

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

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM
WEDNESDAY
January 24, 2007
4:00 P.M.

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

AGENDA

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

DISCUSSION ITEMS

3. APPROVE THE PURCHASE OF A 2008 MODEL YEAR STERLING 8500 TRUCK CAB AND CHASSIS FOR \$59,836.81 FROM TRANS-WEST FORD TRUCK SALES, INC. (DOBRAWA) [5 minutes]
4. APPROVE AN ENGAGEMENT LETTER FROM THE AUDITING FIRM OF TEAMAN, RAMIREZ & SMITH, INC. (TRS) TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2007 (CUDLIP) [5 MINUTES]
5. INFORMATIONAL ITEM ON THE PROGRESS OF THE BOND SALE (BEACHEM) [10 minutes]
6. DISCUSSION OF DRAFT WINTER 2007 CUSTOMER NEWSLETTER (BUELNA) [10 minutes]

RECESS TO CLOSED SESSION

7. CLOSED SESSION

- a) POTENTIAL LITIGATION (GOVERNMENT CODE §54956.9)
 - (i) OTAY WATER DISTRICT v. NORTHROP GRUMMAN

RETURN TO OPEN SESSION

8. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Mark Robak, Chair
Larry Breitfelder

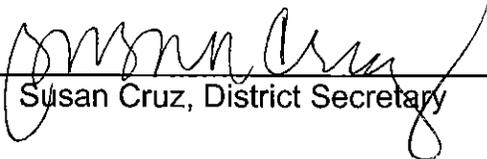
All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

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 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on January 19, 2007 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 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on January 19, 2007.

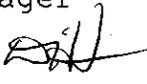


Susan Cruz, District Secretary



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 7, 2007
SUBMITTED BY:	Stephen Dobrawa,  Purchasing Manager Don Henderson,  Construction Maintenance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief):	Rom Sarno, Chief, Administrative Services 		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	PURCHASE OF STERLING 8500 CAB AND CHASSIS		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the purchase of a 2008 model year Sterling 8500 truck cab and chassis for \$59,836.81 from Trans-West Ford Truck Sales, Inc.

COMMITTEE ACTION: _____

See Attachment "A"

PURPOSE:

To provide bid results and obtain authorization to purchase a 2008 model year Sterling cab and chassis from Trans-West Ford Truck Sales in the amount of \$59,836.81.

ANALYSIS:

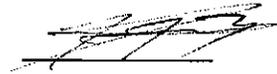
Included in the approved FY 2007 budget is a Sterling 8500 cab and chassis identified as Capital Item #122. In accordance with district policy, bids for this item were solicited and received as follows:

Vendor	Bid Amount
Miramar Truck Center	\$61,904.53
Peck Road Truck Center	\$60,914.31
Trans-West Ford Truck Sales	\$59,836.81

This vehicle will be used to replace an existing cab and chassis currently used as a maintenance utility truck. The exchanged cab and chassis will be fitted with a new stainless steel water tank and used to provide potable water during emergency and planned outages.

The budget for this purchase is \$52,500. It is anticipated that there will be sufficient saving within the Capital Purchases Budget to cover the \$7,336.81 difference.

Cost figures for this purchase were not available during the FY 2007 budget process. Manufactures had not yet finalized the production requirements needed to meet recently mandated changes by the Federal Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) requiring that heavy on-road diesel vehicles be manufactured to meet target emission of hydro carbons, carbon monoxide, oxides of nitrogen, and particulate matter.

FISCAL IMPACT: 

The line item budget for Capital Item #122 is \$52,500. The purchase price of the vehicle is \$59,836.81. If approved, the cost of proposed purchase will exceed the item line budget by \$7,336.81.

The FY 2007 Capital Purchases Budget is \$324,650. Expenditures to date are \$27,912.25. It is anticipated that there will be sufficient savings to cover the purchase of the proposed vehicle and that purchases for FY 2007 capital purchases will not exceed the total budget amount.

While the District expects to save money on the purchase of the remaining vehicles, the purchase of Capital Item #111, a Ford F-150 pickup truck, budgeted at \$22,500, will be deferred if this does not occur.

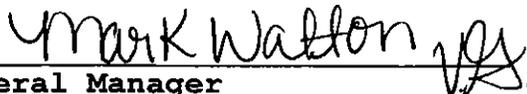
STRATEGIC GOAL:

3.1.1.9: Operate the system to meet demand 24/7.

3.1.1.10: Meet all of the health-related water standards in the US National Primary Drinking Water Regulations

LEGAL IMPACT: _____

None.


General Manager



ATTACHMENT A

SUBJECT/PROJECT:	Purchase of Sterling 8500 Cab and Chassis
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COMMITTEE ACTION:

NOTE:

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



AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 7, 2007
SUBMITTED BY:	James Cudlip, Finance Manager	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		
SUBJECT:	Appointment of Auditor for Fiscal Year Ending June 30, 2007		

GENERAL MANAGER'S RECOMMENDATION:

That the Board approve an engagement letter from the auditing firm of Teaman, Ramirez & Smith, Inc. (TRS) to provide audit services to the District for the Fiscal Year Ending June 30, 2007.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To retain the services of Teaman, Ramirez & Smith, Inc. to serve as the District's auditors for the Fiscal Year ending June 30, 2007.

ANALYSIS:

The District is required to retain the services of an independent accounting firm to perform an audit of the District's financial records each year. The Board has approved TRS as the District's auditors for the last three years (Fiscal Years 2004, 2005, & 2006). It is the District's practice to keep the same auditors for 3-5 years, with an annual renewal of the retainer.

Staff is recommending the appointment of Teaman, Ramirez & Smith, Inc. based on their knowledge of the District's operations and finances, their technical qualifications, and their performance as the District's auditors for the last three fiscal years. Also, in our successful efforts to prepare an award-winning Comprehensive Annual Financial Report (CAFR), staff has solicited the advice of TRS who has had significant experience in award-winning CAFR preparation.

The following is a tentative planning schedule for the major activities involved in completing the FY-07 financial audit:

- Mar-07: Audit planning meeting with auditors and Finance & Administration Committee
- May-07: Pre-audit (3 - 4 days).
- Aug-07: Year End Audit (4 - 5 days).
- Oct-07: Board presentation of audited financials.
- Nov-07: Completed CAFR.

FISCAL IMPACT:

The fee for auditing services and preparation of the State Controller's Report will not exceed \$26,000 for the Fiscal Year ending June 30, 2007. This is an increase of \$1,200 over last year's fee, consisting of 2 components: 1) Increase of \$500 (or 2%) for standard audit services; 2) \$700 fee for the new policy requirement to annually audit the investment procedures.

STRATEGIC GOAL:

Required by law.

LEGAL IMPACT:

None.



General Manager

Attachment:

- A) Committee Action Form



ATTACHMENT A

SUBJECT/PROJECT:	Appointment of Auditor for Fiscal Year Ending June 30, 2007
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COMMITTEE ACTION:

The Finance and Administration Committee supported staff's recommendation to the Board to appoint Teaman, Ramirez and Smith, Inc. as the District's auditors for the Fiscal Year ending June 30, 2007.

NOTE:

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



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 7, 2007
SUBMITTED BY:		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		
SUBJECT:	Informational Item on the Progress of the Bond Sale		

GENERAL MANAGER'S RECOMMENDATION:

To inform the Board of the progress on the bond sale.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To inform the Board of the progress on the bond sale.

ANALYSIS:

The \$42 million bond issuance efforts have been progressing well. This debt issuance, as explained in previous staff reports, is necessary to fund the District's CIP projects and to sustain the reserves at their target levels, maintaining the District's financial strength.

With the December Board actions the bond financing team was established. The two co-bond counsels are Garcia, Calderon, and Ruiz (GCR), and Sidley Austin; disclosure counsel is Stradling, Yocca, Carlson & Rauth; Union Bank of California is the trustee; and Suzanne Harrell is the financial advisor.

Over the next month, the financing team will perform all the required work to issue the debt. This includes significant effort to prepare the Board resolution and the many bond documents. The resolution to issue the debt will be presented to the Board for approval along with drafts of the bond documents. The approval of the resolution will allow the Board President, GM, and CFO to sign the final bond documents and

finalize the bond sale. The final sale is expected to be near the end of February.

As a part of the preparation, staff and the financial advisor have prepared a presentation to the rating agencies that highlighted the many strengths of the District, operationally, financially, and technologically. The rating agency presentations were to both Standard & Poor's and Fitch and were held on January 23rd & 24th, respectively.

FISCAL IMPACT:



This is an informational item and has no financial impact.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

Mark Walton
General Manager 

Attachment:

A) Committee Action Form



ATTACHMENT A

SUBJECT/PROJECT:	Informational Item on the Progress on the Bond Sale Efforts
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COMMITTEE ACTION:

This is an informational item only, to inform the Finance and Administration Committee of the progress on the bond sale efforts.

NOTE:

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AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Finance, Administration and Communications Committee	MEETING DATE:	1/24/07
SUBMITTED BY:	Armando Buelna <i>AB</i> Communications Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:			
SUBJECT:	Review of the Winter 2007 Customer Newsletter		

GENERAL MANAGER'S RECOMMENDATION:

That the Finance, Administration and Communications Committee review the Winter 2007 Customer Newsletter.

PURPOSE:

Provide the Finance, Administration and Communications Committee the opportunity to review and comment on the Winter 2007 Customer Newsletter.

BACKGROUND:

The Customer Newsletter is primarily a communications vehicle to engage the public and disseminate information to customers about district programs and services. It serves to increase visibility and transparency of district actions and to promote understanding and confidence in their water service provider.

Topics for newsletters include announcements of new or enhanced programs or services, water conservation tips and advice, classes and events at the Water Conservation Garden, significant awards, project updates, scholarship announcements, or other district happenings. In 2006, the newsletter was also used to raise awareness of the district's history and its 50th anniversary.

Customer newsletters are produced quarterly and are included with customer bills. A page in each newsletter is reserved for water conservation information and announcements. And due to the growing Hispanic population, a page is also reserved for Spanish language translations.

The 2005 Customer Satisfaction and Awareness Survey found that 30% of customers read the newsletter "every time" or "most times" when it was included with their water bill. Another 41% read the newsletter "some of the time."

FISCAL IMPACT:

Printing expenses for 48,000 customer newsletters per quarter are budgeted at approximately \$3,500 and are included in the Purchasing Division's printing budget (523301-2231). Graphic design costs for developing customer newsletter are included in the Marston+Marston Inc. contract budgeted in the General Manager's Outside Services account (526101-1211).

STRATEGIC GOAL:

Enhance Customer Satisfaction and Outreach.

LEGAL IMPACT:

None.

Mark Walton
General Manager

Draft Winter Newsletter to be presented at the committee meeting.



ATTACHMENT A

SUBJECT/PROJECT:	Review of the Winter 2007 Customer Newsletter
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COMMITTEE ACTION:

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