the Consumer Price Index (Urban Wage Earners and Clerical Workers - Los Angeles) and subsequent cost-of-living adjustment (COLA).
 2. Additional Processing Fees or Charges. The petitioner shall pay all processing fees and charges due LAFCO, the State Board of Equalization and any other applicable government agency.
 3. Concurrent Annexations to or Detachments from the District and an Existing Improvement District. No additional processing costs or fees will be charged to a petitioner for an annexation to or detachment from an existing improvement district when the proceeding is part of an annexation to or detachment from the District.
 4. Payment of Fees and Charges. The District processing fees and charges shall be paid to the District at the time the petition for such proceeding is filed. Where a petition is filed with LAFCO, the District shall notify LAFCO that payment of all required fees and charges to the District shall be a condition for District approval of the annexation or detachment.
- B. Water Annexation Fees. The annexation fee (see Appendix A, Section 9) shall constitute the "base rate" on October 1, 2014). The base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the Engineering News Record Construction Cost Index for the Los Angeles Region. The ENR Construction Cost Index of 10,739.43 on June 1, 2014 shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 1, 2014 to the date of payment.
1. No water annexation fee shall be required for existing and future agricultural water service furnished by the District under the COMMERCIAL AGRICULTURAL category of Section 25 of the Code.

2. Non-permanent irrigation water service furnished by the District under Section 30 of the Code shall be available without payment of a water annexation fee.
3. Open Space to be Annexed. Open space lands shall not be excluded from annexations of land to a water improvement district.
4. Water Meter Type Exclusions. Annexation fees shall be collected on all water meters sold except for temporary water meters, water tank truck meters, nonpermanent irrigation water meters and outside user meters, all as defined elsewhere in this Code.
5. Effective Date. Annexation fees shall be collected on all lands annexing into the Otay Water District boundaries on or after March 5, 1997.
6. Basis for Determination. For annexations of land into the Otay Water District boundaries, the petitioner shall pay an annexation fee. The fee shall be paid at the time of petition to be annexed. There shall be no water annexation fee charged for parcels already within District boundaries that are applying to be annexed into a water ID.

For permanent water meters, except for commercial agricultural meters, the annexation fee shall be determined on the basis of the demand to be placed on the District-wide water system. The fee will be determined on the basis of the size of the water meter required, as set forth in Section 27 of the Code. The fee shall be determined by multiplying the demand factor for the meter size, as set forth in Section 28 of the Code, by the annexation fee per EDU. See Appendix A, Section 9 for fees.

C. Sewer Annexation Fees

1. Improvement District Annexation. All annexation for sewer service shall be into Improvement District No. 18 on or after December 16, 1998.
2. Open Space to be Annexed. Open space lands shall not be excluded from annexations of land to a sewer improvement district.
3. Effective Date. Annexation fees shall be collected on all lands annexing to a sewer improvement district on or after December 16, 1998.

4. Basis for Determination. For annexations of land to a sewer improvement district within the District, the petitioner shall pay an annexation fee. The fee shall be determined on the basis of the demand to be placed on the District sewer system. The fee shall be paid at the time of sewer service connection request or General Manager's approval of plans, whichever occurs earlier. The extent of the demand will be determined on the basis of each equivalent dwelling unit (EDU) of service which is to be connected to the District sewer system. The number of EDUs prescribed in Section 53 of the Code shall be the basis for computation of the amount of the annexation fee. The fee will be determined by multiplying the number of EDUs by the annexation fee per EDU. See Appendix A, Section 9 for fees.

This annexation fee shall constitute the "base rate" on October 1, 2014. The base rate shall be adjusted quarterly for fluctuations in construction costs as measured by the Engineering News Record Construction Cost Index for the Los Angeles Region. The ENR Construction Cost Index of 10,739.43 (as of June 1, 2014) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 1, 2014 to the date of payment.

D. Detachment Fees

For each detachment of land from an improvement district, the petitioner shall pay such fees as the General Manager determines are appropriate for the detachment. Determinations shall be made by the General Manager on a case-by-case basis.

9.05 TAXATION OF PROPERTY AFTER ANNEXATION TO IMPROVEMENT DISTRICT

Where property is annexed by a petitioner, other than a tax-exempt agency, the property in the annexed area shall be subject to taxation after the annexation thereof for the purposes of the improvement district, including the payment of principal and interest on bonds and other obligations of the improvement district authorized and outstanding at the time of the annexation. The Board of Directors shall provide as a condition of the annexation that the annexed area shall be subject to taxation as if the property had always been a part of the improvement district.

—9.06 OTHER CONDITIONS OF ANNEXATION

1. ———By annexing to the District the owners and representatives of the annexing land agree, on behalf of themselves and all future owners and occupants of the annexed lands, to comply with all laws, statutes, policies, plans, conditions and requirements applicable to the services provided by the District to such lands, including without limitation any conservation or local supply use requirements.

2. Proposals which create an unannexed area entirely surrounded by an annexed area shall not be approved unless the Board determines that the Water District's interests will not be adversely affected by the existence of the encompassed area.

3. An annexed area shall be subject to all applicable water use efficiency guidelines.

9.07 ANNEXATION OF TRIBAL LANDS

Annexation of Tribal Lands may be approved where an agreement with the Tribal government to assure implementation and annexation conditions and requirements has been signed, in accordance with Water Code section 71611.5(b). The agreement shall include, among other items, payment to the Water Authority in lieu of taxes, assessments, and other charges from which the tribal lands would otherwise be exempt, and a tribal government waiver of sovereign immunity from suit for the purposes of enforcement of the contractual agreement. The waiver of sovereign immunity from suit for the purposes of enforcement of the contractual agreement shall specify that suit shall proceed in either the Superior Court of the State of California, or the proper jurisdiction of the Federal Court, whichever is proper, and be subject to California and/or Federal law.

CHAPTER 6 MISCELLANEOUS ADMINISTRATION PROCEDURES

SECTION 9 ANNEXATIONS AND DETACHMENTS

9.01 REQUIREMENT OF ANNEXATION FOR SERVICE

Except as provided elsewhere in this Code, whenever utility service is requested for land outside the boundaries of an improvement district, the land to be serviced must first be annexed to an improvement district(s). If the land is located outside the boundaries of the District, the land must also be annexed to the District.

9.02 ANNEXATIONS TO OR DETACHMENTS FROM IMPROVEMENTS DISTRICTS

An owner or owners of land within the District desiring to annex to or detach land from an improvement district within the District must file a petition for such proceeding with the District. Annexation proceedings shall be conducted pursuant to Chapter I (commencing with Section 72670) of Part 11, Division 20 of the California Water Code. Detachment or exclusion proceedings shall be conducted pursuant to Part 8.5 (commencing with Section 72080) of Division 20 of the California Water Code.

If the land proposed to be annexed is outside the boundaries of the territory served by the Metropolitan Water District of Southern California and the territory served by the San Diego County Water Authority, and no local sources of water are available to serve such land, the District will require that the land be annexed to those entities as well.

9.03 ANNEXATIONS TO OR DETACHMENTS FROM THE DISTRICT THROUGH LAFCO

1. Application Process Options

An owner or owners desiring to annex land to or to detach land from the District may either

- (i) file a petition directly with the Local Agency Formation Commission (LAFCO) for the annexation or detachment or
- (ii) request the District file a petition with LAFCO for such annexation or detachment. Any such proceeding for annexation or detachment, which is deemed a change of organization or reorganization pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, shall be initiated, conducted and completed pursuant to Title 6, Division 1 (commencing with Section

56000) of the California Government Code.

By annexing to the District the owners and representatives of the annexing land agree, on behalf of themselves and all future owners and occupants of the annexed lands, to comply with all laws, statutes, policies, plans, conditions and requirements applicable to the services provided by the District to such lands, including without limitation any conservation or local supply use requirements.

2. Board Approval Process for a request the District file the LAFCO petition
 - a. The Board, or any standing committee of the Board reviewing an annexation request will consider the request at the next regular meeting taking place no earlier than 60 days after the receipt by the District of the request for the annexation and all accompanying required information.
 - b. A request for annexation shall include:
 - (1) A legal description and a detailed map of the area proposed to be annexed, clearly indicating the metes and bounds of the area and the gross and net acreage for the area with sufficient documentation to support the gross and net acreage specified;
 - (2) A certificate from the assessor of the county within which the area proposed to be annexed is situated setting forth the assessed valuation of each parcel included within the area;
 - (3) Identification of the ownership of each parcel included within the area proposed to be annexed;
 - (4) For each parcel included in the area proposed to be annexed, a description of:
 - The present use of each of the parcels
 - Existing or proposed development plans
 - An estimate of the total annual and peak demands for water service, including an estimate of the proportion of those demands to be supplied by Otay Water District

- Any infrastructure requirements for servicing the proposed annexation area
 - A plan for implementing all current water use efficiency and restrictions
 - All appropriate California Environmental Quality Act (CEQA), and if applicable, National Environmental Policy Act (NEPA) documents
 - Payment of all applicable fees.
- c. The Water District shall consider its current and planned water supplies, the above-listed information, whether annexing the property would diminish the District's ability to serve its current obligations.
- d. The Otay Water District will submit a petition to LAFCO for annexation or detachment following District approval of the request for annexation or detachment and upon payment of all applicable fees by the owners and representatives of the annexing or detaching land.

9.04 FEEES AND CHARGES FOR ANNEXATIONS OR DETACHMENTS

A petitioner requesting an annexation to or detachment from the District or within the District shall pay the following applicable fees and charges:

- A. Administrative Processing Fees
1. District Processing Fee. A District processing fee (see Appendix A, Section 9 for fee) shall be paid to the District for each annexation or detachment proceeding, regardless of the number of parcels involved, provided all parcels are included in one proceeding. This fee shall constitute the "base rate" on March 3, 1997. The base rate shall be adjusted annually for fluctuations in the Consumer Price Index (Urban Wage Earners and Clerical Workers - Los Angeles) and subsequent cost-of-living adjustment (COLA).
 2. Additional Processing Fees or Charges. The petitioner shall pay all processing fees and charges due LAFCO, the State Board of Equalization and any other applicable government agency.
 3. Concurrent Annexations to or Detachments from the District and an Existing Improvement District. No

additional processing costs or fees will be charged to a petitioner for an annexation to or detachment from an existing improvement district when the proceeding is part of an annexation to or detachment from the District.

4. Payment of Fees and Charges. The District processing fees and charges shall be paid to the District at the time the petition for such proceeding is filed. Where a petition is filed with LAFCO, the District shall notify LAFCO that payment of all required fees and charges to the District shall be a condition for District approval of the annexation or detachment.

- B. Water Annexation Fees. The annexation fee (see Appendix A, Section 9) shall constitute the "base rate" on October 1, 2014). The base rate shall be adjusted quarterly for fluctuations in construction costs, as measured by the Engineering News Record Construction Cost Index for the Los Angeles Region. The ENR Construction Cost Index of 10,739.43 on June 1, 2014 shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 1, 2014 to the date of payment.
 1. No water annexation fee shall be required for existing and future agricultural water service furnished by the District under the COMMERCIAL AGRICULTURAL category of Section 25 of the Code.
 2. Non-permanent irrigation water service furnished by the District under Section 30 of the Code shall be available without payment of a water annexation fee.
 3. Open Space to be Annexed. Open space lands shall not be excluded from annexations of land to a water improvement district.
 4. Water Meter Type Exclusions. Annexation fees shall be collected on all water meters sold except for temporary water meters, water tank truck meters, nonpermanent irrigation water meters and outside user meters, all as defined elsewhere in this Code.
 5. Effective Date. Annexation fees shall be collected on all lands annexing into the Otay Water District boundaries on or after March 5, 1997.
 6. Basis for Determination. For annexations of land into the Otay Water District boundaries, the

petitioner shall pay an annexation fee. The fee shall be paid at the time of petition to be annexed. There shall be no water annexation fee charged for parcels already within District boundaries that are applying to be annexed into a water ID.

For permanent water meters, except for commercial agricultural meters, the annexation fee shall be determined on the basis of the demand to be placed on the District-wide water system. The fee will be determined on the basis of the size of the water meter required, as set forth in Section 27 of the Code. The fee shall be determined by multiplying the demand factor for the meter size, as set forth in Section 28 of the Code, by the annexation fee per EDU. See Appendix A, Section 9 for fees.

C. Sewer Annexation Fees

1. Improvement District Annexation. All annexation for sewer service shall be into Improvement District No. 18 on or after December 16, 1998.
2. Open Space to be Annexed. Open space lands shall not be excluded from annexations of land to a sewer improvement district.
3. Effective Date. Annexation fees shall be collected on all lands annexing to a sewer improvement district on or after December 16, 1998.
4. Basis for Determination. For annexations of land to a sewer improvement district within the District, the petitioner shall pay an annexation fee. The fee shall be determined on the basis of the demand to be placed on the District sewer system. The fee shall be paid at the time of sewer service connection request or General Manager's approval of plans, whichever occurs earlier. The extent of the demand will be determined on the basis of each equivalent dwelling unit (EDU) of service which is to be connected to the District sewer system. The number of EDUs prescribed in Section 53 of the Code shall be the basis for computation of the amount of the annexation fee. The fee will be determined by multiplying the number of EDUs by the annexation fee per EDU. See Appendix A, Section 9 for fees.

This annexation fee shall constitute the "base rate" on October 1, 2014. The base rate shall be adjusted quarterly for fluctuations in construction costs as measured by the Engineering

News Record Construction Cost Index for the Los Angeles Region. The ENR Construction Cost Index of 10,739.43 (as of June 1, 2014) shall be deemed the "base index." The adjustment shall be in an amount equal to the percentage change in the ENR Construction Cost Index from the base index for the period from June 1, 2014 to the date of payment.

D. Detachment Fees

For each detachment of land from an improvement district, the petitioner shall pay such fees as the General Manager determines are appropriate for the detachment. Determinations shall be made by the General Manager on a case-by-case basis.

9.05 TAXATION OF PROPERTY AFTER ANNEXATION TO IMPROVEMENT DISTRICT

Where property is annexed by a petitioner, other than a tax-exempt agency, the property in the annexed area shall be subject to taxation after the annexation thereof for the purposes of the improvement district, including the payment of principal and interest on bonds and other obligations of the improvement district authorized and outstanding at the time of the annexation. The Board of Directors shall provide as a condition of the annexation that the annexed area shall be subject to taxation as if the property had always been a part of the improvement district.

9.06 OTHER CONDITIONS OF ANNEXATION

1. By annexing to the District the owners and representatives of the annexing land agree, on behalf of themselves and all future owners and occupants of the annexed lands, to comply with all laws, statutes, policies, plans, conditions and requirements applicable to the services provided by the District to such lands, including without limitation any conservation or local supply use requirements.
2. Proposals which create an unannexed area entirely surrounded by an annexed area shall not be approved unless the Board determines that the Water District's interests will not be adversely affected by the existence of the encompassed area.
3. An annexed area shall be subject to all applicable water use efficiency guidelines.

9.07 ANNEXATION OF TRIBAL LANDS

Annexation of Tribal Lands may be approved where an agreement with the Tribal government to assure implementation and annexation conditions and requirements has been signed, in accordance with Water Code section 71611.5(b). The agreement shall include, among other items, payment to the Water Authority in lieu of taxes, assessments, and other charges from which the tribal lands would otherwise be exempt, and a tribal government waiver of sovereign immunity from suit for the purposes of enforcement of the contractual agreement. The waiver of sovereign immunity from suit for the purposes of enforcement of the contractual agreement shall specify that suit shall proceed in either the Superior Court of the State of California, or the proper jurisdiction of the Federal Court, whichever is proper, and be subject to California and/or Federal law.

AGENDA ITEM 5



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 1, 2017
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Andrea Carey, Customer Service Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Authorize an Agreement with Concord Utility Services, Inc. for Master Meter Register and Meter Change Outs in Fiscal Year 2017 and Increase the Budget for the Automated Meter Reading Change Out Capital Improvement Program Project by \$200,000		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to negotiate and enter into an agreement with Concord Utility Services, Inc. for Master Meter register and meter change outs in fiscal year 2017 and increase the budget for the Automated Meter Reading (AMR) Change Out Capital Improvement Program (CIP) project by \$200,000 for the labor associated with the change out process.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To authorize the General Manager to negotiate and enter into an agreement with Concord Utility Services, Inc. to complete the Master Meter register and meter change outs in fiscal year 2017 and increase the budget for the AMR CIP project by \$200,000 for the labor associated with the change out process.

ANALYSIS:

On January 4, 2017, the Board authorized the creation of an AMR Change Out CIP project to begin in the current fiscal year, due to an increase in the number of automated reading failures in the meters purchased in 2006. Staff recommended changing out all the registers (approximately 8,000) and the 500 meters purchased in that year.

During the January presentation to the Board, staff noted that it would be bringing a separate staff report back for the contract associated with the installation services and a corresponding request to increase the CIP for the labor costs associated with the change outs. Staff has identified over \$200,000 in savings on other CIP projects so while the AMR Change Out CIP will be increasing, the overall CIP budget will remain the same.

Staff issued a bid request through its online solicitation portal, BidSync. The District received five responses and all were evaluated on firm qualifications, references and price. The companies and their prices are in the table below.

Company	Total Price
Concord Utility Services, Inc.	\$198,860
Falcon Construction Co.	\$229,900
American Pipeline Services	\$462,250
Professional Meters, Inc.	\$523,500
CHI Construction	\$1,232,150

During the evaluation, Concord Utility Services, Inc. ranked highest in all areas. Concord has been in business for ten years and its core business is meter installations of all sizes. The company is headquartered in Murrieta, California and has approximately 50 employees. Concord was the only company that provided three references where the work performed was exclusively related to meter change outs. Staff contacted each reference which included Rancho California Water District, the City of Victorville and Cucamonga Valley Water District. All rated Concord excellent in job performance and stated they would use Concord again for similar projects.

The contractor is expected to begin change outs in mid-March and will have a crew of four to six people working daily to complete the project within the two month time frame requested by the District.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

This action increases the Capital Improvement Project AMR Change Out program budget by \$200,000 for fiscal year 2017. While this expenditure was not incorporated into the planned rates, the District

has sufficient financial flexibility to fund this program earlier than anticipated. Staff has identified over \$200,000 in savings on other CIP projects this year which will be transferred to cover the costs of the increase to this CIP.

STRATEGIC GOAL:

Improve and streamline meter related processes.

LEGAL IMPACT:

None.

Attachments:

Attachment A - Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	Authorize an Agreement with Concord Utility Services, Inc. for Master Meter Register and Meter Change Outs in Fiscal Year 2017 and Increase the Budget for the Automated Meter Reading Change Out Capital Improvement Program Project by \$200,000
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee supported staff's recommendation to the Board to authorize the General Manager to negotiate and enter into an agreement with Concord Utility Services, Inc. for Master Meter register and meter change outs in fiscal year 2017 and increase the budget for the Automated Meter Reading (AMR) Change Out Capital Improvement Program (CIP) project by \$200,000 for the labor associated with the change out process.

NOTE:

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