

OTAY WATER DISTRICT

BOARD OF DIRECTORS MEETING
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
November 2, 2011
3:30 P.M.

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. APPROVE THE MINUTES OF THE REGULAR MEETINGS OF JULY 15, 2011 AND AUGUST 10, 2011
5. PRESENTATION OF *EXCELLENCE IN INFORMATION TECHNOLOGY AWARD* FROM THE MUNICIPAL INFORMATION SYSTEMS ASSOCIATION OF CALIFORNIA (JENKINS)
6. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

CONSENT CALENDAR

7. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:
 - a) AUTHORIZE THE CREATION OF A NEW CIP PROJECT IN THE AMOUNT OF \$210,000 AND APPROVE A CONSTRUCTION CONTRACT WITH SKYLINE SERVICES, INC. IN AN AMOUNT NOT-TO-EXCEED \$109,195 FOR THE RECYCLED FORCE MAIN ACCESS ROAD REPAIRS
 - b) APPROVE A PROFESSIONAL ENVIRONMENTAL SERVICES CONTRACT TO MERKEL & ASSOCIATES FOR THE MAINTENANCE AND MONITORING OF THE SAN MIGUEL HABITAT MANAGEMENT AREA AND CIP-ASSOCIATED MITIGATION PROJECTS FOR CALENDAR

YEARS 2012, 2013, AND 2014 IN AN AMOUNT NOT-TO-EXCEED \$359,079.56

- c) AWARD A CONSTRUCTION CONTRACT TO TC CONSTRUCTION, INC. FOR THE LA PRESA SYSTEM IMPROVEMENTS PROJECT IN AN AMOUNT NOT-TO-EXCEED \$978,995 AND APPROVE AN INCREASE TO THE FISCAL YEAR 2012 BUDGET FOR P2370 FROM \$960,000 TO \$1,210,000

ACTION ITEMS

8. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

- a) APPROVE THE DISTRICT'S AUDITED FINANCIAL STATEMENTS, INCLUDING THE INDEPENDENT AUDITORS' UNQUALIFIED OPINION, FOR FISCAL YEAR ENDED JUNE 30, 2011 (BEACHEM)

9. BOARD

- a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

INFORMATIONAL ITEMS

10. THIS ITEM IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEM:

- a) REVIEW OF THE FY 2012-2014 STRATEGIC PLAN'S FOCUS ON WATER PLANNING AND SUPPLY (STEVENS)

REPORTS

11. GENERAL MANAGER'S REPORT

- a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

12. DIRECTORS' REPORTS/REQUESTS

13. PRESIDENT'S REPORT/REQUESTS

RECESS TO CLOSED SESSION

14. CLOSED SESSION

- a) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION [GOVERNMENT CODE §54956.9]
 - (I) SALT CREEK GOLF, LLC, UNITED STATES BANKRUPTCY COURT, CASE NO. 11-13898-LA11

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

(I) ABELL MATTER

RETURN TO OPEN SESSION

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

16. 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, 2011, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 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, 2011.



Susan Cruz, District Secretary

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
July 15, 2011**

1. The meeting was called to order by President Bonilla at 3:35 p.m.

2. ROLL CALL

Directors Present: Bonilla, Croucher, Gonzalez, Lopez and Robak

Directors Absent: None

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

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETINGS OF JANUARY 5, 2011 AND FEBRUARY 2, 2011; AND SPECIAL MEETINGS OF SEPTEMBER 15, 2010 AND JANUARY 11, 2011

A motion was made by Director Lopez, seconded by Director Croucher and carried with the following vote:

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

to approve the minutes of the regular meetings of January 5, 2011 and February 2, 2011; and special meetings of September 15, 2010 and January 11, 2011.

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

No one wished to be heard.

CONSENT CALENDAR

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

Director Lopez requested that agenda item 6e, APPROVE A CONSTRUCTION CONTRACT TO PARADIGM MECHANICAL CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$53,500 FOR HVAC IMPROVEMENTS AT THE 803-1 AND 850-2 PUMP STATIONS, be pulled for discussion.

President Bonilla presented item 6e for discussion:

e) APPROVE A CONSTRUCTION CONTRACT TO PARADIGM MECHANICAL CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$53,500 FOR HVAC IMPROVEMENTS AT THE 803-1 AND 850-2 PUMP STATIONS

Director Lopez indicated that staff had provided a memo to the board (attached) regarding this item and he would like, at this time, to make a motion to reject all bids on the project and remove this item from the agenda, the motion was seconded by Director Croucher and carried with the following vote:

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

to reject all bids and remove this item from the agenda.

President Bonilla presented the consent calendar for board action. A motion was made by Director Croucher, seconded by Director Robak and carried with the following vote:

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

to approve the following consent calendar items:

- a) ADOPT RESOLUTION NO. 4178 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS FOR FISCAL YEAR 2011-2012 TO BE COLLECTED THROUGH PROPERTY TAX BILLS
- b) ADOPT RESOLUTION NO. 4177 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 AT \$0.005 FOR FISCAL YEAR 2011-2012
- c) APPROVE AGREEMENTS WITH THE FOLLOWING:
 - AZTECA SYSTEMS INC., IN THE AMOUNT OF \$95,000 FOR INITIAL LICENSE AGREEMENT FOR WORK MANAGEMENT SOFTWARE, SOFTWARE MODIFICATION, AND IMPLEMENTATION SERVICES
 - ESRI FOR A THREE-YEAR LICENSE AGREEMENT FOR GIS SOFTWARE IN AN AMOUNT NOT-TO-EXCEED \$163,125 (\$54,375 PER YEAR)
 - ONE-YEAR SERVICE AGREEMENTS FOR FY 2012 WITH:
 - AT&T IN THE AMOUNT OF \$110,000 FOR LOCAL AND LONG DISTANCE TELEPHONE AND INTERNET SERVICE
 - VERIZON WIRELESS IN THE AMOUNT OF \$108,000 FOR CELL PHONE AND WIRELESS SERVICES
 - SOFTCHOICE IN THE AMOUNT OF \$78,490 FOR SOFTWARE LICENSES UNDER THE MICROSOFT ENTERPRISE AGREEMENT
 - EDEN SYSTEMS IN THE AMOUNT OF \$139,000 TO COVER THE COSTS OF A SOFTWARE MAINTENANCE AGREEMENT, ANNUAL SUPPORT, AND CONSULTING SERVICE
 - ESRI IN THE AMOUNT OF \$50,000 FOR SOFTWARE CONSULTING SERVICES
- d) ADOPT RESOLUTION NO. 4179 TO ELECT THREE REPRESENTATIVES TO THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S BOARD OF DIRECTORS
- f) APPROVE A PROFESSIONAL ENGINEERING SERVICES AGREEMENT WITH MALCOLM PIRNIE/ARCADIS IN AN AMOUNT NOT-TO-EXCEED \$349,979.36 FOR FISCAL YEARS 2012 AND 2013 (ENDING JUNE 30, 2013) FOR THE WASTEWATER MANAGEMENT PLAN PROJECT

ACTION ITEMS

8. ENGINEERING AND WATER OPERATIONS

- a) AWARD A CONSTRUCTION CONTRACT TO NEWEST CONSTRUCTION, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$3,499,000 AND APPROVE AN INCREASE TO THE FISCAL YEAR 2012 BUDGET FOR CIP R2096 FROM \$4,700,000 TO \$4,950,000

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that staff is requesting that the board award a construction contract for the Ralph W. Chapman Water Reclamation Facility (RWCWRF) upgrade project in an amount not-to-exceed \$3,499,000 and increase the FY 2012 project budget from \$4.7 million to \$4.95 million. She indicated that the plant is not meeting its Regional Water Quality Control Board permit limits for total nitrogen and explained that the sludge process would need to be modified to achieve lower nitrogen levels. She reviewed the plant modifications that will be required in order for the plant to comply with permit requirements and the reasons for the increase to the project budget. She stated the modifications will also enhance automation and efficiency. She presented the bid process and indicated that staff is recommending that the construction contract be awarded to the lowest responsive bidder, NEWest Construction, Inc. She stated that staff has checked their references and they were very good. Newest also worked on two previous projects for the District and their performance on these projects was very good.

She indicated that the District received a bid protest from the second lowest bidder, Stanek Constructors, Inc. claiming that NEWest's bid was unresponsive. Staff reviewed the protest with legal counsel and it was concluded that the protest was inconsequential.

In response to an inquiry from Director Robak, General Manager Watton indicated that the San Diego Metro Commission's cost for treating reclaimed water is increasing and, thus, it is becoming less costly to treat reclaimed water at the District's RWCWRF. With the eventual growth to build out, the District will need the capacity from the District's treatment plant beyond the District's capacity at Metro. It is very expensive to buy additional capacity at Metro. Environmental Compliance Specialist Lisa Coburn-Boyd added that the RWCWRF upgrades will lower energy cost and provide for new automation which will provide better process control that will reduce labor cost. Director Robak inquired if staff as ever looked at upgrading the treatment plant to meet drinking water standards. General Manager Watton indicated that, they have not as the opportunity to place the re-purified water into a ground basin would not be possible because of the Sweetwater River groundwater basin issue.

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

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

to approve staffs' recommendation.

9. BOARD

- a) CONSIDERATION TO CAST A VOTE TO RE-ELECT MR. DEWEY AUSMUS TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION'S (CSDA) BOARD OF DIRECTORS

General Manager Watton indicated that the incumbent, Mr. Dewey Ausmus, is running for re-election to his seat on the California Special Districts Association Board. Mr. Ausmus has been doing a good job and staff is recommending that the board re-elect Mr. Ausmus to CSDA's Board of Directors.

A motion was made by Director Bonilla, seconded by Director Croucher and carried with the following vote:

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

to approve staffs' recommendation.

- b) DISCUSSION OF 2011 BOARD MEETING CALENDAR

General Manager Watton noted that the August board meeting has been rescheduled to August 10, 2011.

INFORMATIONAL ITEMS

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

- a) REPORT ON THE STATUS AND PROGRESS OF THE AUTOMATED METER READING METER RETROFIT PROGRAM

Chief of Operations Pedro Porras updated the board on the District's Automated Meter Reading Program (AMR). He stated that AMR is a device which measures consumer's water consumption and transmits the data via radio frequency to a data collecting unit. He stated that the automated meters have many benefits which include reduced labor cost, they allow easy access to meters that are on private property or are difficult to reach without setting up an appointment with the property owner, and they enhance the safety of District employees as they no longer are required to walk the streets and neighborhoods to read meters manually. He provided a brief history of the development of the automated meter and their various manufacturers.

He stated in the late 1990's, the 2000 census noted that the City of Chula Vista was the second fastest growing city in the nation. At that time, the District was installing approximately 2500 meters per year and the District recognized that it needed to address the maintenance of this growth by either hiring additional staff or look to technology to enhance efficiency. In January 2002, the District's board approved the AMR Program and declared that, effective July 1, 2001, all new and replacement meters would have AMR technology. By the end of 2005 the District had over 3000 3G Master Meters installed (just below 10% of total installed meters). He indicated that the meters last about 30 years and the batteries last approximately 20 years and can be read 24 hours a day regardless of the weather. The meters can also provide additional data, such as leaks if the meter is running 24 hours in a day, etc.

Chief of Operations Porras indicated that, as of June 2011, the District had a total of 49,057 meters (potable and recycled) installed, of which, 35,933 (73.25%) are 3G Master Meters. The District had 105 manual-read meter routes which, today, have been reduced to 84 meter read routes due to the implementation of AMR. Fifty-six (56) of the 84 routes are AMR and 28 are non-AMR. It is projected that an average of eight (8) routes will be converted to AMR each year. Due to the conversion to AMR, the District can read 3,500 meters a day versus 1,000 meters a day manually. This increased efficiency has allowed the District to reduce its labor force by three (3) full-time employees and one (1) part-time employee. This has provided a total labor cost savings to date of almost \$2 million. He stated that it is expected that by 2014 all meters would be fully AMR capable. Increasing costs savings by 2014 to approximately \$5.02 million (savings from reduced staff, vehicle and fuel needs). It was noted that the District would start replacing the meters batteries in 2019 and the full meter and registers in 2034.

General Manager Watton noted that the District did not want to replace all the batteries at once, so AMR installations were staggered. Chief of Operations Porras also shared in response to an inquiry by Director Robak, that the unit with the brain (data portion of meter) will be wholly replaced which will update the technology of the meter. It is expected, at that time, the data will be collected via the internet and District staff will no longer need to drive the District's service area to collect water usage data.

REPORTS

11. GENERAL MANAGER'S REPORT

GENERAL MANAGER'S REPORT

General Manager Watton highlighted information from his report (attached) that included an update on water conservation outreach, network security, FEMA Claims, an award received from Government Finance Officers Association (GFOA) for the District's CAFR, the Rancho del Rey groundwater well development project, and the Solar Power Feasibility Study.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher indicated that CWA's primary focus at their last meeting continued to be the lawsuit with Metropolitan Water District for multiple issues, not just the rates, but also incentives provided to those who did not qualify for incentives. Conservation efforts are also continuing to be a focus, though the Governor has declared the drought over, there still continues to be a water shortage due to the Bay Delta issues and the Colorado River's low levels. He stated that Desalination is also still being discussed and that there will be more to come as the lawsuits move forward.

12. DIRECTORS' REPORTS/REQUESTS

Director Croucher indicated that he attended the District's Employee Recognition event. He noted that the District recognized an employee for his assistance in saving a customer from serious injury or loss of life from a dog attack. He stated that it is a pleasure to see the District's employees becoming part of the community and helping in such situations. He indicated that the District also recognized employees for their service to the District with some being recognized for 25 and 30 years of service. One such employee was Engineering Manager, James Peasley, who was recognized for 32 years of service to the District.

Director Lopez indicated that he also attended the Employee Recognition event and it was gratifying to see staff working together and acknowledging their peers. He congratulated Engineering Manager Peasley for his 32 years of service. He also shared that he attended the Ad Hoc Unrepresented Employee Compensation Committee meetings held on June 27 and July 5, 2011. On July 11 he attended a meeting with the Mayor of Rosarito, Javier Robles, to discuss the desalination plant project. He also noted that he attended the ESRI Conference where staff presented on the District's GIS and Asset Management Systems. He thanked staff for sharing their work with the industry.

Director Robak provided an update on the Water Conservation Garden (WCG) matters. He stated that there is an ongoing situation that staff is trying to resolve. The next meeting on the issue will be held in the middle of August.

13. PRESIDENT'S REPORT

President Bonilla recognized Engineering Manager Jim Peasley for his 32 years of service to the District and congratulated him on his retirement and for his election to the Padre Dam Municipal Water District's Board. He indicated that Mr. Peasley contributed to the success of the District and the District has much to thank him for the work he has done. He stated that he was very happy for him, but sad for the District that he will be leaving. He thanked Mr. Peasley for his time at the District and indicated that he will be missed. He presented Mr. Peasley a retirement recognition award to thank him for his services.

He reported on meetings he attended during the months of June and July 2011 and indicated that on June 13 he met with General Manager Watton to review items to be presented at the June committee meetings. He attended an Ad Hoc Redistricting Committee meeting on June 14 to discuss the reapportionment of the District's divisional boundaries as required following a census. On June 25 he met with Mark Watton to discuss items to be presented at the July board meeting and on June 30 he met with Congressman Filner along with General Manager Watton and discussed the Rosarito Desalination Project. He noted that Congressman Filner is supportive of the project. President Bonilla indicated that on July 2 he met with Director Croucher and discussed various District matters. On July 11 he along with Director Lopez, General Manager Watton, Chief of Engineering Rod Posada, Richard Romero and Hector Mares met with Rosarito Mayor Javier Robles to discuss the Rosarito Desalination Project. The Mayor was very supportive and felt that the project would be good for Rosarito Beach and San Diego. He lastly shared that on July 15 he met with General Manager Watton to discuss items to be presented at the July committee meetings.

RECESS TO CLOSED SESSION

14. CLOSED SESSION

The board recessed to closed session at 4:28 p.m. to discuss the following matters:

- a) CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY DESIGNATED REPRESENTATIVES: AD HOC
UNREPRESENTED EMPLOYEE COMPENSATION COMMITTEE

EMPLOYEE ORGANIZATIONS: UNREPRESENTED EMPLOYEES AND
REPRESENTED EMPLOYEES' ASSOCIATION

- b) PUBLIC EMPLOYEE PERFORMANCE EVALUATION [GOVERNMENT CODE §54957.6]

TITLE: GENERAL MANAGER

RETURN TO OPEN SESSION

15. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ADDITIONAL ACTIONS ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened at 5:10 p.m. and General Counsel Shinoff indicated that the board took no reportable actions in closed session.

16. ADOPT RESOLUTION NO. 4182 TO INCREASE THE UNREPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN

(7) PERCENT TO PURCHASE ENHANCED RETIREE HEALTH BENEFITS AND ADOPT RESOLUTION NO. 4183 TO AMEND THE RETIREE HEALTH BENEFITS FOR UNREPRESENTED EMPLOYEES (WILLIAMSON/BEACHEM)

Human Resources Manager Kelli Williamson indicated that staff will be presenting the staff report that addresses increasing unrepresented employees contributions to CalPERS Pension over two years to allow these employees to contribute the full employee's portion of their CalPERS pension. These funds will be used for unrepresented employees to purchase a level retiree health benefits for all tiers of unrepresented employees (Tiers I, II and III). She indicated that this exchange would be cost neutral to the District.

A review of the history of Other Post-Employment Benefits (OPEB) and the current 2011 Retiree Health Actuarial Study was presented (see attached copy of presentation). Staff also reviewed the proposal presented in the staff report (see attached copy of staff report). Staff indicated that there are 42 unrepresented employees and of the 42 employees, 13 employees are Tier I and Tier II and these employees already have the retiree health benefits package. The proposal is to allow the unrepresented employees to use their Cost of Living Increases (COLA) for years 2011 and 2012 to increase their contributions to the CalPERS pension plan to purchase enhanced retiree health benefits and to amend the health coverage to provide a level retiree health benefit for all Tiers of unrepresented employees. It was noted that employees are currently contributing 1% for their CalPERS pension and, if this proposal is approved by the board today, employees will immediately be contributing 4.5% and on July 1, 2012, unrepresented employees' contributions would increase to 8%. The retiree health benefit would provide unrepresented employees, who are at least 55 years of age at retirement and have 15 years of service, with 100% employee premium coverage and 88% of dependent premium for life (including survivor benefit for life) for health and dental coverage.

Staff indicated that the Annual Required Contribution (ARC) of retiree health for all unrepresented employees, as determined by the Actuarial Study, is \$316,400. The reduction in the District's contribution to CalPERS is \$350,300 due to the employees contributing additional funds to CalPERS which provides for a total annual savings to the District of \$33,900. It was noted that the \$316,400 is the amount that the Actuarial Study has determined as the cost, on an annual basis, of the change in the OPEB benefit. The savings of \$33,900 will be realized each year for the next 26 years. This savings incorporates the annual increase in cost of medical care premiums, salary increases, etc. (all costs). In year 26, the savings will increase to \$90,000 annually. It was noted that that OPEB funding percentage would be reduced 64% and overtime it will increase steadily. A percentage funding level of 64% is still a very high level of funding.

It was indicated that a similar proposal was provided to represented employees for their consideration. They are still considering the proposal and have requested additional time. If they decide to move forward with a proposal, staff will agendize the proposal for the board's consideration at the August 10, 2011 board meeting.

PUBLIC COMMENT:

Ms. Lani Lutar of the San Diego County Taxpayers Association questioned the cost neutrality of the proposed retiree health benefit and indicated that they would like to see the assumptions that the costs were based on. She indicated that she felt that the numbers should be reviewed further and it would be in the District's best interest to get the complete actuarial analysis and think about how the District can achieve maximum savings for its ratepayers.

General Manager Watton indicated that the District will provide a copy of the Actuarial Report to Ms. Lutar and the public.

District employees Frank Anderson, Operations Department, and Rita Bell, Finance Department, indicated that they wished to thank the board for the opportunity to negotiate in good faith and for making available a benefit that unrepresented employees are willing to purchase for themselves.

Director Gonzalez commended employees for planning for their future and utilizing their monies to fund their retirement. He indicated that he sees this as a key benefit that employees have taken upon themselves to purchase.

Director Croucher indicated that the Employee Memorandum of Understanding was negotiated in 2007 and the COLA increases were part of the negotiated contract. He stated that the board is not changing the contract. The employees are requesting that, rather than receiving the COLA increases in their salary, that the monies be utilized to purchase retiree healthcare benefits.

It was noted that if the board approved this proposal, it would not impact rates. The District is the eighth (8th) lowest cost water service among the 24 water agencies.

Director Lopez indicated that this proposal was reviewed by the District's Ad Hoc Unrepresented Employees Committee in detail and the committee wanted to be sure that the proposal would not increase rates. He stated that this District has improved tremendously which is very much attributed to its employees. He noted that it was the employees who brought this proposal forward. The analysis indicates it will provide cost savings.

Director Robak indicated that the board respects its employees and they have done a really good job of getting the District through tough times. The fact is, these are tough times, and if you had asked an actuarial where they think our rates would be today some years ago, I don't believe that they would be able to predict where we are today. He indicated that he did not have the information to support this proposal and has not yet seen the actuary report. He indicated that he respects employees, but would like to see the information and cannot support this proposal.

President Bonilla thanked Ms. Lutar for attending today's meeting. He stated that the board respects and takes her comments very seriously. He indicated, if the board prides itself in something, it is transparency. He stated that the board

believes that the well being of its employees benefits the District. This District has won almost every award from Finance, Engineering, Operations to being recognized as one of the best places to work in San Diego. He stated that it takes teamwork and years to develop mutual respect between the employees and the board. He indicated that when you make a bold statement questioning the accuracy of the information presented by the District's staff, he has to take exception to it as he trusts the employees of the District. He stated that he trusts them because they have proven to him that they have earned the trust. He stated that the District makes decisions based on information and the board, at times, will respectfully disagree on issues. But one thing they do agree upon is that they trust the District's staff. They are not perfect, but they have reviewed the information and based on the information, this proposal will not cost the District, but instead will save the District money. The District is in bottom third for lowest cost water provider among the 24 providers and is recognized by its peers through awards. He indicated that the District would provide copies of the Actuarial Report immediately to the public for their review.

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

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

to adopt Resolution No. 4182 to increase the unrepresented employee's contributions to the CalPERS Pension Plan by seven (7%) to purchase enhanced retiree health benefits.

Director Croucher made a motion, seconded by Director Lopez and carried with the following vote:

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

to adopt Resolution No. 4183 to amend the retiree health benefits for unrepresented employees.

17. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:55 p.m.

President

ATTEST:

District Secretary

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
August 10, 2011**

1. The meeting was called to order by President Bonilla at 3:35 p.m.

2. ROLL CALL

Directors Present: Bonilla, Croucher, Gonzalez, Lopez and Robak

Directors Absent: None

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

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

A motion was made by Director Croucher, seconded by Director Lopez and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETINGS OF MARCH 2, 2011 AND APRIL 6, 2011

A motion was made by Director Croucher, seconded by Director Lopez and carried with the following vote:

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

to approve the minutes of the regular meetings of March 2, 2011 and April 6, 2011.

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

Public member Tom Harrington addressed the Board members with concerns about the actuarial report that was utilized for the District retiree health benefit for unrepresented employees that was approved at the regular Board meeting on July 15, 2011. He stated that he believes the report was not of standard sound practice, is only preliminary and made no conclusions.

RECESSED TO CLOSED SESSION

The Board recessed to a Closed Session at 3:40pm.

7. CLOSED SESSION

- a) CONFERENCE WITH LABOR NEGOTIATIONS [GOVERNMENT CODE §54957.6]

AGENCY DESIGNATED REPRESENTATIVES: AD HOC
UNREPRESENTED EMPLOYEE COMPENSATION COMMITTEE

EMPLOYEE ORGANIZATION: OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION

- b) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
[GOVERNMENT CODE §54956.9(a)]

(I) INFRASTRUCTURE ENGINEERING CORP. v. OTAY WATER DISTRICT, COUNTY OF SAN DIEGO, SUPERIOR COURT, CASE NO. 37-2008-00093876-CU-BC-CTL

(II) MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-2007-00077024-CU-BC-SC

- c) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
[GOVERNMENT CODE §54956.9]

RETURN TO OPEN SESSION

The Board returned to open session at 4:37 p.m. General Counsel Dan Shinoff indicated that no action was taken in the closed session.

8. ADOPT RESOLUTION NO. 4185 TO INCREASE THE REPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN

(7) PERCENT AND RESOLUTION 4186 TO AMEND THE MEMORANDUM OF UNDERSTANDING WITH THE OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION BY SIDE LETTER AGREEMENT REGARDING RETIREE HEALTH BENEFITS AND AN ADDITIONAL THREE-QUARTERS-OF-A-PERCENT (.075%) CAPLERS CONTRIBUTIONS IN EXCHANGE FOR ENHANCED RETIREE HEALTH BENEFITS

Chief Financial Officer Joe Beachem provided a PowerPoint presentation to note and correct misinformation that was provided to the public by the San Diego County Taxpayers Association (SDCTA) relating to the District's actuarial report that was utilized for the Represented Retiree Health Benefits' proposal. It was discussed that SDCTA had exaggerated the financial impact on the District's budget. Chief Financial Officer Beachem stated that staffs' proposed retiree health benefits for represented employees:

- Has no impact on the District's budget
- Employees will pay the added cost
- Is a fiscally conservative approach

He indicated that in FY 2012, the District will be charged a 9.97% water rate increase by its water suppliers (County Water Authority, Metropolitan Water District, and City of San Diego). It was noted that the District significantly reduced internal costs and the pass-through water rate increase to its customers will only be 7.7%, not the full 9.97%.

He stated that SDCTA failed to recognize that the employees will pay the full cost of the benefits. He indicated that when comparing the cost of the benefits and the employees' contributions, it results in a positive impact to the District's annual budget after the first year. Chief Financial Officer Beachem stated that over time, it will result in a cumulative positive impact to the District.

Also noted by Chief Financial Officer Beachem was the fact that medical costs have been consistently lower than projected in the actuary and that the District has been funding the medical liability.

In response to a question from President Bonilla, Chief Financial Officer Beachem stated that the District does have the option to adjust the retiree health benefits if the environment changes in the future.

Chief of Technology Geoff Stevens provided a PowerPoint presentation of the District's commitment to strategic planning. He stated that ten years ago the District recognized an industry in transition with maturing water infrastructure and the costs of water rising significantly and steadily. He noted that the District's solution was to invest in technology to increase efficiency and effectiveness, which was fully supported by the Board and staff. This solution resulted in the following:

- Employee count reduced from 175 to 156

- Industry-leading and award-winning Finance, Engineering, Safety, Operations and IT functions
- Rates and costs below regional average
- Strategic positioning of new technologies, i.e. asset management, wireless network, automated meter reading
- Intense focus on metrics-driven continuous improvement to further increase efficiency

Finance Manager Rita Bell provided a PowerPoint presentation that discussed the District's AA Credit Rating. She provided quotes from creditors about the District:

- Fitch Ratings – "Strong proactive management has resulted in ample financial flexibility, and solid current resource capacity."
- Standard & Poor's – "Strong management, which includes practices to ensure solid finances going forward." "Solid historical financial performance."

She stated that the Board's consistent quality governance and strong fiscal leadership has led the District to multiple awards, such as but not limited to:

- Award Winning Comprehensive Annual Financial Reports (CAFR)
- Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting – 7 years in a row
- Auditor Opinion – The District has earned, year after year, a "clean opinion" in the audit of its financial statements. This is the highest level opinion that can be issued

Finance Manager Bell discussed the District's financial modeling and rate setting and stated that it is a zero-based budgeting model where assumptions are tied into it. She indicated that the District hired an economist to project its growth and from the economist's report, the District developed its Operating and Capital Improvement Program Budgets. She noted that the District was able to reduce its water rate increase by increasing efficiency and also noted that the District maintains a low rate among other water agencies.

Chief Financial Officer Beachem and Human Resources Manager Kelli Williamson provided a PowerPoint presentation that included a history of the District's Other Post-Employment Benefits (OPEB), a review of the District's various tiers, information about the actuarial study and the proposed retiree health benefits for represented employees.

Chief Financial Officer Beachem introduced Joseph D'Onofrio, Assistant Vice President of Bartel Associates, LLC, who assisted in the development of the Actuarial Study.

Chief Financial Officer Beachem discussed the District's OPEB chronology from 1981 to July 2011. He noted that in March 2008, the Board approved the creation

of a trust (CERBT) and was funded \$5 million from the District's fund. At that time, the actuary showed that the liability reduced to \$11.4 million (including the new Tier III benefits) due to the greater return on the trust and the management of the medical program. These actions freed up \$5.5 million to cover costs associated with a 6-year labor contract including moderate OPEB benefits for Tier III. \$6.4 million remains in the Otay fund to pay for OPEB benefits.

Chief Financial Officer Beachem indicated that on July 15, 2011, the Board approved the enhancement of the OPEB benefit for the Unrepresented Employees in exchange for the employees paying 7% of salary toward their pension. He stated that this action brought the liability to \$15.2 million and the funding level to 64.4% and indicated that the change is effectively cost-neutral to the District as employees will be reducing the District's cost of their pensions by an equal amount.

Human Resources Manager Williamson discussed the various Tiers and outlined the Retiree Health Benefits that was used as a basis for the actuarial study. She discussed the "Already Negotiated Cost of Living Adjustment" for five (5) years that was approved by the Board in 2007. This action included a 3.5% Cost of Living Adjustment (COLA) for employees on July 1, 2011 and July 1, 2012. She provided a slide that showed the represented employees who are eligible to retire with 20 years of Service at Age 55. She provided the cost of the Annual Required Contribution (ARC) of Retiree Health for All Represented Employees and the amount that the employees will contribute and indicated that the results would be a cost savings of \$28,700 annually to the District, and in 35 years there would be a savings of \$5 million.

Human Resources Manager Williamson indicated that staff is recommending that the Board adopt Resolution No. 4185 to increase the Represented Employees' contribution to the CalPERS Pension Plan by seven (7) percent and Resolution No. 4186 to amend the Memorandum of Understanding with the Otay Water District Employees' Association by Side Letter Agreement regarding Retiree Health Benefits and an additional three-quarter-of-a-percent (0.75) CalPERS Contributions in exchange for enhanced Retiree Health Benefits.

Prior to voting on staffs' recommendation, President Bonilla provided members of the public an opportunity to speak on the proposal. The following individuals submitted a "Request to Speak in Opposition" slip and each asked the board to oppose the proposed Retiree Health Benefits Program and one requested that the District retain another actuary organization, Milliman, to perform a peer review of the actuary report prepared by Bartel Associates:

1. Estela Murillo
2. Marcy May
3. Marilyn Jarman
4. Harold Venable
5. Bob Cederdahl
6. John Smith
7. Mark Schmidt

8. Lani Lutar, SDCTA Representative
9. Chris Cates, SDCTA Representative
10. Anne Harris (donated time to Lani Lutar from SDCTA)
11. Isabelle Espino (donated time to Lani Lutar from SDCTA)
12. Cynthis Tait (donated time to Lani Lutar from SDCTA)
13. Evita McCullough
14. Randy Williams
15. Pat Finlay
16. Dan DiValerio
17. Ronald Dahlgren
18. Michael Casinelli
19. Norma Smith
20. Connie Howie
21. Joan Borrelli
22. Lavonne Watts
23. Al Conlin
24. Jessica Hays
25. Mark Liuag
26. Judith Marsh
27. John-Claude Labye
28. E. Moyella
29. John Hayes
30. Edward Mosley
31. R. C?
32. Bob Collins

Director David Gonzalez indicated that he was able to review the information that was provided by staff about the proposed retiree health benefits. He commended the District's employees for investing and planning ahead for their retirement.

Director Gary Croucher stated that there have been a lot of misinformation disseminated to the public through the media and through robo calls and stated that he would feel the same way as the public members if he had heard the same information. He indicated that he personally took time to listen to many of the calls that the District received in response to the SDCTA's campaign because it was important to him to understand the depth of the public's concerns. He stated that the Otay Water District has the 6th lowest water and sewer rates among the 24 water agencies in San Diego County and he wanted to clarify that the SDCTA's robo calls indicated that there was a 40% increase in the District's water rates, but the increase was actually 30.9%. He also clarified that, although employees will be receiving lifetime benefits, Medicare will kick in once they turn 65. He stated that in 2007, a cost of living adjustment (COLA) was negotiated as part of the Memorandum of Understanding with the employees. He stated that the Board is honoring that contract which will end in 2013. He stated that employees are proposing to utilize their 2011 and 2012 COLA increases towards their retiree health benefits. He stated that to be eligible for the retiree health benefits, employees must maintain 20 years of continuous employment with the District and be of age

55. He noted that the District can control the cap on the employees' retiree health benefits and renegotiate if the environment changes in the future.

Director Croucher discussed the Grand Jury's report released in May 2011 indicated that the reason for water rate increases is Metropolitan Water District (MWD), the regions wholesale water provider, is imposing water rate increases. He indicated that he would like to improve public outreach efforts and educate the District's ratepayers on why water rates are rising. He believes the San Diego region should increase its water supply through new innovations, such as water desalination, to be less dependent on MWD and other water suppliers.

Director Lopez indicated that he is a member of the Ad Hoc Committee that reviewed the proposed retiree health benefits. He wanted to clarify that the 3.5% increase to employees' salaries is not a raise. It is a COLA that was negotiated and approved in 2007. He stated the Board is honoring this agreement with employees. He indicated that he feels comfortable with staffs' recommendation and the information provided by staff. He believes and trusts the District's staff who have received multiple awards and has been recognized by state agencies. He also indicated that the District can re-evaluate the retiree health benefits if the economy changes.

Director Mark Robak stated that the actuarial report was very detailed and indicated that he sought counsel to interpret the information. He wanted to make clear that the District has quality staff and that he trusts them. However, hearing the comments from the media, SDCTA and public members, he has many questions about the actuarial report. He indicated that he felt that there was no need to take action on the proposed retiree health benefits at today's meeting.

President Bonilla stated that he appreciates everyone's comments and indicated that he has been a ratepayer of the District since 1978 when he moved to the community. He believes that the District is one of the best water agencies and that it provides quality water to its customers. He indicated that he welcomes anyone who would like to come to the District and review its books. He indicated that he felt that the District's proposed retiree health benefit is being made a political issue, motivated by an agency who modified the figures in the District's actuarial study and provided misleading/incorrect information to the public. He noted that, board members are ratepayer too and staff had to also convince the board of the soundness of the proposal based on the findings of Actuarial Study.

In response to a question from a member of the public who spoke during the public participation portion of the meeting, President Bonilla indicated he wished to make it clear that the proposed retiree health benefits is only for District employees and not for members of the board. President Bonilla also responded to another comment from a public member regarding the time that District board meetings are held. He indicated that the District's regular Board meetings were held at 6:00 p.m. in the past, but hardly anyone from the public attended. In light of this and for the safety of staff that closed the District following meetings, the meeting time was changed to 3:30 p.m.

With no further discussion by the Board, a motion was made by Director Gonzalez, seconded by Director Croucher and carried with the following vote:

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

to approve staffs' recommendation to adopt Resolution No. 4185 to increase the Represented Employees' contribution to the CalPERS Pension Plan by seven (7) percent and Resolution No. 4186 to amend the Memorandum of Understanding with the Otay Water District Employees' Association by Side Letter Agreement regarding Retiree Health Benefits and an additional three-quarter-of-a-percent (0.75) CalPERS Contributions in exchange for enhanced Retiree Health Benefits.

9. APPROVE AN INCREASE TO THE FISCAL YEAR 2012 BUDGET FOR THE JAMACHA PIPELINE PROJECT FROM \$20,300,000 TO \$20,800,000

Associate Civil Engineer Daniel Kay indicated that when the Project budget was being prepared during the FY 2012 CIP budget process, it was anticipated that a legal budget of \$300,000 would be adequate in FY 2012 to cover all remaining legal costs associated with the IEC litigation. However, due to the duration of the discovery process and the numerous depositions to date, future expenses, including expert witnesses, depositions, attorney fees, and other miscellaneous costs are expected to exceed the \$300,000 allocated for FY 2012.

He stated that an additional \$500,000 will be needed to provide adequate funding within the Project budget and indicated that this estimate was based on the last six months of the Project's expenditures.

In response to a question from Director Croucher, Engineering Manager Ron Ripperger stated that the overall expenditures for the Jamacha Pipeline Project was \$1 million under budget.

BOARD RECESSED

The Board recessed at 6:38 p.m. as the media requested to interview General Manager Watton.

BOARD RECONVENED

The Board reconvened the meeting at 6:48 p.m.

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

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

to approve staffs' recommendation to approve an increase to the Fiscal Year 2012 Budget for the Jamacha Pipeline Project from \$20,300,000 to \$20,800,000.

10. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ADDITIONAL ACTIONS ON ANY ITEMS POSTED IN CLOSED SESSION

General Counsel Dan Shinoff indicated that no reportable actions were taken in closed session.

CONSENT ITEMS

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

Director Mark Robak requested that Item 10a, Award a Construction Management and Inspection Services Contract to SAIC in an Amount Not-to-Exceed \$359,013.32 for the Ralph W. Chapman Water Reclamation Facility Upgrades Project (Project), be pulled for discussion.

President Bonilla presented Item 10a for discussion. Director Robak stated that out of the four (4) firms who submitted a proposal for the Project, SAIC had the highest proposed fee. He inquired about the selection process in determining which firm should be awarded the contract. Associate Civil Engineer Daniel Kay stated that for this type of contract, the firms' proposed fees were not seen until the panel completed its interview process and provided their scores for the candidates. He indicated that prior to the review of proposals, the project manager was the only individual who was allowed to see the firms' proposed fees. It is believe that this process helps avoid skewing the candidates' scores. Mr. Kay stated that SAIC's reference checks were verified and indicated that the firm was highly rated.

After discussing Item 10a, Director Robak withdrew his recommendation to pull Item 10a from the consent agenda.

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

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

to approve the following consent calendar items:

- a) AWARD A CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES CONTRACT TO SAIC IN AN AMOUNT NOT-TO-EXCEED \$359,013.32 FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADES PROJECT
- b) APPROVE A PROFESSIONAL AS-NEEDED LAND SURVEYING SERVICES AGREEMENT WITH ALTA LAND SURVEYING, INC. IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR FISCAL YEARS 2012 AND 2013 (ENDING JUNE 30, 2013)
- c) APPROVE AN AGREEMENT WITH LOGICALIS INTEGRATION SOLUTIONS, INC., IN THE AMOUNT OF \$69,454 FOR REDUNDANT CORE NETWORK SWITCHING GEAR
- d) ADOPT RESOLUTION NO. 4181 TO REVISE AND UPDATE VARIOUS DISTRICT BOARD OF DIRECTORS POLICIES

ACTION ITEMS

12. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY

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

Chief Financial Officer Joe Beachem noted that there are a couple changes proposed to the Investment Policy:

- The addition of the new Restricted Water Supply Reserve Fund as per the revisions adopted to the District's Reserve Policy by the board in November 2010.
- Board policy has always authorized the District to invest in LAIF up to the LAIF limit. The LAIF limit has increased from \$40 million to \$50 million since the last Investment Policy review.

Chief Financial Officer Beachem indicated that the objectives of the Investment Policy are safety, liquidity and return on investment. The District has been able to achieve a return on investment that has been better than LAIF's return for nearly 4 years. Otay's return on investment for FY 2011 and FY 2010 was 1.25% and 1.35% respectively versus LAIF's return of 0.50% and 0.65% respectively.

A motion was made by President Bonilla, seconded by Director Croucher and carried with the following vote:

Ayes: Directors Bonilla, Croucher, Gonzalez, Lopez and Robak

Noes: None
Abstain: None
Absent: None

to receive Board of Directors Policy No. 27 Investment Policy, for review and adopt Resolution No. 4187 amending the Policy and re-delegating authority for all investment related activities to the Chief Financial Officer in accordance with Government Code Section 53607

13. BOARD

a) DISCUSSION OF 2011 BOARD MEETING CALENDAR

There were no changes to the 2011 Board meeting calendar.

INFORMATIONAL ITEMS

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

a) NORTH DISTRICT AND SOUTH DISTRICT INTERCONNECTION SYSTEM PROJECT UPDATE REPORT

Engineering Manager Ron Ripperger stated that the intent of this informational item is to update the Board on the status of the North District and South District Interconnection System Project (Project) prior to issuing the Notice of Preparation (NOP) that formally begins the environmental process with the public.

He indicated that the Project consists of a 5.3 mile, 30-inch transmission main and 10,000 gpm pumping station that will connect the La Presa area of Spring Valley (Paradise Valley Road at Elkekton Place) and the EastLake area of Chula Vista (East H Street and Corral Canyon Road). The new facilities will provide the capability to convey potable water from the North District to the South District and vice versa.

It was stated that Lee & Ro's environmental sub consultant, Helix Environmental, has prepared the NOP to prepare an Environmental Impact Report (EIR) in accordance with the California Environmental Quality Act (CEQA).

Engineering Manager Ripperger noted that following the August 10 Board meeting, the District will publish the NOP in media outlets including the San Diego Union Tribune – South County Edition, Chula Vista Star-News, and the East County Californian and send it to the State Clearinghouse and other local agencies. He stated that the CEQA public notification rules only require that a notice be placed in a local newspaper of general circulation and that local agencies be notified. However, similar to the community outreach process for the 36-inch Jamacha Pipeline Project, the District plans to send a letter to all property owners located within 1,000 feet of each side of the pipeline alignment and to reach out to

community stakeholders including the City of Chula Vista, Bonita Golf Course, Sweetwater Authority, and area businesses. It was noted that the Project will include proper construction phases to minimize the impact upon the community.

In response to a question from Director Croucher, Engineering Manager Ripperger indicated that the District will coordinate its project with other local agencies to ensure efficiency throughout the construction of the project and to lessen the impact to the community.

Director Robak inquired if staff received input from neighboring water agencies on how they transfer water. Staff indicated yes.

REPORTS

15. GENERAL MANAGER'S REPORT

GENERAL MANAGER'S REPORT

General Manager Watton highlighted information from his report that included an update on Employee Recognition Awards, ESRI Conference, Internal Controls, Rancho del Rey Groundwater Well Development and the District's potable water purchases. He indicated that the District's water sales is approximately 4% below budget. However, August sales are up about 6%, and felt by fiscal year end he believes that the District will be on budget.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton discussed CWA's lawsuit against MWD regarding its rate increases, which is important because it affects rates at CWA by about \$2 billion over 34 years. He also indicated that CWA be tried in San Francisco due to possible conflicts.

Director Croucher discussed the Grand Jury's Report which addressed CWA's issues. He indicated that the report is available on the Grand Jury's website.

16. DIRECTORS' REPORTS/REQUESTS

Director Robak inquired about the check to the California Department of Transportation in the amount of \$99,220.00 for inspection fees (reference page 6 of GM's Report). Engineering Manager Ripperger stated that throughout the construction of the 36-Inch Pipeline Project, the California Department of Transportation provided inspection services and billed the District at the end of the project. Staff reviewed their invoices and confirmed that the charges were correct. Director Robak also provided an update on the Water Conservation Garden (WCG) matters and indicated that the President of WCG abruptly resigned, as well as two other board members. He also indicated that he met with the former president of WCG.

Director Lopez commended staff and stated that he was pleased with the outcome of the Retiree Healthcare Benefit proposal.

Director Gonzalez indicated that he attended the Beads of Courage Golf Tournament and it was a good event.

Director Croucher stated that he felt the District needs to work on communicating with the District's ratepayers to assure that they are receiving the correct information regarding the Retiree Healthcare Benefits proposal.

17. PRESIDENT'S REPORT

President Bonilla stated that he is very proud of the District's management staff and felt that it takes a lot of valor to support the employees Retiree Healthcare Benefit proposal, while at the same time, represent ratepayers by ensuring that the budget is balanced. He congratulated them on their professionalism.

18. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 7:30 p.m.

President

ATTEST:

District Secretary



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Daniel Kay <i>DK</i> Associate Engineer	PROJECT/ SUBPROJECT:	R2100-001103 DIV. NO. 5
	Ron Ripperger <i>RR</i> Engineering Manager		
APPROVED BY: (Chief):	Rod Posada <i>Rod Posada</i> Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>M. Magaña</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Creation of a New CIP Project and Award of a Construction Contract to Skyline Services, Inc. for the Recycled Force Main Access Road Repairs - 2011 Project		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board):

1. Authorizes the creation of a new CIP Project, "Recycled Force Main Access Road Repairs - 2011," in the amount of \$210,000
2. Award a construction contract to Skyline Services, Inc. (Skyline), and
3. Authorizes the General Manager to execute an agreement with Skyline in an amount not to exceed \$109,195 (see Exhibit A for Project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To create a new CIP project and obtain Board authorization for the General Manager to enter into a construction contract with Skyline in an amount not-to-exceed \$109,195 for the Recycled Force Main Access Road Repairs - 2011 Project.

ANALYSIS:

The District maintains a 14-inch diameter recycled water pipeline located between the Ralph W. Chapman Water Recycling Facility (Treatment Plant) and the Jamacha Basin Water Reclamation Site (Use Area). Operations staff is required to visually inspect the pipeline twice a week to comply with an agreement with Sweetwater Authority to ensure that no leaks have developed along the pipeline route within the Sweetwater Reservoir Basin. The 3.6 mile access road that allows staff to perform this task crosses several large drainages and is very steep in some areas. Thus, the visual inspections are performed by using all-terrain vehicles in order to traverse the entire pipeline alignment.

The access road was recently improved in the fall of 2008, to enhance the accessibility of the pipeline and associated appurtenances. However, during the heavy rains of December 2010 and January 2011, portions of the access road eroded and developed deep ruts making access to the pipeline very difficult and unsafe.

The Federal Emergency Management Agency (FEMA) declared the 2010 winter storms a Federal Disaster, and made available funding for damages caused by the storms. The District submitted the access road damage, along with damage in different areas, to FEMA for funding approval. On March 17, 2011, Otay received approval from FEMA stating the projects submitted met their requirements. Since the approval, representatives from FEMA have been out to the access road site to get a better understanding of the Project and evaluate the damages. On May 4, 2011, FEMA representatives advised the District to make the necessary repairs and submit the costs incurred for reimbursement consideration. Staff is coordinating with FEMA to determine the final reimbursement amount that will be allowed for this work.

The road improvements are intended to improve safety for District staff, reduce damage to District equipment and vehicles, reduce future maintenance of the road, and improve the reliability of the pipeline system.

Since the pipeline and access road are located within the San Diego National Wildlife Habitat Refuge area, a Habitat Conservation Plan (HCP) was prepared as part of the 2008 road repair project. U.S. Fish and Wildlife Service has agreed that the existing HCP is still valid for this new work. As required by the HCP, the new work must be completed between October 1 and January 15. Skyline will be required to follow all the rules and regulations imposed by the USFWS and all requirements specified in the HCP.

Staff developed the contract documents and the Project was advertised for bid on September 7, 2011 on the District's website and several other publications including the San Diego Union Tribune and San Diego Daily Transcript.

Three (3) addendums were sent out to all bidders and planhouses to address questions and clarifications to the contract documents during the bidding period.

Bids were publicly opened on October 4, 2011, with the following results:

	CONTRACTOR	TOTAL BID AMOUNT
1	Skyline Services, Inc.	\$ 109,195.00
2	Waters Edge Construction	\$ 145,053.00
3	Seal Right Paving	\$ 166,696.00
4	TRI-Group Construction	\$ 189,000.00
5	TC Construction	\$ 195,595.00
6	Sierra Pacific West	\$ 197,000.00
7	FSG General Engineering	\$ 199,077.58
8	Moalej Builders	\$ 222,050.00
9	PAL General Engineering	\$ 246,860.00

The Engineer's Estimate is \$219,000.

Staff reviewed the bids submitted for conformance with the contract requirements and determined that Skyline was the lowest responsive and responsible bidder. Skyline holds a California Class A Contractor's License which expires on March 31, 2013. The reference checks indicated an excellent performance record on similar projects. Skyline has also provided high quality work for the District in the past. Staff has verified that the bid bond provided by Skyline is valid. Staff will also verify that Skyline's Performance Bond is valid prior to execution of the contract.

FISCAL IMPACT:



Instructions for FEMA and the California Office of Emergency Services (OES) claims require that all work to be completed and costs incurred documented as a part of submitting a request for reimbursement. FEMA will then pay 75% and OES will pay 18.5%, for a total 93.5% reimbursement of all allowed costs.

It is understood that FEMA may not approve a portion of the repairs, as the officially designated incident period is December 17, 2010, through and including January 4, 2011, and some erosion damage was due to heavy rains that occurred subsequent to these dates. However, we cannot reasonably estimate the amount of reimbursement that is likely to be approved at this time. In spite of this, it

has been determined that all of the repairs identified in this Project are required for the District to re-establish and maintain safe and uninterrupted access between critical District facilities.

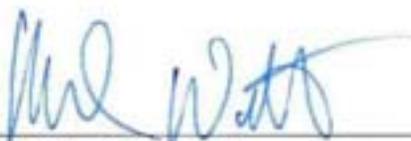
Finance has determined that this Project is not included in the approved CIP budget for FY 2012, and is therefore requesting approval of this new CIP. 100% of the funding is available from the Replacement Fund.

STRATEGIC GOAL:

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

LEGAL IMPACT: _____

None.



General Manager

P:\WORKING\CIP 82100 - Recycled Forcemain Road Storm Repairs\Staff Reports\RD 11-2-11, Staff Report, Forcemain Access Road Repairs Bid Award.doc

KC/DK/RR:jf

Attachments: Attachment A - Committee Action
Attachment B - Budget Detail
Exhibit A - Location Map



ATTACHMENT A

SUBJECT/PROJECT: R2100-001103	Award of a Construction Contract to Skyline Services, Inc. for the Recycled Force Main Access Road Repairs - 2011 Project
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on October 19, 2011 and the following comments were made:

- Staff requested that the Board authorize the creation of a new CIP Project, "Recycled Force Main Access Road Repairs - 2011," in the amount of \$210,000 and award a construction contract to Skyline Services, Inc. (Skyline) in an amount not-to-exceed \$109,195.
- Staff provided a background of the Project and stated that the Recycled Force Main Access Road is an access road that operations staff uses to perform inspections and maintenance on the recycled force main that runs from the Treatment Plant to the use area, which is north of the Chula Vista Salt Creek Golf Course.
- Staff indicated that the access road was improved in 2008, but the rainstorms in December 2010 and January 2011 caused portions of the road to erode and develop ruts causing access for staff to the District's pipelines difficult and unsafe.
- Staff stated that the Fema Emergency Management Agency (FEMA) declared the 2010 storms a federal disaster and made funding available for damages caused by the storms. It was indicated that FEMA representatives advised the District to make the necessary repairs and submit costs incurred for reimbursement consideration. Staff stated that they are coordinating with FEMA to determine the final reimbursement amount that will be allowed for the Project's work.
- Staff discussed the bid process and noted that three (3) addendums were issued for answers to questions and plan

clarifications. Staff indicated that Skyline submitted the lowest responsible bid and that results of the bid process are detailed on page 3 of the staff report. Staff highlighted that the District has worked with Skyline on past projects and indicated that they provided high quality work.

- The Committee inquired about the significant difference between the Engineer's Estimate at \$219,000 and Skyline's total bid amount of \$109,195. Staff stated that during the bid process, as the Project's Scope of Work had already been publicized, it was discovered that a fabric to be placed underneath the soil was not necessary. Since the Scope of Work was already provided to the public, staff was unable to change the Engineer's Estimate. It was noted that all bidders were notified about the change through addendums and had to acknowledge that they read and received them.
- The Committee inquired if the Sweetwater Authority had any current projects in the area so that the District could collaborate its project with them to save money and minimize the impact to the community. Staff stated that when they acquired an access permit from the Sweetwater Authority, the Authority indicated that they do not have any projects currently under construction in the area.

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



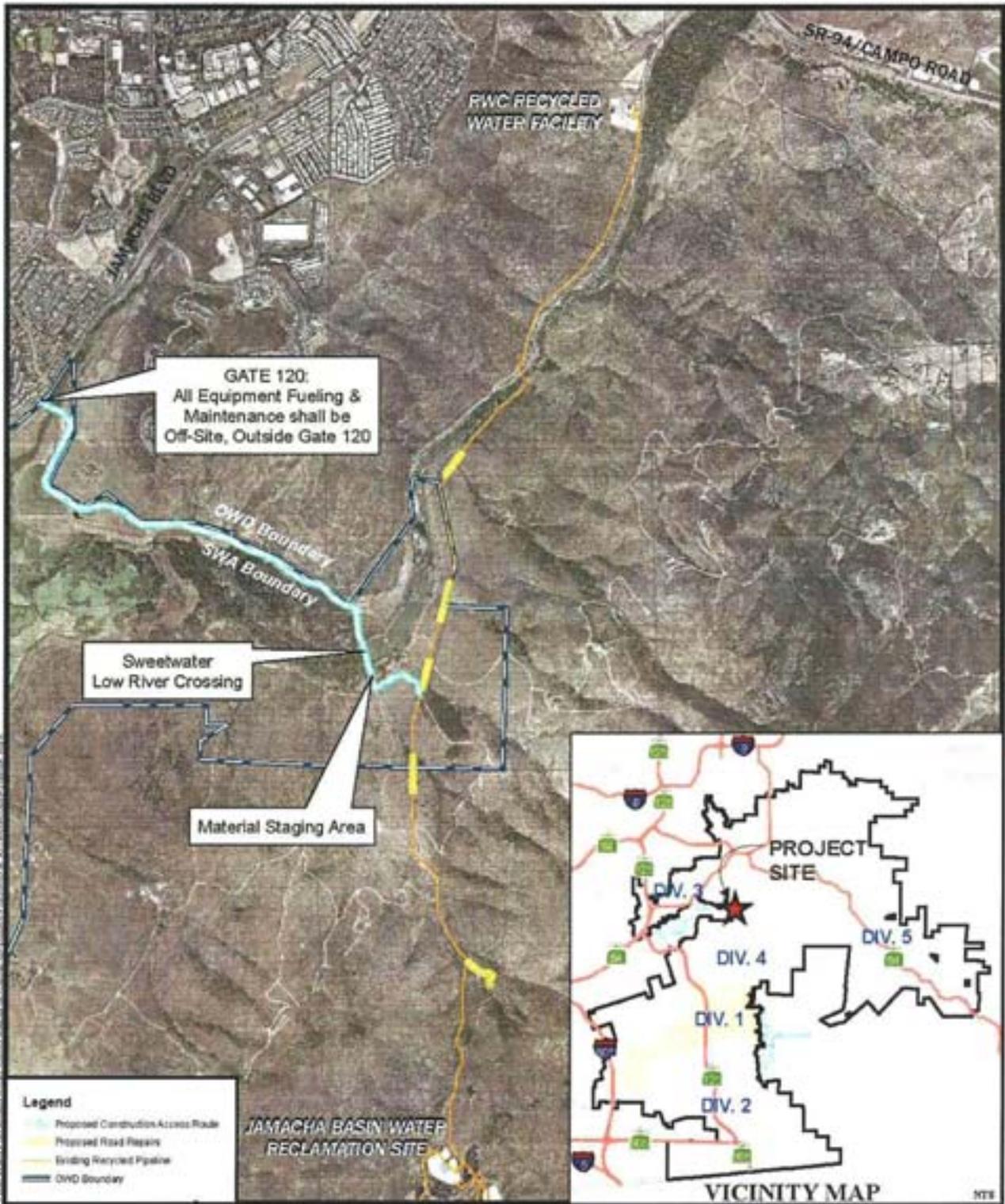
ATTACHMENT B-1

SUBJECT/PROJECT:	Award of a Construction Contract to Skyline Services, Inc. for the Recycled Force Main Access Road Repairs - 2011 Project
R2100-001103	

Otay Water District
R2100 - December 2010 Storms

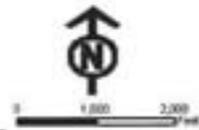
Date Updated: October 04, 2011

<i>Budget</i>	<i>Committed</i>	<i>Expenditures</i>	<i>Outstanding Commitment & Forecast</i>	<i>Projected Final Cost</i>	<i>Vendor/Comments</i>
210,000					
Design					
Labor	32,000	31,122	878	32,000	
Service Contracts	3,800	1,794	2,006	3,800	MAYER REPROGRAPHICS INC
	75	75	-	75	SAN DIEGO DAILY TRANSCRIPT
	1,380	1,380	-	1,380	ALTA LAND SURVEYING INC
	292	292	-	292	SAN DIEGO UNION-TRIBUNE LLC
Total Design	37,548	34,682	2,884	37,548	
Construction					
Labor	28,000	-	28,000	28,000	
Construction Contract	109,195	-	109,195	109,195	SKYLINE SERVICES, INC.
Biological Monitor	30,000	-	30,000	30,000	ICF
Project Closeout	5,000	-	5,000	5,000	
Total Construction	172,195	-	172,195	172,195	
Grand Total	209,741	34,682	175,079	209,741	



OTAY WATER DISTRICT
 RECYCLED FORCE MAIN ACCESS ROAD REPAIRS - 2011

EXHIBIT A





STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Lisa Coburn-Boyd <i>LCB</i> Environmental Compliance Specialist	PROJECT:	P1253-004000 DIV. NO. 4 P2495-001101
	Ron Ripperger <i>RR</i> Engineering Manager		
APPROVED BY: (Chief)	Rod Posada <i>R Posada</i> Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>M Magaña</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of a Professional Environmental Services Contract for the San Miguel Habitat Management Area and CIP-Associated Mitigation Projects during Calendar Years 2012, 2013, and 2014		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) awards a Professional Environmental Services Contract to Merkel & Associates for the maintenance and monitoring of the San Miguel Habitat Management Area and CIP-Associated Mitigation Projects for calendar years 2012, 2013, and 2014 and authorizes the General Manager to execute an agreement in an amount not-to-exceed \$359,079.56 (see Exhibit A for location map.)

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

That the Board authorizes the General Manager to execute a professional environmental services agreement with Merkel & Associates in an amount not-to-exceed \$359,079.56 for the maintenance and monitoring of the San Miguel Habitat Management Area and CIP-Associated Mitigation Projects for calendar years 2012, 2013, and 2014.

ANALYSIS:

The District's Habitat Management Area (HMA) is a 230-acre, designated biological reserve located within the 509-acre Use Area property within the City of Chula Vista. The HMA serves two primary functions:

1. It serves as a mitigation bank that holds credits that can be utilized to offset Coastal Sage Scrub habitat impacts associated with the construction of District projects and facilities, as part of the requirements under Section 7 consultation with the U.S. Fish and Wildlife Service. The 210-acre Coastal Sage Scrub mitigation bank at the HMA has been in existence since 1997 and is required to be monitored and maintained in perpetuity.
2. It serves as a habitat restoration area for vegetation impacts associated with the construction of District CIP projects such as the 30-Inch Recycled Water Pipeline, 450-1 Reservoir, and 680-1 Pump Station, the 850-4 Reservoir, and the 640-1 and 640-2 Reservoirs.

In addition to the maintenance and monitoring for the HMA, the project consultant will also be responsible for three years of maintenance and monitoring of the 30-Inch Recycled Water Pipeline, 450-1 Reservoir, and 680-1 Pump Station restoration areas, the 640-1 and 640-2 Reservoirs revegetation maintenance and monitoring and the 850-4 Reservoir restoration maintenance and monitoring. The District is required to conduct biological monitoring, provide continuous maintenance, and submit annual reports to the U.S. Fish and Wildlife Service and the California Department of Fish & Game for these projects. The consultant may also be responsible for the maintenance and monitoring of any revegetation areas as a result of the construction of the Wueste Road Recycled Water Pipeline. The contract assumes two years of effort for this work, but states that this work may not be necessary if the pipeline is not constructed during the time period of the contract.

ICF International is the firm that currently has the contract for the HMA maintenance and monitoring. Their contract will conclude on December 31, 2011. In order to have a new consultant on board immediately following the end of this

contract so that maintenance services are not neglected, the District solicited Professional Environmental Consulting Services from consulting firms by placing an advertisement on the District's website and in the San Diego Union Tribune and Daily Transcript. Twelve (12) firms submitted a Letter of Interest and Statement of Qualifications. The Request for Proposal (RFP) was sent to all twelve firms resulting in three (3) proposals received on September 8, 2011, from the following consulting firms:

CONSULTING FIRM	PROPOSED FEE
Chambers Group	\$1,790,440
IFC International	\$ 644,590
Merkel & Associates	\$ 359,080

The consultant selection panel was comprised of five District staff members, four from Engineering and one from Operations. Staff evaluated and scored the written proposals and interviewed all three firms. After holding the interviews, the panel completed the consultant ranking process and Merkel & Associates was the firm that received the highest overall score. Merkel & Associates also had the lowest total cost. References for Merkel & Associates were checked and received high ratings. A summary of the complete evaluation is shown in Attachment B.

This contract amount includes all work expected to be performed from January 2012 through December 2014 (three calendar years).

FISCAL IMPACT:



The committed funds for this contract totaling \$359,076.56 will be expended from Calendar Year 2012 through Calendar Year 2014 encompassing Fiscal Years 2012-2015 and are budgeted for in the Operating Budget (approximately 30%) and the CIP Budget (approximately 70%). The costs for the remainder of Fiscal Year 2012 are covered by the existing CIP and operating budget.

Costs falling within the future fiscal years will be budgeted for in the normal budget process accordingly. Staff does not anticipate that future years' budgets will increase due to this contract.

Based on a review of the financial budgets, the Project Manager anticipates that both the Operating Budget and the CIP Budget will be sufficient to support the CIP Projects.

Finance has determined that the funds to cover this contract are available as budgeted for these projects.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.



General Manager

P:\WORKING\CIP P2495 - San Miguel HMA and Assoc. Mitigation Projects\Staff Reports\HMA Services
Contract Staff Report - 2012-2014.doc

LCB/RR:jf

Attachments: Exhibit A - Location Map
Attachment A - Committee Action
Attachment B - Summary of Proposal Rankings
Attachment C - Presentation



ATTACHMENT A

SUBJECT/PROJECT: P1253-004000 P2495-001101	Award of a Professional Environmental Consulting Services Contract for the San Miguel Habitat Management Area and CIP-Associated Mitigation Projects during Calendar Years 2012, 2013, and 2014
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COMMITTEE ACTION:

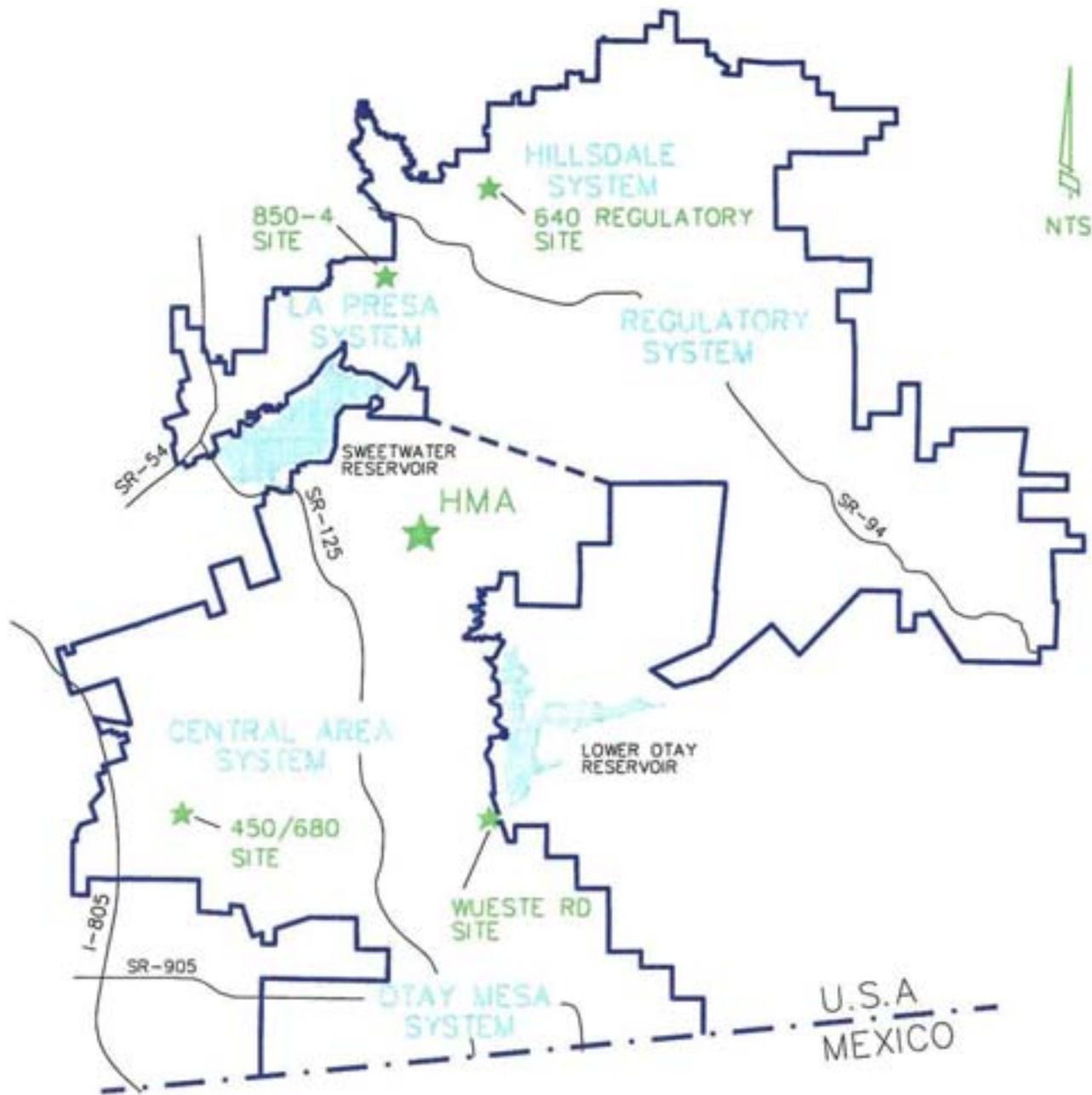
The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on October 19, 2011 and the following comments were made:

- Staff requested that the Board award a Professional Environmental Services Contract to Merkel & Associates for the maintenance and monitoring of the San Miguel Habitat Management Area (San Miguel HMA) and CIP-Associated Mitigation Projects for calendar years 2012, 2013, and 2014 and authorizes the General Manager to execute an agreement in an amount not-to-exceed \$359,079.56.
- The San Miguel HMA is the District's 230-acre designated biological reserve that surrounds the Salt Creek Golf Course in Chula Vista, within the District's 509 acre-use area, and was established in 1994 as mitigation for District impacts to the California gnatcatcher and its critical habitat, coastal sage scrub.
- Staff stated that the San Miguel HMA also includes restoration areas for other vegetation impacts associated with District projects, such as the Rickey Pond Area and the Burrowing owl burrows in the eastern grasslands that were established because of impacts from the construction of the 711-3 Reservoir. The Maritime Succulent Scrub and the Otay tarplant restoration areas are also mitigation for impacts from the 30" pipeline, 450 Reservoir, and 680 Pump Station.
- Staff indicated that maintenance, monitoring and reporting services would be provided under the contract. It includes control of invasives, trash and debris removal, fence repair, coordination with golf course staff, monthly monitoring and annual surveys, gnatcatcher, LBV, quino, rare

plants, and monthly/annual written reports to U.S. Fish and Wildlife Service and the California Department of Fish and Game.

- Also provided in the PowerPoint were CIP-Associated Mitigation Projects. Staff indicated that the Wueste Road Revegetation Area is a potential project that may be included in the contract once it is built. It is understood by both the District and contractor that if the project is not built, it will not be included in the services contract.
- Staff discussed the selection, evaluation and ranking process and indicated that Merkel & Associates received the highest rating. It was noted that staff checked out the references of Merkel & Associates and they received high ratings. Refer to page 3 of the staff report for further details.
- In response to a question by the Committee, staff stated that the District had previously worked with Merkel & Associates and indicated that they had excellent services and is a well credited company. However, in the past several years, Merkel & Associates were not selected for this project because of the competitive process. Staff stated that they have discussed the District's expectations with Merkel & Associates and is confident that they will perform well as they have in the past.
- In response to a question by the Committee, staff stated that Merkel & Associates was able to submit a lower bid because a large part of the contract is maintenance and Merkel uses their own in-house staff rather than subcontractors like the other two firms. Additionally, when the HMA contract was previously awarded three years ago, there were several areas at the HMA that had specific requirements mandated by the U.S. Fish and Wildlife Service and the California Department of Fish and Game that needed more intensive services. These areas have been signed off by the Agencies and the services are not needed for this contract.

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



OTAY WATER DISTRICT

SAN MIGUEL HMA & CIP-ASSOCIATED MITIGATION PROJECTS

LOCATION MAP

CIP# P2495

EXHIBIT A

**ATTACHMENT B
SUMMARY OF PROPOSAL RANKINGS
P2495 - San Miguel HMA & CIP-Associated Mitigation Projects**

		WRITTEN							ORAL						TOTAL SCORE	REFERENCES	
		Qualifications of Staff	Understanding of Scope, Schedule and Resources	Soundness and Viability of Proposed Project Plan	INDIVIDUAL SUBTOTAL - WRITTEN	AVERAGE SUBTOTAL - WRITTEN	Proposed Fee*	Consultant's Commitment to DBE	AVERAGE TOTAL WRITTEN	Additional Creativity and Insight	Strength of Project Manager	Presentation, Communication Skills	Quality of Response to Questions	INDIVIDUAL TOTAL - ORAL			AVERAGE TOTAL ORAL
MAXIMUM POINTS		30	25	30	85	85	15	YN	100	15	15	10	10	50	50	150	Four/Good/Excellent
Chambers Group	David Charles	25	23	22	70	68	1	Y	69	12	12	7	9	30	38	107	
	Roger Holy	21	21	27	69					10	10	7	7	34			
	Bob Kennedy	24	20	22	66					11	13	9	7	40			
	Red Fossels	25	22	25	72					11	13	9	9	41			
	Ron Ripberger	25	21	21	67					10	13	7	7	37			
ICF Int'l.	David Charles	25	23	20	68	73	12	N	85	14	12	7	9	41	42	127	
	Roger Holy	27	25	27	79					14	13	8	8	43			
	Bob Kennedy	25	22	23	71					12	13	9	9	43			
	Red Fossels	25	23	25	73					11	14	9	9	43			
	Ron Ripberger	25	22	23	70					12	13	7	7	39			
Merkel	David Charles	25	22	23	70	73	15	Y	88	13	13	8	8	42	43	131	Excellent
	Roger Holy	23	22	27	72					12	12	8	8	40			
	Bob Kennedy	26	22	23	71					12	13	9	9	43			
	Red Fossels	27	25	26	80					14	14	9	9	46			
	Ron Ripberger	25	23	25	74					14	14	9	9	46			

*Review Panel does not see or consider fee when scoring other categories. Fee is scored by the PM, who is not on Review Panel.

Consultant	Proposed Fee	Position	Score
Merkel	\$105,080	lowest	15
ICF Int'l.	\$644,030		12
Chambers Group	\$1,703,440	highest	1

**Otay Water District
Professional
Environmental
Services for the San
Miguel Habitat
Management Area &
CIP-Associated
Mitigation Projects
for
Calendar Years
2012-2014**



San Miguel HMA



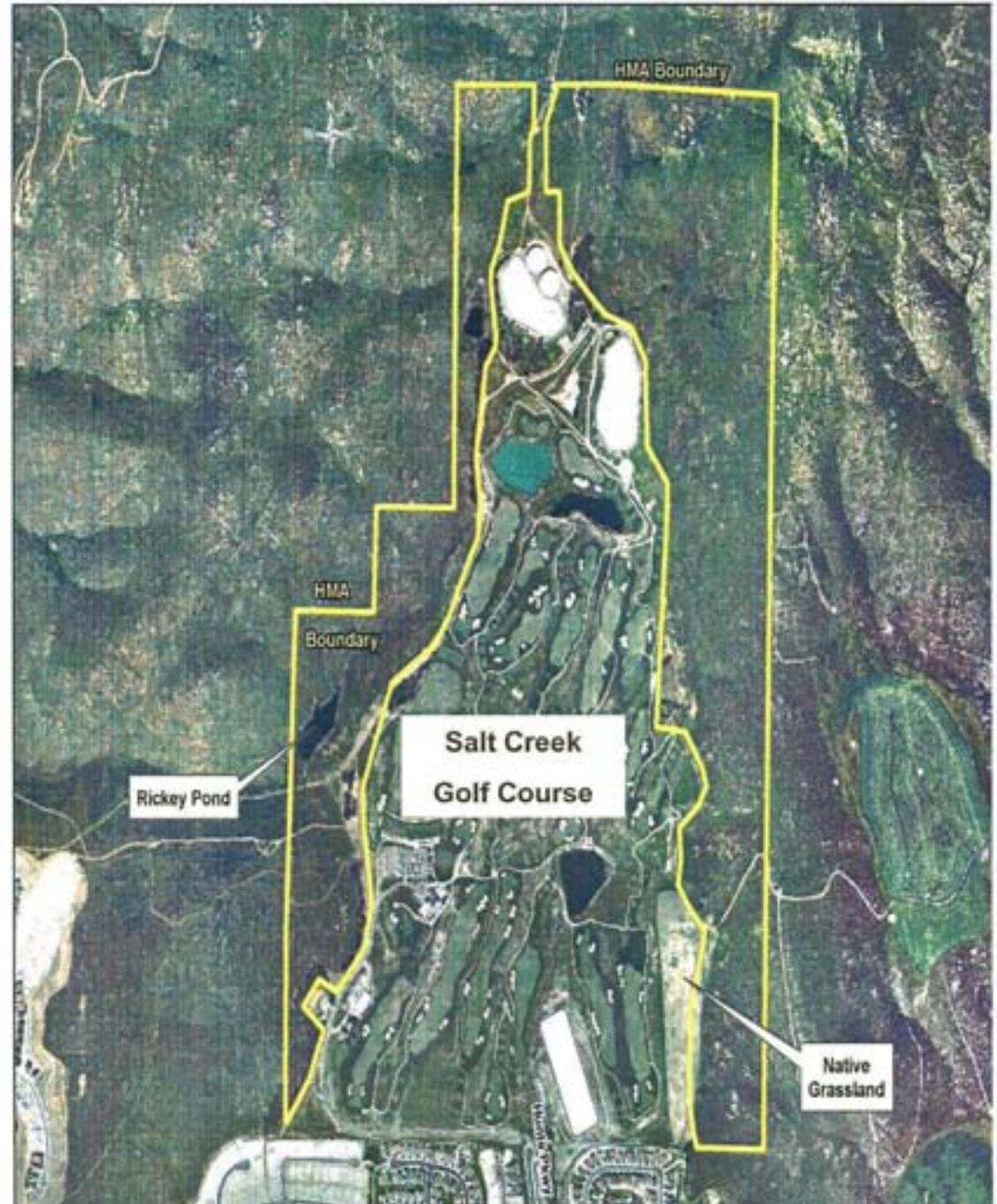
230 acre biological reserve established in 1994 by OWD as mitigation for District impacts to coastal California gnatcatcher and coastal sage scrub habitat



To date, 58 acres have been committed for existing and previous OWD projects



Must be maintained in perpetuity





Rickey Pond Area

**Otay Tarplant Restoration Area –
Eastern Grasslands Area**



**Maritime Succulent Scrub
Restoration Area**



**Burrowing Owl Burrows in
Eastern Grasslands**

HMA Maintenance, Monitoring & Reporting Tasks

Maintenance

- Aggressive nonnative plant species removal
- Trash & debris removal in areas adjacent to golf course
- Perimeter fence upkeep and repairs



Monitoring

- Monthly monitoring to assess efficacy of the maintenance efforts
- Identification of any potential problems or threats to biological resources
- Protocol California coastal gnatcatcher surveys annually

Reporting

- Monthly monitoring & progress reports for the District
- Annual reports that are submitted to the US Fish & Wildlife Service and California Dept. of Fish & Game, includes monthly monitoring reports



CIP - Associated Mitigation Projects

Three CIP projects and one potential project require maintenance, monitoring & reporting for mitigation areas both on-site and at the HMA

- 30-inch Recycled Water Pipeline, 450-1 Reservoir & 680-1 Pump Station Restoration Projects
- 640-1 & 640-2 Reservoirs Coastal Sage Scrub Revegetation Project
- 850-4 Munz's Sage Restoration Project
- Wueste Road Revegetation Area (when built)



2012-2014 Contract

- Proposals received from three firms
- Consultant selected using Consultant Selection Process and in accordance with District Policy 21
- Merkel & Associates is the selected consultant
- Contract will be for three years but agreement will require that the budget for years 2 and 3 be submitted and approved before starting work each year



Questions?





STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Jeff Marchioro <i>JM</i> Senior Civil Engineer	PROJECT/ SUBPROJECT:	P2370-01102 DIV. NO. 3,4
	Ron Ripperger <i>WR</i> Engineering Manager		
APPROVED BY: (Chief)	Rod Posada <i>RP</i> Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña <i>MM</i> Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of a Construction Contract to TC Construction, Inc. for La Presa System Improvements		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board):

1. Increase the budget for P2370 by \$250,000 (increase the overall CIP budget from \$960,000 to \$1,210,000)
2. Award a construction contract to TC Construction, Inc. (TC Construction), and
3. Authorize the General Manager to execute an agreement with TC Construction in an amount not-to-exceed \$978,995 for the La Presa System Improvements Project (see Exhibit A for Project location).

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To obtain Board authorization for the General Manager to enter into a construction contract with TC Construction in an amount not-to-exceed \$978,995 for La Presa System Improvements.

ANALYSIS:

In 2004, District staff completed a report titled, "North District Modifications Design Report" (2004 Design Report) to address deficiencies in the La Presa transmission system and storage capacity in the North District. Subsequently, in February 2011, staff completed a preliminary design report titled "La Presa System Improvements Project Preliminary Design Report" (2011 PDR) to update portions of the 2004 Design Report and combine the following projects into the current Project:

- Dorchester Reservoir and Pump Station Demolition (current CIP P2370) - The existing 1 MG Dorchester Reservoir has not been used for approximately 10 years. The Dorchester Reservoir was originally designed to store water from the San Diego County Water Authority's Second Aqueduct (Pipeline 3) with the inherent inefficiency of "breaking head" (640 hydraulic grade line) to the Dorchester Reservoir (451 high water level). A pump station located at the Dorchester Reservoir site was then utilized to pump the water to the 590 Pressure Zone. When the Dorchester Reservoir was taken out of service, the Dorchester Pump Station was retrofitted to reduce pressure from the District's existing 640 Pressure Zone to the 590 Pressure Zone. The 590 Pressure Zone currently serves 63 customers. The current Project includes demolition of the 1 MG steel reservoir, building, pump station, vaults, piping, and appurtenances and the construction of a new interconnection located in Dorchester Street. The existing 590 Pressure Zone will become part of the existing 640 Pressure Zone resulting in an approximate 22 psi increase for 63 customers. Once the new interconnection has been constructed and demolition completed, the property may be suitable for sale.
- 850/657 PRS (formerly CIP P2471) - A new pressure reducing station (PRS) will be constructed to replace the existing 657-1 pump station located at the La Presa Pump Station site. Currently, the existing 657-1 pump station draws water from a forebay reservoir (380 elevation) which is fed from Pipeline 3. Once the PRS is constructed, the PRS will become the primary feed for the 657 Pressure Zone. The existing 657-1 Pump Station has reached the end of its useful life and will be removed.

- La Presa Pump Station Demolition (formerly CIP P2357) - The existing 850-1 pump station is no longer in use and the existing 657-1 pump station will no longer be needed after construction of the 850/657 PRS. The work includes demolition of a 0.13 MG forebay reservoir, pump stations, building, chlorine station, SDG&E owned transformer, hydraulic structures, vaults, piping, and appurtenances. The demolition work also includes four disconnections from existing facilities in Jamacha Boulevard including one disconnection from the existing 18-Inch San Diego County Water Authority La Mesa Sweetwater Extension (LMSE) and three disconnections from District facilities.
- Various Interconnections (formerly P2318) - To improve fire flow, system reliability and water quality, four separate interconnections will be made from two transmission mains (the 36-Inch La Presa Transmission Main and a 42-Inch Transmission Main near FCF11) to the distribution system.

Staff prepared the contract documents in-house together with assistance from the District's As-Needed Corrosion and Electrical Consultants.

The Project was advertised for bid on September 12, 2011. A Pre-bid Meeting and site visit were held on September 20, 2011, which was attended by four (4) contractors. One addendum was sent out to all bidders and plan houses on September 28, 2011 to address contractors' questions asked during the bidding period. Staff solicited the interest of contractors that had performed successfully on District projects in the past to encourage them to submit a bid.

Two (2) bids were received on October 4, 2011. The table below provides the bid results.

<u>CONTRACTOR</u>	<u>TOTAL BID AMOUNT</u>
1. NEWest Construction Company, Inc.	\$1,087,000
2. TC Construction Co., Inc.	\$978,995

The Engineer's Estimate is \$750,000.

Staff reviewed the bids submitted for conformance with the contract requirements and determined that TC Construction was the lowest responsive and responsible bidder. TC Construction holds a valid California contractor's license with multiple classifications including A and C21, both in good standing.

Overall, the reference checks indicated a good performance record by TC Construction on similar past projects. Staff has verified the bid bond provided by TC Construction is valid. Staff will also verify TC Construction's performance bond is valid prior to execution of the contract. TC Construction has previously worked with the District on the 450-1 Reservoir/680-1 Pump Station project and the 16-inch and 30-inch 803/850 Transmission Mains project.

Initially, staff estimated the Project scope at \$800,000. However, due to the past favorable bidding conditions since the downturn of the economy, staff advertised the Project construction cost at \$750,000. During the bid process, staff prepared an addendum to the Contract Documents increasing the scope of work by approximately \$50,000 for demolition work at the La Presa Pump Station site (facilities will be completely removed rather than abandoned three-foot or greater below grade) and for additional requirements to facilitate compliance with standards and regulations applicable to demolition of facilities containing lead paint and other hazardous materials. Staff did not increase the Engineer's Estimate for the additional complexity of the Project, again due to the recent experience of receiving low bids 10-20% lower than the Engineer's Estimate.

The \$250,000 budget increase is needed to account for the following modifications made to the design throughout the preliminary and final design and bidding process:

- Characterization of hazardous coatings at the La Presa Reservoir site
- Complete removal rather than abandonment of existing below grade piping and structures to facilitate future sale of the Dorchester property.
- Complete removal rather than abandonment of existing below grade piping and structures to facilitate future improvements and/or partial sale of the La Presa property.
- Refined the disconnect from the San Diego County Water Authority La Mesa Sweetwater Extension (LMSE) per SDCWA's preference and complete removal rather than abandonment of associated LMSE piping in Jamacha Boulevard per the County of San Diego's preference.
- Refined contract requirements to facilitate compliance with standards and regulations applicable to demolition of facilities containing lead paint and other hazardous materials.
- Refined and combined four CIP numbers (P2318, P2357, P2370, P2471) into the current project.

Because only two (2) bids were received, staff contacted several general contractors to inquire as to why they did not bid the Project. A variety of reasons were given and they are shown in the table below:

<u>CONTRACTOR</u>	<u>REASON</u>
1. Falcon General Engineering	Too busy with other project work
2. Spiess Construction Company	Estimator was sick
3. Mladen Buntich Construction	Specialize in large diameter pipe and tunneling rather than this type of work
4. Pacific Hydrotech Corporation	Specialize in tank building and would have subcontracted out all work
5. NEWest Construction Company, Inc.	Submitted bid; commented after bid opening not surprised by the number of bids because of complexity of work and a recent change in the bidding climate
6. TC Construction Co., Inc.	Submitted bid
7. Cass Construction	Very busy; picked up a couple of City of SD jobs; estimators are swamped; they just bid a project for Sweetwater Authority and were the only bidder
8. Arrieta Construction	Busy with a design build project; this Project is right up his alley, but just doesn't have the manpower for the work
9. Burtech Pipeline	Too busy
10. CCL Contracting	No manpower available to meet the Project deadlines

This Project is more complicated than a typical new installation where more production can be achieved such as installing linear pipe. It also involves critical milestones and specialized work components. At the La Mesa Pump Station site, the demolition of the existing facilities must occur during the winter and spring months and the new facilities must be on-line before the higher water demand period begins. The new PRS must be up and running to ensure that the 657 Pressure Zone will have adequate water in the spring and summer. In addition, the pipeline disconnections in Jamacha Boulevard, adjacent to the La Presa site, will need to be completed prior to the County of San Diego road paving work that is currently scheduled for January 2012.

The Project is scheduled to begin in November 2011 and completed in Fiscal Year 2013. Based on the budget forecast (Attachment B), the current budget will need to be increased by \$250,000 to cover all projected costs for the Project.

FISCAL IMPACT:



The FY 2012 budget for CIP P2370 is \$960,000. Total expenditures, plus outstanding commitments and forecast, including this contract, are \$1,210,000. See Attachment B for budget detail.

Based on a review of the financial budget, the Project Manager anticipates that with a budget increase of \$250,000 the Project will be completed within the new budget amount of \$1,210,000.

As a part of the 2013 budget process, the reserve where this CIP is funded from will be assessed and will be allocated the necessary funds at that time. It is anticipated that the actual overall CIP expenditures will be well below the overall CIP budget making sufficient reserves available to fund this budget increase.

STRATEGIC GOAL:

This Project supports the District's Mission statement, "To provide the best quality of water and wastewater services to the customers of Otay Water District, in a professional, effective, and efficient manner." This Project fulfills the District's Strategic Goals No. 1 - Community and Governance, and No. 5 - Potable Water, by maintaining proactive and productive relationships with the Project stakeholders and by guaranteeing that the District will provide for current and future water needs.

LEGAL IMPACT:

None.



General Manager

F:\WORKING\CIP P2370 - Dorchester (see P2471)\MO 300xx\Staff Reports\SD-11-02-2011, Staff Report, La Breaa Sys Dep (JM-RR).doc
JM/RR:jf

Attachments: Attachment A - Committee Action
Attachment B - Budget Detail
Exhibit A - Location Map



ATTACHMENT A

SUBJECT/PROJECT: P2370-001102	Award of a Construction Contract to TC Construction, Inc. for La Presa System Improvements
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COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on October 19, 2011 and the following comments were made:

- Staff requested that the Board authorize an increase to the overall 2011-2012 CIP Budget from \$960,000 to \$1,210,000 and award a Construction Contract to TC Construction, Inc. in the amount of \$978,995 for the La Presa System Improvements Project.
- Staff stated that the project includes work at six (6) separate sites and involves the following:
 - o Demolition of two (2) reservoirs (Dorchester and La Presa Forebay)
 - o Demolition of three (3) pump stations
 - o Construction of the 850/657 pressure reducing station
 - o Construction of five (5) 640 Pressure Zone interconnections
- It was noted that staff prepared the contract documents in-house together with assistance from the District's As-Needed Corrosion and Electrical Consultants.
- Staff discussed the solicitation and bid process and indicated that two (2) bids were received on October 4, 2011. Staff stated that TC Construction submitted the lowest responsive bid and results of the bid process are listed on page 3 of the staff report.
- As a result of only two (2) bids received by the District, staff noted that they contacted several general contractors to obtain some feedback as to why they did not submit bids. A variety of reasons were given in the staff report including:

- o Too busy with existing work
- o Lack of sufficient manpower available for the project
- o Felt that the project was more complex than similar projects where more production could be achieved such as in pipeline construction

The Committee commended staff for their efforts to obtain feedback as to why other general contractors did not submit bids.

- Staff stated that the initial Engineer's Estimate including the work added in Addendum 1 was \$850,000. However, with the past bids coming in at 10-20% lower than the Engineer's Estimate, staff lowered the Project Engineer's Estimate to \$750,000 in the bid advertisement to account for the present economic conditions. The \$250,000 budget increase is needed to account for the several items of work added during the design process including:
 - o Complete removal rather than abandonment of existing facilities to facilitate future improvements and/or future sale of property.
 - o Refined the disconnect from the SDCWA La Mesa Sweetwater Extension (LMSE) facility per SDCWA's preference and complete removal rather than abandonment of associated LMSE piping in Jamacha Boulevard per the County of San Diego's preference.
 - o Field testing of hazardous coatings at the La Presa Reservoir site
 - o Refined contract requirements related to hazardous materials
- The Committee inquired about staff's proposal to combine so many projects under one (1) project instead of individually. Staff stated that they combined the different projects to save money and streamline the contract process. In addition, there is a similarity in work for all of the projects. All the work is necessary and is directly related to the implementation of the new 640 Pressure Zone which includes the two 640 regulatory reservoirs and the Jamacha Pipeline.
- Staff noted that they had considered removing Site 1 from the Project to stay within the District's CIP budget. However, they believe that expediting the work for Site 1 to collaborate with the County of San Diego's project would be more efficient, save the District money, and cause less impact to the community within the Jamacha Blvd. area.

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



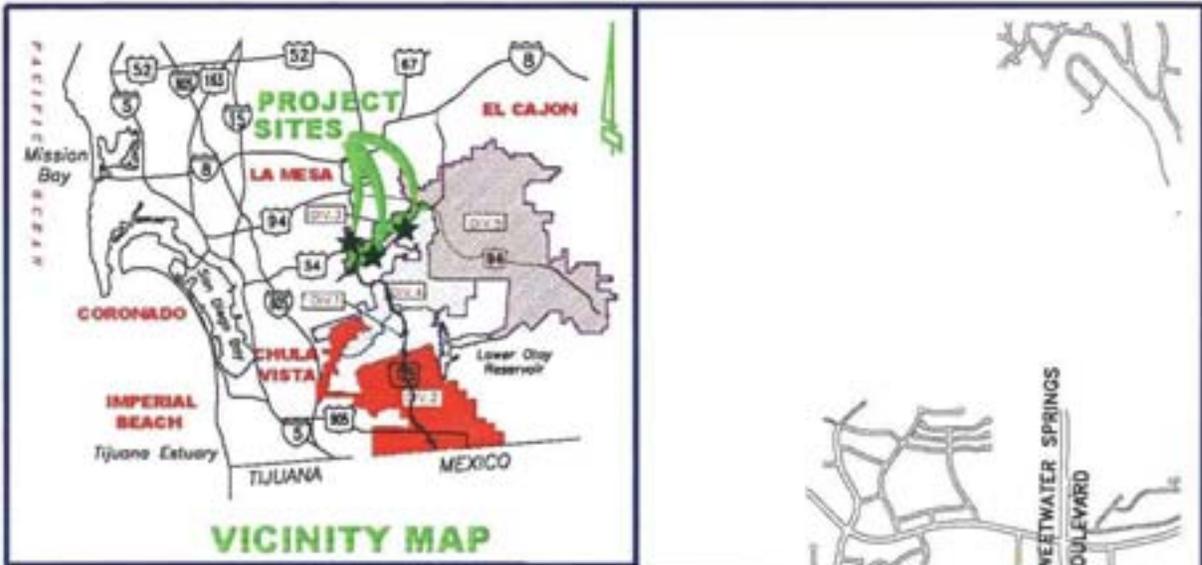
ATTACHMENT B

SUBJECT/PROJECT: P2370-001102	Award of a Construction Contract to TC Construction, Inc. for La Presa System Improvements
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Otay Water District
P2370 - Res - Dorchester Res & PS Demolition

Date Updated: October 06, 2011

<i>Budget</i>	<i>Committed</i>	<i>Expenditures</i>	<i>Outstanding Commitment & Forecast</i>	<i>Projected Final Cost</i>	<i>Vendor/Comments</i>
1,210,000					
Planning					
Labor	1,919	1,919	-	1,919	
Regulatory Agency Fees	50	50	-	50	PETTY CASH CUSTODIAN
Service Contracts	204	204	-	204	US BANK CORPORATE PAYMENT
Total Planning	2,173	2,173	-	2,173	
Design					
Labor	78,045	78,045	-	78,045	
Consultant Contracts	1,285	1,285	-	1,285	ALTA LAND SURVEYING INC
	1,330	1,330	-	1,330	V & A CONSULTING ENGINEERS
Construction Contracts	2,687	2,687	-	2,687	CPM PARTNERS INC
Service Contracts	304	304	-	304	SAN DIEGO UNION-TRIBUNE LLC
	76	76	-	76	SAN DIEGO DAILY TRANSCRIPT
Total Design	83,728	83,728	-	83,728	
Construction					
Labor	70,384	1,119	69,265	70,384	
Construction Contracts	978,995		978,995	978,995	TC CONSTRUCTION INC
Contingency (3%)	29,370		29,370	29,370	
Closeout	5,000		5,000	5,000	
Air Monitoring	10,000		10,000	10,000	To be determined
Meter Relocations	30,350		30,350	30,350	PACIFIC METER SERVICES
Total Construction	1,124,099	1,119	1,122,980	1,124,099	
Grand Total	1,210,000	87,020	1,122,980	1,210,000	



OTAY WATER DISTRICT

LA PRESA
SYSTEM IMPROVEMENTS

CIP P2370

EXHIBIT A



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	James Cudlip, Finance Manager <i>J. Cudlip</i>	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration <i>G. Alvarez</i>		
SUBJECT:	Approve the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2011		

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, 2011.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To inform the Board of the significant financial events which occurred during the fiscal year ended June 30, 2011 as reflected in the audited financial statements.

ANALYSIS:

Diehl, Evans & Company, LLP, 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. However, there were specific findings and comments concerning internal controls, and financial statement adjustments that were made during the audit, which are presented in their "Management Letter" (Attachment C) and the "Audit Committee Letter" (Attachment D).

Total Assets:

Total assets decreased by \$6.0 million or 1.00% during Fiscal Year 2010, to \$598.5 million, due primarily to the write-off of fixed assets that were no longer serviceable, and several CIP

projects that were no longer viable as a part of the District's long range plans for growth and improvements to infrastructure.

Total Liabilities & Net Assets:

Total liabilities decreased by approximately \$4.2 million or 3.00% from the previous fiscal year, to \$138.9 million. This is attributable to a combination of a decrease in long-term debt of \$2.7 million, and a decrease in accounts payable of \$2.3 million. Fluctuations of this magnitude are expected given the nature of accounts payable, and result from the timing of large payments to vendors and other third parties.

The decrease in total assets of \$6.0 million, along with the decrease in total liabilities of \$4.3 million, yields a decrease in net assets (equity) of \$1.7 million or 0.38%, to \$459.6 million.

Capital Contributions:

Capital contributions totaled \$8.0 million during Fiscal Year 2011, a decrease of \$0.8 million or 9.22% from Fiscal Year 2010 contributions. This decrease is mainly due to the District receiving more federal grant monies than expected in the prior year, as a result of last minute availability of funds from the federal budget.

Results of Operations:

Operating revenues increased \$2.4 million or 3.89%, mainly as a result of the overall increase in water rates from the prior fiscal year.

While cost of water sales increased \$2.7 million or 6.84% due to the increase in CWA water costs, cost savings achieved in other areas were sufficient to keep total operating expenses from rising significantly compared to the prior fiscal year.

Non-Operating Revenues & Expenses:

Non-operating revenues were virtually unchanged from the prior fiscal year, at \$8.8 million for 2011 versus \$8.9 million for 2010. While there was a decrease in investment income of almost \$500,000 due to a continuing drop in rates of investment securities, this was offset by income received from the federal subsidy of interest expenses related to the 2010 Water Revenue Bonds.

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 identified two specific deficiencies in accounting procedure internal controls that they considered to be material weaknesses. These findings and management's responses are in 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.

The auditors proposed four journal entry adjustments during the audit to ensure the financial statements were in conformity with all generally accepted accounting principle (GAAP) guidelines, all of which were completed by management and incorporated in the final account balances at June 30, 2011. One additional, late finding was not booked, as management and the auditors agreed the affect was immaterial to the financial statements taken as a whole.

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, disclosed no exceptions to compliance with the District's Investment Policy. See Attachment E.

FISCAL IMPACT:

None.

STRATEGIC OUTLOOK:

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.

General Manager

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, 2011
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COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting on October 19, 2011 and the following comments were made:

- Messrs. Nitin Patel and David Foreman, of Diehl Evans & Company, LLP (DEC), attended to present the results of the audit of Fiscal Year Ended June 30, 2011.
- DEC's audit of Fiscal Year Ended June 30, 2011 resulted in an unqualified opinion. This is the highest level of "opinion" which is commonly known as a "clean" opinion and they found no material errors.
- Staff presented some highlights from the audit that included:
 - Total assets decreased \$6 million. This is partially due to staff completing an extensive review of assets and identifying some assets that have been fully depreciated, but were never removed from the books. Also, as the economy has slowed, the District has been reducing its CIP which no longer requires the District to have as much cash on hand to cover CIP expenditures.
 - Total liabilities decreased \$4.2 million as the District has paid down debt by \$2.7 million and accounts payable has decreased by \$2.3 million.
 - Operating Expenses and Revenues have increased due to the higher cost of water from the District's wholesalers and increased rates respectively.
 - Non-Operating Revenues and Capital Contributions are similar to last year.
- One of the areas that the auditor reviews is internal controls. It was discussed that the District has not had a management letter for a number of years and this year the auditors have issued a management letter to the audit committee. In their letter they identified two (2) issues with regard to internal controls:

- Journal entry process: Sr. Accountants have the ability to create and post entries, though they are not authorized to do both. Over a two-year period (approximately 6000 entries), two occasions were identified where a Sr. Accountant created an entry and posted it. In both cases, the Sr. Accountant had found an error that another employee had made and reversed the error and posted the correction. The auditors indicated that the District's process was fine, if the District had a way to identify that the process is being followed.

Staff has implemented a new process which was reviewed with the auditors and they have agreed that the new verification process is sound. The District should not have this issue again in future.

- Bank reconciliation process: Customer bill payments were double posted to the District's general ledger in error. One way in which this can happen is when a customer, while making an online bill payment, hits the payment button twice. This generates two payment postings. When this occurs, the credit card company will notify the District of a possible duplicate payment and the District, if the payment is identified as a double payment, will advise the credit card company to process only one payment. However, the double payment is automatically forwarded to the general ledger and both payments are posted, one correctly and one in error. There were no monies lost, but this does create an accounting error. The auditors indicate that the District's controls should catch this double posting. An improvement to the monthly reconciliation process was implemented to capture any credit card errors, such as these double entries.
- In addition to the management letter, the auditors will list any adjustments that they recommend with regard to accounting transactions. DEH identified four transactions requiring adjustments:
 - Related to the above bank reconciliation process where double payments were received from on-line bill payments which then created a double general ledger entry, these double entries were corrected.

- Adjustments were made related to when and how Capital Projects are booked as fixed assets or expense. Based on discussions with the District's Engineering Department, staff identifies how and when a Capital Project is closed out to an asset or possibly an expense. As a result of further discussions with the auditors, a number of Capital Projects were closed out earlier than they otherwise would have been. Some to fixed assets, and some, because it was determined that they would not directly contribute to a future facility, were closed to expense. An additional entry was required to adjust capitalized interest. This adjustment was necessary because the value of Capital Projects remaining in work-in-process had changed.
- The final adjustment was related to reimbursements received from Caltrans. The facilities were booked at the net value and they should have been booked at gross value.
- Staff indicated that an entry was found related to the estimate of capital costs from the Spring Valley Sanitation District. As this item was found late in the audit process, and it was considered immaterial to the financial statements as a whole, an adjustment was not made.
- Mr. Patel noted that their firm has just merged with another CPA firm and their firm's new name is White Nelson Diehl Evans, LLP. He stated that his firm has issued:
 - Their opinion on the District's Financial Statements
 - Report on Internal Controls, Financial Reporting and Compliance in Accordance with Government Auditing Standards
 - o This report indicates the two recommendations to improve internal controls
 - Report on Communications with those in Charge of Governance
 - o It specifically reports the general ledger adjustments their firm recommended as a result of their audit.
- DEC indicated that they compared the 2010 and 2011 Financial Statements. He stated that their responsibility as auditor is to express their opinion on the District's Financial Statements. DEC stated that they have issued an unqualified

opinion and indicated that the District's Financial Statements represent fairly the financial position of the Otay Water District in accordance with generally accepted accounting standards.

- DEC stated that did not encounter any difficulties in performing the audit.
- The committee inquired how much of the water in the District's pipelines is tracked/identified as an asset. The District has been booking the water, both in the tanks and in the pipes, as an asset since 2005. As of June 30, 2011, the value of the District's water, both potable and reclaimed, is \$336,645.
- The committee indicated that it is good to know that the system is working in that the audit identified some minor areas where improvements could be made. They were pleased with the unqualified opinion and were very proud of the District's Finance Division and the awards that they have received.

Following the discussion, the committee 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, 2011 AND 2010



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JUNE 30, 2011 and 2010

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October 13, 2011

INDEPENDENT AUDITORS' REPORT

Board of Directors
Otay Water District
Spring Valley, California

We have audited the accompanying basic financial statements of Otay Water District as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Otay Water District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Otay Water District as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, PERS Defined Benefit Pension Plan – schedule of funding progress, and other post-employment benefit plan – schedule of funding progress, as identified in the accompanying table of contents 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.

White Nelson Diehl Evans LLP



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, 2011. 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 of the District exceeded its liabilities at the close of the most recent fiscal year by \$459.6 million (*net assets*). Of this amount, \$77.0 million (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$1.7 million, after a prior period adjustment of an additional \$1.3 million decrease. This is primarily attributable to the write off of selected Fixed Assets identified as no longer serviceable, and several CIP projects that were no longer viable as a part of the District's long range plans for growth.

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) Statement of Net Assets, 2) Statement of Revenues, Expenses and Changes in Net Assets, 3) Statement 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 *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 *Statement 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.

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 earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$459.6 million at the close of the most recent fiscal year.

By far the largest portion of the District's net assets, \$377.7 million (82%), 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 net of related debt, it should be noted that the resources needed to repay this 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 Assets (In Millions of Dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current and Other Assets	\$ 124.1	\$ 135.3	\$ 96.8
Capital Assets	<u>474.4</u>	<u>469.2</u>	<u>454.1</u>
Total Assets	<u>598.5</u>	<u>604.5</u>	<u>550.9</u>
Liabilities			
Long-Term Debt Outstanding	114.5	117.7	69.1
Other Liabilities	<u>24.4</u>	<u>25.5</u>	<u>21.5</u>
Total Liabilities	<u>138.9</u>	<u>143.2</u>	<u>90.6</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	377.7	375.9	382.4
Restricted for Debt Service	4.9	5.2	1.8
Unrestricted	<u>77.0</u>	<u>80.2</u>	<u>76.1</u>
Total Net Assets	<u>\$ 459.6</u>	<u>\$ 461.3</u>	<u>\$ 460.3</u>

While the District's operations and population continue to grow, albeit at slower rates than in prior years, the pattern of reduced growth of the District's Net Assets is indicative of the reduction in new development projects within the District. This reduction is a result of the ongoing national housing slump and financial crisis.

In response to this prolonged business slowdown, during FY-2011 the District performed a review of Fixed Assets throughout the system and wrote off \$2.9 million of fully depreciated Property, Plant & Equipment that was no longer serviceable or functioning efficiently. Additionally, Engineering Department completed an analysis of several Construction in Progress projects that were still in the developmental stages and determined they were no longer viable as a part of the District's long range plan for growth and improvements to infrastructure. This resulted in current expenses of \$1.2 million in accumulated charges from the current year, and a prior period adjustment of \$1.3 million. For the entire financial reporting period, Fiscal Years 2011 and 2010, total Net Assets decreased approximately \$1.7 million for FY-2011, to \$459.6 million, as compared to FY-2010 when Net Assets increased by \$1.0 million.

At the end of FY-2011 the District is able to report positive balances in all categories of net assets. This situation also held true for the prior two fiscal years.

In FY-2010 the District issued of \$51.2 million of new Water Revenue Bonds, contributing to the increase in Current and Other Assets of \$38.5 million, and the increase in Long-Term Debt Outstanding of \$48.6 million. (See Note 3 in the Notes to Financial Statements). The use of the 2010 Water Revenue Bonds is also reflected in the increase in Capital Assets of \$15.1 million, as the District continued its CIP program. (See Note 3 in the Notes to Financial Statements). These funds continued to be used in FY-2011, as seen by the decrease in Current and Other Assets of \$11.2 million, which was offset by a corresponding increase in Capital Assets of \$5.2 million and a decrease in Long-Term Debt of \$3.2 million.



Management's Discussion and Analysis

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Water Sales	\$ 58.3	\$ 56.3	\$ 52.4
Wastewater Revenue	2.4	2.3	2.2
Connection and Other Fees	2.5	2.1	2.5
Non-operating Revenues	<u>8.8</u>	<u>8.9</u>	<u>14.0</u>
Total Revenues	<u>72.0</u>	<u>69.6</u>	<u>71.1</u>
Depreciation Expense	13.9	13.3	12.5
Other Operating Expense	63.4	59.8	59.0
Non-operating Expense	<u>4.3</u>	<u>3.0</u>	<u>3.1</u>
Total Expenses	<u>81.6</u>	<u>76.1</u>	<u>74.6</u>
Loss Before Capital Contributions	(9.6)	(6.5)	(3.5)
Capital Contributions	<u>7.8</u>	<u>8.8</u>	<u>7.0</u>
Change in Net Assets	(1.7)	2.3	3.5
Prior Period Adjustment		(1.3)	
Beginning Net Assets	<u>461.3</u>	<u>460.3</u>	<u>456.8</u>
Ending Net Assets	<u>\$ 459.6</u>	<u>\$ 461.3</u>	<u>\$ 460.3</u>

Water Sales increased by \$3.9 million in FY-2010 and \$2.0 million in FY-2011, mainly due rate increases in both years, and offset by reduced rainfall during FY-2010. The slowdown in growth throughout the District was also reflected in the decrease in Connection and Other Fees of \$0.4 million in FY-2010, followed by a slight increase of \$0.2 million in FY-2011.

In FY-2010, Non-operating Revenues decreased by \$5.1 million due to a combination of factors. First, there was a decrease in investment income due to a continuing drop in rates on investment securities. Also, in FY-2009 the District received a large, one-time legal settlement as a member of a class action lawsuit against a major supply vendor. Finally, in FY-2009 the District brought in capacity fee revenue to offset the write-off of a capital asset project that was deemed no longer economically viable for continued operations.

Other Operating Expense has increased predominantly due to the increase in Cost of Water Sales, from a combination of the increased price-per-acre-foot of water obtained from Los Angeles Metropolitan Water District of 7.5%, and 7.7% from San Diego County Water Authority, brought on by the high cost of supply programs as well as higher energy and operating costs.

Due to the nationwide housing mortgage crisis throughout the last several years, developers have either slowed-down or totally stopped work on many projects until economic conditions improve and the demand for growth returns. This has resulted in Capital Contributions remaining low over the last 3-years, compared to the extended growth of the previous 10-years. While this slowdown now appears to have stabilized, the District was aided in its Capital Contributions through the receipt of additional federal grant monies of \$2.2 million in FY-2010, and \$1.6 million in FY-2011, due to last minute availability of funds from the federal budget.



Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. The District's capital assets as of June 30, 2011, totaled \$474.4 million (net of accumulated depreciation). Included in this amount is land. The total increase in the District's capital assets was 3.3% for FY-2010 and 1.1% in FY-2011.

Capital Assets (In Millions of Dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 13.6	\$ 13.6	\$ 13.4
Construction in Progress	17.9	35.2	18.3
Water System	441.9	409.5	403.1
Recycled Water System	98.3	97.7	96.8
Sewer System	37.7	37.4	37.2
Field Equipment	9.8	9.5	9.5
Buildings	18.5	18.5	18.2
Transportation Equipment	3.2	3.3	3.3
Communication Equipment	2.4	1.3	0.8
Office Equipment	<u>17.3</u>	<u>18.4</u>	<u>17.4</u>
	660.6	644.4	618.0
Less Accumulated Depreciation	<u>(186.2)</u>	<u>(175.2)</u>	<u>(163.9)</u>
Net Capital Assets	<u>\$ 474.4</u>	<u>\$ 469.2</u>	<u>\$ 454.1</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 3 of the Notes to Financial Statements.

Long-Term Debt. At June 30, 2011, the District had \$114.6 million in outstanding debt which consisted of the following:

General Obligation Bonds	\$ 6.3
Certificates of Participation	57.9
Revenue Bonds	<u>50.4</u>
Total Long-Term Debt	<u>\$ 114.6</u>

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



Management's Discussion and Analysis

Fiscal Year 2011-2012 Budget

Economic Factors

Growth in the San Diego area has slowed over the last 3 years, and demand for housing is reflected in a similarly reduced pace. Water sales volumes have gradually decreased as a result of a combination of the slowing economy and expanded efforts to promote water conservation. The coming years will continue to pose challenges for those in California's water community and customers. While the State of California received a greater than normal amount of rainfall this year, federal court orders continue to curtail water deliveries from Northern California due to environmental factors in the Sacramento-San Joaquin Bay Delta, and the uncertainty of Colorado River water deliveries continues. In addition, the political situation in the State Capitol has made it difficult to find the compromise necessary to address the environmental challenges in the Delta, which brings added uncertainty to the delivery of water through the State Water Project. The combination of these factors will add to the cost of providing water.

The District currently provides water service to about 72% of its total projected future population, serving approximately 206,500 people. Long-term, this percentage should continue to increase as the District's service area continues to develop and grow. Ultimately, the District is projected to serve approximately 285,000 people, with an average daily demand of 26 million gallons per day (MGD). Currently, the District services the needs of this growing population by purchasing water from CWA, who in turn purchases its water from 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 and the Helix Water District (HWD), by 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 this, 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 projected to deliver approximately 28,950 acre-feet of potable water to 48,370 potable customer accounts during Fiscal Year 2011-2012. Management feels that these projections are very realistic after accounting for low growth, supply changes, and a focus on conservation. Current economic conditions throughout America have created an unprecedented uncertainty for business and economic projections in the current fiscal year. The nationwide housing mortgage crisis has resulted in hundreds of foreclosures throughout the District. Additionally, the crisis in the banking and financial industry has had a ripple effect of employee layoffs across a wide swath of the business community. One of the subsequent results of these two broad events is the relocation of many homeowners and renters into new housing arrangements throughout San Diego County. Even with the housing pattern changes throughout the District, people's need for water remains an underlying constant. Staff continues working diligently on developing new water supplies as it addresses the financial impacts of conservation, preparing for the possibility of a continued water shortage and prolonged sales reductions.

Management is unaware of any other conditions that could have a significant impact on the District's current financial position, net assets 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, taxpayers, 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 ASSETS

JUNE 30, 2011 AND 2010

	2011	(As Restated) 2010
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 48,563,129	\$ 40,180,519
Restricted cash and cash equivalents (Notes 1 and 2)	5,239,430	21,131,924
Investments (Note 2)	28,691,752	43,085,300
Restricted investments (Notes 1 and 2)	20,622,679	11,150,549
Accounts receivable, net	9,235,138	8,959,367
Accrued interest receivable	180,113	239,355
Taxes and availability charges receivable, net	454,948	366,535
Restricted taxes and availability charges receivable, net	75,588	186,813
Inventories	835,321	954,007
Prepaid expenses and other current assets	1,189,206	626,421
	<u>115,087,304</u>	<u>126,880,790</u>
Total Current Assets		
Noncurrent Assets:		
Net OPEB asset (Note 8)	<u>7,416,346</u>	<u>6,783,385</u>
Deferred bond issuance costs (Note 4)	<u>1,618,069</u>	<u>1,703,282</u>
Capital Assets (Note 3):		
Land	13,636,663	13,620,963
Construction in progress	17,909,282	35,179,104
Capital assets, net of depreciation	<u>442,881,020</u>	<u>420,363,833</u>
	<u>474,426,965</u>	<u>469,163,900</u>
Total capital assets, net of depreciaton		
Total Noncurrent Assets	<u>483,461,380</u>	<u>477,650,567</u>
Total Assets	<u>598,548,684</u>	<u>604,531,357</u>

See accompanying independent auditors' report and notes to financial statements.

(Continued)



STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>(As Restated) 2010</u>
LIABILITIES		
Current Liabilities:		
Current maturities of long-term debt (Note 5)	3,146,010	2,668,734
Accounts payable	13,000,560	15,327,365
Accrued payroll liabilities	2,932,277	2,743,408
Other accrued liabilities	739,868	638,015
Customer deposits	2,105,187	2,146,360
Accrued interest	1,656,826	1,154,286
Liabilities Payable From Restricted Assets:		
Restricted accrued interest	86,405	100,326
Total Current Liabilities	<u>23,667,133</u>	<u>24,778,494</u>
Noncurrent Liabilities:		
Long-term debt (Note 5):		
General obligation bonds	6,298,577	6,763,127
Certificates of participation	57,865,531	59,694,612
Revenue bonds	50,395,822	51,255,224
Notes payable	-	6,010
Other noncurrent liabilities	715,037	684,309
Total Noncurrent Liabilities	<u>115,274,967</u>	<u>118,403,282</u>
Total Liabilities	<u>138,942,100</u>	<u>143,181,776</u>
NET ASSETS		
Invested in capital assets, net of related debt	377,656,762	375,953,042
Restricted for debt service	4,915,555	5,192,111
Unrestricted	77,034,267	80,204,428
Total Net Assets	<u>\$ 459,606,584</u>	<u>\$ 461,349,581</u>

See accompanying independent auditors' report and notes to financial statements.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>(As Restated) 2010</u>
OPERATING REVENUES		
Water sales	\$ 58,293,184	\$ 56,249,816
Wastewater revenue	2,396,385	2,299,585
Connection and other fees	2,514,647	2,137,280
Total Operating Revenues	<u>63,204,216</u>	<u>60,686,681</u>
OPERATING EXPENSES		
Cost of water sales	42,029,819	39,338,495
Wastewater	2,592,823	2,169,988
Administrative and general	18,763,380	18,320,362
Depreciation	13,880,206	13,297,497
Total Operating Expenses	<u>77,266,228</u>	<u>73,126,342</u>
Operating Income (Loss)	(14,062,012)	(12,439,661)
NONOPERATING REVENUES (EXPENSES)		
Investment income	854,440	1,323,844
Taxes and assessments	3,895,938	3,973,328
Availability charges	653,012	670,784
Gain (loss) on sale of capital assets	55,300	(143,086)
Miscellaneous revenues	3,304,963	2,921,016
Donations	(120,648)	(100,240)
Interest expense	(3,877,531)	(2,404,530)
Miscellaneous expenses	(312,649)	(303,541)
Total Nonoperating Revenues (Expenses)	<u>4,452,825</u>	<u>5,937,575</u>
Income (Loss) Before Capital Contributions	(9,609,187)	(6,502,086)
Capital Contributions	<u>7,866,190</u>	<u>8,839,892</u>
Changes in Net Assets	(1,742,997)	2,337,806
Total Net Assets, Beginning, as originally stated	461,349,581	460,344,871
Prior period adjustment	-	(1,333,096)
Total Net Assets, Beginning, as restated	<u>461,349,581</u>	<u>459,011,775</u>
Total Net Assets, Ending	<u>\$ 459,606,584</u>	<u>\$ 461,349,581</u>

See accompanying independent auditors' report and notes to financial statements.



STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	(As Restated) 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 60,372,625	\$ 56,959,013
Receipts from connections and other fees	2,514,647	2,137,280
Other receipts	2,119,390	1,837,028
Payments to suppliers	(47,028,888)	(36,816,755)
Payments to employees	(19,439,549)	(18,659,239)
Other payments	(269,198)	(831,391)
Net Cash Provided (Used) by Operating Activities	<u>(1,730,973)</u>	<u>4,625,936</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from taxes and assessments	3,918,750	4,023,131
Receipts from property rents and leases	1,185,573	1,083,988
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>5,104,323</u>	<u>5,107,119</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital contributions	7,386,617	7,717,207
Proceeds from sale of capital assets	81,220	94,118
Proceeds from debt related taxes and assessments	653,012	670,784
Net proceeds from issuance of long-term debt	-	57,826,816
Retirements of long-term debt	-	(7,231,011)
Principal payments on long-term debt	(2,668,734)	(2,521,772)
Interest payments and fees	(4,696,309)	(2,477,158)
Acquisition and construction of capital assets	(17,474,142)	(28,420,368)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(16,718,336)</u>	<u>25,658,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	945,888	1,336,944
Proceeds from sale and maturities of investments	114,918,280	53,997,000
Purchase of investments	(110,029,066)	(81,997,040)
Net Cash Provided (Used) by Investing Activities	<u>5,835,102</u>	<u>(26,663,096)</u>
Net Increase (Decrease) in Cash and cash equivalents	(7,509,884)	8,728,575
Cash and cash equivalents, Beginning	<u>61,312,443</u>	<u>52,583,868</u>
Cash and cash equivalents, Ending	<u>\$ 53,802,559</u>	<u>\$ 61,312,443</u>

See accompanying independent auditors' report and notes to financial statements.

(Continued)



STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	(As Restated) 2010
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ (14,062,012)	\$ (12,439,661)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	13,880,206	13,297,497
Miscellaneous revenues	2,119,390	1,837,028
Miscellaneous expenses	(269,198)	(261,742)
(Increase) decrease in accounts receivable	(275,771)	(929,758)
(Increase) decrease in inventory	118,686	(137,142)
(Increase) decrease in net OPEB asset	(632,961)	(578,509)
(Increase) decrease in prepaid expenses and other current assets	(562,785)	349,624
Increase (decrease) in accounts payable	(2,326,805)	3,761,412
Increase (decrease) in accrued payroll and related expenses	188,869	194,677
Increase (decrease) in other accrued liabilities	101,853	193,140
Increase (decrease) in customer deposits	(41,173)	(660,630)
Increase (decrease) in prepaid capacity fees	30,728	-
Net Cash Provided (Used) By Operating Activities	<u>\$ (1,730,973)</u>	<u>\$ 4,625,936</u>
Schedule of Cash and Cash Equivalents:		
Current assets:		
Cash and cash equivalents	\$ 48,563,129	\$ 40,180,519
Restricted cash and cash equivalents	5,239,430	21,131,924
Total Cash and Cash Equivalents	<u>\$ 53,802,559</u>	<u>\$ 61,312,443</u>
Supplemental Disclosures:		
Non-cash Investing and Financing Activities Consisted of the Following:		
Contributed Capital for Water and Sewer System	\$ 479,573	\$ 1,122,685
Change in Fair Value of Investments and Recognized Gains/Losses	(73,092)	230,747
Amortization Related to Long-Term Debt	164,101	142,039

See accompanying independent auditors' report and notes to financial statements.



NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

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.

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 Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

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

Invested in Capital Assets, Net of Related Debt

This component of net assets 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 asset, 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 invested in capital assets, net of related debt.

Restricted Net Assets

This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This component of net asset consists of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

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

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

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 directly 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 \$58,948 and \$61,483 at June 30, 2011 and 2010, respectively.

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 Statement of Revenues and Expenses and Changes in Net Assets.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

The District has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

C) Statement of Cash Flows

For purposes of the Statement 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.

D) Investments

The District's investments are stated at fair value, except for short-term investments, which are reported at cost, which approximates fair value. Investments in governmental investment pools are reported on the fair value per share of the pool's underlying portfolio.

E) Inventory and Prepays

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.

F) 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 year ending June 30, 2011 of \$1,215,476 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.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

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

F) Capital Assets - Continued

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

G) Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and sick leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time-off or payment upon termination or retirement.

H) Restricted Assets and Liabilities

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

I) 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 collectability of existing specific accounts. The allowance for doubtful accounts were \$148,047 and \$12,937 for 2011 and 2010 respectively.

J) 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 and liabilities 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.

K) 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.

L) Reclassifications

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



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

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:

Statement of Net Assets:		<u>2011</u>	<u>2010</u>
Current Assets			
Cash and Cash Equivalents	\$	48,563,129	\$ 40,180,519
Restricted Cash and Cash Equivalents		5,239,430	21,131,924
Investments		28,691,752	43,085,300
Restricted Investments		20,622,679	11,150,549
Total Cash and Investments	\$	103,116,990	\$ 115,548,292

Cash and Investments consist of the following:

		<u>2011</u>	<u>2010</u>
Cash on Hand	\$	2,950	\$ 2,800
Deposits with Financial Institutions		981,696	4,158,859
Investments		102,132,344	111,386,633
Total Cash and Investments	\$	103,116,990	\$ 115,548,292

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio⁽¹⁾</u>	<u>Maximum Investment In One Issuer</u>
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.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

2) CASH AND INVESTMENTS - Continued

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 rate risk is by purchasing a combination of shorter term and longer term investments 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, 2011 and 2010.

June 30, 2011

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	\$ 49,263,245	\$ -	\$21,821,835	\$27,441,411	\$ -
Local Agency Investment Fund (LAIF)	35,876,620	35,876,620	-	-	-
Corporate Medium-Term Notes	-	-	-	-	-
San Diego County Pool	16,992,479	16,992,479	-	-	-
Total	\$102,132,344	\$52,869,099	\$21,821,835	\$27,441,411	\$ -

June 30, 2010

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	\$ 53,911,225	\$ -	\$21,801,325	\$32,109,900	\$ -
Local Agency Investment Fund (LAIF)	34,561,668	34,561,668	-	-	-
Corporate Medium-Term Notes	4,062,740	4,062,740	-	-	-
San Diego County Pool	18,851,000	18,851,000	-	-	-
Total	\$111,386,633	\$57,475,408	\$21,801,325	\$32,109,900	\$ -



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

2) CASH AND INVESTMENTS - Continued

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, 2011 and 2010 for each investment type.

June 30, 2011

Investment Type		Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
U.S. Government Sponsored Entities	\$ 49,263,245	N/A	\$49,263,246	\$ -	\$ -
Local Agency Investment Fund (LAIF)	35,876,620	N/A	-	-	35,876,620
San Diego County Pool	<u>16,992,479</u>	N/A	<u>-</u>	<u>-</u>	<u>16,992,479</u>
Total	<u>\$102,132,344</u>		<u>\$49,263,246</u>	<u>\$ -</u>	<u>\$52,869,099</u>

June 30, 2010

Investment Type		Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
U.S. Government Sponsored Entities	\$ 53,911,225	N/A	\$53,911,225	\$ -	\$ -
Local Agency Investment Fund (LAIF)	34,561,668	N/A	-	-	34,561,668
Corporate Medium-Term Notes	4,062,740	A	-	4,062,740	-
San Diego County Pool	<u>18,851,000</u>	N/A	<u>-</u>	<u>-</u>	<u>18,851,000</u>
Total	<u>\$111,386,633</u>		<u>\$53,911,225</u>	<u>\$ 4,062,740</u>	<u>\$53,412,668</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

2) CASH AND INVESTMENTS - Continued

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, 2011 and 2010 are as follows:

June 30, 2011

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Entities	\$ 17,791,131
Federal Home Loan Mortgage Corp	U.S. Government Sponsored Entities	\$ 25,827,735
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 5,644,380

June 30, 2010

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Entities	\$ 20,044,400
Federal Home Loan Mortgage Corp	U.S. Government Sponsored Entities	\$ 11,791,825
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 22,075,000

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 that are in the possession of another party. The California Government Code and the Entity'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, 2011, \$1,308,661 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2010, \$819,689 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

2) CASH AND INVESTMENTS - Continued

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 a pooled investment fund program governed by the County of San Diego Board of Supervisors, and administered by the County of San Diego Treasurer 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, CA 92101.

Collateral for Deposits

All cash and Certificates of Deposit are entirely insured or collateralized.

Under the provisions of the California Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

The District may waive the 110% collateral requirement for deposits which are insured up to \$250,000 by the FDIC.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

3) CAPITAL ASSETS

The following is a summary of changes in Capital Assets for the year ended June 30, 2011:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance
Capital Assets, Not Depreciated				
Land	\$ 13,620,963	\$ 15,700	\$ -	\$ 13,636,663
Construction in Progress	35,179,104	18,141,296	(35,411,118)	17,909,282
Total Capital Assets Not Depreciated	48,800,067	18,156,996	(35,411,118)	31,545,945
Capital Assets, Being Depreciated				
Infrastructure	544,533,985	33,440,219	(47,686)	577,926,518
Field Equipment	9,529,558	489,019	(170,768)	9,847,809
Buildings	18,451,132	-	-	18,451,132
Transportation Equipment	3,278,692	347,077	(448,082)	3,177,687
Communication Equipment	1,335,820	1,023,223	-	2,359,043
Office Equipment	18,430,388	1,123,775	(2,221,197)	17,332,966
Total Capital Assets Being Depreciated	595,559,575	36,423,313	(2,887,733)	629,095,155
Less Accumulated Depreciation:				
Infrastructure	146,106,000	11,507,589	(47,686)	157,565,903
Field Equipment	8,685,579	104,372	(170,768)	8,619,183
Buildings	6,475,141	436,150	-	6,911,291
Transportation Equipment	2,477,854	203,715	(431,147)	2,250,422
Communication Equipment	468,548	175,469	-	644,017
Office Equipment	10,982,620	1,452,911	(2,212,212)	10,223,319
Total Accumulated Depreciation	175,195,742	13,880,206	(2,861,813)	186,214,135
Total Capital Assets Being Depreciated, Net	420,363,833	22,543,107	(25,920)	442,881,020
Total Capital Assets, Net	\$ 469,163,900	\$ 40,700,103	\$ (35,437,038)	\$ 474,426,965

Depreciation expense for the years ended June 30, 2011 and 2010 was \$13,880,206 and \$13,297,497, respectively.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

3) CAPITAL ASSETS (Continued)

The following is a summary of changes in Capital Assets for the year ended June 30, 2010:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance (As Restated)
Capital Assets, Not Depreciated				
Land	\$ 13,402,840	\$ 280,065	\$ (61,942)	\$ 13,620,963
Construction in Progress	16,947,182	28,300,354	(10,068,432)	35,179,104
Total Capital Assets Not Depreciated	30,350,022	28,580,419	(10,130,374)	48,800,067
Capital Assets, Being Depreciated				
Infrastructure	537,188,394	8,508,856	(1,163,265)	544,533,985
Field Equipment	9,473,571	422,577	(366,590)	9,529,558
Buildings	18,165,527	299,465	(13,860)	18,451,132
Transportation Equipment	3,284,639	325,228	(331,175)	3,278,692
Communication Equipment	787,358	548,462	-	1,335,820
Office Equipment	17,403,147	1,362,848	(335,607)	18,430,388
Total Capital Assets Being Depreciated	586,302,636	11,467,436	(2,210,497)	595,559,575
Less Accumulated Depreciation:				
Infrastructure	135,582,472	11,462,706	(939,178)	146,106,000
Field Equipment	8,963,959	93,704	(372,084)	8,685,579
Buildings	6,090,921	446,906	(62,686)	6,475,141
Transportation Equipment	2,655,866	149,802	(327,814)	2,477,854
Communication Equipment	410,205	58,343	-	468,548
Office Equipment	10,230,056	1,086,036	(333,472)	10,982,620
Total Accumulated Depreciation	163,933,479	13,297,497	(2,035,234)	175,195,742
Total Capital Assets Being Depreciated, Net	422,369,157	(1,830,061)	(175,263)	420,363,833
Total Capital Assets, Net	\$ 452,719,179	\$ 26,750,358	\$ (10,305,637)	\$ 469,163,900

Depreciation expense for the years ended June 30, 2010 and 2009 was \$13,297,497 and \$12,475,714, respectively.

4) OTHER NONCURRENT ASSETS

Deferred bond issue costs totaled \$1,618,069 and \$1,703,282, net of accumulated amortization of \$380,418 and \$295,204 as of June 30, 2011 and 2010, respectively. The costs are amortized on the straight-line method based on the estimated term of the related bond debt. Amortization expense of \$85,212 and \$66,704 for the years ended June 30, 2011 and 2010 is included in miscellaneous non-operating expenses.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5) LONG-TERM DEBT

Long-term liabilities for the year ended June 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Improvement District No. 27 - 2009	\$ 7,780,000	\$ -	\$ 520,000	\$ 7,260,000	\$ 505,000
Unamortized Bond Premium	198,981	-	16,355	182,626	-
Deferred Amount on Refunding	(695,854)	-	(56,805)	(639,049)	-
Net General Obligation Bonds	<u>7,283,127</u>	<u>-</u>	<u>479,550</u>	<u>6,803,577</u>	<u>505,000</u>
Certificates of Participation:					
1996 Certificates of Participation	11,700,000	-	400,000	11,300,000	400,000
2004 Certificates of Participation	9,790,000	-	545,000	9,245,000	565,000
2007 Certificates of Participation	40,400,000	-	850,000	39,550,000	885,000
1996 COPS Unamortized Discount	(12,668)	-	(745)	(11,923)	-
2007 COPS Unamortized Discount	(241,175)	-	(9,044)	(232,131)	-
2004 COPS Unamortized Premium	15,335	-	1,165	14,170	-
2004 COPS Deferred Amount on Refunding	<u>(161,880)</u>	<u>-</u>	<u>(12,295)</u>	<u>(149,585)</u>	<u>-</u>
Net Certificates of Participation	<u>61,489,612</u>	<u>-</u>	<u>1,774,081</u>	<u>59,715,531</u>	<u>1,850,000</u>
Revenue Bonds:					
2010 Water Revenue Bonds Series A	13,840,000	-	-	13,840,000	785,000
2010 Water Revenue Bonds Series B	36,355,000	-	-	36,355,000	-
2010 Series A Unamortized Premium	<u>1,060,224</u>	<u>-</u>	<u>74,402</u>	<u>985,822</u>	<u>-</u>
Net Revenue Bonds	<u>51,255,224</u>	<u>-</u>	<u>74,402</u>	<u>51,180,822</u>	<u>785,000</u>
Notes Payable:					
State Water Resource Control Board	<u>359,744</u>	<u>-</u>	<u>353,734</u>	<u>6,010</u>	<u>6,010</u>
Total Long-Term Liabilities	<u>\$120,387,707</u>	<u>\$ -</u>	<u>\$ 2,681,767</u>	<u>\$117,705,940</u>	<u>\$3,146,010</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5) LONG-TERM DEBT – Continued

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 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 were refunded.

The savings between the cash flow required to service the old debt and the cash flow required to service the new debt is \$1,099,110 and represents an economic gain on refunding of \$640,925.

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.

The refunding of the 1998 bonds resulted in a deferred amount of \$728,989 which is being amortized over the remaining life of the refunded debt. Amortization for the year ended June 30, 2011 was \$56,805 and is included in miscellaneous non-operating expenses. As of June 30, 2011, the unamortized deferred amount of refunding is \$639,049.

The 2009 General Obligation 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 June 30,	Principal	Interest	Total
2012	\$ 505,000	\$ 251,637	\$ 756,637
2013	520,000	236,262	756,262
2014	535,000	220,437	755,437
2015	550,000	204,162	754,162
2016	570,000	187,362	757,362
2017-2021	3,155,000	607,706	3,762,706
2022-2023	1,425,000	57,303	1,482,303
	<u>\$ 7,260,000</u>	<u>\$ 1,764,869</u>	<u>\$ 9,024,869</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5) LONG-TERM DEBT - Continued

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, 2014. The interest rate at June 30, 2011 was 0.10%. The installment payments are to be paid annually at \$350,000 to \$900,000 from September 1, 1996 through September 1, 2026.

In July 2004, Refunding Certificates of Participation (COPS) with a face value of \$12,270,000 were sold by the Otay Service Corporation to advance refund \$11,680,000 of outstanding 1993 COPS. An installment 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 are due in annual installments of \$445,000 to \$895,000 from September 1, 2005 through September 1, 2023; bearing interest at 3% to 4.625%.

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%.

There is no aggregate reserve requirement for the COPS. Future debt service requirements for the certificates are as follows:

For the Year Ended June 30,	1996 COPS		2004 COPS		2007 COPS	
	Principal	Interest*	Principal	Interest	Principal	Interest
2012	\$ 400,000	\$ 10,967	\$ 565,000	\$ 368,607	\$ 885,000	\$ 1,622,864
2013	500,000	10,483	580,000	349,566	920,000	1,589,020
2014	500,000	9,983	600,000	328,906	955,000	1,553,864
2015	500,000	9,483	625,000	306,388	995,000	1,517,301
2016	600,000	8,900	650,000	281,994	1,035,000	1,479,239
2017-2021	3,300,000	34,950	3,645,000	985,557	5,795,000	6,759,952
2022-2026	4,400,000	15,533	2,580,000	180,097	7,065,000	5,479,227
2027-2031	1,100,000	183	-	-	8,695,000	3,831,363
2032-2036	-	-	-	-	10,760,000	1,751,175
2037-2038	-	-	-	-	2,445,000	53,484
	<u>\$11,300,000</u>	<u>\$ 100,483</u>	<u>\$ 9,245,000</u>	<u>\$ 2,801,115</u>	<u>\$39,550,000</u>	<u>\$25,637,489</u>

* Variable Rate - Interest reflected at June 30, 2011 at a rate of 0.10%.

The three COP debt issues contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water System which will be at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2011.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5) LONG-TERM DEBT - Continued

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 2011B (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, 2011 through September 1, 2025; bearing interest at 2% to 5.25%. The Series 2011B 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%. 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, 2004 and 2007 Certificates of Participation described above.

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, 2011 was \$74,402 and is included in interest expense. The unamortized premium at June 30, 2011 is \$985,822.

The 2010 Water Revenue Bonds contains various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water System which will be at least sufficient to yield, during each fiscal year, taxes and net revenues equal to one hundred twenty-five percent (125%) of the debt service for such fiscal year. The District was in compliance with these rate covenants for the fiscal year ended June 30, 2011.

The total amount outstanding at June 30, 2011 and aggregate maturities of the revenue bonds for the fiscal years subsequent to June 30, 2011, are as follows:

For the Year Ended June 30,	2010 Water Revenue Bond Series A		2010 Water Revenue Bond Series B	
	Principal	Interest	Principal	Interest
2012	\$ 785,000	\$ 569,688	\$ -	\$ 2,371,868
2013	800,000	553,838	-	2,371,868
2014	820,000	533,538	-	2,371,868
2015	845,000	508,563	-	2,371,868
2016	870,000	478,488	-	2,371,868
2017-2021	4,895,000	1,811,588	-	11,859,342
2022-2026	4,825,000	508,456	1,365,000	11,815,819
2027-2031	-	-	8,235,000	10,175,654
2032-2036	-	-	11,265,000	7,040,514
2037-2041	-	-	15,490,000	2,676,839
	<u>\$ 13,840,000</u>	<u>\$ 4,964,157</u>	<u>\$ 36,355,000</u>	<u>\$ 55,427,508</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

5) LONG-TERM DEBT - Continued

Note Payable

In December 1990, the District entered into a 3.5% note payable to the State Water Resources Control Board. This note is unsecured and payable in annual installments of \$366,325 including principal and interest from 1992 through 2012. The total amount outstanding at June 30, 2011 and aggregate maturities of the note for the fiscal years subsequent to June 30, 2011, are as follows:

For the Year Ended June 30,	Principal	Interest
2012	\$ 6,010	\$ 1
	\$ 6,010	\$ 1

6) NET ASSETS

Designated Net Assets

In addition to the restricted net assets, a portion of the unrestricted net assets have been designated by the Board of Directors for the following purposes as of June 30, 2011 and 2010:

	2011	2010
Designated Betterment	\$ 13,221,595	\$ 6,653,909
Expansion Reserve	13,216,223	21,096,749
Replacement Reserve	30,156,082	24,483,877
Insurance Reserve	4,526,516	6,639,953
Total	\$ 61,120,416	\$ 58,874,488

7) DEFINED BENEFIT PENSION PLAN

Plan Description

The District's defined plan, (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. 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.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

7) DEFINED BENEFIT PENSION PLAN - Continued

Funding Policy

Active members in the Plan are required to contribute 8% of their annual covered salary. The District has elected to contribute 7% on behalf of its employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2011 was 20.489%. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by the CalPERS.

Annual Pension Costs

For the fiscal year ended June 30, 2011, the District's annual pension cost and actual contribution was \$2,427,744. The required contribution for the fiscal year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation.

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (Net of Administrative Expenses)
Projected Salary Increase	3.25% to 14.45% Depending on Age, Service, and Type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of the plan assets, then the amortization payment of the total unfunded liability may be lower than the payment calculated over a 30-year amortization period.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 2,427,744	100%	\$ 0
6/30/10	\$ 2,240,538	100%	\$ 0
6/30/09	\$ 2,150,579	100%	\$ 0

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 71.4% funded. The actuarial accrued liability (AAL) for benefits was \$75,300,790, and the actuarial value of assets was \$53,736,612, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,564,178. The covered payroll (annual payroll of active employees covered by the plan) was \$11,880,481, and the ratio of the UAAL to the covered payroll was 181.5%.

The schedule of funding progress, presented as *required supplementary information* following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liability for benefits.

See independent auditors' report.



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

8) OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's defined benefit postemployment healthcare plan, (DHP), provides medical benefits to eligible retired District employees and beneficiaries. DHP 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. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. DHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. 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.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. DHP members receiving benefits contribute based on their selected plan options of EPO, Silver or Gold and if they are located outside the State of California. Contributions by plan members range from \$0 to \$134 per month for coverage to age 65, and from \$0 to \$133 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 2.9% of the annual covered payroll.

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/asset:

	2011	2010
Annual Required Contribution (ARC)	\$ 289,000	\$ 345,000
Interest on net OPEB asset	(525,712)	(480,878)
Adjustment to Annual Required Contribution (ARC)	646,000	591,000
Annual OPEB cost (expense)	409,288	455,122
Contributions made	1,042,249	1,033,631
Increase in net OPEB asset	(632,961)	(578,509)
Net OPEB asset - beginning of year	(6,783,385)	(6,204,876)
Net OPEB asset - end of year	\$ (7,416,346)	\$ (6,783,385)

For 2011, 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 \$654,250, which is included in the \$1,042,249 of contributions shown above. For 2010 this amount was \$597,631, which is included in the \$1,033,631 of contributions shown above.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

8) OTHER POST EMPLOYMENT BENEFITS - Continued

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 2011, 2010 and 2009 were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT					
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset		
6/30/2011	\$ 409,288	255%	\$ (7,416,346)		
6/30/2010	\$ 455,122	227%	\$ (6,783,385)		
6/30/2009	\$ 925,201	160%	\$ (6,204,876)		

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 18,289,000
Actuarial Value of Plan Assets	\$ 7,893,000
Unfunded Actuarial Accrued Liability (UAAL)	\$ 10,396,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	43.16%
Covered Payroll (Active Plan Members)	\$ 12,264,000
UAAL as a Percentage of Covered Payroll	84.77%

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 plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

8) OTHER POST EMPLOYMENT BENEFITS - Continued

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 the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial 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, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	26 Year fixed (closed) period as of the Valuation Date
Asset Valuation Method	15 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 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, 2011 and 2010, the District contributed \$120,648 and \$100,240, respectively, for the development, construction and operation costs of the xeriscape demonstration garden.

A summary of the Authority's June 30, 2010 audited financial statement is as follows (latest report available):

Assets	\$ 2,518,545
Liabilities	107,001
Revenues, Gains and Other Support	1,090,595
Changes in Net Assets	75,630



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

10) COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District had committed to capital projects under construction with an estimated cost to complete of \$11,894,108 at June 30, 2011.

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, 2010, 1,751 EDUs had been relinquished and refunded, 14,663 EDUs had been connected, and 1,453 EDUs have neither been relinquished nor connected. At June 30, 2011, 1,751 EDUs had been relinquished and refunded, 14,957 EDUs had been connected, and 1,159 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, 2011, 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 \$20,300 at the point of acceptance. Accordingly, the District did not accrue a liability as of year end.

11) RISK MANAGEMENT

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' and Employees' 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, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met, as provided in the Memorandum of Coverage.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

11) RISK MANAGEMENT (Continued)

Employee Dishonesty Coverage: Total of \$400,000 per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, Disappearance and Destruction coverage's effective July 1, 2010.

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 \$2,000 deductible per occurrence, effective July 1, 2010.

Boiler and Machinery: Replacement cost up to \$100 Million per occurrence, subject to a \$1,000 deductible, effective July 1, 2010.

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, 2010.

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 - 201011, effective July 1, 2010.

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, 2010.

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 self-funded, 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, 2011 and 2010, is as follows:

	2011	2010
Amount Expensed	\$ 3,877,531	\$ 2,404,530
Amount Capitalized as a Cost of Construction Projects	1,215,476	510,115
Total Interest	\$ 5,093,007	\$ 2,914,645



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

13) SUBSEQUENT EVENTS

a) Security Rating Downgrade

In August 2011, Standard & Poor's downgraded the AAA rating of the United States government and all federally backed agencies to AA+. Moody's Investor Service continues to hold its rating of AAA. All securities held by the District are affected by the downgrade, however the underlying value of the securities has not been affected and interest payments continue to be received as scheduled.

b) Changes to Other Post Employee Benefits Plan (OPEB):

The District's Board of Directors met on 7/15/11, and again on 8/10/11, and approved enhanced retiree health benefits for employees hired on or after July 1, 1993. The immediate financial result is an increase to the District's Annual Required Contribution (ARC) for fiscal year 2012, from a projected \$495,000 to \$1,313,000, based on an updated GASB 45 Actuarial Valuation effective as of June 30, 2011. Employee contributions to offset this expense are being increased by 3.5% of base pay in FY-2012, and an additional 3.5% in FY-2013, for a continuing total of 7.5% contribution until the employee retires or otherwise ends District employment.

14) PRIOR PERIOD ADJUSTMENT

During the fiscal year District management evaluated projects capitalized in Construction in Progress and determined that several projects should not have been capitalized, but rather should have been expensed in the year the expenses occurred.

The District determined that \$1,333,096 of costs in Construction in Progress at June 30, 2009 should have been expensed. As a result, on the Statement of Revenues, Expenses and Changes in Net Assets beginning net assets in the 2010 column is being restated for this prior period adjustment.

During fiscal year 2010, there was an additional \$569,649 of costs capitalized to these projects. On the Statement of Revenues, Expenses and Changes in Net Assets, the operating expense "Administrative and General" has been restated to include this \$569,649. On the Statement of Net Assets, the Capital Asset Construction in Progress has been restated in the 2010 column to be \$35,179,104.

When projects are fully or partially funded by capacity fees and those projects are expensed, the portion of the capacity fee funding is reclassified from Capital Contributions to miscellaneous non-operating revenue. The \$569,649 of project expenses during 2010 was partially funded by capacity fees of \$229,483. As a result, on the Statement of Revenues, Expenses and Changes in Net Assets, 2010 Capital Contributions and operating revenue "Connection and Other Fees" have both been restated by \$229,483.



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

15) SEGMENT INFORMATION

During the June 30, 2010 fiscal year, the District issued Revenue Bonds to finance certain capital improvements. While water and wastewater services are accounted for in a single fund in these financial statements, the investors in the Revenue Bonds rely solely on the revenues of the water services for repayment.

Summary financial information for the water services is presented for June 30, 2011.

Condensed Statement of Net Assets June 30, 2011

	<u>Water Services</u>
ASSETS	
Current Assets	\$ 115,292,575
Capital Assets	458,866,020
Other Assets	<u>9,034,415</u>
Total Assets	<u>583,193,010</u>
LIABILITIES	
Current Liabilities	23,066,871
Long-Term Liabilities	<u>115,267,467</u>
Total Liabilities	<u>138,334,338</u>
NET ASSETS	
Invested in capital assets, net of related debt	362,101,827
Restricted for debt service	4,915,555
Unrestricted	<u>77,841,290</u>
Total Net Assets	<u>\$ 444,858,672</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

15) SEGMENT INFORMATION - Continued

Condensed Statement of Revenues, Expenses and Changes in Net Assets For The Year Ended June 30, 2011

	<u>Water Services</u>
Operating Revenues	
Water sales	\$ 58,269,897
Connection and other fees	<u>2,405,515</u>
Total Operating Revenues	<u>60,675,412</u>
Operating Expenses	
Cost of Water Sales	42,029,819
Administrative and General	18,761,669
Depreciation	<u>13,063,809</u>
Total Operating Expenses	<u>73,855,297</u>
Operating Income (Loss)	(13,179,885)
Nonoperating Revenues (Expenses)	
Investment income	844,310
Taxes and assessments	3,530,675
Availability charges	600,742
Gain (loss) on sale of capital assets	55,300
Miscellaneous revenues	3,304,963
Donations	(120,648)
Interest expense	(3,872,284)
Miscellaneous expenses	<u>(296,959)</u>
Total Nonoperating Revenues (Expenses)	<u>4,046,099</u>
Income (Loss) Before Capital Contributions	(9,133,786)
Capital Contributions	<u>7,840,528</u>
Changes in Net Assets	(1,293,258)
Total Net Assets, Beginning, as originally stated	<u>448,053,976</u>
Prior Period Adjustment	<u>(1,902,046)</u>
Total Net Assets, Beginning, as restated	<u>446,151,930</u>
Total Net Assets, Ending	<u>\$ 444,858,672</u>



NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

15) SEGMENT INFORMATION - Continued

Condensed Statement of Cash Flows

For The Year Ended June 30, 2011

	<u>Water Services</u>
Net Cash Provided by Operating Activities	\$ (1,824,631)
Net Cash Provided by Noncapital and Related Financing Activities	4,430,147
Net Cash Provided by Capital and Related Financing Activities	(15,940,372)
Net Cash Used by Investing Activities	<u>5,824,972</u>
Net Increase in Cash and Cash Equivalents	(7,509,884)
Cash and cash equivalents, Beginning	<u>61,312,443</u>
Cash and cash equivalents, Ending	<u>\$ 53,802,559</u>

REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010



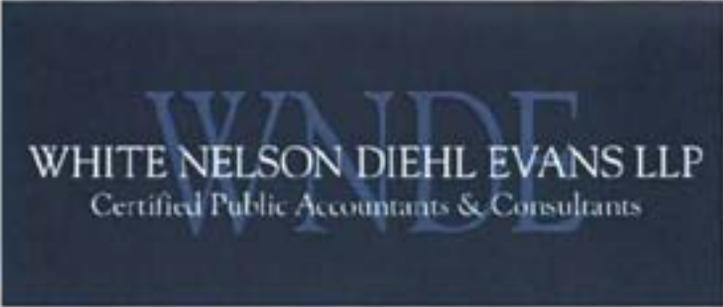
REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010

Schedule of Funding Progress for PERS

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)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
6/30/09						
Miscellaneous	\$ 53,736,612	\$ 75,300,790	\$ 21,564,178	71.4%	\$ 11,880,481	181.5%
6/30/08						
Miscellaneous	\$ 49,712,016	\$ 65,542,736	\$ 15,830,720	75.8%	\$ 11,174,528	141.7%
6/30/07						
Miscellaneous	\$ 44,910,326	\$ 59,412,116	\$ 14,501,790	75.6%	\$ 10,663,440	136.0%

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)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
6/30/11						
Miscellaneous	\$ 7,893,000	\$ 18,724,000	\$ 10,831,000	42.16%	\$ 12,264,000	88.32%
6/30/09						
Miscellaneous	\$ 6,273,000	\$ 10,070,000	\$ 3,797,000	62.29%	\$ 11,878,000	31.97%
6/30/08						
Miscellaneous	\$ 5,649,000	\$ 11,581,000	\$ 5,932,000	48.78%	\$ 11,307,000	52.5%

The logo for White Nelson Diehl Evans LLP is a dark blue rectangle. At the top, the word "WANE" is written in large, light blue, serif capital letters. Below it, the full name "WHITE NELSON DIEHL EVANS LLP" is written in smaller, white, serif capital letters. Underneath the name, the text "Certified Public Accountants & Consultants" is written in a smaller, white, serif font.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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 and Management
of Otay Water District
Spring Valley, California

We have audited the financial statements of the Otay Water District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Otay Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Otay Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Otay Water District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying "Schedule of Findings and Responses", that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Otay Water District's financial statements are free of 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*.

The Otay Water District's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Responses". We did not audit the Otay Water District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

White Nelson Diehl Evans, LLP
Carlsbad, CA
October 13, 2011

Schedule of Findings and Responses

Bank Reconciliations

An important element of internal control over cash receipting and disbursing functions is the completion of monthly bank reconciliations and timely resolution of any reconciling items identified on the bank reconciliations. During our audit, we noted that the District reported a reconciling item identified as "Credit Card Timing Float" which was not being investigated monthly. The District had assumed that this reconciling item was due to the timing of customer credit card collections per the District's Utility Billing System and the receipt of those credit card payments on the bank statement. After further review, the District made an adjustment to reduce cash in the amount of \$29,687 leaving a reconciling item of \$18,979. We recommend that the District establish procedures to investigate and resolve bank reconciling items as they occur each month to allow for timely correction and adjustment to the accounting records and identify any potential loss.

Management's Response

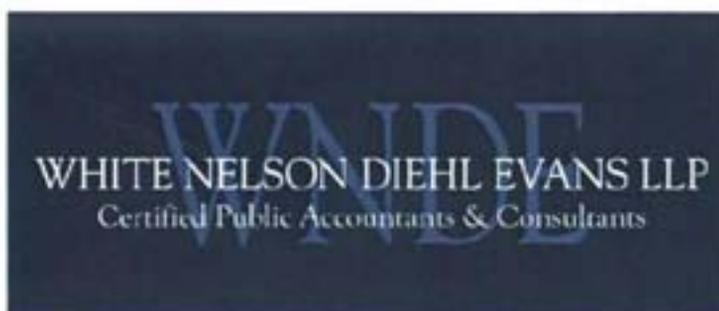
Staff agrees with the auditor's assessment of the bank reconciliation process. Staff has implemented additional procedures which have been reviewed with the auditor. The auditors agree that these are sufficient to identify similar errors in the future. After a detailed review, staff found errors made by customer service staff which resulted in an overstatement of cash. Duplicate payments by customers, which had been voided prior to processing, were not forwarded to be voided in the general ledger. Staff made a correcting entry of \$29,687. This left the corrected deposit in transit amount of \$18,979. It does not appear that any monetary loss has occurred.

Journal Entries

Entering journal entries into an accounting system is a way that day to day internal controls may be overridden. As a result, strong controls over journal entry posting and approving is an important element of an entity's internal control system. During our audit, we noted that certain employees can prepare, post, and approve journal entries directly into the accounting system. This results in a lack of actual approval before being recorded on the general ledger. The absence of controls over the approval process can result in inaccurate accounting information being recorded on the general ledger. We recommend that the District establish procedures to review the journal entries that can be posted by the same employee who prepares the journal entry.

Management's Response

Staff agrees with the auditor's assessment of the journal entry posting process. After a detailed review, staff found two journal entries that had been made and posted by the same staff member. While the accountants were not authorized to create and also post a journal entry, the District did not have a process to identify when this occurs. Staff has implemented additional procedures which have been reviewed with the auditors. The auditors agree that the improved procedures are sufficient to detect similar errors in a timely manner. The journal entries that did not follow the standard approval process were reviewed thoroughly by management and found to be appropriate in all other respects.



October 13, 2011

Board of Directors
Audit Committee
Otay Water District
Spring Valley, California

We have audited the financial statements of the Otay Water District for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information during a meeting on June 15, 2011. 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 Otay Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Otay Water 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 financial statements were:

- a. Management's estimate of the fair market value of investments which is based on market values by outside sources.
- b. The estimated useful lives for capital assets and depreciation expense which are based on industry standards.

- 1 -

Significant Audit Findings (Continued):

Qualitative Aspects of Accounting Practices (Continued)

- c. The annual required contribution for the District's Other Post-Employment Benefits was prepared by an outside consultant.
- d. The funded status and funding progress of the public defined benefit plan with CalPERS which are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were 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 statement were reported in Note 7 regarding the defined benefit pension plan and in Note 8 regarding the District's other post-employment benefit plan.

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 adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has made all such adjustments. The following adjustments detected as a result of audit procedures were corrected by management:

- a. Capitalized interest on infrastructure capital assets was decreased by \$1,168,366. We determined the proper amount to be capitalized through calculations of capital assets constructed.
- b. Caltrans reimbursements of \$582,113 for utility line relocations were reclassified from construction in progress to capital contributions.
- c. Certain CIP projects were reevaluated to determine whether they were completed or still in progress. As a result \$22,231,009 of construction in progress was reclassified as a completed project. \$2,167,505 of construction in progress was expensed, including \$1,902,745 of amounts considered to be construction in progress in prior years. In total, \$24,398,514 was removed from CIP. Reclassifications were made between capital contributions and operating revenue in the amount of \$439,448 relating to capacity fee and betterment fee funded operating projects previously accounted for as construction in progress.

Significant Audit Findings (Continued):

Corrected and Uncorrected Misstatements (Continued):

- d. \$29,687 of adjustments to cash balances related to a credit card float amount was removed from the District's cash balances at June 30, 2011.

The following item is an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- a. Management's estimate of capital costs from the Spring Valley Sanitation District for \$155,000 was not recorded between construction in process and accounts payable.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditors' 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 October 13, 2011.

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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors, Audit Committee and management of the Otay Water District and is not intended to be and should not be used by anyone other than these specified parties.

White Nelson Diehl Evans LLP



DIEHL, EVANS & COMPANY, LLP
 CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2965 ROOSEVELT STREET
 CARLSBAD, CALIFORNIA 92008-2389
 (760) 729-2343 • FAX (760) 729-2234
 www.diehlevans.com

*PHILIP H. HOLTGAMP, CPA
 *THOMAS M. PERLOWSKI, CPA
 *HARVEY J. SCHROEDER, CPA
 *KENNETH R. JAMES, CPA
 *MICHAEL R. LUDEN, CPA
 *CHARL W. SPRAKER, CPA
 *NILES P. PATEL, CPA
 *ROBERT J. CALLANAN, CPA

September 23, 2011

**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 for the fiscal year ended June 30, 2011. The District's management is responsible for the evaluation of 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, 2011.
 - a. Findings: At June 30, 2011, the current investment policy (Policy #27) is dated September 6, 2006. This policy was reviewed and approved for the 2010/2011 Fiscal year as part of the consent calendar at the September 1, 2010 Regular Board Meeting. 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.
 - a. Findings: Four investments chosen were FNMA – Maturity 1/28/2013; FHLB – Maturity 8/12/2013; FHLMC – Maturity 7/27/2012 and FHLB – Maturity 11/12/2013. All four investments are allowable and within maturity limits as stated in the District's Investment Policy at June 30, 2011.

OTHER OFFICES AT:

643 W. VALLEY PARKWAY, SUITE 330
 ESCONDIDO, CALIFORNIA 92025-2598
 (760) 741-3141 • FAX (760) 741-9890

5 CORPORATE PARK, SUITE 300
 IRVINE, CALIFORNIA 92606-5165
 (949) 399-0600 • FAX (949) 399-0610

3. For the four investments selected in #2 above, determine if they are held by a third party custodian designated by the District.
 - a. Findings: Per discussion with District management and evidenced by Union Bank of California confirmation, Union Bank does not act as a broker dealer for the District but acts as a custodial agent of the District holding the investment in a trust department. The four investments examined are held by a third party custodian designated by the District in compliance with District Policy.
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.
 - a. Findings: Investment values confirmed with Union Bank of California at June 30, 2011 with no exceptions.
5. Select two investment earnings transactions that took place during the year and recompute the earnings to determine if the proper amount was received.
 - a. Findings: Investment earnings recalculated with no exceptions for two transactions selected.
6. Trace amounts received for transactions selected at #5 above into the District's bank accounts.
 - a. Transactions traced into District's Union Bank of California Money Market account with no exceptions for the two transactions selected.
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.
 - a. Findings: Reviewed five investment transactions. All transactions were permissible under the District's Investment Policy.
8. Review the supporting documents for the five investments selected at #7 above to determine if the transactions were appropriately recorded in the District's general ledger.
 - a. Findings: Five investments selected at #7 above are appropriately recorded in the District's General Ledger without exception.

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, 2011. 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 and senior management of the Otay Water District and is not intended to be and should not be used by anyone other than those specified parties.

Diehl, Evans and Company, LLP



STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
SUBJECT:	Board of Directors 2012 Calendar of Meetings		

GENERAL MANAGER'S RECOMMENDATION:

At the request of the Board, the attached Board of Director's meeting calendar for 2012 is being presented for discussion.

PURPOSE:

This staff report is being presented to provide the Board the opportunity to review the 2012 Board of Director's meeting calendars and amend the schedule as needed.

COMMITTEE ACTION:

N/A

ANALYSIS:

The Board requested that this item be presented at each meeting so they may have an opportunity to review the Board meeting calendar schedule and amend it as needed.

STRATEGIC GOAL:

N/A

FISCAL IMPACT:

None.

LEGAL IMPACT:

None.

General Manager

Attachments: Calendar of Meetings for 2012

**Board of Directors, Workshops
and Committee Meetings
2012**

Regular Board Meetings:

January 4, 2012
February 1, 2012
March 7, 2012
April 4, 2012
May 2, 2012
June 6, 2012
July 4, 2012
August 1, 2012
September 5, 2012
October 3, 2012
November 7, 2012
December 5, 2012

**Special Board or Committee Meetings (3rd
Wednesday of Each Month or as Noted)**

January 18, 2012
February 15, 2012
March 21, 2012
April 18, 2012
May 16, 2012
June 20, 2012
July 18, 2012
August 15, 2012
September 19, 2012
October 17, 2012
November 21, 2012

Board Workshops:

Budget Workshop: TBD
Board Workshop: TBD



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Geoff Stevens, Chief Information Officer	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Strategic Plan - Water Supply Issues		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item. No action required.

Committee Action:

See Attachment "A"

Purpose:

To explain to the Board the portions of the Strategic Plan focusing on core issues of water supply and infrastructure planning.

Analysis:

At the presentation of the year end 2011 Strategic Plan results, the Board expressed an interest in further understanding the elements in the 2012-2014 Strategic Plan that focused on the core issues of water supply and infrastructure. This presentation is in response to this request. (PowerPoint attached)

Fiscal Impact

This is an informational item and has no fiscal impact.

Strategic Goal

This item is addressing water supply and infrastructure planning issues specifically detailed in the FY2012-2014 Strategic Plan.

LEGAL IMPACT: _____

None.



A handwritten signature in blue ink, appearing to read 'M. W. White', is written over a horizontal line.

General Manager

Attachments:

Attachment A: Committee Action

Attachment B: Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Review of the FY 2012-2014 Strategic Plan's Focus on Water Planning and Supply
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COMMITTEE ACTION:

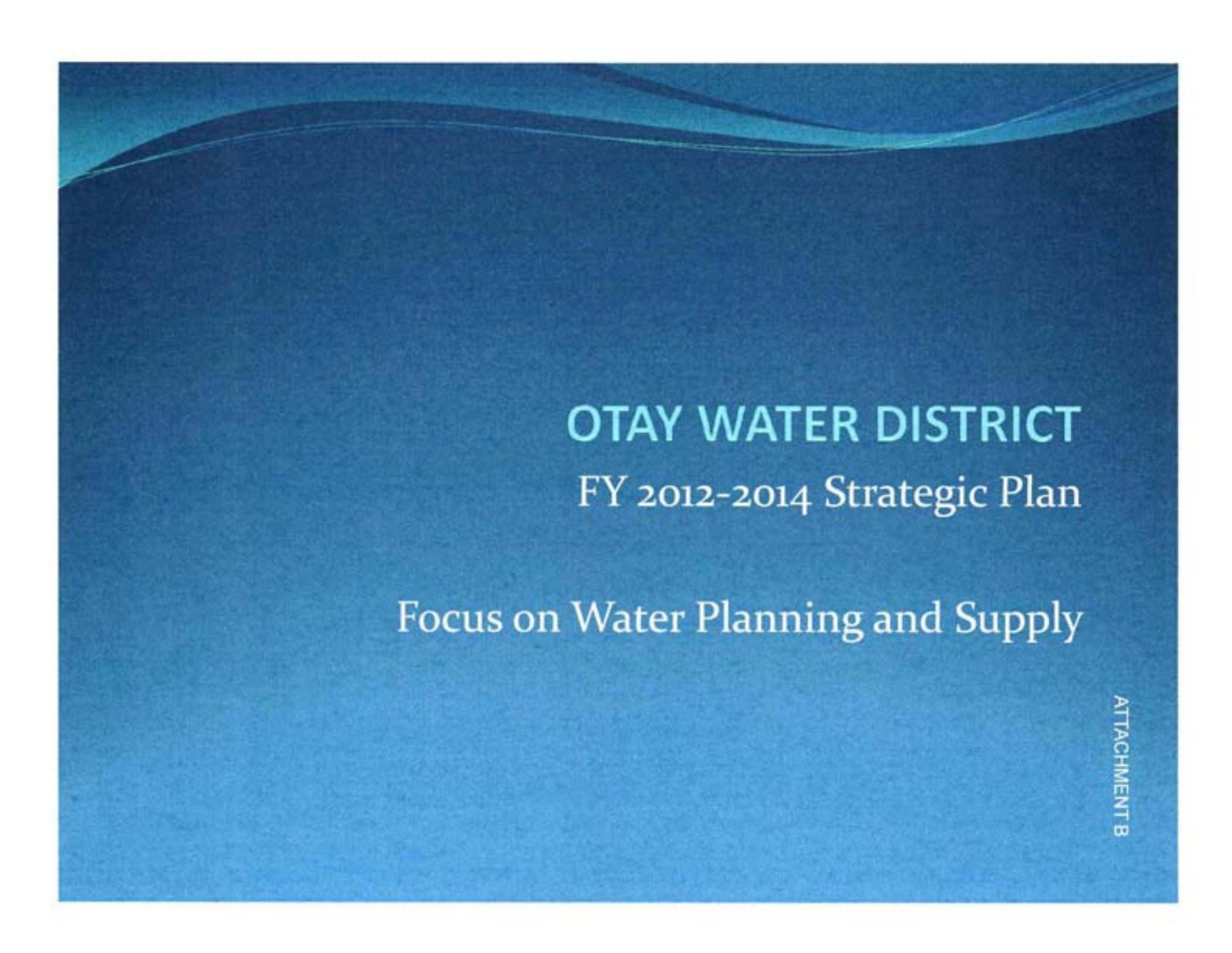
The Finance, Administration and Communications Committee reviewed this item at a meeting held on October 19, 2011 and the following comments were made:

- Staff indicated that this report is in response to an inquiry by Director Croucher with regard to how the District is handling water planning and supply; the District's core business.
- A subset of the District's Strategic Plan was presented where planning and supply are the focus. The District identified its *Key Challenge*, "From a water supply perspective, this means determining the optimum mix of water supply, treatment, and delivery solutions for our customers." This is a key focus and reflects the issue of buying, storing and building infrastructure for water.
- Staff presented four strategies that are specifically devoted to the core issue of, "Actively manage water supply and demand."
 - Prepare and implement a Waste Water Management Plan.
 - Implement the recommendations within the Integrated Water Resources Plan (IRP) to acquire alternative and/or additional potable and recycled water supplies and enhance resource reliability.
 - Continue working with the City of Chula Vista for the possible development of an MBR Plant and for a potential agreement with the City for recycled water supplies from the MBR Plant.
 - Closely monitor the District's potable water demand to ensure the District will remain on target to achieve its 2015 gpcd target as identified in the 2010 Urban Water Management Plan.

Staff noted that these strategies drive the District's outlook of where we are going with water resources and the infrastructure that will be required to provide services. All are essentially, determined largely by the Water Resources Master Plan (WRMP), the District's primary planning tool for water resources. The District also prepares an Urban Water Management Plan (UWMP) which assesses growth projections and is a factor that impacts the WRMP.

- All that the District has been doing before on water planning and supply is still included in the FY 2012-2014 Strategic Plan.
- It was discussed that the above aligns with the Strategic Plan's Mission and Vision Statements, "To provide high value water and wastewater service to the customers of the Otay Water District...A District that is innovative in providing water services at affordable rates, with a reputation for outstanding customer service."

Following the discussion, the committee supported presentation to the full board as an informational item.



OTAY WATER DISTRICT

FY 2012-2014 Strategic Plan

Focus on Water Planning and Supply



Mission & Vision Statements

MISSION STATEMENT

District's Mission: To provide high value water and wastewater service to the customers of the Otay Water District, in a professional, effective and efficient manner.

VISION STATEMENT

General Manager's Vision Statement: "A District that is innovative in providing water services at affordable rates, with a reputation for outstanding customer service."



Key Challenge

Our ongoing District challenge is to create *value* by improving our core business processes.

From a water supply perspective, this means determining the optimum mix of water supply, treatment, and delivery solutions for our customers.

From a daily operating perspective, efficiency improvements have become the primary source of competitive advantage and cost optimization for utilities. Adding value from this perspective means the entire team focusing on not only the highest priority goals but also examining the details of what we do every day and be willing to alter how we do it if it makes a positive difference. Our employees have voiced a high degree of personal and professional satisfaction with our direction and the entire team is committed to meeting this key challenge with distinction.

“Actively manage water supply and demand”

- 1) Prepare and implement a Waste Water Management Plan.
 - 2) Implement the recommendations within the Integrated Water Resources Plan (IRP) to acquire alternative and/or additional potable and recycled water supplies and enhance resource reliability.
 - 3) Continue working with the City of Chula Vista for the possible development of an MBR Plant and for a potential agreement with the City for recycled water supplies from the MBR Plant.
 - 4) Closely monitor the District’s potable water demand to ensure the District will remain on target to achieve its 2015 gpcd target as identified in the 2010 Urban Water Management Plan.
- 

Questions / Concerns / Issues





STAFF REPORT

TYPE		MEETING			
MEETING:	Regular Board	DATE:	October 5, 2011		
SUBMITTED	Mark Watton	W.O./G.F.	N/A	DIV.	N/A
BY:	General Manager	NO:		NO.	
SUBJECT:	General Manager's Report				

ADMINISTRATIVE SERVICES:

Human Resources:

- **Healthiest Companies Program** - The District was a finalist in the recent San Diego Business Journal's Healthiest Company Award Program. This shows that the District is dedicated to the health and well-being of its employees through wellness programs, which have allowed our employees to thrive with higher productivity and morale.
- **Retirement Planning Week** - The District participated in Retirement Week. This annual event highlights the need for employees to focus on ensuring that they are prepared for retirement. This year, our deferred compensation vendors were on-site for lunch and learn programs as well as holding individual meetings with employees.
- **Open Enrollment** - Open Enrollment is in progress with a deadline of October 28, 2011. SDRMA made some changes to some of the plan designs for cost-containment and information has been provided to all participants. In addition, the District changed dental carries to Delta Dental.
- **Employee Information Meetings** - The District held Employee Information meetings on October 20th. These meetings are held every six months to provide employees with relevant information regarding key District projects and updates. Updates included a presentation regarding the Otay Interconnection Project, lessons learned from the blackout,

training regarding the District's Anti-Fraud Policy, and various updates.

- **New Hires/Promotions** - There were no new hires/promotions in the month of October.

Safety and Security

- **GETS** - The District is now a member of the Government Emergency Telecommunications Service (GETS) network. GETS is an emergency phone service provided by the National Communications System (NCS) in the Department of Homeland Security. GETS supports Federal, State, local and tribal government, industry, and non-governmental organization (NGO) personnel. GETS provides emergency access and priority processing of local and long distance in emergency or crises situations when lines are congested, and the probability of completing a call over normal or other alternate telecommunications means, has significantly decreased.

Water Conservation and School Education:

- **Outreach Events** - Water Conservation Specialist, Richard Namba, staffed the poster sessions at the Water Smart Innovations Conference in Las Vegas on October 5-6, related to the District's Cash-for-Plants and Water Smart Irrigation Update Programs. In addition, the District staffed a booth at Marshall Elementary's Fall Festival on October 28th.
- **School Program** - Three school tours at the Water Conservation Garden were completed in October, involving 100 third graders and 24 adults from Avocado and Vista Grande Elementary Schools. 10 of the 21 scheduled tours have been completed; the District budgeted to fund up to 32 tours. Staff is also busy promoting the Splash Lab program. Two Splash Labs have been scheduled to date and the budget allows the funding of up to eight labs.

Purchasing and Facilities:

- **Purchase Orders** - There were 75 purchase orders processed in October 2011 for a total of \$311,190.41.

INFORMATION TECHNOLOGY AND STRATEGIC PLANNING:

- **MISAC** - The Municipal Information Systems Association of California (MISAC) established the "Excellence in Information Technology Practices" Program to recognize exemplary Information Technology (IT) practices by public agency efforts

in the Information Technology arena. MISAC is proud to announce that Otay Water District has been awarded an EXCELLENCE in Information Technology practices. This is Otay's third award in five years. Bill Jenkins received the award in person in Monterey on October 3rd.

FINANCE:

- **Paperless Billing** - As of October 19th, 20,017 customers have signed up for our online billing services. Of these, 9,141, or 46%, have selected to go paperless. Otay saves approximately \$0.50 for each bill that is sent electronically instead of through the mail. Beginning in late October, Customer Service staff will initiate an email campaign to encourage those customers currently signed up for online billing and still receiving a paper copy of their bill, to transition to paperless billing.
- **Re-evaluating Staff Duties** - As part of the effort to create greater efficiency within the District, several areas are being evaluated within the Finance Department. Improvements to the Rate Model are underway. This is an effort to simplify and increase the reliability of the rate setting process. Accounts Payable processes are being evaluated and reassigned to eliminate redundant work between departments. This is being done after a thorough review by Management. Additionally, Finance, Engineering, and IT staff are undergoing the effort to streamline and automate the CIP budgeting process, leading to efficiencies by integrating systems and improving reporting. Finally, an effort is being made to examine and change the reserve accounting to increase efficiency in reporting reserve activity. All of these changes will lead to the ability to do more with less.
- **CWA Local Water Supply** - The District had a successful audit by CWA's audit firm, LSL, for the recycled water program for fiscal years 2008 through 2010. The auditors reviewed the District's internal control procedures; recycled water sales and meter fees; CIP expenditures; and O&M costs for this program. There were no findings noted as a result of the test work performed and the District is eligible for recycled incentives from CWA.
- **AWWA Fall Conference** - Otay was well represented with three speakers at the AWWA Fall Conference held October 17-20. Alice Mendez-Schomer and Frank Anderson gave a presentation on Otay's AMR journey titled "Beginning to the Next Beginning." Rita Bell gave a presentation on "The Impact of Reduced Sales and Growth on the Capital Improvement Program and Water

Rates." Both presentations were well attended and well received by their audiences.

- **Financial Reporting:**

- o The financial reporting for September 30, 2011, is as follows: for the three months ended September 30, 2011, there are total revenues of \$22,520,848 and total expenses of \$21,471,694. The revenues exceeded expenses by \$1,049,154, which is \$156,601 less than planned for this time due to lower water sales and lower water cost than budgeted.
- o The financial reporting for investments for September 30, 2011, is as follows: the market value shown in the Portfolio Summary and in the Investment Portfolio Details as of September 30, 2011, total \$96,775,785.81 with an average yield to maturity of .644%. The total earnings year-to-date are \$181,438.14.

ENGINEERING AND WATER OPERATIONS:

Engineering:

- **Rancho del Rey Groundwater Well Development:** The consultant, Tetra Tech, Inc., finalized the preliminary design report on October 6. Tetra Tech and the District will meet with the California Department of Health to present the preliminary design on November 8. Activities are underway to secure a sewer discharge permit from the City of Chula Vista, power supply from SDG&E, and other components. The design is anticipated to be completed in the third quarter of Fiscal Year 2012, with construction completed in the fourth quarter of Fiscal Year 2013. (P2434)
- **North District - South District Interconnections System:** This project consists of installing approximately 5.2 miles of 30-inch diameter pipe from Proctor Valley Road in Chula Vista to Paradise Valley Road in Spring Valley. The project is currently in the early design phase with Lee & Ro, Inc. working on finalizing the alignment study with two preferred alignments (Corral Canyon Road and Proctor Valley Road). Activities are underway to begin initial studies for the Proctor Valley Road alignment including coordination with the SDCWA and US Fish and Wildlife. Several community outreach efforts have been completed including meetings with politicians and/or their aids including Mayor Cheryl Cox, Senator Juan Vargas, Congressman Bob Filner, Assembly Member Ben Hueso, and County Supervisor

Greg Cox and a presentation to the Sweetwater Valley Civic Association. (2511)

- **657-1 & 2 Reservoirs Coating:** The contractor, Blastco, Inc., has completed the interior and exterior coating of the 657-1 and 657-2 Reservoirs. The 657-1 and 657-2 Reservoirs are in service. Project was completed on October 14, 2011 under budget. (P2505, P2506)
- **944-1R Recycled Water Pump Station Upgrades & Enhancements:** This project consists of upgrading the 944-1R Pump Station with new pumps, new pipe configurations, and electrical upgrades to keep up with current and future recycled water demands. The contractor, Sepulveda Construction, Inc. (Sepulveda), will start mobilizing at the end of October. Project is scheduled to be completed in June 2012. (R2091)
- **Ralph W. Chapman Water Reclamation Facility Upgrade:** This project consists of an upgrade to the treatment plant to reduce the nitrogen levels in the plant effluent. The upgrade includes modifications to the aeration basins, the addition of energy-efficient turbo blowers and replacement of corroded air piping, a new cover for the filter backwash storage tank, a new filter air scour system, and automation enhancements. The contractor, NEWest Construction Company, Inc., continues the investigation of existing utilities and has completed the over excavation for the pad of the new air scour facility. Construction is anticipated to be completed in June 2012. (R2096)
- **Avocado, Louisa, Calavo, Challenge, Hidden Mesa Sanitary Sewer Replacement:** This project consists of replacing approximately 4,500 ft. of sewer pipeline in Avocado Blvd and neighboring residential streets. The project will go out to bid on October 25, 2011, and is scheduled for Board award in January 2012. (S2019, S2020, S2022, S2023, S2026)
- **30-Inch, 980 Zone, Hunte Parkway - Proctor Valley/Use Area:** This project consists of the installation of approximately 2,399 linear feet of 30-inch steel pipe and appurtenances on Hunte Parkway between Proctor Valley Road and the entrance to the Salt Creek Golf Course in the City of Chula Vista. The pipeline will increase total water delivery to reduce pressure losses experienced during periods of high demand. The project is anticipated to be awarded in January 2012 with construction to start soon after. The project will take approximately 7 months to complete. (P2514)
- As a result of a newspaper article questioning the process for evaluation and recommendation to the Board for hiring

consultants, Engineering staff conducted an informal survey of twelve local agencies to determine if they conduct background checks and it was found that Padre Dam Water District was the only one that does (see attached Agency Consultant Selection spreadsheet). Engineering staff will add to the normal checks for technical competence, a background screen (Google type of search) of the top firm proposing for consulting services to the District. A Staff Report will be submitted at the November Committee Meeting/January Board Meeting recommending that a background check be added to the consultant evaluation process.

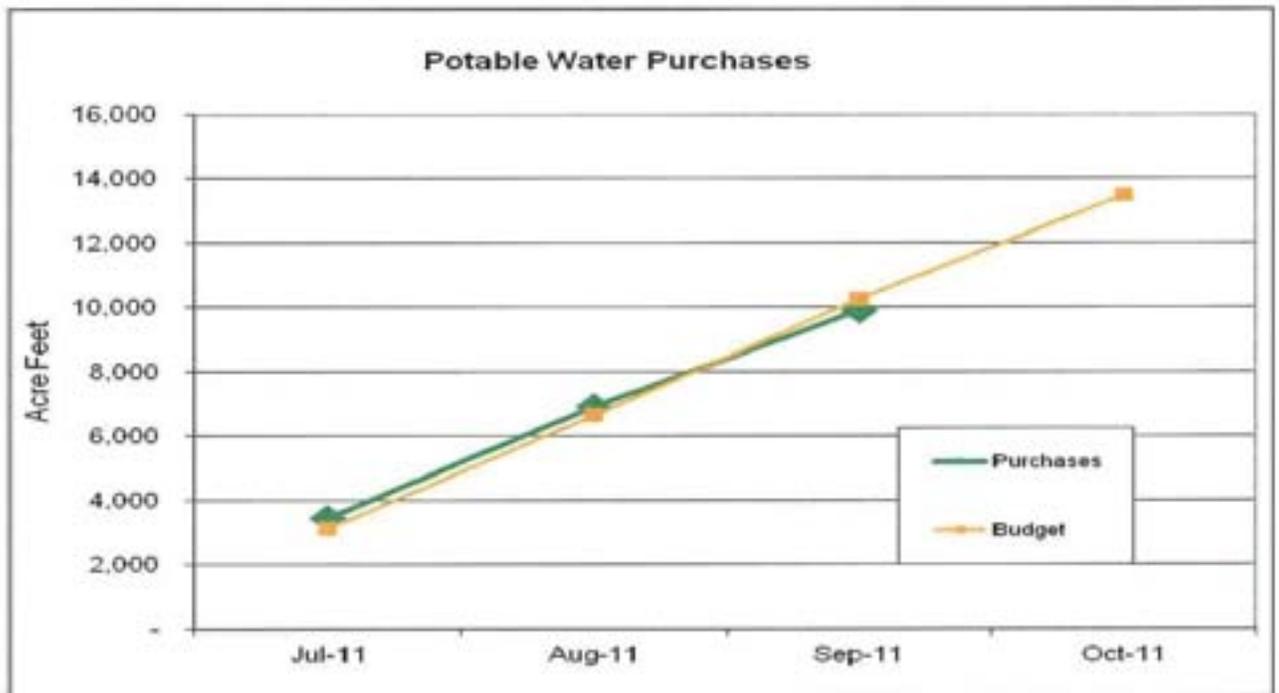
- For the month of September 2011, the District sold 65 meters (74 EDUs) generating \$448,393 in revenue; which is 59% above projection. Projection for this period was 23 meters (36.7 EDUs) with budgeted revenue of \$281,350. Projected revenue from July 1, 2011 through June 30, 2012 is \$3,376,200 against a budget of \$1,442,920.
- For the month of September 2011, staff reviewed 2 potential easement encroachments and will be gathering all the necessary information prior to informing customers of the removal of the encroachments. The above is part of an on-going program of easement monitoring.
- Approximately 369 linear feet of both CIP and developer project pipeline was installed in September 2011. The Construction Division performed quality control for these pipelines.

The following table summarizes Engineering's project purchases and Change Orders issued during the period of September 23 through October 20, 2011 that were within staff signatory authority:

Date	Action	Amount	Contractor/ Consultant	Project
10/11/11	P.O.	\$2,500	First American Title Co.	Rancho del Rey Groundwater Well Development (P2434)
10/19/11	P.O.	\$8,657	United Storm Water Inc.	East Orange Avenue Bridge Crossing (P2513)
10/20/11	C.O. #5	(\$34,125.48)	Blastco	657-1 & 657-2 Reservoirs Coatings (P2505/P2506)

Water Operations:

- The County of San Diego is in the process of disconnecting microturbines located at the Ralph W. Chapman Water Recycling Facility. The microtrubines will be removed by the end of this year.
- Total number of potable water meters is 48,526.
- For September the actual potable water purchases were 2,999.7 acre feet which is 607.0 acre feet or 16.8% less than budget. This is due to the unusually cool weather for this time of year. Cumulatively the budgeted water purchases is 3.5% below budget.



- Recycled water consumption for the month of September is as follows:

Total consumption was 507.6 acre-feet or 165,347,644 gallons and the average daily consumption was 5,511,588 gallons per day.

Total number of recycled water meters is 691.

Total recycled water consumption to date for FY 2012 is 1,636.9 acre-feet.

- Wastewater flows for the month of September were as follows:
 - Total basin flow, gallons per day: 1,794,708.
 - Spring Valley Sanitation District Flow to Metro, gallons per day: 593,882.
 - Total Otay flow, gallons per day: 1,198,207.
 - Flow Processed at the Ralph W. Chapman Water Recycling Facility, gallons per day: 1,084,385.
 - Flow to Metro from Otay Water District, gallons per day: 116,442.

- By the end of September there were 6,081 wastewater connections/EDUs.



General Manager

OTHER AGENCY CONSULTANT SELECTION

AGENCY	CONTACT	BACKGROUND CHECKS?	POLICY
Vallecitos Water District	Rob Scholl 760-744-0460 x230	No	Checks the Consultant provided references only.
Padre Dam	Michael Hindle 619-258-4632	Yes	Checks the Consultant provided references only. They do Google searches for Principals and Project Managers.
Sweetwater Authority	Hector Martinez 619-409-6751	No	Checks the Consultant provided references only, but have not done work recently with Contractors or Consultants that they don't already know.
Helix Water District	Aneld Anub 619-667-6273	No	Only sends proposals to firms they have pre-approved.
City of Chula Vista	Kirk Ammerman 619-691-5115	No	Checks the Consultant provided references only, but due to the Tribune's article, Legal Counsel is reviewing the process.
Olivenhain Municipal Water District	George Briest 760-632-4640	No	Checks the Consultant provided references only. No extensive background check. Only send proposals to firms that the Project Manager knows.
Lakeside Water District	Brett Sanders 619-443-3805	No	Checks references provided by the consultants
Santa Fe Improvement District	Karen Falk 858-414-9978	No	Check three references. No additional background check.
City of La Mesa	Eric Roark 619-667-1118	No	Checks the Consultant provided references only.
Ramona Water District	Philip Dauben 760-788-2260	No	Checks the Consultant provided references only. No background checks.
San Diego County Water Authority	Mike Kinny 858-522-6800	No	References checked by one individual. No extensive background check. Don't hire people they don't know.
City of Santee	Steven Miller 619-258-4100 x176	No	Checks three references provided by the consultants. No additional background checks.

**OTAY WATER DISTRICT
COMPARATIVE BUDGET SUMMARY
FOR THREE MONTHS ENDED SEPTEMBER 30, 2011**

	Annual Budget	YTD Actual	YTD Budget	YTD Variance	Var %
REVENUES:					
Water Sales	\$ 36,598,100	\$ 11,983,338	\$ 12,483,000	\$ (499,662)	(4.0%)
Energy Charges	1,874,000	626,962	627,100	(138)	(0.0%)
System Charges	9,542,100	2,395,063	2,385,000	10,063	0.4%
MWD & CWA Fixed Charges	8,981,500	2,080,859	2,073,600	7,259	0.4%
Penalties	913,100	186,952	227,600	(40,648)	(17.9%)
Total Water Sales	<u>57,908,800</u>	<u>17,273,174</u>	<u>17,796,300</u>	<u>(523,126)</u>	<u>(2.9%)</u>
Reclamation Sales	7,395,500	2,888,278	2,948,300	(60,022)	(2.0%)
Sewer Charges	2,336,000	580,640	581,200	(560)	(0.1%)
Meter Fees	82,000	46,772	30,500	16,272	53.4%
Capacity Fee Revenues	1,044,000	263,770	261,000	2,770	1.1%
Betterment Fees for Maintenance	628,600	235,380	232,200	3,180	1.4%
Non-Operating Revenues	2,021,600	421,481	430,200	(8,719)	(2.0%)
Tax Revenues	3,839,600	122,376	125,500	(3,124)	(2.5%)
Interest	158,300	26,980	29,600	(2,620)	(8.9%)
Transfer from OPEB	1,380,000	345,000	345,000	-	0.0%
Transfer from Betterment Reserve	30,000	7,500	7,500	-	0.0%
Transfer from Replacement	120,000	30,000	30,000	-	0.0%
General Fund Draw Down	522,800	130,700	130,700	-	0.0%
Transfer from General Fund	595,000	148,800	148,800	-	0.0%
Total Revenues	<u>\$ 78,062,200</u>	<u>\$ 22,520,848</u>	<u>\$ 23,096,800</u>	<u>\$ (575,952)</u>	<u>(2.5%)</u>
EXPENSES:					
Potable Water Purchases	\$ 27,793,100	\$ 8,771,948	\$ 9,109,100	\$ 337,153	3.7%
Recycled Water Purchases	1,452,800	641,347	611,850	(29,497)	(4.8%)
CWA-Infrastructure Access Charge	1,756,900	429,189	429,300	111	0.0%
CWA-Customer Service Charge	1,562,600	363,642	363,600	(42)	(0.0%)
CWA-Emergency Storage Charge	3,585,800	796,851	796,800	(51)	(0.0%)
MWD-Capacity Res Charge	603,900	163,803	166,200	2,397	1.4%
MWD-Readiness to Serve Charge	1,488,600	370,302	372,000	1,698	0.5%
Subtotal Water Purchases	<u>38,243,700</u>	<u>11,537,082</u>	<u>11,848,850</u>	<u>311,768</u>	<u>2.6%</u>
Power Charges	2,440,900	766,684	769,700	3,016	0.4%
Payroll & Related Costs	18,119,600	4,849,126	4,948,260	99,134	2.0%
Material & Maintenance	4,300,000	806,179	812,000	5,821	0.7%
Administrative Expenses	4,180,700	800,116	817,835	17,718	2.2%
Legal Fees	380,000	113,108	95,000	(18,107)	(19.1%)
Expansion Reserve	555,000	138,800	138,800	-	0.0%
Replacement Reserve	3,330,000	832,500	832,500	-	0.0%
Transfer to Sewer Fund Reserve	786,800	196,700	196,700	-	0.0%
Transfer to General Fund Reserve	2,420,500	605,100	605,100	-	0.0%
Transfer to Sewer Replacement	1,720,000	430,000	430,000	-	0.0%
Transfer to New Supply Reserve	1,585,000	396,300	396,300	-	0.0%
Total Expenses	<u>\$ 78,062,200</u>	<u>\$ 21,471,694</u>	<u>\$ 21,891,045</u>	<u>\$ 419,350</u>	<u>1.9%</u>
EXCESS REVENUES(EXPENSE)	<u>\$ -</u>	<u>\$ 1,049,154</u>	<u>\$ 1,205,755</u>	<u>\$ (156,601)</u>	

**OTAY WATER DISTRICT
INVESTMENT PORTFOLIO REVIEW
SEPTEMBER 30, 2011**

INVESTMENT OVERVIEW & MARKET STATUS:

The federal funds rate has remained constant now for over 33-months. On December 16, 2008, at the Federal Reserve Board's regular scheduled meeting, the federal funds rate was lowered from 1.00% to "a target range of between Zero and 0.25%" in response to the nation's ongoing financial crisis, as well as banking industry pressure to ease credit and stimulate the economy. This marked the ninth reduction in a row since September 18, 2007, when the rate was 5.25%. There have been no further changes made to the federal funds rate at the Federal Reserve Board's subsequent regular scheduled meetings, the most recent of which was held on September 21, 2011. They went on to say: *"The Committee currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013."*

Despite the large drop in available interest rates, the District's overall effective rate of return at September 30th was 0.64%, which was a decrease of 7 basis points (0.07%) from the prior month. At the same time the LAIF return on deposits has fluctuated slightly over the last several months, reaching an average effective yield of 0.38% for the month of September 2011. Based on our success at maintaining a competitive rate of return on our portfolio during this extended period of interest rate declines, no changes in investment strategy are being considered at this time.

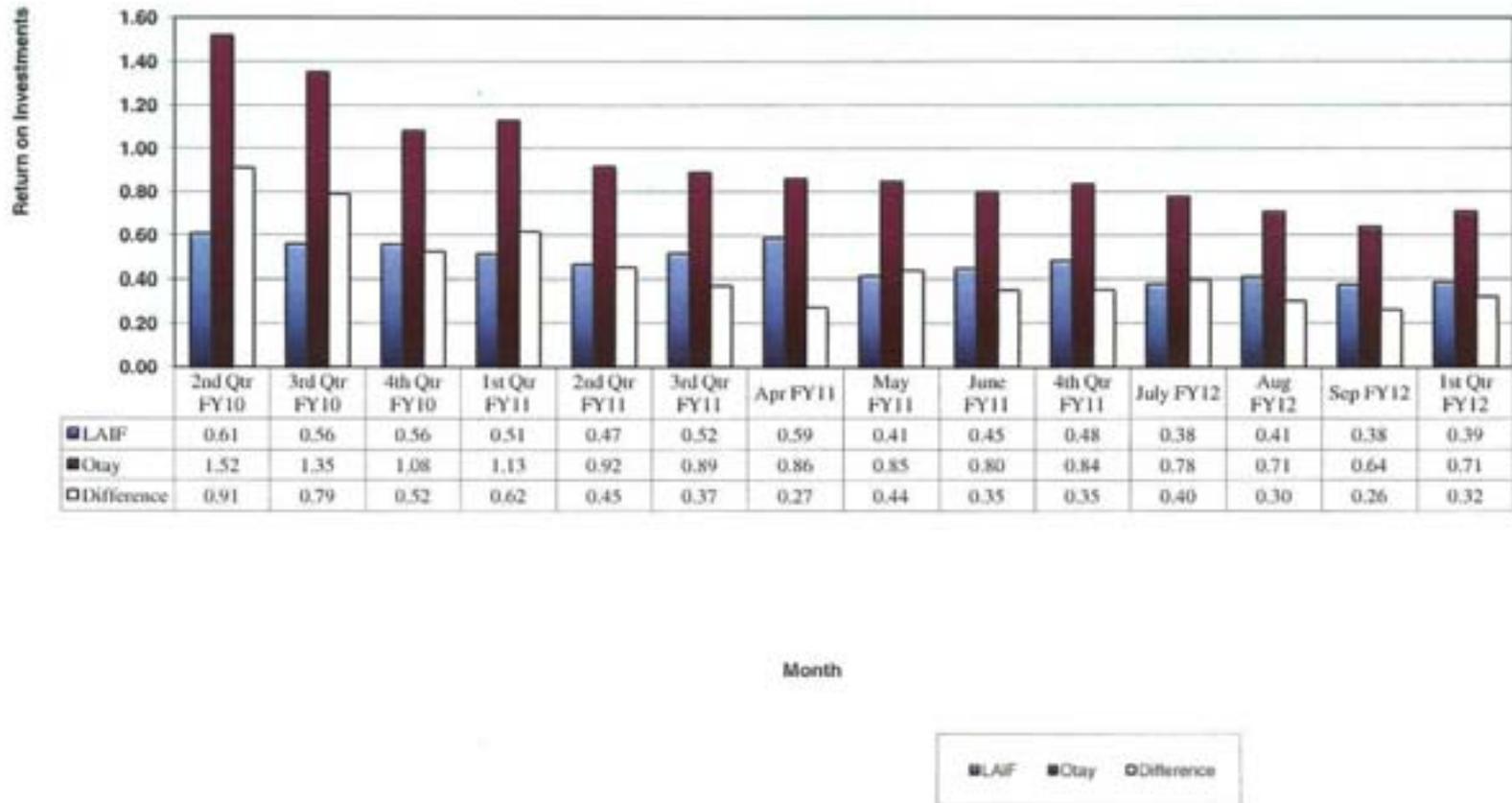
In accordance with the District's Investment Policy, all District funds continue to be managed based on the objectives, in priority order, of safety, liquidity, and return on investment.

PORTFOLIO COMPLIANCE: September 30, 2011

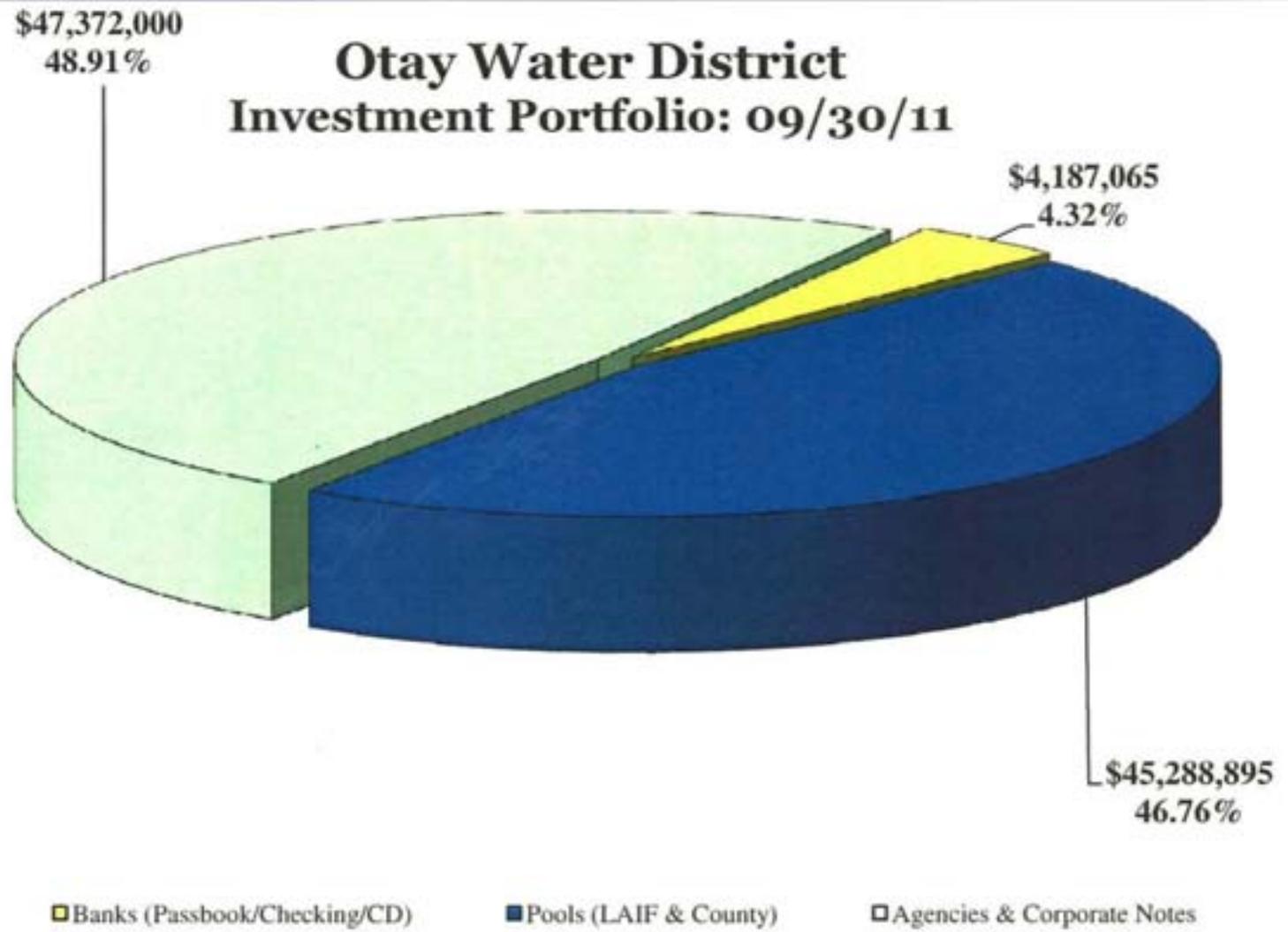
	<u>Investment</u>	<u>State Limit</u>	<u>Otay Limit</u>	<u>Otay Actual</u>
8.01:	Treasury Securities	100%	100%	0
8.02:	Local Agency Investment Fund (Operations)	\$50 Million	\$50 Million	\$19.20 Million
8.02:	Local Agency Investment Fund (Bonds)	100%	100%	4.19%
8.03:	Federal Agency Issues	100%	100%	48.91%
8.04:	Certificates of Deposit	30%	15%	0.08%
8.05:	Short-Term Commercial Notes	25%	15%	0
8.06:	Medium-Term Commercial Debt	30%	15%	0
8.07:	Money Market Mutual Funds	20%	15%	0
8.08:	San Diego County Pool	100%	100%	22.75%
12.0:	Maximum Single Financial Institution	100%	50%	4.24%

Performance Measure F-12 Return on Investment

Target: Meet or Exceed 100% of LAIF



Otay Water District Investment Portfolio: 09/30/11



OTAY
Portfolio Management
Portfolio Summary
September 30, 2011

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Federal Agency Issues- Callable	47,372,000.00	47,383,985.29	47,370,892.63	51.08	840	730	0.800	0.811
Certificates of Deposit - Bank	79,108.00	79,108.00	79,108.00	0.09	730	113	1.380	1.399
Local Agency Investment Fund (LAIF)	23,258,761.92	23,301,734.62	23,258,761.92	25.08	1	1	0.373	0.378
San Diego County Pool	22,030,133.52	21,903,000.52	22,030,133.52	23.76	1	1	0.592	0.600
Investments	92,740,003.44	92,667,828.43	92,738,896.07	100.00%	430	373	0.644	0.653
Cash	4,107,957.38	4,107,957.38	4,107,957.38		1	1	0.018	0.019
(not included in yield calculations)								
Total Cash and Investments	96,847,960.82	96,775,785.81	96,846,853.45		430	373	0.644	0.653

Total Earnings	September 30	Month Ending	Fiscal Year To Date
Current Year		52,783.82	181,438.14
Average Daily Balance		99,780,198.36	101,216,146.39
Effective Rate of Return		0.54%	1.30%

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


 Joseph Beachem, Chief Financial Officer

10-25-11

Reporting period 09/01/2011-09/30/2011

Run Date: 10/24/2011 - 08:38

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

OTAY
Portfolio Management
Portfolio Details - Investments
September 30, 2011

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												
31331KZF0	2219	Federal Farm Credit Bank		09/23/2011	3,000,000.00	2,991,660.00	2,999,257.41	0.481	AA	0.488	814	12/23/2013
313373QJ4	2196	Federal Home Loan Bank		05/25/2011	2,000,000.00	2,002,220.00	2,000,000.00	1.125	AAA	1.110	786	11/25/2013
313373UD2	2197	Federal Home Loan Bank		06/09/2011	2,000,000.00	2,002,440.00	2,000,000.00	1.050	AAA	1.036	800	12/09/2013
313374EL0	2201	Federal Home Loan Bank		06/30/2011	2,000,000.00	2,001,580.00	2,000,000.00	0.875		0.863	821	12/30/2013
313374T83	2208	Federal Home Loan Bank		07/26/2011	2,000,000.00	2,000,540.00	2,000,000.00	0.900	AAA	0.888	850	01/26/2014
313374ZW3	2209	Federal Home Loan Bank		08/08/2011	2,000,000.00	2,000,340.00	2,000,000.00	0.850	AAA	0.841	877	08/08/2013
3133755W3	2210	Federal Home Loan Bank		09/23/2011	2,000,000.00	2,000,780.00	2,000,000.00	0.700	AAA	0.693	892	08/23/2013
313375E29	2212	Federal Home Loan Bank		09/07/2011	2,000,000.00	1,992,880.00	2,000,000.00	0.625	AA	0.616	888	03/07/2014
313375H59	2213	Federal Home Loan Bank		09/16/2011	2,000,000.00	1,995,920.00	2,000,000.00	0.550		0.542	716	09/16/2013
313375HZ3	2216	Federal Home Loan Bank		09/19/2011	2,000,000.00	1,994,960.00	2,000,000.00	0.650		0.641	900	03/19/2014
3137EACK3	2146	Federal Home Loan Mortgage		05/28/2010	2,000,000.00	2,013,140.00	1,999,635.22	1.147	AAA	1.154	300	07/27/2012
3137EACK3A	2148	Federal Home Loan Mortgage		05/27/2010	1,030,000.00	1,036,767.10	1,030,000.00	1.125	AAA	1.109	300	07/27/2012
3137EACK3B	2149	Federal Home Loan Mortgage		05/27/2010	2,707,000.00	2,724,784.99	2,707,000.00	1.125	AAA	1.109	300	07/27/2012
3134G1Y40	2183	Federal Home Loan Mortgage		02/15/2011	2,000,000.00	2,005,420.00	2,000,000.00	1.100	AAA	1.085	684	08/15/2013
3134G2QP0	2205	Federal Home Loan Mortgage		07/27/2011	2,000,000.00	2,003,360.00	2,000,000.00	1.000		0.988	849	01/27/2014
3134G2RK0	2206	Federal Home Loan Mortgage		07/28/2011	2,000,000.00	2,000,920.00	2,000,000.00	1.000	AAA	0.988	850	01/28/2014
3134G2VD1	2211	Federal Home Loan Mortgage		08/24/2011	2,000,000.00	2,002,940.00	2,000,000.00	0.750	AA	0.740	877	02/24/2014
3134G2B92	2217	Federal Home Loan Mortgage		09/13/2011	2,000,000.00	2,001,140.00	2,000,000.00	0.500		0.493	529	03/13/2013
3136FPQG5	2171	Federal National Mortgage Assoc		10/26/2010	635,000.00	635,203.20	635,000.00	0.850	AAA	0.837	664	07/26/2013
3136FRFMO	2192	Federal National Mortgage Assoc		04/27/2011	1,000,000.00	1,001,380.00	1,000,000.00	2.000	AAA	1.973	1,670	04/27/2016
3136GOCW1	2214	Federal National Mortgage Assoc		09/08/2011	2,000,000.00	1,996,220.00	2,000,000.00	0.500	AA	0.493	706	09/08/2013
3136GODB9	2215	Federal National Mortgage Assoc		09/12/2011	2,000,000.00	1,994,560.00	2,000,000.00	0.600		0.592	712	09/12/2013
3136GODK6	2218	Federal National Mortgage Assoc		09/27/2011	2,000,000.00	1,996,500.00	2,000,000.00	0.600	AA	0.592	727	09/27/2013
3136GODN0	2220	Federal National Mortgage Assoc		09/26/2011	3,000,000.00	2,988,330.00	3,000,000.00	0.500	AAA	0.493	726	09/26/2013
Subtotal and Average			42,938,085.13		47,372,000.00	47,383,985.29	47,370,892.63			0.800	730	
Certificates of Deposit - Bank												
2050003183-4	2121	California Bank & Trust		01/22/2010	79,108.00	79,108.00	79,108.00	1.380		1.380	113	01/22/2012
Subtotal and Average			79,108.00		79,108.00	79,108.00	79,108.00			1.380	113	
Local Agency Investment Fund (LAIF)												
LAIF	9001	STATE OF CALIFORNIA		07/01/2004	19,202,789.78	19,238,268.70	19,202,789.78	0.378		0.373	1	
LAIF BABS 2010	9012	STATE OF CALIFORNIA		04/21/2010	4,055,972.14	4,063,465.92	4,055,972.14	0.378		0.373	1	
Subtotal and Average			30,205,428.59		23,258,761.92	23,301,734.62	23,258,761.92			0.373	1	

OTAY
Portfolio Management
Portfolio Details - Investments
September 30, 2011

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 360	Days to Maturity	Maturity Date
San Diego County Pool												
SD COUNTY POOL	9007	San Diego County		07/01/2004	22,030,133.52	21,903,000.52	22,030,133.52	0.600		0.592	1	
Subtotal and Average			22,030,133.52		22,030,133.52	21,903,000.52	22,030,133.52			0.592	1	
Total and Average			99,780,198.36		92,740,003.44	92,667,828.43	92,738,896.07			0.644	373	

OTAY
Portfolio Management
Portfolio Details - Cash
September 30, 2011

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		07/01/2004	3,018,387.94	3,018,387.94	3,018,387.94	0.010		0.010	1
PETTY CASH	9003	STATE OF CALIFORNIA		07/01/2004	2,950.00	2,950.00	2,950.00			0.000	1
UNION OPERATING	9004	STATE OF CALIFORNIA		07/01/2004	990,692.60	990,692.60	990,692.60	0.040		0.039	1
PAYROLL	9005	STATE OF CALIFORNIA		07/01/2004	24,100.32	24,100.32	24,100.32			0.000	1
RESERVE-10 COPS	9010	STATE OF CALIFORNIA		04/20/2010	688.02	688.02	688.02			0.000	1
RESERVE-10 BABS	9011	STATE OF CALIFORNIA		04/20/2010	418.14	418.14	418.14	0.001		0.001	1
UBNA-2010 BOND	9013	STATE OF CALIFORNIA		04/20/2010	48,994.10	48,994.10	48,994.10	0.147		0.145	1
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA		01/01/2011	21,726.26	21,726.26	21,726.26			0.000	1
Average Balance			0.00								1
Total Cash and Investments			99,790,198.36		96,847,960.82	96,775,785.81	96,846,853.45			0.644	373

OTAY
Activity Report
Sorted By Issuer
July 1, 2011 - September 30, 2011

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: STATE OF CALIFORNIA									
Union Bank									
UNION MONEY	9002	STATE OF CALIFORNIA			0.010		39,770,326.00	38,761,994.55	
UNION OPERATING	9004	STATE OF CALIFORNIA			0.040		2,375,785.65	2,271,734.75	
PAYROLL	9005	STATE OF CALIFORNIA					350,000.00	349,884.39	
RESERVE-10 COPS	9010	STATE OF CALIFORNIA					5,793.75	13,489.32	
RESERVE-10 BABS	9011	STATE OF CALIFORNIA			0.001		15,228.09	35,452.89	
UBNA-2010 BOND	9013	STATE OF CALIFORNIA			0.147		48,942.21	0.00	
UBNA-FLEX ACCT	9014	STATE OF CALIFORNIA					50,000.00	40,016.50	
		Subtotal and Balance		964,254.08			42,616,075.70	39,472,372.40	4,107,957.38
Local Agency Investment Fund (LAIF)									
LAIF	9001	STATE OF CALIFORNIA			0.378		17,633,803.66	30,200,000.00	
LAIF BABS 2010	9012	STATE OF CALIFORNIA			0.378		4,807.91	0.00	
		Subtotal and Balance		35,820,150.35			17,638,611.57	30,200,000.00	23,258,761.92
		Issuer Subtotal	28.257%	36,784,404.43			60,254,687.27	69,672,372.40	27,366,719.30
Issuer: California Bank & Trust									
Certificates of Deposit - Bank									
		Subtotal and Balance		79,108.00					79,108.00
		Issuer Subtotal	0.082%	79,108.00			0.00	0.00	79,108.00
Issuer: Federal Farm Credit Bank									
Federal Agency Issues- Callable									
31331KZF0	2219	Federal Farm Credit Bank			0.481	09/23/2011	3,000,000.00	0.00	
		Subtotal and Balance		0.00			3,000,000.00	0.00	3,000,000.00
		Issuer Subtotal	3.098%	0.00			3,000,000.00	0.00	3,000,000.00
Issuer: Federal Home Loan Bank									

OTAY
Activity Report
July 1, 2011 - September 30, 2011

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Federal Home Loan Bank									
Federal Agency Issues- Callable									
313371MR4	2174	Federal Home Loan Bank			0.700	08/22/2011	0.00	2,000,000.00	
313373CWO	2193	Federal Home Loan Bank			1.375	07/26/2011	0.00	2,000,000.00	
313373K27	2194	Federal Home Loan Bank			1.200	08/12/2011	0.00	2,000,000.00	
313373MC3	2195	Federal Home Loan Bank			1.200	08/12/2011	0.00	1,775,000.00	
313373V25	2198	Federal Home Loan Bank			0.875	09/08/2011	0.00	2,000,000.00	
313373VV0	2199	Federal Home Loan Bank			1.100	07/06/2011	0.00	2,000,000.00	
3133747H7	2202	Federal Home Loan Bank			0.875	09/27/2011	0.00	2,000,000.00	
313374G46	2203	Federal Home Loan Bank			1.000	07/08/2011	2,000,000.00	0.00	
313374G46	2203	Federal Home Loan Bank				08/08/2011	0.00	2,000,000.00	
313374T83	2208	Federal Home Loan Bank			0.900	07/28/2011	2,000,000.00	0.00	
313374ZV3	2209	Federal Home Loan Bank			0.650	08/08/2011	2,000,000.00	0.00	
3133755W3	2210	Federal Home Loan Bank			0.700	08/23/2011	2,000,000.00	0.00	
313375E29	2212	Federal Home Loan Bank			0.625	09/07/2011	2,000,000.00	0.00	
313375H59	2213	Federal Home Loan Bank			0.550	09/16/2011	2,000,000.00	0.00	
313375H23	2216	Federal Home Loan Bank			0.650	09/19/2011	2,000,000.00	0.00	
		Subtotal and Balance		19,775,000.00			14,000,000.00	15,775,000.00	18,000,000.00
		Issuer Subtotal	18.586%	19,775,000.00			14,000,000.00	15,775,000.00	18,000,000.00

Issuer: Federal Home Loan Mortgage

Federal Agency Issues- Callable									
3134G1MD3	2153	Federal Home Loan Mortgage			1.100	07/22/2011	0.00	2,000,000.00	
3134G1PK4	2158	Federal Home Loan Mortgage			1.000	08/11/2011	0.00	2,000,000.00	
3134G13K8	2185	Federal Home Loan Mortgage			1.000	08/24/2011	0.00	2,000,000.00	
3134G12U7	2186	Federal Home Loan Mortgage			0.750	08/23/2011	0.00	2,000,000.00	
3134G14B7	2187	Federal Home Loan Mortgage			1.350	08/23/2011	0.00	2,000,000.00	
3134G15C4	2188	Federal Home Loan Mortgage			1.250	09/07/2011	0.00	2,000,000.00	
3134G17L2	2190	Federal Home Loan Mortgage			1.350	09/23/2011	0.00	2,000,000.00	
3134G2MC3	2200	Federal Home Loan Mortgage			0.800	09/27/2011	0.00	2,000,000.00	
3134G2PE6	2204	Federal Home Loan Mortgage			1.000	07/08/2011	2,000,000.00	0.00	
3134G2PE6	2204	Federal Home Loan Mortgage				09/08/2011	0.00	2,000,000.00	
3134G2QP0	2205	Federal Home Loan Mortgage			1.000	07/27/2011	2,000,000.00	0.00	
3134G2RK0	2206	Federal Home Loan Mortgage			1.000	07/28/2011	2,000,000.00	0.00	
3134G2NR9	2207	Federal Home Loan Mortgage			0.750	07/13/2011	2,000,000.00	0.00	
3134G2NR9	2207	Federal Home Loan Mortgage				09/08/2011	0.00	2,000,000.00	

OTAY
Activity Report
July 1, 2011 - September 30, 2011

CUSIP	Investment #	Issuer	Percent of Portfolio	Par Value Beginning Balance	Current Rate	Transaction Date	Purchases or Deposits	Par Value Redemptions or Withdrawals	Ending Balance
Issuer: Federal Home Loan Mortgage									
Federal Agency Issues- Callable									
3134G2VD1	2211	Federal Home Loan Mortgage			0.750	08/24/2011	2,000,000.00	0.00	
3134G2B92	2217	Federal Home Loan Mortgage			0.500	09/13/2011	2,000,000.00	0.00	
		Subtotal and Balance		23,737,000.00			12,000,000.00	20,000,000.00	15,737,000.00
		Issuer Subtotal	16.249%	23,737,000.00			12,000,000.00	20,000,000.00	15,737,000.00
Issuer: Federal National Mortgage Assoc									
Federal Agency Issues- Callable									
3136FPSK4	2172	Federal National Mortgage Assoc			0.675	07/29/2011	0.00	2,000,000.00	
3136FP5X1	2182	Federal National Mortgage Assoc			0.860	07/28/2011	0.00	2,000,000.00	
3135GOCW1	2214	Federal National Mortgage Assoc			0.500	09/06/2011	2,000,000.00	0.00	
3135GODB6	2215	Federal National Mortgage Assoc			0.800	09/12/2011	2,000,000.00	0.00	
3135GODK8	2218	Federal National Mortgage Assoc			0.600	09/27/2011	2,000,000.00	0.00	
3135GODN0	2220	Federal National Mortgage Assoc			0.500	09/26/2011	3,000,000.00	0.00	
		Subtotal and Balance		5,635,000.00			9,000,000.00	4,000,000.00	10,635,000.00
		Issuer Subtotal	10.981%	5,635,000.00			9,000,000.00	4,000,000.00	10,635,000.00
Issuer: San Diego County									
San Diego County Pool									
SD COUNTY POOL	9007	San Diego County			0.600		5,016,961.95	0.00	
		Subtotal and Balance		17,013,171.57			5,016,961.95	0.00	22,030,133.52
		Issuer Subtotal	22.747%	17,013,171.57			5,016,961.95	0.00	22,030,133.52
		Total	100.000%	103,023,684.00			103,271,649.22	109,447,372.40	96,847,960.82

OTAY
GASB 31 Compliance Detail
Sorted by Fund - Fund
July 1, 2011 - September 30, 2011

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		31,819,068.97	0.00	17,633,803.66	30,200,000.00	0.00	-14,603.93	19,238,268.70
UNION MONEY	9002	99	Amortized		10,056.49	0.00	39,770,326.00	36,761,994.55	0.00	0.00	3,018,387.94
PETTY CASH	9003	99	Amortized		2,950.00	0.00	0.00	0.00	0.00	0.00	2,950.00
UNION OPERATING	9004	99	Amortized		896,641.70	0.00	2,376,785.65	2,271,734.75	0.00	0.00	990,692.60
PAYROLL	9005	99	Amortized		23,784.71	0.00	350,000.00	349,684.39	0.00	0.00	24,100.32
SD COUNTY POOL	9007	99	Fair Value		16,992,478.85	0.00	6,016,961.95	0.00	0.00	-106,440.09	21,903,000.52
2050003183-4	2121	99	Amortized	01/22/2012	79,108.00	0.00	0.00	0.00	0.00	0.00	79,108.00
RESERVE-10 COPS	9010	99	Amortized		8,383.59	0.00	5,793.75	13,489.32	0.00	0.00	688.02
RESERVE-10 BABS	9011	99	Amortized		20,642.94	0.00	15,228.09	35,452.89	0.00	0.00	418.14
LAIF BABS 2010	9012	99	Fair Value		4,057,550.77	0.00	4,807.91	0.00	0.00	1,107.24	4,063,465.92
UBNA-2010 BOND	9013	99	Amortized		51.89	0.00	48,942.21	0.00	0.00	0.00	48,994.10
3137EACK3	2146	99	Fair Value	07/27/2012	2,015,920.00	0.00	0.00	0.00	0.00	-2,760.00	2,013,140.00
3137EACK3A	2148	99	Fair Value	07/27/2012	1,038,198.80	0.00	0.00	0.00	0.00	-1,431.70	1,036,767.10
3137EACK3B	2149	99	Fair Value	07/27/2012	2,728,547.72	0.00	0.00	0.00	0.00	-3,762.73	2,724,784.99
3134G1MD3	2153	99	Fair Value	01/22/2013	2,000,960.00	0.00	0.00	2,000,000.00	0.00	-960.00	0.00
3134G1PK4	2158	99	Fair Value	02/11/2013	2,001,820.00	0.00	0.00	2,000,000.00	0.00	-1,820.00	0.00
3136FPQG5	2171	99	Fair Value	07/26/2013	636,270.00	0.00	0.00	0.00	0.00	-1,066.80	635,203.20
3136FPSK4	2172	99	Fair Value	04/29/2013	2,000,780.00	0.00	0.00	2,000,000.00	0.00	-780.00	0.00
313371MR4	2174	99	Fair Value	05/22/2013	1,998,980.00	0.00	0.00	2,000,000.00	0.00	1,020.00	0.00
3136FP5X1	2182	99	Fair Value	01/28/2013	2,000,760.00	0.00	0.00	2,000,000.00	0.00	-760.00	0.00
3134G1Y40	2183	99	Fair Value	08/15/2013	2,009,100.00	0.00	0.00	0.00	0.00	-3,680.00	2,005,420.00
3134G13K8	2185	99	Fair Value	05/24/2013	2,002,200.00	0.00	0.00	2,000,000.00	0.00	-2,200.00	0.00
3134G12U7	2186	99	Fair Value	11/23/2012	2,001,040.00	0.00	0.00	2,000,000.00	0.00	-1,040.00	0.00
3134G14B7	2187	99	Fair Value	08/23/2013	2,002,820.00	0.00	0.00	2,000,000.00	0.00	-2,820.00	0.00
3134G15C4	2188	99	Fair Value	06/07/2013	2,003,600.00	0.00	0.00	2,000,000.00	0.00	-3,600.00	0.00
UBNA-FLEX ACCT	9014	99	Amortized		11,742.76	0.00	50,000.00	40,016.50	0.00	0.00	21,726.26
3134G17L2	2190	99	Fair Value	09/23/2013	2,004,420.00	0.00	0.00	2,000,000.00	0.00	-4,420.00	0.00
3136FRFMO	2192	99	Fair Value	04/27/2016	1,006,570.00	0.00	0.00	0.00	0.00	-5,190.00	1,001,380.00
313373CW0	2193	99	Fair Value	10/25/2013	2,001,520.00	0.00	0.00	2,000,000.00	0.00	-1,520.00	0.00
313373K27	2194	99	Fair Value	08/12/2013	2,001,920.00	0.00	0.00	2,000,000.00	0.00	-1,920.00	0.00
313373MC3	2195	99	Fair Value	11/12/2013	1,776,810.50	0.00	0.00	1,775,000.00	0.00	-1,810.50	0.00
313373QJ4	2196	99	Fair Value	11/25/2013	2,006,360.00	0.00	0.00	0.00	0.00	-4,140.00	2,002,220.00

Portfolio OTAY
AP

OTAY
 GASB 31 Compliance Detail
 Sorted by Fund - Fund

CUSIP	Investment #	Fund	Investment Class	Maturity Date	Beginning Invested Value	Purchase of Principal	Addition to Principal	Redemption of Principal	Adjustment in Value		Ending Invested Value
									Amortization Adjustment	Change in Market Value	
Fund: Treasury Fund											
313373UD2	2197	99	Fair Value	12/09/2013	2,005,440.00	0.00	0.00	0.00	0.00	-3,000.00	2,002,440.00
313373V25	2198	99	Fair Value	09/06/2013	2,002,080.00	0.00	0.00	2,000,000.00	0.00	-2,080.00	0.00
313373VV0	2199	99	Fair Value	12/06/2013	2,000,220.00	0.00	0.00	2,000,000.00	0.00	-220.00	0.00
3134G2MC3	2200	99	Fair Value	09/27/2013	1,990,780.00	0.00	0.00	2,000,000.00	0.00	3,220.00	0.00
313374EL0	2201	99	Fair Value	12/30/2013	1,993,300.00	0.00	0.00	0.00	0.00	8,280.00	2,001,580.00
313374G40	2203	99	Fair Value	01/08/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2PE6	2204	99	Fair Value	01/08/2014	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2QP0	2205	99	Fair Value	01/27/2014	0.00	2,000,000.00	0.00	0.00	0.00	3,360.00	2,003,360.00
3134G2RK0	2206	99	Fair Value	01/28/2014	0.00	2,000,000.00	0.00	0.00	0.00	920.00	2,000,920.00
313374T83	2208	99	Fair Value	01/28/2014	0.00	2,000,000.00	0.00	0.00	0.00	540.00	2,000,540.00
313374ZV3	2209	99	Fair Value	08/06/2013	0.00	2,000,000.00	0.00	0.00	0.00	340.00	2,000,340.00
3133755W3	2210	99	Fair Value	08/23/2013	0.00	2,000,000.00	0.00	0.00	0.00	780.00	2,000,780.00
3134G2VD1	2211	99	Fair Value	02/24/2014	0.00	2,000,000.00	0.00	0.00	0.00	2,940.00	2,002,940.00
313375E29	2212	99	Fair Value	03/07/2014	0.00	2,000,000.00	0.00	0.00	0.00	-7,120.00	1,992,880.00
313375H59	2213	99	Fair Value	09/16/2013	0.00	2,000,000.00	0.00	0.00	0.00	-4,080.00	1,995,920.00
3135GOCW1	2214	99	Fair Value	09/06/2013	0.00	2,000,000.00	0.00	0.00	0.00	-3,780.00	1,996,220.00
3135GODB6	2215	99	Fair Value	09/12/2013	0.00	2,000,000.00	0.00	0.00	0.00	-5,440.00	1,994,560.00
313375HZ3	2216	99	Fair Value	03/19/2014	0.00	2,000,000.00	0.00	0.00	0.00	-5,040.00	1,994,960.00
3134G2B92	2217	99	Fair Value	03/13/2013	0.00	2,000,000.00	0.00	0.00	0.00	1,140.00	2,001,140.00
3135GODK6	2218	99	Fair Value	09/27/2013	0.00	2,000,000.00	0.00	0.00	0.00	-3,500.00	1,996,500.00
31331KZF0	2219	99	Fair Value	12/23/2013	0.00	2,999,250.00	0.00	0.00	0.00	-7,590.00	2,991,660.00
3135GODN0	2220	99	Fair Value	09/26/2013	0.00	3,000,000.00	0.00	0.00	0.00	-11,670.00	2,988,330.00
3133747H7	2202	99	Fair Value	12/27/2013	2,000,000.00	0.00	0.00	2,000,000.00	0.00	0.00	0.00
3134G2NR9	2207	99	Fair Value	07/05/2013	0.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	0.00
				Subtotal	103,148,877.49	37,999,250.00	65,271,649.22	109,447,372.40	0.00	-196,618.51	96,775,785.81
				Total	103,148,877.49	37,999,250.00	65,271,649.22	109,447,372.40	0.00	-196,618.51	96,775,785.81

OTAY
Duration Report
Sorted by Investment Type - Investment Type
Through 09/30/2011

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
3137EACK3B	2149	99	Federal Home Loan Mortgage	Fair	2,707,000.00	2,707,000.00	2,724,784.99	1.125000	1.109	0.324	07/27/2012	0.816
3134G2QP0	2205	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,003,360.00	1.000000	0.986	0.927	01/27/2014	2.286
3134G2RK0	2208	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,000,920.00	1.000000	0.986	0.980	01/28/2014	2.289
3137EACK3A	2148	99	Federal Home Loan Mortgage	Fair	1,030,000.00	1,030,000.00	1,036,767.10	1.125000	1.109	0.324	07/27/2012	0.816
3134G2VD1	2211	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,002,940.00	.7500000	0.740	0.688	02/24/2014	2.370
3134G2B92	2217	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,001,140.00	.5000000	0.493	0.461	03/13/2013	1.443
3134G1Y40	2183	99	Federal Home Loan Mortgage	Fair	2,000,000.00	2,000,000.00	2,005,420.00	1.100000	1.085	0.954	08/15/2013	1.846
3137EACK3	2146	99	Federal Home Loan Mortgage	Fair	1,999,635.22	2,000,000.00	2,013,140.00	1.147196	1.154	0.346	07/27/2012	0.818
3136FPQG5	2171	99	Federal National Mortgage Assoc	Fair	635,000.00	635,000.00	635,203.20	.8500830	0.837	0.832	07/26/2013	1.799
3135GOCW1	2214	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,996,220.00	.5000000	0.493	0.599	09/06/2013	1.917
3138GODN0	2220	99	Federal National Mortgage Assoc	Fair	3,000,000.00	3,000,000.00	2,988,330.00	.5000000	0.493	0.698	09/20/2013	1.971
3135GODK6	2218	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,996,500.00	.6000000	0.592	0.689	09/27/2013	1.972
3135GODB6	2215	99	Federal National Mortgage Assoc	Fair	2,000,000.00	2,000,000.00	1,994,560.00	.6000000	0.592	0.741	09/12/2013	1.931
3136FRFMO	2192	99	Federal National Mortgage Assoc	Fair	1,000,000.00	1,000,000.00	1,001,380.00	2.000000	1.973	1.968	04/27/2016	4.296
313373UD2	2197	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,002,440.00	1.050000	1.036	0.994	12/09/2013	2.151
313376E29	2212	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,962,880.00	.6250000	0.618	0.773	03/07/2014	2.408
313374T83	2208	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,000,540.00	.9000000	0.888	0.888	01/28/2014	2.292
313373QJ4	2196	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,002,220.00	1.125000	1.110	1.073	11/25/2013	2.111
313374ZW3	2209	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,000,340.00	.6500000	0.641	0.641	08/08/2013	1.837
313375HZ3	2216	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,994,960.00	.6500000	0.641	0.753	03/19/2014	2.441
313374EL0	2201	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,001,580.00	.8750000	0.863	0.840	12/30/2013	2.216
3133759W3	2210	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	2,000,780.00	.7000000	0.693	0.679	08/23/2013	1.878
313375H59	2213	99	Federal Home Loan Bank	Fair	2,000,000.00	2,000,000.00	1,995,920.00	.5500000	0.542	0.655	09/16/2013	1.944
31331KZF0	2219	99	Federal Farm Credit Bank	Fair	2,999,257.41	3,000,000.00	2,991,660.00	.4812160	0.486	0.607	12/23/2013	2.211

OTAY
Duration Report
Sorted by Investment Type - Investment Type
Through 09/30/2011

Security ID	Investment #	Fund	Issuer	Investment Class	Book Value	Par Value	Market Value	Current Rate	YTM 360	Current Yield	Maturity/ Call Date	Modified Duration
2050003183-4	2121	99	California Bank & Trust	Amort	79,108.00	79,108.00	79,108.00	1.380000	1.380	1.380	01/22/2012	0.308 †
LAIF COPS07	9009	99	STATE OF CALIFORNIA	Fair	0.00	0.00	0.00	1.530000	1.509	1.530		0.000
LAIF BABS 2010	9012	99	STATE OF CALIFORNIA	Fair	4,055,972.14	4,055,972.14	4,063,485.92	.3780000	0.373	0.378		0.000
LAIF	9001	99	STATE OF CALIFORNIA	Fair	19,202,789.78	19,202,789.78	19,238,268.70	.3780000	0.373	0.378		0.000
SD COUNTY	9007	99	San Diego County	Fair	22,030,133.52	22,030,133.52	21,903,000.52	.6000000	0.592	0.600		0.000
Report Total					92,738,896.07	92,740,003.44	92,667,828.43			0.616		1.007 †

† = Duration can not be calculated on these investments due to incomplete Market price data.



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	November 2, 2011
SUBMITTED BY:	Sean Prendergast, Finance Supervisor, Payroll & AP	W.O./G.F. NO:	DIV. NO.
APPROVED BY: (Chief)	Joseph Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Accounts Payable Demand List		

PURPOSE:

Attached is the list of demands for the Board's information.

FISCAL IMPACT:

<u>SUMMARY</u>	<u>NET DEMANDS</u>
CHECKS (2030558-2030928)	\$ 2,871,940.02
VOID CHECK (1)	\$ (2,000.00)
TOTAL CHECKS	\$ 2,869,940.02
WIRE TO:	
DELTA HEALTH SYSTEMS - DENTAL & COBRA CLAIMS (MONTHLY)	\$ 15,591.23
JP MORGAN - REMARKETING FEE (QUARTERLY)	\$ 2,533.81
SAN DIEGO COUNTY WATER - WATER DELIVERIES (MONTHLY)	\$ 3,775,614.60
SPECIAL DIST RISK MGMT AUTH - INSURANCE PREMIUM (MONTHLY)	\$ 218,892.25
STATE BOARD OF EQUALIZATION - SALES USE TAX (QUARTERLY)	\$ 1,704.00
UNION BANK - CERT OF PARTICIPATION 2006 (QUARTERLY)	\$ 30,796.31
UNION BANK - CERT OF PARTICIPATION 2006 (MONTHLY)	\$ 1,513.21
UNION BANK - PAYROLL TAXES (MONTHLY)	\$ 277,732.73
TOTAL CASH DISBURSEMENTS	\$ 7,194,318.16

RECOMMENDED ACTION:

That the Board receive the attached list of demands.

Jb/Attachment

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2030668 THROUGH 2030928
RUN DATES 10/5/2011 TO 10/26/2011

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2030661	10/12/11	10720	1060 TECHNOLOGY INC	2170	09/07/11	TOUGHBOOK BATTERIES	1,724.00	1,724.00
2030735	10/19/11	10720	1060 TECHNOLOGY INC	2202	09/19/11	APC BACK-UPS	2,068.80	2,068.80
2030851	10/26/11	10720	1060 TECHNOLOGY INC	2213	10/05/11	SCANNERS	3,929.64	3,929.64
2030827	10/26/11	13400	2300 BOSWELL LLC	Ref002417572	10/25/11	UB Refund Cat #0000093618	247.76	247.76
2030558	10/05/11	01910	ABCANA INDUSTRIES	889526	09/15/11	SODIUM HYPOCHLORITE	3,008.27	
				888837	09/06/11	SODIUM HYPOCHLORITE	2,320.95	
				888836	09/06/11	SODIUM HYPOCHLORITE	988.93	
				888838	09/06/11	SODIUM HYPOCHLORITE	970.99	
				889283	09/12/11	SODIUM HYPOCHLORITE	805.05	
				889527	09/15/11	SODIUM HYPOCHLORITE	614.44	
				889284	09/12/11	SODIUM HYPOCHLORITE	519.13	
				889528	09/15/11	SODIUM HYPOCHLORITE	355.43	9,583.19
2030662	10/12/11	01910	ABCANA INDUSTRIES	889842	09/20/11	SODIUM HYPOCHLORITE	2,752.63	
				889979	09/22/11	SODIUM HYPOCHLORITE	1,841.07	
				889782	09/19/11	SODIUM HYPOCHLORITE	1,230.00	
				889781	09/19/11	SODIUM HYPOCHLORITE	911.57	
				889783	09/19/11	SODIUM HYPOCHLORITE	892.50	
				889981	09/22/11	SODIUM HYPOCHLORITE	784.87	
				889980	09/22/11	SODIUM HYPOCHLORITE	643.58	9,056.22
2030736	10/19/11	01910	ABCANA INDUSTRIES	890342	09/27/11	SODIUM HYPOCHLORITE	2,963.42	
				890453	09/29/11	SODIUM HYPOCHLORITE	1,441.91	
				890343	09/27/11	SODIUM HYPOCHLORITE	1,013.60	
				890203	09/26/11	SODIUM HYPOCHLORITE	782.63	
				890204	09/26/11	SODIUM HYPOCHLORITE	761.31	
				890454	09/29/11	SODIUM HYPOCHLORITE	649.20	7,612.07
2030852	10/26/11	01910	ABCANA INDUSTRIES	890894	10/06/11	SODIUM HYPOCHLORITE	1,296.15	
				890724	10/03/11	SODIUM HYPOCHLORITE	1,074.14	
				890725	10/03/11	SODIUM HYPOCHLORITE	987.80	
				890754	10/04/11	SODIUM HYPOCHLORITE	953.05	
				890895	10/06/11	SODIUM HYPOCHLORITE	719.83	
				890755	10/04/11	SODIUM HYPOCHLORITE	235.46	5,266.43
2030663	10/12/11	08488	ABLEFORCE INC	2908	09/20/11	TEMPORARY LABOR (9/16/11-9/18/11)	6,885.00	6,885.00
2030853	10/26/11	08488	ABLEFORCE INC	2935	10/04/11	PROGRAMMING SERVICES (9/19/11-9/30/11)	6,970.00	6,970.00
2030737	10/19/11	03317	ADVANCED CALL PROCESSING INC	RK072011OWDFP	07/20/11	PBX UPGRADE	38,592.66	
				20112214	05/19/11	PBX UPGRADE	1,689.16	
				CR20112275	06/27/11	PBX UPGRADE	1,464.38	
				RK072011OWDFR	07/20/11	PBX UPGRADE	1,345.80	
				20112228	05/27/11	PBX UPGRADE	431.65	
				20112355	09/15/11	PBX UPGRADE	390.00	43,913.65

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2030558 THROUGH 2030928
RUN DATES 10/5/2011 TO 10/26/2011

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2030559	10/05/11	11462	AEGIS ENGINEERING MGMT INC	1109 1022	09/13/11 09/13/11	DEVELOPER PLANCHECKS (8/8/11-9/9/11) PLAN CHECKING (8/8/11-9/9/11)	10,507.98 7,380.12	17,888.10
2030560	10/05/11	07732	AIRGAS SPECIALTY PRODUCTS INC	131212804 131212803 131212805	09/13/11 09/13/11 09/13/11	AQUA AMMONIA AQUA AMMONIA AQUA AMMONIA	2,600.64 1,776.88 975.52	5,353.04
2030738	10/19/11	00132	AIRGAS WEST INC	103897886	09/30/11	BREATHING AIR BOTTLES	31.35	31.35
2030854	10/26/11	00132	AIRGAS WEST INC	103499324	09/30/11	BREATHING AIR BOTTLES	174.86	174.86
2030623	10/12/11	13372	ALBERTO CHAVARRIA	Ref002417230	10/11/11	UB Refund Cat #0000175424	41.15	41.15
2030828	10/26/11	13408	ALEGRIA REAL ESTATE I LLC	Ref002417581	10/25/11	UB Refund Cat #0000177436	94.62	94.62
2030829	10/26/11	13411	ALEGRIA REAL ESTATE I LLC	Ref002417584	10/25/11	UB Refund Cat #0000182446	214.16	214.16
2030624	10/12/11	13377	ALEXANDRA VINSON	Ref002417235	10/11/11	UB Refund Cat #0000176906	94.88	94.88
2030739	10/19/11	02362	ALLIED WASTE SERVICES # 509	0509004525678 0509004526917 0509004527554	09/25/11 09/25/11 09/25/11	TRASH SERVICES (OCT 2011) ASBESTOS CONTAINER (SEPT 2011) TRASH SERVICES TP (OCT 2011)	1,092.40 233.51 169.06	1,494.97
2030561	10/05/11	12911	ALTA LAND SURVEYING INC	11218404 11220003 11215801 11215901 11217601 11218001 11219304	09/10/11 09/10/11 09/09/11 09/09/11 09/09/11 09/09/11 09/14/11	SURVEY SERVICES SURVEY SERVICES SURVEY SERVICES SURVEY SERVICES SURVEY SERVICES SURVEY SERVICES SURVEY SERVICES	865.00 3,080.00 2,350.00 1,610.00 1,380.00 1,285.00 850.00	11,620.00
2030664	10/12/11	12911	ALTA LAND SURVEYING INC	11219106	09/19/11	SURVEY SERVICES (PERIOD ENDING 9/19/11)	800.00	800.00
2030740	10/19/11	12911	ALTA LAND SURVEYING INC	11220007	10/04/11	SURVEY SERVICES (9/27/11-9/29/11)	1,050.00	1,050.00
2030830	10/26/11	13409	ALTISOURCE SOLUTIONS	Ref002417582	10/25/11	UB Refund Cat #0000177491	141.47	141.47
2030562	10/05/11	06166	AMERICAN MESSAGING	L1109570LJ	10/01/11	PAGER SERVICES (SEPT 2011)	137.63	137.63
2030625	10/12/11	13354	ANA ALAMILLA	Ref002417211	10/11/11	UB Refund Cat #0000080026	24.77	24.77
2030626	10/12/11	13374	ANA BAUTISTA	Ref002417232	10/11/11	UB Refund Cat #0000176593	41.37	41.37
2030855	10/26/11	10728	ANDERSON, FRANK	17891011	10/26/11	TRAVEL EXPENSES (10/17/11-10/20/11)	192.00	192.00
2030563	10/05/11	00002	ANSWER INC	5603	09/22/11	ANSWERING SERVICES	1,000.00	1,000.00
2030856	10/26/11	00002	ANSWER INC	5701	10/22/11	ANSWERING SERVICES	1,000.00	1,000.00

OTAY WATER DISTRICT
CHECK REGISTER
FOR CHECKS 2030558 THROUGH 2030928
RUN DATES 10/5/2011 TO 10/26/2011

Check #	Date	Vendor	Vendor name	Invoice	Inv Date	Description	Amount Paid	Check Total
2030564	10/05/11	08967	ANTHEM BLUE CROSS EAP	40997	09/23/11	EMPLOYEE ASSISTANCE (OCT 2011)	336.73	336.73
2030665	10/12/11	12328	API FUND FOR PAYROLL EDUCATION	116076	10/11/11	REGISTRATION FEE	860.00	860.00
2030565	10/05/11	03492	AQUA-METRIC SALES COMPANY	0039573IN	09/12/11	SENSUS OMNI METERS	23,530.22	23,530.22
2030666	10/12/11	03492	AQUA-METRIC SALES COMPANY	0039749IN	09/22/11	SENSUS OMNI METERS	31,998.68	31,998.68
2030627	10/12/11	13360	ARMANDO BRAND	Ref002417217	10/11/11	UB Refund Cat #0000162546	60.92	60.92
2030741	10/19/11	03340	ASSOCIATION OF PUBLIC	6191	10/04/11	MEMBERSHIP RENEWAL (11/1/11-10/31/12)	174.00	174.00
2030566	10/05/11	05758	AT&T	0821645728092511	09/25/11	INTERNET BANDWIDTH (9/25/11-10/24/11)	2,253.68	2,253.68
2030567	10/05/11	05758	AT&T	61942256050911	09/20/11	PHONE SERVICE (9/20/11-10/19/11)	41.39	41.39
2030667	10/12/11	05758	AT&T	61969851400911	09/24/11	PHONE SERVICES (THRU 9/24/11)	31.56	31.56
2030742	10/19/11	07785	AT&T	000002701673 00000	10/02/11 10/14/11	PHONE SERVICES (9/2/11-10/1/11) PHONE SERVICES (9/2/11-10/1/11)	5,666.38 15.22	5,681.60
2030857	10/26/11	05758	AT&T	33784130451011	10/07/11	PHONE SERVICE (10/7/11-11/6/11)	31.38	31.38
2030668	10/12/11	08330	AT&T INTERNET SERVICES	8547826250911	09/22/11	INTERNET BANDWIDTH (9/21/11-10/20/11)	1,560.00	1,560.00
2030568	10/05/11	12810	ATKINS	1121065	09/09/11	WATER MANAGEMENT (JUNE/JULY 2011)	1,000.00	1,000.00
2030628	10/12/11	13383	ATLAS DEVELOPMENT	Ref002417241	10/11/11	UB Refund Cat.#0000182780	1,692.10	1,692.10
2030569	10/05/11	08024	BACKGROUND PROFILES INC	3332	09/30/11	BACKGROUND CHECK	38.00	38.00
2030570	10/05/11	00145	BARRETT ENGINEERED PUMPS	077576	09/13/11	PRICE PUMP	1,136.76	1,136.76
2030743	10/19/11	06970	BATTIKHA, SAM	003265	10/11/11	SAFETY BOOTS	150.00	150.00
2030669	10/12/11	06834	BAUVILLE INC	2289147	07/25/11	VISITOR BADGES	79.49	79.49
2030744	10/19/11	06834	BAUVILLE INC	2306398	09/08/11	VISITOR BADGES	357.29	357.29
2030670	10/12/11	12577	BLASTCO INC	46036R	09/21/11	RESERVOIR COATING	103,821.30	103,821.30
2030831	10/26/11	13414	BOBBY ENSLIN	Ref002417587	10/25/11	UB Refund Cat.#0000183228	12.78	12.78
2030671	10/12/11	08156	BROWNSTEIN HYATT FARBER	442595 442982	08/31/11 09/27/11	LEGISLATIVE ADVOCACY (JULY 2011) LEGISLATIVE ADVOCACY (AUG 2011)	7,500.00 1,755.00	9,255.00
2030745	10/19/11	03450	BUELNA, ARMANDO	16041011	10/15/11	BOTTLES OF WATER	330.00	330.00

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2030571	10/05/11	03721	BULLET LOGISTICS INC	09151103350	09/15/11	EXPRESS COURIER SERVICE (9/9/11)	26.95	26.95
2030572	10/05/11	00223	C W MCGRATH INC	40139 40160	09/12/11 09/14/11	CRUSHED ROCK CRUSHED ROCK	554.29 102.13	656.42
2030746	10/19/11	00223	C W MCGRATH INC	40273 40237 40255	09/29/11 09/23/11 09/27/11	CRUSHED ROCK CRUSHED ROCK CRUSHED ROCK	447.63 156.13 107.41	711.17
2030747	10/19/11	11044	CALIFORNIA BANK & TRUST	01	09/26/11	RETENTION /NEWEST CONSTRUCTION (9/30/11)	15,074.80	15,074.80
2030573	10/05/11	01004	CALOLYMPIC SAFETY	092308	09/13/11	LEL SENSOR	228.84	228.84
2030672	10/12/11	01004	CALOLYMPIC SAFETY	0918081	09/16/11	GASTECH SENSORS	362.22	362.22
2030748	10/19/11	01004	CALOLYMPIC SAFETY	091808	08/30/11	GASTECH SENSORS	220.89	220.89
2030858	10/26/11	01004	CALOLYMPIC SAFETY	093103	10/05/11	CALIBRATION STICKERS	76.36	76.36
2030629	10/12/11	13367	CARLOS PENA VALENZUELA	Ref002417224	10/11/11	UB Refund Cat #0000172238	42.42	42.42
2030749	10/19/11	02758	CARMEL BUSINESS SYSTEMS INC	7392	10/01/11	SERVICES FOR 9/29/11	208.87	208.87
2030859	10/26/11	02758	CARMEL BUSINESS SYSTEMS INC	7393 7391 7390	10/01/11 10/01/11 10/01/11	RECORD SERVICES (9/17/11-9/30/11) RECORDS MGMT SERVICES (9/23/11-9/28/11) RECORDS SUPPORT (9/16/11)	844.03 259.75 111.00	1,214.78
2030750	10/19/11	13389	CAYETANO, TITA	003261	10/12/11	COMPUTER LOAN	1,184.61	1,184.61
2030751	10/19/11	09801	CENTERBEAM INC	15449	09/29/11	TEMPORARY LABOR (8/30/11-9/23/11)	12,610.00	12,610.00
2030860	10/26/11	09801	CENTERBEAM INC	138415	09/01/11	TEMPORARY LABOR (SEPT 2011)	1,697.00	1,697.00
2030630	10/12/11	13352	CHARITY ARELLANO	Ref002417209	10/11/11	UB Refund Cat #0000066498	49.32	49.32
2030752	10/19/11	02026	CHULA VISTA ELEM SCHOOL DIST	AR039627 AR039635	10/12/11 10/12/11	GARDEN TOURS (AUG 2011) GARDEN TOURS (SEPT 2011)	1,080.00 540.00	1,620.00
2030574	10/05/11	00446	CITY OF CHULA VISTA	003236	09/22/11	SPONSORSHIP	1,500.00	1,500.00
2030673	10/12/11	08895	CITY OF LA MESA	14070	09/20/11	FINGERPRINTING SERVICES (1/1/11-9/7/11)	180.00	180.00
2030832	10/26/11	13394	CLARICE GALLARTE	Ref002417566	10/25/11	UB Refund Cat #0000019710	66.58	66.58
2030861	10/26/11	04119	CLARKSON LAB & SUPPLY INC	57999 58002 58003 57880 58001	09/30/11 09/30/11 09/30/11 09/30/11 09/30/11	BACTERIOLOGICAL SERVICES (9/30/11) BACTERIOLOGICAL SERVICES (9/30/11) BACTERIOLOGICAL SERVICES (9/30/11) BACTERIOLOGICAL SERVICES (9/30/11) BACTERIOLOGICAL SERVICES (9/30/11)	755.91 578.17 578.17 524.91 392.00	

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				58000	09/30/11	BACTERIOLOGICAL SERVICES (9/30/11)	362.00	
				58004	09/30/11	BACTERIOLOGICAL SERVICES (9/30/11)	337.00	3,528.16
2030575	10/05/11	11520	CLINICAL LABORATORY OF	916799	09/13/11	OUTSIDE LAB SERVICES (AUG 2011)	614.00	614.00
2030753	10/19/11	08160	COMPLETE OFFICE	13227690	09/23/11	TONER	2,041.68	2,041.68
2030862	10/26/11	08160	COMPLETE OFFICE	13258310	10/05/11	COPY PAPER	834.79	
				13264780	10/06/11	TONERS	739.10	1,573.89
2030576	10/05/11	03288	COMPUTER PROTECTION	15974CPT	09/13/11	UPS BATTERIES	920.00	920.00
2030674	10/12/11	03288	COMPUTER PROTECTION	15939PMA	08/17/11	UPS MAINTENANCE (ANNUAL)	3,933.00	3,933.00
2030754	10/19/11	11510	CONFERENCE CALL.COM	2670709286	09/30/11	CONFERENCE CALLING SERVICE (SEPT 2011)	155.35	155.35
2030675	10/12/11	04398	CONSTRUCTION MANAGEMENT	003246	10/04/11	REGISTRATION FEE	55.00	55.00
2030863	10/26/11	03706	CONSUMERS PIPE & SUPPLY	S1176908001	10/06/11	AIR-VAC UPDATE	1,356.57	1,356.57
2030755	10/19/11	12282	CORELOGIC INFORMATION	50002985	08/15/11	DATA SERVICES	6,000.00	
				50002984	08/15/11	DATA SERVICES	5,400.00	11,400.00
2030756	10/19/11	12334	CORODATA MEDIA STORAGE INC	DS1246139	09/30/11	BACKUP TAPE STORAGE	279.18	279.18
2030833	10/26/11	13393	CORY SCHWEER	Ref002417565	10/25/11	UB Refund Cat #0000004069	209.55	209.55
2030676	10/12/11	02122	COUNTY OF SAN DIEGO	2011092705774	09/27/11	EMISSION & PERMIT FEES	2,530.00	
				2011092705714	09/27/11	EMISSION & PERMIT FEES	534.00	
				2011100700233	10/07/11	EMISSION & PERMIT FEES	330.00	3,394.00
2030677	10/12/11	02122	COUNTY OF SAN DIEGO	222224	03/08/11	COUNTY FEE	750.00	750.00
2030757	10/19/11	00184	COUNTY OF SAN DIEGO	HK072053640811	08/17/11	HAZMAT PERMIT	866.00	
				HK072053630811	08/17/11	HAZMAT PERMIT	694.00	
				HK072053650811	08/17/11	HAZMAT PERMIT	460.00	2,010.00
2030758	10/19/11	02122	COUNTY OF SAN DIEGO	SITEID01989	10/11/11	EMISSION FEES (DEC 2009 - DEC 2012)	452.00	452.00
2030864	10/26/11	02122	COUNTY OF SAN DIEGO	003278	10/18/11	PERMIT APPLICATION FEE	2,961.00	2,961.00
2030678	10/12/11	00099	COUNTY OF SAN DIEGO - DPW	146314	08/31/11	EXCAVATION PERMITS	3,332.96	3,332.96
2030865	10/26/11	11286	CPM PARTNERS INC	11081	09/30/11	SCHEDULING SERVICES (9/1/11-9/30/11)	8,025.00	8,025.00
2030834	10/26/11	13412	DAN PERALTA	Ref002417585	10/25/11	UB Refund Cat #0000182908	32.72	32.72
2030631	10/12/11	13370	DANA MOYA	Ref002417227	10/11/11	UB Refund Cat #0000174043	70.05	70.05

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2030835	10/26/11	13403	DAWN CRIM	Ref002417575	10/25/11	UB Refund Cat #0000133933	51.16	51.16
2030632	10/12/11	13382	DELA INC	Ref002417240	10/11/11	UB Refund Cat #0000182679	281.23	281.23
2030866	10/26/11	02603	DELL MARKETING LP	XFJ834NJ3	10/03/11	MONITORS	351.17	351.17
2030759	10/19/11	07680	DELTA HEALTH SYSTEMS	P111003	10/04/11	HEALTH ADMINISTRATION (SEPT 2011)	1,605.25	1,605.25
2030679	10/12/11	03341	DEPARTMENT OF CONSUMER AFFAIRS	444891011	10/06/11	LICENSE RENEWAL	120.00	120.00
2030760	10/19/11	03744	DEPARTMENT OF JUSTICE	873290	10/05/11	FINGERPRINTING SERVICES (SEPT 2011)	51.00	51.00
2030680	10/12/11	00319	DEPARTMENT OF PUBLIC HEALTH	003249	09/28/11	CERTIFICATE RENEWAL	60.00	60.00
2030867	10/26/11	00319	DEPARTMENT OF PUBLIC HEALTH	1160516	09/30/11	WATER SYSTEMS FEES #3710034	8,638.48	8,638.48
2030868	10/26/11	00319	DEPARTMENT OF PUBLIC HEALTH	262811011	10/26/11	CERTIFICATE RENEWAL	105.00	105.00
2030577	10/05/11	01335	DICKSON COMPANY	842308	09/09/11	PRESSURE DATA LOGGER	1,038.00	1,038.00
2030761	10/19/11	03417	DIRECTV	18187321225	10/06/11	SATELLITE TV (10/4/11-11/3/11)	18.00	18.00
2030762	10/19/11	02366	DLT SOLUTIONS INC	SI167564	09/29/11	AUTOCAD SUPPORT	11,900.64	11,900.64
2030869	10/26/11	01926	EAST COUNTY URGENT CARE	003282	10/24/11	FLU SHOTS	620.00	620.00
2030633	10/12/11	13373	ED LANDSBERG	Ref002417231	10/11/11	UB Refund Cat #0000176061	149.48	149.48
2030763	10/19/11	02447	EDCO DISPOSAL CORPORATION	1554580911	09/30/11	RECYCLING SERVICES (SEPT 2011)	90.00	90.00
2030764	10/19/11	08023	EMPLOYEE BENEFIT SPECIALISTS	0054137IN	09/30/11	EMPLOYEE BENEFITS (SEPT 2011)	562.50	562.50
2030578	10/05/11	03765	ENGINEERING PARTNERS INC, THE	1411392	09/12/11	DESIGN SERVICES (8/1/11-8/31/11)	1,000.00	1,000.00
2030765	10/19/11	03765	ENGINEERING PARTNERS INC, THE	1511417	09/28/11	DESIGN SERVICES (8/1/11-9/30/11)	7,550.00	7,550.00
2030579	10/05/11	03227	ENVIROMATRIX ANALYTICAL INC	1090216	09/12/11	LABORATORY SERVICES (8/27/11-9/6/11)	770.00	770.00
2030681	10/12/11	03227	ENVIROMATRIX ANALYTICAL INC	1090313	09/19/11	LABORATORY SERVICES (8/7/11-8/9/11)	290.00	290.00
2030870	10/26/11	03227	ENVIROMATRIX ANALYTICAL INC	1100007	10/03/11	LABORATORY SERVICES (9/17/11-9/27/11)	650.00	650.00
2030766	10/19/11	03683	F & L INDUSTRIAL SOLUTIONS INC	13802 13774	10/03/11 09/27/11	SOLENOID VALVES SOLENOID PARTS	1,833.53 1,094.79	2,928.32
2030767	10/19/11	03757	FANDEL ENTERPRISES INC	1465 1466 1468	08/01/11 09/01/11 10/01/11	CONSULTING SERVICES (JULY 2011) CONSULTING SERVICES (AUG 2011) CONSULTING SERVICES (SEPT 2011)	7,230.00 5,010.00 3,780.00	16,020.00

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2030682	10/12/11	13123	FAVELA PRINTING INC	1672	08/07/11	COVERS & BINDING	451.47	451.47
2030560	10/05/11	00645	FEDEX	763918644	09/23/11	MAIL SERVICES ((9/14/11)	10.68	
				764647082	09/30/11	MAIL SERVICES (9/22/11)	5.05	15.73
2030561	10/05/11	03546	FERGUSON WATERWORKS # 1083	0382510	09/12/11	VIC PLUG VALVES	6,000.92	
				0387254	09/14/11	REMOVAL TOOLS	84.52	6,065.44
2030683	10/12/11	03546	FERGUSON WATERWORKS # 1083	0387257	09/20/11	METER HYDRANT PARTS	4,947.34	
				0388234	09/20/11	INVENTORY	3,478.17	
				0386143	09/21/11	REPAIR KITS	234.39	8,659.90
2030768	10/19/11	03546	FERGUSON WATERWORKS # 1083	0388581	09/23/11	INVENTORY	4,416.46	
				0388584	09/26/11	METER PARTS	1,765.55	
				0388583	09/23/11	METER PARTS	169.00	
				03885831	09/28/11	METER PARTS	66.81	6,417.82
2030562	10/05/11	09146	FIGUEROA, JIANYNE	003242	09/30/11	TUITION	1,379.50	1,379.50
2030871	10/26/11	12187	FIRST AMERICAN DATA TREE LLC	90034091	09/30/11	ONLINE DOCUMENTS (SEPT 2011)	99.00	99.00
2030769	10/19/11	05133	FIRST AMERICAN TITLE CO	627412266	09/26/11	PRELIMINARY REPORTS (9/30/11)	1,250.00	
				627412267	09/26/11	PRELIMINARY REPORTS (9/30/11)	1,250.00	2,500.00
2030583	10/05/11	04066	FIRST CHOICE SERVICES - SD	142548	09/14/11	COFFEE SUPPLIES	440.94	440.94
2030770	10/19/11	04066	FIRST CHOICE SERVICES - SD	144502	09/28/11	COFFEE SUPPLIES	477.82	477.82
2030872	10/26/11	02591	FITNESS TECH	7495	10/01/11	EQUIPMENT MAINTENANCE (OCT 2011)	135.00	135.00
2030684	10/12/11	11962	FLEETWASH INC	3689305	09/16/11	VEHICLE WASH	350.40	350.40
2030771	10/19/11	11962	FLEETWASH INC	3691397	09/23/11	VEHICLE WASH	196.01	196.01
2030685	10/12/11	01612	FRANCHISE TAX BOARD	Ben2417177	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	190.00	190.00
2030686	10/12/11	02344	FRANCHISE TAX BOARD	Ben2417179	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	466.56	466.56
2030873	10/26/11	01612	FRANCHISE TAX BOARD	Ben2417552	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	190.00	190.00
2030874	10/26/11	02344	FRANCHISE TAX BOARD	Ben2417554	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	466.56	466.56
2030772	10/19/11	13388	GILBERTO R CARBAJAL	003267	10/17/11	CUSTOMER REFUND	853.39	853.39
2030875	10/26/11	09571	GOVERNMENTJOBS.COM INC	076606	10/03/11	NEOGOV LICENSE	3,600.00	3,600.00
2030584	10/05/11	00101	GRAINGER INC	9632857687	09/12/11	BATTERIES	137.01	137.01
2030687	10/12/11	00101	GRAINGER INC	9641245965	09/21/11	GAUGES	472.46	

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				9642849195	09/22/11	MARKING PAINT	212.05	
				9631023141	09/08/11	FERRULE AND WHEELBARROW TIRE	62.99	
				9642132295	09/21/11	REPAIR LIGHTING	34.52	
				9630084276	09/07/11	FERRULE AND WHEELBARROW TIRE	9.25	811.27
2030773	10/19/11	00101	GRAINGER INC	9650200711	10/03/11	EPOXY TAPE	302.56	
				9645388548	09/26/11	HPS BALLAST	290.25	
				9647863179	09/28/11	EPOXY TAPE	27.25	620.06
2030668	10/12/11	03289	GRANGER, WILLIAM E	15711011	10/11/11	TRAVEL EXPENSE (10/5/11-10/7/11)	147.00	147.00
2030585	10/05/11	12907	GREENRIDGE LANDSCAPE INC	8192	08/30/11	LANDSCAPING SERVICES (AUG 2011)	8,650.00	8,650.00
2030876	10/26/11	12907	GREENRIDGE LANDSCAPE INC	8230	09/13/11	LANDSCAPING SERVICES (SEPT 2011)	8,650.00	8,650.00
2030774	10/19/11	03773	GTC SYSTEMS INC	32334	09/30/11	CITIRX SUPPORT (SEPT 2011)	2,154.38	2,154.38
2030689	10/12/11	00174	HACH COMPANY	7412717	09/09/11	AMMONIA TEST	176.50	176.50
2030775	10/19/11	00174	HACH COMPANY	7443164	09/30/11	LABORATORY SUPPLIES	1,808.15	1,808.15
2030838	10/26/11	13405	HAMANN CONSTRUCTION	Ref002417578	10/25/11	UB Refund Cat #0000173962	1,620.33	1,620.33
2030634	10/12/11	13365	HANCOCK CHOI	Ref002417222	10/11/11	UB Refund Cat #0000171553	46.20	46.20
2030776	10/19/11	02629	HANSON AGGREGATES INC	1205862	09/27/11	CRUSHED AGGREGATES	121.72	121.72
2030586	10/05/11	04472	HECTOR I MARES-COSSIO	76	09/27/11	CONSULTANT SERVICES (JUNE 2011)	3,600.00	
				77	09/27/11	CONSULTANT SERVICES (JULY 2011)	3,600.00	7,200.00
2030877	10/26/11	00062	HELIX WATER DISTRICT	174639861011	10/11/11	WATER BILL/RUSSELL SQ (8/4/11-10/6/11)	40.10	
				17854001xxxx	10/11/11	WATER BILL/AVOCADO BLVD (8/4/11-10/6/11)	40.10	80.20
2030587	10/05/11	08810	HENRY BROS ELECTRONICS INC	13030111	09/15/11	CAMERA REPLACEMENT	4,908.65	4,908.65
2030635	10/12/11	13369	HENSEL PHELPS CONSTRUCTION CO	Ref002417226	10/11/11	UB Refund Cat #0000173427	1,848.64	1,848.64
2030777	10/19/11	11874	HERNDON SOLUTIONS GROUP	1237	09/26/11	REGULATORY COMPLIANCE	4,050.00	4,050.00
2030588	10/05/11	06843	HI-TECH AIR CONDITIONING	25359	09/13/11	SERVICE CALL	392.00	392.00
2030690	10/12/11	06843	HI-TECH AIR CONDITIONING	25369	09/22/11	AC SERVICE	353.38	353.38
2030778	10/19/11	06843	HI-TECH AIR CONDITIONING	24889	08/31/11	AC MAINTENANCE	668.21	
				24893	08/31/11	AC MAINTENANCE	650.00	
				25368	09/19/11	AC SERVICE	359.38	1,677.59
2030878	10/26/11	06843	HI-TECH AIR CONDITIONING	24894	09/30/11	AC MAINTENANCE (SEPT 2011)	650.00	650.00

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2030589	10/05/11	09710	HOMESTEAD TREE SERVICE INC	1215	09/14/11	TREE REMOVAL	700.00	
				1216	09/14/11	TRIM PALM TREES	235.00	935.00
2030779	10/19/11	12335	HP ENTERPRISE SERVICES LLC	U2643317	09/12/11	CREDIT CARD SERVICES	2,388.40	2,388.40
2030590	10/05/11	08969	INFOSEND INC	52377	08/21/01	BILL PRINTING SERVICES (JULY 2011)	4,063.00	
				53013	09/02/11	BILL PRINTING SERVICES (AUG 2011)	3,892.80	7,955.80
2030780	10/19/11	08969	INFOSEND INC	53619	09/30/11	POSTAGE	13,846.07	
				53618	09/30/11	BILL PRINTING SERVICES (SEPT 2011)	5,441.10	
				53823	09/30/11	PROGRAMMING SERVICES	4,800.00	
				53703	10/04/11	BILL PRINTING SERVICES (SEPT 2011)	3,950.40	28,037.57
2030879	10/26/11	02372	INTERIOR PLANT SERVICE INC	39491	09/30/11	PLANT SERVICES (SEPT 2011)	186.00	186.00
2030636	10/12/11	13375	JACKIE T INC	Ref002417233	10/11/11	UB Refund Cat #0000176629	49.86	49.86
2030880	10/26/11	03077	JANI-KING OF CALIFORNIA INC	50009110193	09/01/11	JANITORIAL SERVICES (SEPT 2011)	1,101.10	1,101.10
2030691	10/12/11	10563	JCI JONES CHEMICALS INC	523372		CREDIT MEMO	(3,000.00)	
				523328	09/21/11	CHLORINE TREATMENT PLANT	4,837.80	1,837.80
2030692	10/12/11	03345	JENKINS, WILLIAM L	003253	10/06/11	TRAVEL EXPENSE (10/2/11-10/4/11)	811.66	811.66
2030693	10/12/11	03172	JONES & STOKES ASSOCIATES INC	0082008	09/17/11	CONSULTING SERVICES (7/30/11-8/26/11)	17,485.48	
				0082007	09/17/11	CONSULTING SERVICES (7/30/11-8/26/11)	807.50	18,292.98
2030637	10/12/11	13364	JOSE LUIS ALVARADO	Ref002417221	10/11/11	UB Refund Cat #0000170114	51.51	51.51
2030591	10/05/11	02449	JOSEPH G POLLARD CO INC	1308828IN	09/15/11	TRUCK TOOLS	228.14	228.14
2030694	10/12/11	02449	JOSEPH G POLLARD CO INC	1308983IN	09/19/11	TRUCK TOOLS	57.24	57.24
2030837	10/26/11	13399	JUAN PLASCENCIA	Ref002417571	10/25/11	UB Refund Cat #0000093000	28.37	28.37
2030638	10/12/11	13362	JULIANNE HURT	Ref002417219	10/11/11	UB Refund Cat #0000170019	63.88	63.88
2030838	10/26/11	13402	KELLY SNODGRASS	Ref002417574	10/25/11	UB Refund Cat #0000131475	78.55	78.55
2030781	10/19/11	05840	KIRK PAVING INC	4909	09/23/11	PAVING SERVICES	8,048.00	
				4910	09/23/11	PAVING SERVICES	2,814.00	11,862.00
2030881	10/26/11	04996	KNOX ATTORNEY SERVICE INC	646109	09/30/11	DELIVERY SERVICES (8/30/11-9/23/11)	295.00	295.00
2030592	10/05/11	06497	LAKESIDE LAND COMPANY	254796	09/14/11	LANDFILL	229.80	229.80
2030782	10/19/11	06497	LAKESIDE LAND COMPANY	255229	09/27/11	LANDFILL	256.20	256.20
2030639	10/12/11	13371	LARRY MCKENZIE	Ref002417229	10/11/11	UB Refund Cat #0000175156	57.66	57.66

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2030639	10/26/11	13078	LEVY HOME TEAM	Ref002417576	10/25/11	UB Refund Cat #0000155374	54.58	54.58
2030783	10/19/11	06263	LINTNER, JERRY	003266	10/13/11	SAFETY BOOTS	137.00	137.00
2030640	10/12/11	12604	LITTON LOAN SERVICING	Ref002417228	10/11/11	UB Refund Cat #0000174534	70.52	70.52
2030695	10/12/11	05220	LOGICALIS INTEGRATION SOLUTION	IN068601	09/22/11	CORE SWITCH SUPPORT	2,240.00	2,240.00
2030784	10/19/11	05220	LOGICALIS INTEGRATION SOLUTION	S135977	09/30/11	SUPPORT SERVICES	4,372.50	
				S135742	09/28/11	CISCO SWITCHES	3,750.00	
				IN068850	09/28/11	FIBER MODULES	2,763.29	
				IN068853	09/28/11	FIBER MODULES	1,403.02	
				S135881	09/30/11	2010 EXCHANGE UPGRADE (9/28/11-9/29/11)	525.00	
				IN068494	09/19/11	CORE SWITCH	65,123.32	77,937.13
2030882	10/26/11	03019	LOPEZ, JOSE	70100911	10/12/11	MILEAGE REIMBURSEMENT	13.32	13.32
2030641	10/12/11	13351	LUKE SCHRADER	Ref002417208	10/11/11	UB Refund Cat #0000022240	97.54	97.54
2030642	10/12/11	13380	MARIA OLEA	Ref002417238	10/11/11	UB Refund Cat #0000182317	9.99	9.99
2030840	10/26/11	13367	MARION FOUQUETTE	Ref002417569	10/25/11	UB Refund Cat #0000066856	55.83	55.83
2030841	10/26/11	13404	MARISA COLLINS	Ref002417577	10/25/11	UB Refund Cat #0000159178	75.00	75.00
2030883	10/26/11	02902	MARSTON+MARSTON INC	2011101	10/03/11	COMMUNITY OUTREACH (SEPT 2011)	2,607.50	
				2011102	10/03/11	DESAL (SEPT 2011)	1,947.50	4,555.00
2030696	10/12/11	05329	MASTER METER INC	0190685IN	09/19/11	INVENTORY	476,237.02	476,237.02
2030785	10/19/11	05329	MASTER METER INC	0191063IN	09/28/11	INVENTORY	338,011.75	338,011.75
2030593	10/05/11	02882	MAYER REPROGRAPHICS INC	0066748IN	09/13/11	REPROGRAPHICS SVCS (THRU 9/13/11)	1,794.37	1,794.37
2030786	10/19/11	02882	MAYER REPROGRAPHICS INC	0067107IN	09/27/11	SERVICES ON 9/27/11	55.72	55.72
2030594	10/05/11	01183	MCMASTER-CARR SUPPLY CO	95154014	09/12/11	UNISTRUT PARTS	653.98	653.98
2030787	10/19/11	01183	MCMASTER-CARR SUPPLY CO	96441451	09/26/11	PIPING PARTS	330.41	330.41
2030884	10/26/11	03169	MENDEZ-SCHOMER, ALICIA	15531011	10/24/11	TRAVEL EXPENSES (10/17/11-10/20/11)	422.07	422.07
2030697	10/12/11	03268	MERCHANT, MARCIANO	003245	10/05/11	SAFETY SHOES	126.05	126.05
2030788	10/19/11	13390	MICHAEL CHRISTENSEN	003270	10/18/11	IT HARDWARE	237.04	237.04
2030789	10/19/11	09581	MICHAEL R WELCH PHD PE	7139	10/10/11	PLANNING SERVICES (APR 2011-9/30/11)	2,025.00	2,025.00

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2030595	10/05/11	00237	MISSION JANITORIAL & ABRASIVE	27535200	09/12/11	JANITORIAL SUPPLIES	1,960.86	1,960.86
2030643	10/12/11	13385	MONICA URIAS	Ref002417243	10/11/11	UB Refund Cat #0000183242	5.11	5.11
2030598	10/05/11	02371	MOODY'S INVESTORS SERVICE	C1810815000	09/20/11	96 COPS ANNUAL FEE (SEPT 2011-AUG 2012)	5,500.00	5,500.00
2030597	10/05/11	07166	MOSS, PATTY	003234	10/03/11	SAFETY SHOES	87.26	87.26
2030842	10/26/11	13388	MYRLINDA RANCHES	Ref002417570	10/25/11	UB Refund Cat #0000088573	31.12	31.12
2030598	10/05/11	13347	MYRON NIELSON	003227	09/28/11	LANDSCAPE PROGRAM	1,090.00	1,090.00
2030898	10/12/11	03523	NATIONAL DEFERRED COMPENSATION	Ben2417187	10/13/11	BI-WEEKLY DEFERRED COMP PLAN	10,033.08	10,033.08
2030885	10/26/11	03523	NATIONAL DEFERRED COMPENSATION	Ben2417542	10/27/11	BI-WEEKLY DEFERRED COMP PLAN	10,138.08	10,138.08
2030886	10/26/11	09884	NATIONAL SAFETY COMPLIANCE INC	51059	09/30/11	RANDOM DRUG TESTING (SEPT 2011)	451.14	451.14
2030887	10/26/11	00745	NEWARK	21209731	10/06/11	RELAY 1POLE	338.16	338.16
2030790	10/19/11	08531	NEWEST CONSTRUCTION	01	09/26/11	RWCWR UPGRADE (THRU 9/30/11)	135,673.20	135,673.20
2030791	10/19/11	02848	NEWMAN, PATRICK	003262	10/11/11	SAFETY BOOTS	37.70	37.70
2030792	10/19/11	03467	NIAGARA CONSERVATION CORP	INV00009471	10/03/11	SHOWERHEADS	1,997.45	1,997.45
2030888	10/26/11	03467	NIAGARA CONSERVATION CORP	INV00010596	10/07/11	SHOWERHEADS	1,106.86	1,106.86
2030843	10/26/11	13396	NNP-SAN MIGUEL RANCH	Ref002417568	10/25/11	UB Refund Cat #0000061850	850.00	850.00
2030899	10/12/11	03215	ODONNELL, MICHAEL	003247	09/27/11	SEMINAR	290.00	290.00
2030599	10/05/11	00510	OFFICE DEPOT INC	580415763001		CREDIT MEMO	(19.94)	
				578867873001	09/12/11	OFFICE SUPPLIES	218.52	
				579041326001	09/14/11	OFFICE SUPPLIES	118.05	
				578468702001	09/09/11	OFFICE SUPPLIES	107.37	
				578469881001	09/09/11	OFFICE SUPPLIES	35.32	459.32
2030700	10/12/11	00510	OFFICE DEPOT INC	580198932001	09/22/11	SUPPLIES	50.76	
				579943668001	09/22/11	OFFICE SUPPLIES	17.19	67.95
2030793	10/19/11	00510	OFFICE DEPOT INC	580872187001	09/28/11	OFFICE SUPPLIES	358.88	
				580415764001	09/23/11	SUPPLIES	39.33	398.21
2030889	10/26/11	00510	OFFICE DEPOT INC	581133275001	09/30/11	LOGITECH HEADSETS	161.59	
				581402004001	10/03/11	OFFICE SUPPLIES	92.43	
				581401761001	10/03/11	OFFICE SUPPLIES	16.47	270.49
2030844	10/26/11	13415	DLGA MOSCOSO	Ref002417588	10/25/11	UB Refund Cat #0000183317	112.54	112.54

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2030794	10/19/11	03149	ON SITE LASER LLC	46016	09/20/11	PRINTER SERVICES	69.00	69.00
2030890	10/26/11	13115	ONESOURCE DISTRIBUTORS LLC	S3625704001 S3626343001	09/30/11 10/05/11	3TIER TERMINALS TERMINAL JUMPERS	752.04 90.04	842.08
2030891	10/26/11	07496	ORTEGA-CARRILLO, ALMA PATRICIA	003272	10/19/11	TUITION	399.80	399.80
2030600	10/05/11	02334	OTAY LANDFILL	011329	09/15/11	WASTE DISPOSAL	75.84	75.84
2030701	10/12/11	03101	OTAY WATER DISTRICT	Ben2417169	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	700.00	700.00
2030892	10/26/11	03101	OTAY WATER DISTRICT	Ben2417544	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	693.00	693.00
2030795	10/19/11	04463	PACIFIC GREEN LANDSCAPE INC	0060973IN	09/29/11	LANDSCAPE	2,495.00	2,495.00
2030644	10/12/11	13356	PACIFIC ONE LAND HOLDINGS LP	Ref002417213	10/11/11	UB Refund Cat #0000141514	658.73	658.73
2030702	10/12/11	01002	PACIFIC PIPELINE SUPPLY	148697 148066	09/20/11 09/20/11	INVENTORY APCO CHECK VALVE	12,120.52 6,543.04	18,663.56
2030796	10/19/11	03017	PACIFIC SAFETY COUNCIL	68476	09/22/11	SAFETY TRAINING	149.00	149.00
2030645	10/12/11	13381	PATRICIA MCKELVEY	Ref002417239	10/11/11	UB Refund Cat #0000182575	97.52	97.52
2030646	10/12/11	13358	PATRIOT GENERAL	Ref002417215	10/11/11	UB Refund Cat #0000156227	93.22	93.22
2030893	10/26/11	05497	PAYPAL INC	13656584	09/30/11	PHONE PAYMENT SERVICES (SEPT 2011)	54.10	54.10
2030703	10/12/11	03790	PENHALL COMPANY	28918	09/20/11	SAW CUTTING SERVICES	200.00	200.00
2030647	10/12/11	13386	PERRY & SHAW INC	Ref002417244	10/11/11	UB Refund Cat #0000183379	1,563.46	1,563.46
2030797	10/19/11	03457	PERSONAL TOUCH WEST	22211	08/30/11	PLASTIC BAGS (OUTREACH)	640.94	640.94
2030798	10/19/11	00137	PETTY CASH CUSTODIAN	003271	10/18/11	PETTY CASH	512.68	512.68
2030845	10/26/11	13410	PGI INVESTMENTS LLC	Ref002417583	10/25/11	UB Refund Cat #0000181693	26.40	26.40
2030704	10/12/11	12188	PHOTO GEODETIC CORPORATION	4255	09/20/11	AERIAL MAPPING	3,450.00	3,450.00
2030601	10/05/11	13122	PINNACLE BUSINESS SOLUTIONS	33511	08/22/11	REPLACEMENT BATTERIES	14,905.61	14,905.61
2030705	10/12/11	13122	PINNACLE BUSINESS SOLUTIONS	33564	09/22/11	MEMORY UPGRADE	921.88	921.88
2030706	10/12/11	01715	PORRAS, PEDRO	003254	10/11/11	TRAVEL ADVANCEMENT (10/15/11-10/19/11)	282.00	282.00
2030894	10/26/11	01715	PORRAS, PEDRO	003279	10/24/11	TRAVEL EXPENSES (10/15/11-10/19/11)	2,189.92	2,189.92

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2030895	10/26/11	05499	PRAXAIR DISTRIBUTION INC	40135335	07/05/11	WELD SUPPLIES	3,455.93	6,555.71
				40135334	07/05/11	WELD SUPPLIES	3,162.74	
				40161215	07/11/11	WELD SUPPLIES	23.71	
				40229477	07/20/11	WELDING SUPPLIES	13.33	
2030799	10/19/11	10819	PREDICTIVE MAINTENANCE	1596	09/29/11	VIBRATION ANALYSIS PROGRAM	6,360.00	6,360.00
2030800	10/19/11	07346	PRIME ELECTRICAL SERVICES INC	9734	09/23/11	CAMERA WIRING	5,000.00	5,000.00
2030896	10/26/11	13059	PRIORITY BUILDING SERVICES	27223	09/01/11	JANITORIAL SERVICES (SEPT 2011)	3,504.00	3,504.00
2030902	10/05/11	06641	PRUDENTIAL OVERALL SUPPLY	30208337	09/15/11	UNIFORMS, TOWELS & MATS	363.15	949.22
				30208336	09/15/11	UNIFORMS, TOWELS & MATS	197.34	
				30208338	09/15/11	UNIFORMS, TOWELS & MATS	168.70	
				30207713	09/13/11	UNIFORMS, TOWELS & MATS	111.33	
				30208339	09/15/11	UNIFORMS, TOWELS & MATS	58.50	
				30207712	09/13/11	UNIFORMS, TOWELS & MATS	50.20	
2030707	10/12/11	06641	PRUDENTIAL OVERALL SUPPLY	30209855	09/22/11	UNIFORMS, TOWELS & MATS	355.15	891.02
				30209854	09/22/11	UNIFORMS, TOWELS & MATS	197.34	
				30209856	09/22/11	UNIFORMS, TOWELS & MATS	168.70	
				30209218	09/20/11	UNIFORMS, TOWELS & MATS	111.33	
				30209857	09/22/11	UNIFORMS, TOWELS & MATS	58.50	
2030801	10/19/11	06641	PRUDENTIAL OVERALL SUPPLY	30211337	09/29/11	UNIFORMS, TOWELS & MATS	363.15	864.27
				30211336	09/29/11	UNIFORMS, TOWELS & MATS	197.34	
				30211338	09/29/11	UNIFORMS, TOWELS & MATS	168.70	
				30211339	09/29/11	UNIFORMS, TOWELS & MATS	82.88	
				30209217	09/20/11	UNIFORMS, TOWELS & MATS	52.20	
2030897	10/26/11	06641	PRUDENTIAL OVERALL SUPPLY	30212854	10/06/11	UNIFORMS, TOWELS & MATS	355.15	1,125.13
				30212852	10/06/11	UNIFORMS, TOWELS & MATS	197.34	
				30212855	10/06/11	UNIFORMS, TOWELS & MATS	168.70	
				30212211	10/04/11	UNIFORMS, TOWELS & MATS	111.33	
				30210717	09/27/11	UNIFORMS, TOWELS & MATS	111.33	
				30212210	10/04/11	UNIFORMS, TOWELS & MATS	66.14	
				30212857	10/06/11	UNIFORMS, TOWELS & MATS	80.94	
				30210716	09/27/11	UNIFORMS, TOWELS & MATS	54.20	
2030603	10/05/11	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2416911	09/29/11	BI-WEEKLY PERS CONTRIBUTION	155,265.92	155,265.92
2030802	10/19/11	00078	PUBLIC EMPLOYEES RET SYSTEM	Ben2417163	10/13/11	BI-WEEKLY PERS CONTRIBUTION	154,609.66	154,609.66
2030604	10/05/11	13252	PUNTES LATINOS	003241	09/22/11	GENERAL CONSULTING	2,000.00	2,000.00
2030803	10/19/11	13252	PUNTES LATINOS	003241	09/22/11	GENERAL CONSULTING	2,000.00	2,000.00
2030708	10/12/11	01342	R J SAFETY SUPPLY CO INC	29250900	09/21/11	GAS CALIBRATION	174.12	174.12

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2030804	10/19/11	01342	R J SAFETY SUPPLY CO INC	29310200 29275300 29250901	09/29/11 09/23/11 09/28/11	SAFETY SUPPLIES HIP PAC REPAIR GAS CALIBRATION	846.65 275.57 93.74	1,215.96
2030846	10/26/11	13407	RANCHO BUENA VISTA REAL ESTATE	Ref002417580	10/25/11	UB Refund Cat #0000176138	75.00	75.00
2030709	10/12/11	00021	RCP BLOCK & BRICK INC	4349272	08/31/11	CONCRETE	1,045.40	1,045.40
2030605	10/05/11	01722	RDO EQUIPMENT CO	P61449	09/13/11	RDO EQUIPMENT CO.	665.58	665.58
2030805	10/19/11	01722	RDO EQUIPMENT CO	W1052B	09/28/11	SWEEPER SPRINKLER KIT	1,620.56	1,620.56
2030710	10/12/11	13350	RICHARD E GEORGE	003248	10/10/11	CUSTOMER REFUND	786.63	786.63
2030648	10/12/11	13376	RIVERHAWK PROP MGMT	Ref002417234	10/11/11	UB Refund Cat #0000176740	23.11	23.11
2030847	10/26/11	13395	ROBERT DENUNZIO	Ref002417567	10/25/11	UB Refund Cat #0000021909	150.00	150.00
2030848	10/26/11	13401	ROBERT JARDESTEN	Ref002417573	10/25/11	UB Refund Cat #0000094769	92.66	92.66
2030898	10/26/11	01700	RUBALCAVA, GILBERT	003277	10/20/11	SAFETY BOOTS	150.00	150.00
2030606	10/05/11	00362	RYAN HERCO PRODUCTS CORP	7199754	09/13/11	CPVC VALVES	673.23	673.23
2030711	10/12/11	00362	RYAN HERCO PRODUCTS CORP	7193538	09/02/11	CPVC FITTINGS	177.69	177.69
2030806	10/19/11	00362	RYAN HERCO PRODUCTS CORP	7197603 7197970	09/07/11 09/15/11	PVC FITTINGS PVC FITTINGS	388.87 6.46	395.33
2030899	10/26/11	00362	RYAN HERCO PRODUCTS CORP	7217551	10/06/11	GAUGES W/ISOLATORS	1,006.54	1,006.54
2030807	10/19/11	10930	SAGE DESIGNS INC	1109430	09/23/11	FIRETIDE RADIOS	13,735.42	13,735.42
2030649	10/12/11	13355	SAM ASMAR	Ref002417212	10/11/11	UB Refund Cat #0000081481	71.84	71.84
2030712	10/12/11	11799	SAN DIEGO CO SHERIFF'S OFFICE	Ben2417183	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	370.84	370.84
2030900	10/26/11	11799	SAN DIEGO CO SHERIFF'S OFFICE	Ben2417558	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	370.84	370.84
2030713	10/12/11	11596	SAN DIEGO CONSTRUCTION WELDING	8099	09/22/11	WELDING AT PIPE GALLEY	1,980.00	1,980.00
2030901	10/26/11	11596	SAN DIEGO CONSTRUCTION WELDING	8001 8111 8112 8120	10/06/11 10/04/11 10/04/11 10/06/11	WELDING WELDING WELDING WELDING	4,335.00 680.00 680.00 680.00	6,375.00
2030902	10/26/11	09991	SAN DIEGO COUNTY	SL11012	10/19/11	SPLASH LAB	550.00	550.00
2030808	10/19/11	02680	SAN DIEGO COUNTY TREASURER	003260	10/14/11	SEMINAR REGISTRATION FEE	25.00	25.00

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2030607	10/05/11	00247	SAN DIEGO DAILY TRANSCRIPT	269254	09/12/11	BID ADVERTISEMENT	76.05	76.05
2030714	10/12/11	00247	SAN DIEGO DAILY TRANSCRIPT	270651	09/21/11	BID ADVERTISEMENT	142.70	142.70
2030903	10/26/11	00247	SAN DIEGO DAILY TRANSCRIPT	272932	10/05/11	BID ADVERTISEMENT	68.30	68.30
2030608	10/05/11	00121	SAN DIEGO GAS & ELECTRIC	003232	09/28/11	UTILITY EXPENSES (8/25/11-9/28/11)	55,852.47	
				003231	09/26/11	UTILITY EXPENSES (8/24/11-9/26/11)	32,902.53	
				003229	09/20/11	UTILITY EXPENSES (8/18/11-9/20/11)	26,419.10	
				003228	09/02/11	UTILITY EXPENSES (8/4/11-9/2/11)	1,073.77	
				003230	09/23/11	UTILITY EXPENSES (8/24/11-9/23/11)	625.03	116,872.90
2030809	10/19/11	00121	SAN DIEGO GAS & ELECTRIC	003256	10/05/11	UTILITY EXPENSES	73,035.17	
				003257	09/26/11	UTILITY EXPENSES	27,953.69	
				003258	09/28/11	UTILITY EXPENSES	880.03	101,868.89
2030609	10/05/11	03809	SAN DIEGO NEIGHBORHOOD	02566661001	08/05/11	ADVERTISING SERVICES	32.50	32.50
2030650	10/12/11	13384	SAN DIEGO REALTY INC	Ref002417242	10/11/11	UB Refund Cat #0000183074	56.83	56.83
2030610	10/05/11	12080	SAN DIEGO UNION-TRIBUNE LLC	0010552618	09/12/11	BID ADVERTISEMENT	304.40	304.40
2030715	10/12/11	12080	SAN DIEGO UNION-TRIBUNE LLC	0010555588	09/20/11	BID ADVERTISEMENT	490.00	490.00
2030904	10/26/11	12080	SAN DIEGO UNION-TRIBUNE LLC	0010560339	10/04/11	BID ADVERTISEMENT	294.80	294.80
2030905	10/26/11	03590	SAN JOSE, DELIA	003283	10/24/11	COMPUTER LOAN	919.98	919.98
2030611	10/05/11	10925	SAN MIGUEL CONSOLIDATED FIRE	003239	09/27/11	SPONSORSHIP	1,000.00	1,000.00
2030810	10/19/11	07676	SAN MIGUEL FIRE PROTECTION	003250	09/23/11	TEMPORARY LABOR (AUG 2011)	6,685.25	6,685.25
2030811	10/19/11	12333	SCHINDLER ELEVATOR CORPORATION	8102987091	09/01/11	ELEVATOR MAINTENANCE (SEPT 2011)	449.01	449.01
2030812	10/19/11	07288	SCHMIDT FIRE PROTECTION CO INC	78821	09/22/11	SYSTEM MAINTENANCE	256.00	256.00
2030651	10/12/11	13357	SCOTT CLINGAN	Ref002417214	10/11/11	UB Refund Cat #0000146481	32.01	32.01
2030652	10/12/11	13378	SD COASTLINE THREE LP	Ref002417236	10/11/11	UB Refund Cat #0000177227	16.09	16.09
2030612	10/05/11	12904	SEPULVEDA CONSTRUCTION INC	1	09/08/11	PS UPGRADES (PERIOD ENDING 8/31/11)	53,877.28	53,877.28
2030906	10/26/11	12904	SEPULVEDA CONSTRUCTION INC	2	10/01/11	PUMP STATION UPGRADES (THRU 9/30/11)	100,987.02	100,987.02
2030613	10/05/11	01651	SHARP REES-STEALY MEDICAL CTRS	240	09/17/11	RANDOM DRUG TESTING	15.00	15.00
2030907	10/26/11	01651	SHARP REES-STEALY MEDICAL CTRS	2411150669	10/15/11	PRE-PLACEMENT PHYSICAL	88.00	88.00

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2030849	10/26/11	13413	SHEA HOMES LP	Ref002417586	10/25/11	UB Refund Cat #0000182976	70.34	70.34
2030653	10/12/11	13368	SHELLY AMOS	Ref002417225	10/11/11	UB Refund Cat #0000172496	10.80	10.80
2030813	10/19/11	11516	SIEMENS INDUSTRY INC	900290007	07/29/11	PCU BOARDS	4,829.28	4,829.28
2030716	10/12/11	05627	SIGNA DIGITAL SOLUTIONS INC	ARS53916	04/14/11	COPIER PARTS	94.93	94.93
2030908	10/26/11	13327	SILVA SILVA INTERNATIONAL	1109	10/10/11	CONSULTING SERVICES (SEPT 2011)	4,000.00	4,000.00
2030717	10/12/11	12281	SIR SPEEDY PRINTING	46533	09/14/11	BUSINESS CARD	93.42	93.42
2030909	10/26/11	12281	SIR SPEEDY PRINTING	46646	09/30/11	BUSINESS CARDS	38.63	38.63
2030614	10/05/11	03592	SOFTCHOICE CORPORATION	2801040	09/09/11	BLACKBERRY SUPPORT	2,039.00	2,039.00
2030910	10/26/11	03103	SOUTHCOAST HEATING &	C46879	09/13/11	AC MAINTENANCE (SEPT 2011)	1,068.00	1,068.00
2030615	10/05/11	03414	SOUTHERN CALIFORNIA	0914110WD	09/14/11	TRANSCRIPTION SERVICES	40.00	40.00
2030718	10/12/11	03760	SPANKY'S PORTABLE SERVICES INC	891879	09/15/11	PORTABLE TOILET RENTAL(9/15/11-10/12/11)	98.15	98.15
2030814	10/19/11	03760	SPANKY'S PORTABLE SERVICES INC	892621	09/26/11	PORTABLE TOILET RENTAL(9/24/11-10/21/11)	79.96	
				892551	09/23/11	PORTABLE TOILET RENTAL(9/23/11-10/20/11)	79.96	
				892550	09/23/11	PORTABLE TOILET RENTAL(9/23/11-10/20/11)	79.96	
				892549	09/23/11	PORTABLE TOILET RENTAL(9/23/11-10/20/11)	79.96	319.84
2030911	10/26/11	03760	SPANKY'S PORTABLE SERVICES INC	894018	10/06/11	PORTABLE TOILET RENTAL (10/5/11-11/1/11)	79.96	79.96
2030719	10/12/11	03516	SPECIAL DISTRICT RISK	37289	09/12/11	WORKERS' COMPENSATION (10/1/11-12/31/11)	50,868.00	50,868.00
2030616	10/05/11	01717	SPRING VALLEY CHAMBER OF	34599	09/29/11	SPONSORSHIP	400.00	400.00
2030912	10/26/11	06510	SPRINT NEXTEL	901500243061	10/12/11	WIRELESS SERVICES (9/9/11-10/8/11)	3,521.36	3,521.36
2030654	10/12/11	13367	STACY MILLER	Ref002417245	10/11/11	UB Refund Cat #0000183412	37.09	37.09
2030615	10/19/11	02354	STANDARD ELECTRONICS	15742	08/08/11	ALARM MONITORING	1,472.50	
				15849	09/06/11	ALARM MONITORING	1,472.50	2,945.00
2030720	10/12/11	06281	STATE DISBURSEMENT UNIT	Ben2417187	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	415.38	415.38
2030721	10/12/11	06299	STATE DISBURSEMENT UNIT	Ben2417173	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69
2030722	10/12/11	06303	STATE DISBURSEMENT UNIT	Ben2417181	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15
2030913	10/26/11	06281	STATE DISBURSEMENT UNIT	Ben2417562	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	415.38	415.38
2030914	10/26/11	06299	STATE DISBURSEMENT UNIT	Ben2417548	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	237.69	237.69

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2030915	10/26/11	06303	STATE DISBURSEMENT UNIT	Ben2417556	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	802.15	802.15
2030723	10/12/11	02261	STATE STREET BANK & TRUST CO	Ben2417165	10/13/11	BI-WEEKLY DEFERRED COMP PLAN	5,810.78	5,810.78
2030916	10/26/11	02261	STATE STREET BANK & TRUST CO	Ben2417540	10/27/11	BI-WEEKLY DEFERRED COMP PLAN	4,714.63	4,714.63
2030617	10/05/11	11749	STEPHEN V MCCUE	003243	09/23/11	LEGAL SERVICES (SEPT 2011)	35,406.64	35,406.64
2030816	10/19/11	03738	STEVEN ENTERPRISES INC	0276187IN	09/23/11	INK CARTRIDGES	362.04	362.04
2030817	10/19/11	12809	STUTZ ARTIAND SHINOFF	85304 85127	09/26/11 09/08/11	LEGAL SERVICES (AUG 2011) LEGAL SERVICES (JULY 2011)	43,429.33 34,712.87	78,142.20
2030724	10/12/11	12223	SUNBELT RENTALS INC	31397130001	09/20/11	TOWABLE MANLIFT	1,865.74	1,865.74
2030618	10/05/11	10339	SUPREME OIL COMPANY	364445 364446	09/09/11 09/09/11	UNLEADED FUEL DIESEL FUEL	20,536.87 10,098.98	30,635.85
2030850	10/26/11	13406	TEAM TOWNSON INC	Ref002417579	10/25/11	UB Refund Cat #0000174577	26.40	26.40
2030725	10/12/11	06847	THIRD AVENUE VILLAGE ASSN	003236	09/29/11	APPLICATION FEE	75.00	75.00
2030917	10/26/11	05009	THURGOOD MARSHALL ELEM SCHOOL	003281	10/25/11	SPLASH LAB	100.00	100.00
2030655	10/12/11	13361	TINA GUEST	Ref002417218	10/11/11	UB Refund Cat #0000169843	17.48	17.48
2030618	10/19/11	03074	TRAFFIC CONTROL SERVICE INC	1043417	09/30/11	EQUIPMENT	1,672.50	1,672.50
2030918	10/26/11	00427	UNDERGROUND SERVICE ALERT OF	920110469	10/01/11	UNDERGROUND ALERTS (SEPT 2011)	277.50	277.50
2030726	10/12/11	13121	UNDERGROUND SOLUTIONS INC	2759	09/22/11	POTHOLING SERVICE	10,600.00	10,600.00
2030727	10/12/11	05417	UNITED STATES DEPARTMENT	Ben2417185	10/13/11	BI-WEEKLY PAYROLL DEDUCTION	100.00	100.00
2030919	10/26/11	05417	UNITED STATES DEPARTMENT	Ben2417560	10/27/11	BI-WEEKLY PAYROLL DEDUCTION	100.00	100.00
2030619	10/05/11	00350	UNITED STATES POSTAL SERVICE	104339511011	10/03/11	REIMBURSE POSTAGE MACHINE	2,100.00	2,100.00
2030920	10/26/11	07662	UNITEDHEALTHCARE SPECIALTY	112990000091	10/26/11	AD&D & SUPP LIFE INS (NOV 2011)	5,619.29	5,619.29
2030921	10/26/11	03212	UNUM LIFE INSURANCE	Ben2417536	10/27/11	MONTHLY CONTRIBUTION TO LTD	5,829.50	5,829.50
2030620	10/05/11	07674	US BANK CORPORATE PAYMENT	003244	09/22/11	CAL CARD EXPENSES	90.00	90.00
2030819	10/19/11	07674	US BANK CORPORATE PAYMENT	003269	09/22/11	CAL CARD EXPENSES	22,308.43	22,308.43
2030922	10/26/11	07674	US BANK CORPORATE PAYMENT	a003274 003280	09/22/11 09/22/11	CAL CARD EXPENSES CAL CARD EXPENSES	4,181.13 601.44	

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				003273	09/22/11	CAL CARD EXPENSES	275.46	5,058.03
2030621	10/05/11	04345	US CONCRETE PRECAST GROUP	0149754IN	09/14/11	VAULT	4,728.07	4,728.07
2030820	10/19/11	04345	US CONCRETE PRECAST GROUP	0149966IN	09/27/11	INVENTORY	5,151.18	5,151.18
2030923	10/26/11	06629	US SECURITY ASSOCIATES INC	406970	09/30/11	SECURITY SERVICES	461.20	461.20
2030821	10/19/11	13048	V & A CONSULTING ENGINEERS	12966	09/30/11	CORROSION SERVICES (8/27/11-9/30/11)	3,051.00	3,051.00
2030656	10/12/11	13359	VANESSA LEE	Ref002417216	10/11/11	UB Refund Cat #0000161232	10.41	10.41
2030728	10/12/11	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2417171	10/13/11	BI-WEEKLY DEFERRED COMP PLAN	8,042.28	8,042.28
2030729	10/12/11	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2417175	10/13/11	BI-WEEKLY 401A PLAN	829.00	829.00
2030924	10/26/11	01095	VANTAGEPOINT TRANSFER AGENTS	Ben2417546	10/27/11	BI-WEEKLY DEFERRED COMP PLAN	8,226.67	8,226.67
2030925	10/26/11	06414	VANTAGEPOINT TRANSFER AGENTS	Ben2417550	10/27/11	BI-WEEKLY 401A PLAN	829.00	829.00
2030730	10/12/11	03329	VERIZON WIRELESS	1015167805	09/21/11	WIRELESS SERVICES (8/22/11-9/21/11)	7,888.08	7,888.08
2030657	10/12/11	13353	VICTOR RAMIREZ	Ref002417210	10/11/11	UB Refund Cat #0000075776	52.05	52.05
2030731	10/12/11	10721	VIP RUBBER COMPANY INC	104018	09/21/11	METER GASKETS	902.98	902.98
2030732	10/12/11	07595	WALTERS WHOLESALE ELECTRIC CO	856880500 324554301	09/21/11 08/02/11	CAN LIGHT LAMPS ELECTICAL MATERIAL	135.77 94.82	230.59
2030822	10/19/11	07595	WALTERS WHOLESALE ELECTRIC CO	325084200	09/23/11	180 WATT LAMPS	678.83	678.83
2030926	10/26/11	07595	WALTERS WHOLESALE ELECTRIC CO	325084201	10/03/11	180 WATT LAMPS	377.13	377.13
2030823	10/19/11	07487	WARRIX, DENNY	003259	10/12/11	COMPUTER LOAN	886.44	886.44
2030927	10/26/11	02700	WATER CONSERVATION GARDEN	47	10/01/11	GARDEN COSTS (QUARTERLY)	25,300.00	25,300.00
2030824	10/19/11	01343	WE GOT YA PEST CONTROL	71389 71388 71149 70818 70816 70812 70683	09/26/11 09/27/11 09/23/11 09/09/11 09/09/11 09/08/11 08/31/11	BEE REMOVAL BEE REMOVAL BEE REMOVAL BEE REMOVAL BEE REMOVAL BEE REMOVAL BEE REMOVAL	115.00 115.00 115.00 115.00 115.00 115.00 115.00	805.00
2030928	10/26/11	01343	WE GOT YA PEST CONTROL	71313	09/30/11	BEE REMOVAL	115.00	115.00
2030658	10/12/11	13366	WESTERN DIRECT REALTY	Ref002417223	10/11/11	UB Refund Cat #0000171968	75.00	75.00

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2030659	10/12/11	13379	WESTERN DIRECT REALTY	Ref002417237	10/11/11	UB Refund Cst #0000181826	75.00	75.00
2030733	10/12/11	00125	WESTERN PUMP INC	0106330IN 0106329IN	09/19/11 09/19/11	NOZZLE REPLACEMENT APCD TESTING	615.14 400.00	1,015.14
2030734	10/12/11	03692	WESTIN ENGINEERING INC	744	09/16/11	PROJECT CONSULTING (7/30/11-8/26/11)	6,990.00	6,990.00
2030660	10/12/11	13363	WILLIAM HOWARD	Ref002417220	10/11/11	UB Refund Cst #0000170049	40.07	40.07
2030622	10/05/11	02230	WILLIAMSON, KELLI	14370911	09/28/11	TRAVEL EXPENSES (9/29/11-10/1/11)	233.22	233.22
2030825	10/19/11	03283	WILSON BOHANNAN PADLOCK CO	0082865IN	09/29/11	PADLOCKS	12,243.06	12,243.06
2030826	10/19/11	03423	WINZER CORPORATION	4070066	09/29/11	SHOP SUPPLIES	294.37	294.37
GRAND TOTAL							2,871,940.02	2,871,940.02