

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

THURSDAY
February 19, 2009
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. DISCUSSION OF THE DISTRICT'S FINANCIAL THREAT ASSESSMENT AND OBTAIN DIRECTION FOR THE FISCAL YEAR 2010 BUDGET PROCESS (BEACHEM) [10 minutes]
4. REVIEW AND MAKE RECOMMENDATION FOR A ONE-YEAR CONTRACT WITH AN ACCOUNTING FIRM TO SERVE AS THE DISTRICT'S AUDITORS FOR THE FISCAL YEAR ENDING JUNE 30, 2009 WITH AN OPTION FOR FOUR ADDITIONAL 1-YEAR CONTRACTS SUBJECT TO THE BOARD'S REVIEW AND APPROVAL (BEACHEM/CUDLIP) [30 minutes]
5. REPORT ON DIRECTORS EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2009 (PRENDERGAST) [5 minutes]
6. RECEIVE DIRECTION FROM THE BOARD ON THE ONGOING FUNDING OF THE ANNUAL REQUIRED CONTRIBUTION TO CALPERS AND MEDICAL EXPENSE REIMBURSEMENT REQUESTS FROM CALPERS (BEACHEM) [10 minutes]

RECESS TO CLOSED SESSION

7. CLOSED SESSION

a) CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9(a)]

- (I) 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

RETURN TO OPEN SESSION

8. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Jaime Bonilla, Chair
Jose Lopez

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.

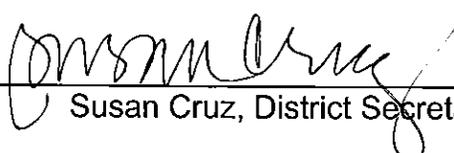
The Agenda, and any attachments containing written information, are available at the District's website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are 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 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on February 17, 2009 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 February 17, 2009.



Susan Cruz, District Secretary



AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Finance, Administration & Communications Committee	MEETING DATE:	February 19, 2009
SUBMITTED BY:	Rita Bell, Finance Manager <i>Rita Bell</i>	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:	Joseph R. Beachem, Chief Financial Officer		
(Chief)			
APPROVED BY:	German Alvarez, Assistant General Manager		
(Asst. GM):			
SUBJECT:	Financial Threat Assessment		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

To provide Finance, Administration and Communications Committee members the opportunity to discuss the District's financial threat assessment and obtain direction for the Fiscal Year 2010 budget process. The financial consultant, Karyn Keese of PBS&J, will be available to discuss various aspects of the threat assessment and to answer specific questions from committee members.

BACKGROUND:

The Strategic Plan Objective 2.1.2.0 is to conduct a financial threat assessment for growth, water availability, inflation and other revenue sources. The purpose of this objective is to develop threat scenarios for various business and economic trends that could have a significant negative affect on the District's revenues over an extended period of time and will benefit the District's Finance Department by providing mid-to-long range planning for financial contingency information.

DISCUSSION:

The goal of this presentation is to address significant financial threats to the District, and to determine the most realistic set of factors based on the information staff is receiving from its various sources, including our financial

consultant, our water suppliers MWD and CWA, our vendors such as SDG&E and other suppliers, and finally other economic indicators effecting revenues such as property taxes and lease agreements. Additionally, the state is facing serious drought conditions due to rainfall levels and environmental issues in the Bay Delta.

The most realistic set of the above stated factors will then be used in the FY 2010 budget creation and rate setting. Although we cannot predict with certainty how these factors will actually occur, collecting as much information as possible improves the accuracy of the most likely financial scenario. Using this information in the budget process helps prepare the District to anticipate likely outcomes.

By being proactive, the District can better educate its customers and ensure we take the least amount of risk, minimizing the rate impacts, and ensuring the fiscal strength of the District throughout these difficult economic times.

FISCAL IMPACT: 

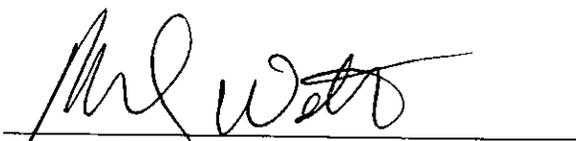
None.

STRATEGIC OUTLOOK:

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

LEGAL IMPACT: _____

None.



General Manager

Attachments:

- A) Committee Action Form
- B) Financial Threat Assessment Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Financial Threat Assessment
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COMMITTEE ACTION:

This is an informational item only.

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.

Financial Threat Assessment

Presentation to the Finance,
Administration and
Communications
Committee

February 19, 2009

Purpose

- FY 09–11 Strategic Plan Item – Financial Threat Assessment
- Assess future financial environment:
 - Economy
 - Drought/Conservation
 - Disasters
 - Opportunities
- Obtain direction for FY 2010 Budget Process
 - Develop realistic scenarios

Strategic Plan Item

- Objective 2.1.2.0

The purpose of this objective is to develop threat scenarios for various business/economic trends that could have a significant negative effect on the District's revenues over an extended period of time and will benefit the District's Finance Department by providing mid-to-long range planning for financial contingency information.

Background

- Prior Financial Assessments
 - October 2007 Special Board Meeting
 - FY 2009 Budget Workshop
 - Supplier Cost
 - No Growth
 - Drought/Conservation
 - Property Tax Grab

Resources

- Request committee input to determine the most realistic scenarios to consider for the FY 2010 budget
 - Most realistic for budget
 - Worst case for sensitivity analysis
 - Optimistic view
- Expert in the water industry, Karyn Keese of PBS&J, will serve as an advisor
- Finance and Engineering staff
 - Use of FY 2009 Rate Model to run scenarios and determine likely impact

Discussion Topics

Threats

Decreased Water Sales
Increased Water Costs
Decrease in Earnings
Loss of Revenue
Higher Costs

Opportunities

Mexico Desal
Well Water
Expanded Recycled
Increased Grant Revenue

Prior Year Projections and Sources

Costs

Revenues

Threat – Decreased Water Sales

- Decreased Water Sales

 - Weather/Environmental

 - Drought
 - Environmental Constraints
 - Local Rainfall

 - Loss of Customers

 - Foreclosures
 - Business failures

Threat – Water Cost Increases

- Variable Water Prices
 - Increasing 25% to 35%
- Fixed Water Costs
 - Increases as high as 25% to 35%
 - Due to State Water Project
 - Emergency Storage
 - Spread to Fewer Acre-Feet of Sales

Threat – Decrease in Earnings

- No Growth
 - Annexation fees - \$644K
 - Capacity fees - \$2,227K
 - Offset of reduced CIP Spending (\$400K)
- Decreased Property Rentals
- Investment Losses

Threat – Loss of Tax Revenue

- State tax grab
 - Loss of all property tax revenue
 - Loss of \$1.2 million in existing legislation
- Decline in property values

Threat – Higher Costs

- Increased energy costs
- PERS return on investment lower than expected
 - Pension
 - OPEB

Opportunities

- New Water Supplies
 - Mexico Desal
 - Well Water
 - Expanded Recycle
- Increased Grant Revenue
 - Economic stimulus via investment in infrastructure

Threat Scenarios

	Worst Case	Realistic	Optimistic
Threats	(000's)	(000's)	(000's)
Decreased Water Sales (25%, 15%, 10%)	\$1,530	\$765	\$383
Increased Water Costs (35%, 30%, 25%)	\$10,676	\$9,151	\$7,625
Decreased Property Rentals (50%, 15%, 0)	\$526	\$158	\$0
State Tax Grab (100%, 0, 0)	\$3,430	\$0	\$0
Decline in property values (10%, 3%, 0)	\$343	\$103	\$0
Increased Energy Costs (20%, 6%, 3%)	\$556	\$167	\$83
Increase in PERs Rate (6%, 4% 3%)	\$172	\$115	\$86
No Growth – Annexation Fee (6 year average)	\$1,700	\$850	\$0
No Growth – Cap Fees (6 year average)	\$9,528	\$4,764	\$0
No Growth – Reduced CIP (6 year averagae)	\$9,075	\$4,538	\$0

Opportunities

Mexico Desal	15% Reduction in Public Liability & Workers Compensation
Well Water	Only 5% Medical Increase
Expanded Recycled	Decrease in FTEs due to reassignment of staff
Increased Grant Revenue	Fuel Price budgeted at \$4.80 per gallon in FY 2008

Cost Increases – Prior Year Projection & Source

<u>Inflator</u>	<u>Source</u>	<u>2010 Percentage Change</u>
Water Supply Price Inflator (CWA)	CWA	10.7%
Water Growth Inflator	Engineering/Developers	0.8%
Emergency Storage Charge (CWA)	CWA	6.5%
Customer Service (CWA)	CWA	22.2%
Infrastructure Access (CWA)	CWA	2.4%
Supplement Savings Inflator	Otay Calculated	-7.9%
Capacity Reservation Charge (MWD)	CWA	11.5%
RTS Charges (MWD)	CWA	10.9%
Power		
Cost Inflation	SDG&E	2.8%
Growth Inflation	Engineering/Developers	0.8%

Cost Increases – Prior Year Projection & Source

<u>Inflator</u>	<u>Source</u>	<u>2010 Percentage Change</u>
Materials & Maintenance	General Inflation	4.0%
Administrative	General Inflation	3.0%
Payroll - COLA inflation		3.0%
Salary - Cost Inflation	Negotiated MOU	1.6%
Pension - Cost Inflation	PERS	-.01%
Medical - Cost Inflation	OPEB Actuary	9.3%
Worker's Comp - Cost Inflation	OPEB Actuary	9.1%
Other Benefits - Cost Inflation	OPEB Actuary	3.0%
FTE Staffing Increase	HR	-.05%
Bad Debt	Historical Trends	3.0%

Revenues Prior Year Projection & Source

<u>Revenue</u>	<u>Source</u>	<u>2010 Percentage Change</u>
Property Rental	Negotiated Increases/New Leases	2.0%
Set-up Fee for Lease Site	Development Services	0%
Sewer Billing Fees (from Chula Vista)	Growth from Engineering/Developers	0.8%
Grants	Departments input	0%
Sewer Revenue from Shared Facility (SVSD)	County of San Diego	5.0%
Penalties - Late Fee & Others	Receivable Trends	0.8%
Capacity Fee Draw	Engineering Estimate	.05%
Energy Charges	Water Sales	0.8%
Bank/Debt Fees	Bank Fees	0%
Meter and Lateral Fees	Growth from Engineering/Developers	0.8%
Backflow Maintenance Fees	Meter Shop	0.8%
Annexation Admin Fees - Potable	Growth from Engineering/Developers	0.8%
Mapping Fees - Potable	Growth from Engineering/Developers	0.8%
Billable Work Orders	Operations Department	3.0%
1% General Property Tax	County Assessor/City Chula Vista	2.8%
OPEB ARC	OPEB Actuary	9.3%



AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 4, 2009
SUBMITTED BY:	James Cudlip, <i>[Signature]</i> Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:	Joseph R. Beachem, <i>[Signature]</i> Chief Financial Officer (Chief)		
APPROVED BY:	German Alvarez, <i>[Signature]</i> Assistant General Manager (Asst. GM):		
SUBJECT:	Selection of Auditor for Fiscal Year Ending June 20, 2009		

GENERAL MANAGER'S RECOMMENDATION:

That the Board approve the Finance, Administration & Communications Committee's selection of an accounting firm to serve as the District's auditors for the fiscal year ending June 30, 2009. The contract will be for 1-year, with four (4) 1-year options, with each option year subject to Board review and approval.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To retain the services of an accounting firm to serve as the District's auditors for the Fiscal Year ending June 30, 2009.

Staff has reviewed proposals from eight accounting firms, to include conducting interviews with the four firms scoring highest on the evaluation of proposals. The result of this process is our recommendation that the Audit Committee interview the following two firms, and select one firm to be recommended as the District's auditor for the fiscal year ending June 30, 2009.

Diehl Evans & Company, LLP
Ortega & Konrad, LLP

BACKGROUND:

The District is required to retain the services of an independent auditing firm each fiscal year to perform an audit of the District's financial statements. For the past five years, the District has retained the services of Teaman, Ramirez

& Smith, Inc. For Fiscal Year 2009, however, the District feels it is time to open up bidding to other potential audit service providers in order to maintain competitiveness in pricing and level of service, and to allow for the natural rotation of auditors in accordance with sound business practice.

The Finance, Administration & Communications Committee also serves the Board as the Audit Committee. The purpose of an Audit Committee is to review the reports of external auditors, to include management letters and internal control recommendations, and ensure implementation by management. The committee also has the responsibility to recommend an accounting firm to the Board to perform the annual audit. The interview process is an opportunity for committee members to personally speak to the accountants who will be working on the audit.

ANALYSIS:

On January 7, 2009, staff sent a Request for Proposals (RFP) to fourteen accounting firms to solicit interest in performing the audit of the District's financial statements for the fiscal year ending June 30, 2009. The District received proposals from a total of eight audit firms, listed below with their proposed fees.

AKT, LLP	\$31,000
Caporicci & Larson	\$24,000
Charles Z. Fedak & Company	\$24,000
Diehl Evans & Company, LLP	\$33,000
Hoska, Nagel & Company	\$15,582
Lance Soll & Lunghard, LLP	\$27,250
Mayer Hoffman McCann P.C.	\$35,600
Ortega & Konrad, LLP	\$22,800

Technical proposals representing each of the eight firms were then reviewed and ranked according to criteria identified by staff as critical to a successful audit. The four firms scoring highest on the technical evaluation were then contacted for an on-site interview with District staff. Subsequent to the interview, the four finalists were again ranked using a combination of the original technical criteria and their performance during the interview. The result of this process is our recommendation that the Audit Committee interview the two top-ranked firms to select which firm to recommend to the Board as the District's auditor for the fiscal year ending June 30, 2009.

The most important considerations in evaluating all of the firms were as follows: 1) Firm qualifications and experience; 2) Partner, supervisory and staff qualifications and experience; 3) Similar engagements with other government entities; 4) Specific audit approach; and 5) Cost. While the two recommended firms are extremely well qualified and scored highest overall of the eight firms that submitted RFP's, staff believes the main differences between the two are:

Diehl Evans & Company, LLP: A larger firm, with multiple offices and greater depth of personnel resources. No prior audit exposure to Otay Water District, so some additional hours are planned to get to know and understand all of the District's operations and internal controls. Also, more layers of audit management and review at the conclusion of the audit fieldwork.

Ortega & Konrad, LLP: A small, single-office firm, but has prior direct knowledge of the District, with lower overhead and subsequently lower fees. Higher amount of hands-on audit work performed by partner-level staff.

Copies of the two recommended firm's technical and fee proposals are included in this report as attachments.

FISCAL IMPACT:

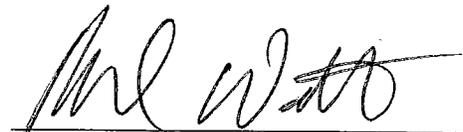
Board approved audit fees are included in the District's annual Operating Budget.

STRATEGIC OUTLOOK:

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

LEGAL IMPACT:

Required by law.



General Manager

Attachments:

- A) Committee Action Form
- B) Diehl Evans & Company, LLP Audit & Fee Proposal
- C) Ortega & Konrad, LLP Audit & Fee Proposal
- D) Audit Proposal Analysis



ATTACHMENT A

SUBJECT/PROJECT:	Selection of Auditor for Fiscal Year Ending June 30, 2009
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COMMITTEE ACTION:

The Committee will make a recommendation at their meeting on February 19, 9009.

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.

OTAY WATER DISTRICT
TECHNICAL AUDIT PROPOSAL
FOR THE YEAR ENDING JUNE 30, 2009

COPY

RFP Subject: Comprehensive Annual Financial Report
for the Otay Water District
for the Year Ending June 30, 2009

Name of Proposer: Diehl, Evans & Company, LLP
Certified Public Accountants and Consultants

Local Address: 2965 Roosevelt Street
Carlsbad, CA 92008

Telephone: (760) 729-2343

Fax: (760) 729-2234

Website: www.diehlevans.com

Email: harveys@diehlevans.com

Contact Persons: Harvey J. Schroeder, CPA
Engagement Partner

David Forman, CPA
Engagement Manager/Principal

Nitin Patel, CPA
Consulting Partner

Date: January 21, 2009

January 21, 2009

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

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
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*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
*WILLIAM C. PENTZ, CPA
MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA

January 21, 2009

* A PROFESSIONAL CORPORATION

Mr. Joseph R. Beachem, Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Boulevard
Spring Valley, California 91978-2096

Dear Mr. Beachem:

We are pleased to present our proposal to serve as independent auditors for the Otay Water District. We have prepared this information in accordance with the guidelines set forth in your request for proposal.

Why We Are The Best Qualified Firm

We consider ourselves to be the best qualified firm to perform auditing and accounting services for the Otay Water District. Please consider these qualifications:

- Diehl, Evans & Company, LLP has been located in Southern California for more than 75 years. Our firm consists of 9 partners, 3 principals and approximately 35 other professional staff. The staff who would be assigned to your audit work out of our Carlsbad and Escondido offices.
- Unlike many other accounting firms, we have a relatively low staff turnover rate. This has allowed us to keep continuity in our engagement teams from year to year, and has allowed our professional staff to gain extensive municipal auditing experience. Since our staff is familiar with municipal procedures and records, this will eliminate much disruption to your staff. We make a commitment to retain the same staff on the audit from year to year, except when such personnel leave the firm. If a staff member is replaced, we also make a commitment to replace that person with staff of at least equal experience. We understand and support the District's ability to accept or reject replacement staff.
- Diehl, Evans and Company, LLP has been providing auditing services to governmental agencies since 1950. A significant part of our practice is devoted to providing professional services to your specialized industry and over the past year, our firm audited seventeen special districts which included twelve water districts, twenty-five cities of which many operate their own municipal water operations, and many other governmental agencies.
- The District may require a single audit of its federal grants, in accordance with Government Auditing Standards and OMB Circular A-133. We perform single audits on substantially all of our audit clients.

Why We Are The Best Qualified Firm (Continued)

- Over the years, we have developed a wide knowledge of tax issues related to governmental entities and their employees. Our tax department regularly issues tax opinions to our governmental clients on such issues as the tax consequences of forming nonprofit corporations, employee benefit plans, payroll tax reporting problems, Form 1099 filing requirements, etc.
- We are a full service CPA firm. Our Management Consulting Department can provide the District with a wide variety of services, including investment policy compliance reviews, litigation support and dispute resolution services, consulting on governmental tax issues, cost allocation plans and computer systems consulting.

We make a commitment to deliver all necessary reports based on the timetable presented herein on page 12. Also, our understanding of the work to be performed is set forth on pages 12-17.

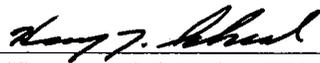
Our goal is to provide the District with the highest quality of service which meets all required reporting standards and a comprehensive management letter, which is practical and helpful to management in improving operations. Also, our goal is to maintain a close, personal relationship with you and your staff, one that is a year-round working relationship. You should feel comfortable in calling on us for advice at any time. We will always be available should you require our services.

We respectfully request that we be selected as the independent auditors for the District for the year ending June 30, 2009. We look forward to personally meeting (speaking) with you to discuss our qualifications.

We thank the District for the opportunity to present our proposal. Please feel free to contact me at (760) 729-2343 if you have any questions. This proposal constitutes a firm and irrevocable offer until April 26, 2009. I am authorized to represent our firm, and bind the firm to a contract.

Very truly yours,

DIEHL, EVANS & COMPANY, LLP

By: 
Harvey J. Schroeder, CPA
Engagement Partner

QUALIFICATIONS OF THE FIRM

SIZE AND LOCATION OF THE FIRM

Diehl, Evans & Company, LLP is a Southern California accounting firm with offices in Carlsbad, Irvine, and Escondido. We are one of the oldest CPA firms in Southern California, with more than 75 years of public practice experience. Our firm consists of 9 partners, 3 principals and approximately 35 other professional staff.

Diehl, Evans & Company, LLP has extensive experience in governmental auditing and accounting. More than twenty thousand hours per year are devoted to this area of our practice for nearly 100 governmental units including cities, redevelopment agencies, water districts, special districts, nonprofit corporations and joint power authorities.

Your District would be served from our Carlsbad and Escondido offices, which have 4 partners, 2 principals and approximately 10 professional staff.

Substantially all of our professional staff has experience with governmental auditing.

RANGE OF ACTIVITIES

Diehl, Evans & Company, LLP is a full service CPA firm. We offer a broad range of services, including:

- | | |
|---------------------------|--------------------------------|
| Certified Audits | Tax Planning |
| Compilations and Reviews | Income Tax Preparation |
| Limited Procedure Reviews | Management Consulting Services |
| Financial Planning | |

Our specific services for governmental agencies are more fully set forth in this proposal.

LICENSING AND INDEPENDENCE

Our firm, and all of our certified personnel, are properly licensed to practice public accounting in California.

Also, we meet the independence requirements of “Governmental Auditing Standards” (2007 Edition), as published by the U.S. General Accounting Office.

Our firm is independent of the District as defined by Governmental Auditing Standards.

PARTICIPATION IN “QUALITY REVIEW” PROGRAMS

In 1986, our firm began an annual internal quality review program, whereby all three offices are reviewed for compliance with all current accounting and auditing requirements. Formal reports of these reviews are presented to the partners, and adjustments in our auditing and reporting procedures are made as necessary.

In January 2006, our firm underwent a quality review by an independent CPA firm, under provisions of the AICPA Quality Review Program. These reviews are required every three years and covered our audits of governmental agencies. We received a final report dated January 13, 2006 with an unqualified opinion on our systems and procedures. A copy of the independent CPA firm’s report is included herein at Attachment III. Accordingly, we are confident that our current auditing standards and techniques meet all existing requirements.

No regulatory action has ever been taken against any office of our firm due to substandard work. We had no significant deficiencies noted in any federal or state desk reviews over the past three years.

EDUCATION PROGRAMS

Diehl, Evans & Company, LLP has a formal continuing education program. All firm auditors are required to obtain 80 hours of continuing education every two years in the accounting and auditing area as required by Government Auditing Standards, and at least 24 hours of government related continuing education courses. Our staff is continually expanding their knowledge of the governmental industry through our in-house training programs, programs offered by the AICPA, the California Society of Certified Public Accountants and other professional organizations, and through on-the-job training. We also publish an Auditing Manual For Governmental Entities for internal use by our staff. The manual is updated at least annually.

Noted below is a description of certain in-house education courses taken by our partners and staff to meet the governmental continuing education requirements. All personnel involved with governmental auditing are required to attend these courses.

- New Risk Assessment Standards
- Implementation of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- Understanding, and Auditing, Deposits and Investments of California Governmental Units
- Reviews of Internal Controls in Accordance With Statements on Auditing Standards
- Assessing Audit Risk and Materiality in Conducting An Audit
- Understanding the Gann Computation
- Redevelopment Agency Compliance Audits - Interpreting the Health and Safety Code
- Computer Auditing in the Governmental Environment
- The Single Audit - New Provisions under OMB Circular A-133
- Laws and Regulations in the Government Sector

PARTICIPATION IN PROFESSIONAL ORGANIZATIONS

Our partners and staff are actively involved in professional organizations in the governmental accounting field. Noted below is a summary of our participation in various national and California governmental organizations.

GFOA, GASB and FASB

Our firm is an associate member of the Government Finance Officers Association of the United States and Canada (GFOA).

Also, we have subscriptions with the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standard Board (FASB). We receive all GASB and FASB Statements, Interpretations, Technical Pronouncements and Newsletters. We regularly analyze these pronouncements and advise our governmental clients of changes in accounting rules.

PARTICIPATION IN PROFESSIONAL ORGANIZATIONS (CONTINUED)

CSMFO

Partners in our Irvine and Carlsbad offices (Mr. Harvey Schroeder, Mr. Michael Ludin, Mr. Craig Spraker, Mr. Nitin Patel and Mr. Robert Callanan) and our Director of Management Consulting (Mr. William S. Morgan) are associate members of the California Society of Municipal Finance Officers (CSMFO). Our personnel regularly attend local CSMFO chapter meetings throughout Southern California, and the annual statewide conference. We often provide public speakers for these meetings.

CSCPA

All Escondido and Carlsbad office partners and principals are members of the California Society of Certified Public Accountants (CSCPA). Several professional staff members are also members of the CSCPA.

GFOA AND CSMFO AWARD PROGRAMS

The partner and manager will be involved in all phases of report preparation. Reporting checklists will be used to assure compliance with all reporting requirements. Based on the high quality of our review process, we have been able to assist various districts and cities in obtaining the GFOA “Certificate of Achievement for Excellence in Financial Reporting” and the “Outstanding Award” for financial reporting from CSMFO. During the past five years, the following clients received awards:

Special Districts:

- Cucamonga County Water District
- Mesa Consolidated Water District
- Rancho California Water District
- Santa Fe Irrigation District

Cities:

Alhambra	Fullerton	Lake Elsinore	Encinitas
Cerritos	Garden Grove	Lakewood	Santa Clarita
Chino	Healdsburg	Mission Viejo	Signal Hill
Commerce	Hesperia	Montebello	Simi Valley
Coronado	Huntington Beach	Norwalk	Temecula
Del Mar	Indian Wells	Pico Rivera	Thousand Oaks
Diamond Bar	Irvine	San Juan Capistrano	Tustin

REFERENCES AND SUMMARY OF SIMILAR EXPERIENCE

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

The following are the 4 most significant engagements performed in the past five years.

Santa Fe Irrigation District:

Scope of Work: Issued audits for the District, Filtration Plant and Financing Authority.

Engagement Date: Audits for June 30, 2002 - 2006

Approximate Total Annual Hours: 350 Hours

Engagement Partner: Harvey Schroeder, CPA

Principal Contact: Mr. Michael Bardin, General Manager (858) 756-2424

Borrego Water District:

Scope of Work: District Audit

Engagement Date: Audits for June 30, 1995 - Present

Approximate Total Annual Hours: 250 Hours

Engagement Partner: Harvey Schroeder, CPA

Principal Contact: Mr. Jerry Rolwing, Interim General Manager, (760) 726-5856

San Dieguito Water District:

Scope of Work: District Audit

Engagement Date: Audit for June 30, 2006 – June 30, 2008

Approximate Total Annual Hours: 175 Hours

Engagement Partner: Mike Ludin, CPA

Principal Contact: Mr. Jay Lembach, Finance Officer, (760) 633-2600

Leucadia Wastewater District:

Scope of Work: District Audit

Engagement Date: Audits for June 30, 1999 - 2004

Approximate Total Annual Hours: 175 Hours

Engagement Partner: Harvey Schroeder, CPA

Principal Contact: Mr. Paul Bushee, General Manager, (760) 753-0155

CITY CLIENT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our existing clients. We are including the names and phone numbers of several of the city clients mentioned above. We encourage you to contact any of these individuals.

City of Hesperia

Mr. Brian Johnson
Director of Administrative Services
(760) 947-1441
Engagement: Audit
Dates: 6/30/1997 – 6/30/2008

City of Del Mar

Finance Director
(858) 755-9354
Engagement: Audit
Date: 6/30/1994 – 6/30/2005

City of Coronado

Ms. Leslie Suelter
Director of Administrative Services
(619) 522-7300
Engagement: Audit
Dates: 6/30/79 – 6/30/2007

City of Encinitas

Mr. Jay Lembach
Finance Officer
(760) 633-2600
Engagement: Audit
Date: 6/30/2006 – 6/30/2008

WATER DISTRICTS AND OTHER SPECIAL DISTRICTS

Noted below is a listing of water and special districts audited by our firm over the past year.

Water Districts

Borrego Water District
Cucamonga Valley Water District
Jurupa Community Services District
La Habra Heights County Water District
La Puente Valley County Water District
Laguna Beach County Water District
San Luis Rey Municipal Water District

Walnut Valley Water District
Pomona-Walnut-Rowland Joint
Water Line Commission
Puente Basin Water Agency
Rancho California Water District
San Dieguito Water District

Other Special Districts

Coachella Valley Association
of Governments
Downey Cemetery District

Sunset Beach Sanitary District
Valley Wide Recreation and Park District
Encinitas Ranch Golf Authority

ENTERPRISE FUND EXPERIENCE

Most cities audited by our firm have a water utility enterprise fund. Noted below is a partial listing of other enterprise funds audited by our firm over the past five years:

<u>City</u>	<u>Enterprise</u>
Alhambra	Water, Sewer, Storm Drain, Sanitation, Golf Course
Buena Park	Water
Cerritos	Reclaimed Water
Chino	Water, Sewer, Sanitation System
Coronado	Golf Course, Sewer
Del Mar	Sewer
Downey	Golf Course, Transit System
Encinitas	Water, Golf Authority
Fullerton	Water, Refuse
Garden Grove	Water, Sanitation, Mobile Home Parks
Healdsburg	Electric, Water, Sewer, Transit
Hesperia	Water, Sewer
Huntington Beach	Water, Golf, Housing, Refuse
Lakewood	Water
Mission Viejo	Animal Services, Television
Montebello	Water, Golf, Transit
Norwalk	Transit
Palm Desert	Golf, Building
Pico Rivera	Water
San Juan Capistrano	Water, Sewer
Santa Clarita	Transit
Simi Valley	Water, Sanitation, Transit
Thousand Oaks	Water, Sewer, Golf
Tustin	Water
Westminster	Water

SINGLE AUDIT EXPERIENCE

We perform single audit services for most of our cities that receive federal funds as required by OMB Circular A-133. Over the past year, Single Audits were performed for the following cities.

- | | |
|----------------------|-----------------------------|
| City of Alhambra | City of Lakewood |
| City of Buena Park | City of Mission Viejo |
| City of Cerritos | City of Montebello |
| City of Chino | City of Norwalk |
| City of Commerce | City of Pico Rivera |
| City of Downey | City of San Juan Capistrano |
| City of Fullerton | City of Santa Clarita |
| City of Hesperia | City of Thousand Oaks |
| City of Indian Wells | City of Encinitas |
| City of Irvine | City of Westminster |

NONPROFIT CORPORATIONS AND JOINT POWER AUTHORITIES

Noted below is a partial listing of nonprofit corporations and joint power authorities audited by our firm over the past year. A substantial number of these entities are “component units” which are combined into the basic financial statements of governmental organizations which exercise oversight responsibility.

- | | |
|---|--|
| Buena Park Foundation | Lake Elsinore Financing Authority |
| Cal State L.A. Metrolink Authority | Lake Elsinore Recreation Authority |
| Conejo Open Space Conservation Agency | Norwalk Financing Authority |
| Coronado Financing Authority | Pico Rivera Water Authority |
| Coronado Improvement Corporation | Public Cable Television Authority |
| Cove Community Public Safety Commission | Redwood Empire Financing Authority |
| Downey Civic Center Corporation | San Juan Capistrano Housing Corporation |
| Downey Recreational Area Authority | Santa Clarita Watershed Recreation
and Conservation Authority |
| Downey Water Facilities Corporation | South County Senior Services |
| El Toro Reuse Planning Authority | Southeast Area Animal Control Authority |
| Healdsburg Public Improvement Corporation | Walnut Valley Building Corporation |
| Torrey Pines High School Foundation | |

EXPERIENCE WITH PREPARATION OF STATE-MANDATED REPORTS

We have experience with the preparation of various state-mandated reports, such as the State Controller’s Report Statements of Indebtedness, and the Annual Street Report. We regularly prepare them for some of our clients.

EXPERIENCE WITH GOVERNMENT BOND OFFERINGS

Most of our governmental clients regularly issue bonds and other financing vehicles. Our firm is often involved with the following types of financing:

Tax Anticipation Notes	Tax Allocation Bonds
Revenue Bonds	Certificates of Participation
Special Assessment District Bonds	Residential Mortgage Revenue Bonds
Industrial Development Bonds	Municipal Sale/Leaseback Arrangements
Lease Purchases	Bank Notes

The Firm provides a variety of services in connection with these financing arrangements, depending on the extent of our association with the offering. Under guidelines provided by the AICPA, we are “associated with” an offering if we provide any of the following services:

1. Manually sign the auditors’ report included in the offering document.
2. Provide a “consent letter” or “comfort letter” in connection with the official statement.
3. Review drafts of the official statement at the entity’s request.
4. Assist in the preparation of supplemental financial information included in the official statement.

Under these circumstances, we perform a “subsequent events” review of the entity’s financial condition immediately prior to the effective date of the offering. Such reviews are not part of our standard fee arrangements, and would be subject to a separate fee quotation.

Finally, we regularly issue separate certified audit reports on individual bond issues, such as mortgage revenue bonds and industrial development bonds.

MANAGEMENT CONSULTING SERVICES

We have extensive experience in the following areas:

- Consulting on Governmental Tax Issues
- Cable Television Consulting Services
- Hotel Transient Occupancy Tax Reviews
- Litigation Support Services for Governmental Agencies
 - Dispute Resolution Services for Redevelopment Agencies
 - Fraud Investigation for Police Department
- Reviews of Solid Waste Contractors
 - Franchise Compliance Reviews
 - Review of Pilot Recycling Program
 - Assistance with Trash Rate Negotiations
- Redevelopment Agency Consulting
- Cost Allocation Plans
- Computer Consulting Services
 - System Design
 - Documentation and Training
- Internal Control Reviews

AUDIT TEAM

The audit team will consist of the engagement partner, audit principal, audit manager, and one staff accountant.

The engagement partner will be Mr. Harvey J. Schroeder, CPA. He will be the primary contact for all matters involving the audit and will be responsible for assuring that all work for the District is performed in a complete and timely manner. He will work with the audit manager to coordinate and supervise the audit team. Mr. Schroeder brings many years of experience in a wide variety of governmental audit, accounting and consultation engagements. He brings extensive experience analyzing and solving complex and unique accounting issues.

Mr. David Forman, CPA, will serve as the audit principal. He will coordinate the engagement, supervise the audit team, schedule all field work, monitor time budgets and perform field work with the audit team. Mr. Forman will also serve as the engagement’s IT consultant and will perform the EDP review. He brings to the engagement more than fourteen years of experience performing and supervising governmental auditing and accounting engagements.

Mr. Lee Parravano, CPA, will serve as the audit manager. He will work with Mr. Forman coordinating the engagement and the work of the staff auditor, as well as performing audit interim and year end field work. Mr. Parravano has more than six years of experience working with clients including many Cities, Water Districts and other Governmental Agency audits.

The audit staff assistant will be Mr. Joshua Basile, CPA. He will work under the direct supervision of Mr. Parravano for all field work, preparation of the audit plan and audit programs, review and analysis of internal controls, research of accounting and auditing problems and preparation (or assist in preparing) requested reports. He will also assist with preparation of management letters. Mr. Basile has four years of experience working with clients including many Cities, Water Districts and other Governmental Agency audits.

Resumes for Mr. Schroeder, Mr. Forman and Mr. Parravano are included at Attachment II.

COMMITMENT RELATED TO PERSONNEL

We make a commitment to retain the same personnel from year to year, except when such personnel leave the firm, or when the change is approved by the District. If a staff member is replaced, we make a commitment to replace that person with staff of at least equal experience. We understand and support the District’s ability to accept or reject replacement staff.

NONDISCRIMINATION POLICY

Our firm has a policy to provide equal employment opportunities to all qualified persons without regard to race, color, age, sex, religion, national origin or handicap.

AUDIT SCOPE AND APPROACH

ENTITIES TO BE INCLUDED IN AUDIT

Otay Water District

REPORTS TO BE ISSUED AND DUE DATES

	<u>Draft Due Dates</u>	<u>Final Due Dates</u>
Otay Water District Comprehensive Annual Financial Report	September 25th	October 9th
Otay Water District Single Audit	September 25th	October 9th
Otay Water District Annual Report of Financial Transactions	As required by the State Controller	
Management Letter	September 25th	October 9th

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS

We will audit the financial statements of the District as noted above. Our audits will be in accordance with auditing standards generally accepted in the United States of America as set forth by the AICPA, and will include such auditing procedures as we consider necessary under the circumstances.

Our audits will conform with the guidelines set forth in the AICPA’s Industry Audit Guide, Audits of State and Local Governmental Units. Our audits will also conform to all applicable guidelines set forth in the State Controller’s Minimum Audit Requirements for California Special Districts.

SPECIAL SERVICES

The District may request certain special services. With regard to these engagements, we intend to perform limited procedures reviews in connection with each assignment, in accordance with the AICPA’s attestation standards. Under the provisions of the attestation standards, the District will designate what specific procedures it wishes to have performed. We will then perform those procedures and report on our findings. This type of engagement will not constitute a certified audit in accordance with auditing standards generally accepted in the United States of America. Such special services are not part of our standard fee arrangements and would be subject to a separate fee quotation.

AUDIT APPROACH

Our firm uses a governmental audit program which we will modify to the Otay Water District’s operations based on the requirements of Statement of Auditing Standards (SAS) 104 thru 111 (Risk Assessment Standards). Our audit programs are organized using risk assessment procedures to identify testing of internal controls and general ledger account balances.

AUDIT APPROACH (CONTINUED)

1. Planning and Interim Work:

Gather information about the District and its environment, including internal control:

- Preaudit conference with the District to establish process of communication between the audit team and District staff.
- Establish scope of working and timing of fieldwork.
- Evaluate the design of internal controls that are relevant to the audit and determine whether the control, either individually or in combination is capable of effecting, preventing or detecting and correcting material misstatements.
- Determine that the controls have been implemented, that is, that the controls exist and that the District is using it.
- Specific areas to review include:
 - Accounts payable/cash disbursements
 - Accounts receivable/cash receipts
 - Payroll disbursements
 - Utility billing process
 - Investment compliance
 - Property and equipment
 - Grant administration
 - Budget process

2. Final Audit Work:

During the final audit work, we will assess “risk” of material misstatement based on understanding of the District’s audit environment, including its internal control, to identify account balances to audit that appear in the District’s financial statements. Our work may include:

- Confirmation of cash and investments balances and testing of bank reconciliations.
- Confirm significant receivable balances or review subsequent cash receipts to verify receivable balance.
- Search for unrecorded liabilities.
- Test capital asset additions and depreciation expense.
- Confirm long-term debt balances and review the accounting treatment of debt issued or refunded.
- Test support for other significant assets or liabilities.
- Analytical procedures on balance sheet and revenue and expenditure accounts, to evaluate and explain unusual fluctuations from prior year balances or current year budgeted amounts.
- Review of attorney letters for significant legal matters affecting the District’s financial position.

The audit workpapers will be reviewed by our management team in the field so that at the conclusion of the fieldwork we are able to report any adjustments or findings. An exit conference will be held to review any significant adjustments or findings.

AUDIT APPROACH (CONTINUED)

3. Level of Staff Hours:

We anticipate the level of hours to be assigned to be approximately as follows:

	<u>Hours</u>
Partners	30
Technical Reviews/Principals	45
Managers	50
Supervisory Staff	80
Staff Accountants	<u>150</u>
 Total	 <u>355</u>

COMPUTER AUDITING CAPABILITIES

In connection with our initial evaluation of internal controls, our in-house computer audit consultant will perform a review of your network and computing environment. His review will examine the District’s organizational, physical, and operational controls.

More specifically, our auditors verify to what extent the District is utilizing:

- Access controls (password restrictions, etc.)
- Master file change controls
- Back-up procedures
- Management review of documents and reports provided by the computer system

After our evaluation of internal controls, we will determine to what extent computer auditing techniques will be utilized. For some testing, we may audit “through” the District’s computer-produced records, rather than “around” them. The extent of our computer auditing will be determined based on our analysis of the cost effectiveness of these techniques.

For districts that use a fully integrated, on-line computer system, our audit staff members may become knowledgeable with the District’s procedures for accessing and making “inquiries” into the various computer applications. In some instances, we may be able to randomly access and print-out sample data without significant assistance from District staff. Otherwise, we may need to request that District staff assist us in accessing and printing-out the desired data.

The computer consultant who will be performing your computer review will be Mr. David Forman, CPA a principal of Diehl, Evans & Company, LLP. His resume is included in attachment II.

SINGLE AUDIT APPROACH

If a single audit is required it will be performed in accordance with all the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133, Government Auditing Standards issued by the GOA (the “Yellow Book”) and AICPA Statement on Auditing Standards No. 68, “Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance”.

Our audit will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by use. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit.

We will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

We will plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 “Compliance Supplement” for the types of compliance requirements that could have a direct and material effect on each of the District’s major programs. The purpose of those procedures will be to express an opinion on the District’s compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

When we begin the single audit, we will identify the Major and Nonmajor Federal Financial Assistance Programs of the District. Each Major and Nonmajor program will be identified as either a low risk or high risk program. Programs to be tested will be selected based on our assessment of risk for each program.

We will identify the types of activities that are either specifically allowed or prohibited by the laws, regulations, and contract or grant agreements pertaining to the programs and document an understanding of the internal controls the District has to provide reasonable assurance that federal awards are expensed only for allowable activities or costs.

We will select a sufficient number of transactions to support a low level of assessed control risk. If no exceptions in the function of key controls are noted, we will conclude that a low level of control risk was achieved. If weaknesses in the internal controls are noted, we will modify our audit program as needed.

As part of our single audit, we will request that the District assist in completing the Data Collection Form. The form will assist us in identifying the federal programs which will be required to be tested.

APPROACH IN DETERMINING LAWS AND
REGULATIONS SUBJECT TO AUDIT

Under provisions of AICPA Statement on Auditing Procedures No. 74, Management of the District is responsible for identifying to its outside auditors any laws and regulations which would have a significant effect on the audit. This would include federal laws (such as federal grant regulations), State laws (such as permitted investments under the California Government Code) and local laws (such as restrictions on special revenues levied by the District). After our selection as auditors, we will consult with District officials regarding these matters, to determine what laws and regulations need to be evaluated in connection with our audit. If a District is not able to identify specific laws and regulations that effect it, we have references (California Government Code and Health and Safety Code) to the more common laws, rules and regulations in our standard audit programs for the usual activities of a Special District which will assist us in identifying laws and regulations to review in the audit.

POTENTIAL AUDIT PROBLEMS

We are not anticipating any unusual audit problems.

METHOD OF SAMPLING

Our approach is to utilize random sampling based in our testing of the internal control systems related to cash receipts, cash disbursements, payroll and utility billings. Based on a statistical conclusion used by the firm our sample sizes can range from 25 to 60 transactions. A random sample selection allows each item in the population of an equal chance of being selected. In addition, for disbursements, we may select a stratified sample of all transactions over a specified dollar amount for review.

ANALYTICAL PROCEDURES

Analytical procedures are used in the planning and final stages of the audit. In the planning phase, we use analytical procedures to identify unusual financial transactions and comparing relationships to expected results. We compare current year information to the prior years for balance sheet items, revenues and expenditures. In addition, revenues and expenditures are compared to budgets to identify unexpected results. In the final stages of the audit, the financial statements are reviewed to identify expected relationships such as comparing debt paid to expenditures recorded on governmental funds, transfers between funds, depreciation expense, etc. For all significant relationships identified, explanations are obtained as to why the situation occurred and additional audit procedures are applied to resolve any concerns.

MANAGEMENT LETTERS

In connection with each audit, a complete review of internal controls will be made of all significant accounting procedures. Our firm uses an internal control questionnaire and a computer systems questionnaire to develop information for the management letter. Upon the completion of each audit and discussion with appropriate District staff, our firm will submit a management letter which shall identify weaknesses observed during these reviews and throughout the audit, assess their effects on financial management and recommend steps toward eliminating the weaknesses.

RETENTION OF AND ACCESS TO AUDIT WORKPAPERS

In accordance with provisions of OMB Circular A-133 and GAO requirements, our audit workpapers will be maintained for at least five years after the date of the report. These workpapers will be made available as necessary to your cognizant audit agency (or its designee), to GAO representatives, or to any other federal or state agency needing access to the workpapers. Also, our firm will respond to any reasonable inquiries of successor auditors and we will allow any successor auditors to review our workpapers.

AUDIT TIMING

Assuming that the District's books are closed and ready for examination and that all necessary schedules and documents are available for our use by the 15th of August, we propose to arrange the various phases of the audit, for the first year, approximately as follows, and commit to deliver the reports by the deadlines as outlined on page 12 (Audit Scope and Approach):

Interim Work: Late May through Early June

- Preparation for interim field work
- Internal control work
- Prepare confirmations

Send Confirmations June 30thPlanning Work: Mid - June

- Review results of internal control work
- Planning meetings
- Design audit programs

Year End Field Work: August 17th – August 28thReports

- September 25th – Draft of reports delivered
- October 9th – Delivery of final reports

WORK REQUIRED BY DISTRICT STAFF

Our fixed annual fees contemplate that conditions satisfactory to the normal progress and completion of the examination will be encountered and that District accounting personnel will furnish the agreed-upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work, we shall report such conditions to the responsible District officials and provide the District with an estimate of the additional accounting fees involved.

Noted below is a listing of work required by District staff to assist in the audit.

1. Technical assistance in familiarizing our staff with:

- The flow of information through the various departments and accounting systems.
- Reports generated by your accounting system.
- The system of internal controls.
- Controls established to monitor compliance with federal grants.

2. Preparation of trial balances for all funds, after posting of all year end journal entries.

3. Preparation of supporting schedules, if any, in addition to the District's internal workpapers. A list of documentation requested by the auditor to be prepared by the District, if any, will be provided to the District at least two weeks before the start of final field work.

4. Typing of all confirmation requests.

5. Pulling and re-filing of all supporting documents required for audit verification.

6. Preparation of the Management's Discussion and Analysis and any other supplementary schedules to be included in the report.

ATTACHMENT I

PROPOSER GUARANTEES AND WARRANTIES

PROPOSER GUARANTEES

1. Diehl, Evans and Company, LLP certified it can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.

Diehl, Evans & Company, LLP
Firm


Signature

Harvey J. Schroeder, CPA
Printed Name

Partner
Title

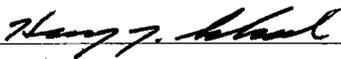
January 21, 2009
Date

WARRANTIES

Diehl, Evans & Company, LLP warrants the following:

1. The firm is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
2. The firm is willing and able to provide proof of insurance covering the following areas: 1) general liability; 2) worker’s compensation; 3) errors and omissions providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees, or agents thereof.
3. The firm will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the District.
4. All information provided by the firm in connection with this proposal is true and accurate.

Diehl, Evans & Company, LLP
Firm


Signature

Harvey J. Schroeder, CPA
Printed Name

Partner
Title

January 21, 2009
Date

ATTACHMENT II

**RESUMES OF PARTNERS AND KEY
PERSONNEL ASSIGNED TO AUDIT**

HARVEY J. SCHROEDER, CPA

Position Partner

Education San Diego State University
Bachelor of Science in Accounting

Recent Relevant Continuing Professional Education:

- Risk Based Auditing 8/08
- The New Risk Assessment Standards 5/08
- Audits of Nonpublic Organizations 12/07
- The New Risk Assessment Standards 12/07
- GAGAS Audits 8/07
- Audits of Nonprofit Organizations 12/07
- GAAS Audits under the New Risk Assessment Standards 7/07
- GASB 34 Update – 12/06
- Internal Controls and IT – 8/06
- GASB Update – 8/06
- Budget Reporting, MD&A, CAFR’s – 12/05
- Planning a Government Audit – 12/05
- GASB 34 Review & Update – 7/04

Professional Organizations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers
- Accounting Principles and Auditing Standards Committee of the San Diego Chapter, California Society of CPAs
- Governmental Accounting and Auditing Committee of the San Diego Chapter, California Society of CPAs

Range of Experience Has been with Diehl, Evans and Company since 1984

Has over 25 years experience including governmental audits of cities, redevelopment agencies, water districts and special districts for the following clients:

- | | |
|-------------------------------|--|
| City of Hesperia | Hesperia Water District |
| Hesperia Fire District | Hesperia Community Redevelopment Agency |
| City of Big Bear Lake | City of Big Bear Lake Dept. of Water |
| City of Big Bear Lake RDA | City of Big Bear Lake Fire Protection District |
| City of Coronado | City of Avalon |
| Borrego Water District | Leucadia Wastewater District |
| National City RDA | Valley Wide Recreation and Park District |
| North County Transit District | Santa Fe Irrigation District |
| San Luis Rey Water District | |

DAVID B. FORMAN, CPA

Position Audit Manager/Principal/IT Consultant

Education University of California, San Diego
 Bachelor of Arts

 University of California, San Diego, Extension
 Professional Certificate in Accounting

Licensing Certified Public Accountant in California since May 1996

Consulting Experience

- System Design
- System Administration
- Technical Support
- Negotiation with Vendors
- System Installation
- User Training
- Workstation Configuration

**Range of
Experience**

Has more than fourteen years of experience in governmental accounting and auditing.

Has acted as audit principal, manager, senior or staff for the following governmental clients:

- | | |
|-----------------------------------|----------------------------------|
| City of Del Mar | City of Hesperia |
| City of Encinitas | City of Big Bear Lake |
| Santa Fe Irrigation District | Leucadia Wastewater District |
| Vallecitos Water District | Dana Point Sanitary District |
| Big Bear Lake Water District | Eastern Municipal Water District |
| Hesperia Fire Protection District | Hesperia Redevelopment Agency |
| Hesperia Water District | Capo Valley Water District |

**Continuing
Professional
Education**

- Recent Relevant Continuing Professional Education:
- Redevelopment Agency Workshop 10/08
 - Risk Based Auditing 8/08
 - The New Risk Assessment Standards 5/08
 - Audits of Nonprofit Organizations 11/07
 - GFOA Annual Government GAAP Update 11/07
 - Government Auditing Standards 8/07
 - GAAS Audits under the New Risk Assessment Standards 7/07
 - Planning the Single Audit – 1/07
 - Statement on Auditing Standards 1/07
 - Ethics 12/06
 - GASB 34 Update 12/06
 - Internal Controls and IT – 8/06
 - GASB 40 Update - 11/05

LEE PARRAVANO, CPAPosition Audit SeniorEducation University of California Santa Barbara
Bachelor of Arts in Economics, emphasis in Accounting, 2002Licensing Certified Public Accountant in California since April 2005Range of
Experience

Experience includes governmental auditing and financial reporting on cities, water districts, special districts, redevelopment agencies, joint power authorities, nonprofit corporations and grants. Has worked on the following governmental clients:

City of Hesperia	City of Del Mar
City of Coronado	Valley-Wide Park and Recreation District
Santa Fe Irrigation District	City of Big Bear Lake
Leucadia Wastewater District	City of Encinitas
Borrego Water District	City of Temecula

Continuing
Professional
Education

Recent Relevant Continuing Professional Education:

Audits of Nonpublic Organizations 1/08
 The New Risk Assessment Standards 1/08
 Fund Accounting 8/07
 GAAS Audits under the New Risk Assessment Standards 7/07
 Staff Training for Accounting and Auditing 7/07
 Financial Accounting Standards 5/07
 Statement on Auditing Standards 104-111 Update 1/07
 Internal Controls and IT – 8/06
 GASB Update – 8/06
 Preparing Governmental Financial Statements – 12/05
 Guide to Audits of Local Governments – 12/05
 GASB 40 Update – 11/05
 GASB Update – 8/05
 Professional Ethics for CPA's – 9/04
 SAS 99 Update – In House 6/04
 2004 Governmental Update 7/04
 GASB 34 Review & Update – 7/04

ATTACHMENT III
RESULTS OF OUTSIDE QUALITY REVIEW

HEIDENREICH & HEIDENREICH
CERTIFIED PUBLIC ACCOUNTANTS

12020 S. Warner-Elliott Loop #121
Phoenix, AZ 85044-2700
(480)704-6301 fax 785-4619

15545 Bear Valley Rd. #B
Hesperia, CA 92345
(760) 948-2899 fax 948-7712

sheldenreich@att.net

January 13, 2006

To the Owners
Diehl, Evans and Company, LLP

We have reviewed the system of quality control for the accounting and auditing practice of Diehl, Evans and Company, LLP (the firm) in effect for the year ended September 30, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under Government Auditing Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Diehl, Evans and Company, LLP in effect for the year ended September 30, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

Heidenreich & Heidenreich

Heidenreich & Heidenreich
Certified Public Accountants

**HEIDENREICH & HEIDENREICH
CERTIFIED PUBLIC ACCOUNTANTS**

12020 S. Warner-Elliot Loop #121
Phoenix, AZ 85044-2700
(480)704-6301 fax 785-4619

15545 Bear Valley Rd. #B
Hesperia, CA 92345
(760) 948-2899 fax 948-7712

sheidenreich@att.net

January 13, 2006

To the Owners
Diehl, Evans and Company, LLP

We have reviewed the accounting and auditing practice of Diehl, Evans and Company, LLP for the year ended September 30, 2005, and have issued our report thereon dated January 13, 2006. That report should be read in conjunction with the comment in this letter, which was considered in determining our opinion. The matter described below was not considered to be of sufficient significance to affect the opinion expressed in that report.

Comment - The firm has established policies for audit documentation, but has not developed specific guidance to ensure that certain procedures are documented in full as required by professional standards. As a result, we noted that the firm's documentation was incomplete with respect to the general audit program on one audit and the program for benefit payments/participant accounts on the audit of an Employee Benefit Plan. The workpapers did contain sufficient documentation to support the audit opinion.

Recommendation - The firm should revise its policies and procedures relating to performing audits to include specific guidance for the documentation required by professional standards.

Heidenreich & Heidenreich

Heidenreich & Heidenreich
Certified Public Accountants

OTAY WATER DISTRICT
COST PROPOSAL
FOR THE YEAR ENDING JUNE 30, 2009

COPY



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. HOLTkamp, CPA
 *THOMAS M. PERLOWski, CPA
 *HARVEY J. SCHROEDER, CPA
 KENNETH R. AMES, CPA
 *WILLIAM C. PENTZ, CPA
 MICHAEL R. LUDIN, CPA
 CRAIG W. SPRAKER, CPA
 NITIN P. PATEL, CPA
 ROBERT J. CALLANAN, CPA

* A PROFESSIONAL CORPORATION

January 21, 2009

Otay Water District
 Joseph R. Beachem
 2554 Sweetwater Springs Boulevard
 Spring Valley, CA 91978-2096

Dear Mr. Beachem:

Thank you for allowing us the opportunity to present our cost proposal to the Otay Water District. We are pleased to present our proposal to serve as independent auditors for the District. We have prepared this cost proposal in accordance with the guidelines discussed in your request for proposal.

Our goal, as outlined in our technical proposal, is to provide the District with the highest quality of service. Additionally, our goal is to maintain a close, personal relationship with you and your staff, one which is a year-round working relationship. Our Carlsbad office is fully staffed and conveniently located to meet your needs. You should feel comfortable in calling on us for advice at any time. We will always be available should you require our services.

We respectfully request that we be selected as the independent auditors for the Otay Water District for the year ending June 30, 2009. Our all-inclusive maximum price for the year ending June 30, 2009 is \$33,000. We understand and accept that reimbursement for travel, lodging and subsistence are at the prevailing District rates for its employees. Progress payments will be billed on the basis of pro-rated audit work completed during the course of the engagement.

We thank the Otay Water District for the opportunity to present our proposal. Please feel free to contact Harvey J. Schroeder, CPA, engagement partner or David B. Forman, CPA, engagement principal at (760) 729-2343 if you have any questions. This proposal constitutes a firm and irrevocable offer until April 26, 2009. I am authorized to represent our firm, empowered to submit this bid, and authorized to sign a contract with the Otay Water District.

Very truly yours,

DIEHL, EVANS & COMPANY, LLP

By: Harvey J. Schroeder
 Harvey J. Schroeder, CPA
 Engagement Partner

-1-

OTHER OFFICES AT:

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

5 CORPORATE PARK, SUITE 100
 IRVINE, CALIFORNIA 92606-5165
 (949)-399-0600 • FAX (949) 399-0610

Schedule of Proposed Audit Fees

	Fiscal Year Ended
<u>Service</u>	<u>June 30, 2009</u>
Financial Statement Audit and CAFR: \$	28,000
Single Audit:	3,500
State Controller's Annual Report of Financial Transactions	<u>1,500</u>
Total	<u>\$ 33,000</u>

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE JUNE 30, 2009 FINANCIAL STATEMENTS				
ALL-INCLUSIVE MAXIMUM PRICE				
	Hours	Standard Hours Rates	Quoted Hourly Rates	Total
Partners	30	\$ 225	\$ 170	\$ 5,100
Technical Reviews/Principals	45	185	140	6,300
Managers	50	130	100	5,000
Supervisory Staff	80	115	90	7,200
Staff Accountants	150	75	60	9,000
Subtotal	355			32,600
Out-of-Pocket Expenses:				
Meals and lodging				150
Transportation				250
Total all-inclusive maximum price for 2009 audit				<u>\$ 33,000</u>

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS AND CAFR				
	Hours	Standard Hours Rates	Quoted Hourly Rates	Total
Partners	24	\$ 225	\$ 170	\$ 4,080
Technical Reviews/Principals	40	185	140	5,600
Managers	43	130	100	4,300
Supervisory Staff	70	115	90	6,300
Staff Accountants	122	75	60	7,320
Subtotal	299			27,600
Out-of-Pocket Expenses:				
Meals and lodging				150.00
Transportation				250.00
Total for 2009 Financial Statements and CAFR				<u>\$ 28,000</u>

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF
THE JUNE 30, 2009 FINANCIAL STATEMENTS

SUPPORTING SCHEDULE FOR SINGLE AUDIT REPORT

	Hours	Standard Hours Rates	Quoted Hourly Rates	Total
Partners	4	\$ 225	\$ 170	\$ 680
Technical Reviews/Principals	5	185	140	700
Managers	5	130	100	500
Supervisory Staff	6	115	90	540
Staff Accountants	18	75	60	1,080
Subtotal	38			3,500
Out-of-Pocket Expenses:				
Transportation				-
Total Price for 2009 Single Audit:				<u>\$ 3,500</u>

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF
THE JUNE 30, 2009 FINANCIAL STATEMENTS

SUPPORTING SCHEDULE FOR STATE CONTROLLER'S REPORT

	Hours	Standard Hours Rates	Quoted Hourly Rates	Total
Partners	2	\$ 225	\$ 170	\$ 340
Technical Reviews/Principals	0	185	140	-
Managers	2	130	100	200
Supervisory Staff	4	115	90	360
Staff Accountants	10	75	60	600
Subtotal	18			1,500
Out-of-Pocket Expenses:				
Meals and lodging				-
Transportation				-
Total Price for 2009 State Controller's Report:				<u>\$ 1,500</u>



Ortega & Konrad, LLP

Certified Public Accountants

Otay Water District

Technical Proposal to Provide Audit Services

For the Fiscal Year Ended June 30, 2009

Firm: Ortega & Konrad, LLP
Certified Public Accountants

Address: 5151 Shoreham Place, Suite 100
San Diego, CA 92122

Telephone Number: (858) 623-2786

Date: January 12, 2009

Contact: Mario G. Ortega



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Ortega & Konrad, LLP

Certified Public Accountants

5151 Shoreham Place, Suite 100
San Diego, CA 92108

TRANSMITTAL LETTER

January 29, 2009

Otay Water District
Joseph R Beachem
2554 Sweetwater Springs Boulevard
Spring Valley, California

Ortega & Konrad, LLP is pleased to present this proposal to provide audit services for Otay Water District, for the fiscal year ending June 30, 2009. We will demonstrate in this proposal that we have the experience and qualifications to provide these services in an efficient and cost effective manner. Our references and our past experience with water districts will affirm our reputation for on-time, on-budget delivery.

Mario Ortega, CPA will be the partner in charge of the engagement. Mario has twenty-three years of public accounting experience. Louis Almeida, who will be the field in-charge, will assist him. Louis has twenty-one years of auditing experience. All audit staff assigned to your engagement are auditors trained and experienced in auditing water districts similar to Otay Water District. The manner in which our staff provides our services is as important to us as the services we provide.

We believe Ortega & Konrad, LLP is the best choice for Otay Water District. Our firm specializes in providing auditing services to water districts in the County of San Diego. We are committed to timely, accurate, and innovative service, which is delivered in a professional manner.

The Audit Approach section of this proposal will prove we have recent experience with the audit requirements of Otay Water District, understand the environment in which it operates, and have developed a proven work plan that will achieve the scope of the engagement. The work plan is designed to perform the audit efficiently, without sacrificing quality, and result in us committing to start and complete the audit within the deadlines published in the request for proposal.

OK

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This proposal is a firm and irrevocable offer until April 26, 2009.

We sincerely appreciate the opportunity to propose on this engagement and trust this proposal is responsive to your requirements.

Sincerely,

Mario Ortega

Mario G. Ortega, CPA
Partner
Ortega & Konrad, LLP
Certified Public Accountants
mortega@ortegacpa.net



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FIRM INFORMATION

In this section of our proposal, we demonstrate that Ortega & Konrad, LLP has the qualifications, competence, and capacity to provide audit services to Otay Water District.

Independence: Ortega & Konrad, LLP is independent of Otay Water District under the AICPA standards in its Code of Professional Conduct and also as defined by the Government Auditing Standards as issued by the U.S. General Accounting Office.

Ortega & Konrad, LLP has had no previous professional relationships with Otay Water District over the past five years.

Ortega & Konrad, LLP will provide Otay Water District written notice of any professional relationships entered into during the period of this agreement.

License to Practice: All partners are properly licensed to practice in the State of California. The firm is licensed to practice public accounting in the State of California.

Professional Education: All partners and team members meet the continuing education requirements contained in the Government Auditing Standards, published by the U.S. General Accounting Office.



FIRM QUALIFICATIONS & EXPERIENCE

Firm Background. Ortega & Konrad, LLP is an accounting firm founded in 2004 by Mario Ortega and Gene Konrad. The firm's two principals have over 30 years of collective auditing experience and 16 years of providing auditing services to local water districts.

Ortega & Konrad, LLP is located in San Diego, California and, in addition to its two principals, the firm has one full-time and one part-time staff available to assist in the firms audit engagements.

We are knowledgeable with applicable federal regulations and standards for audits of not-for-profit organizations, governmental organizations, programs, activities, and functions (Yellow Book) published by the Comptroller General of the United States in order to perform audits of this nature.

Team members Experience. Each of our auditors has over fifteen years of experience in auditing municipalities or special districts such as Otay Water District

Staffing. We anticipate staffing the engagement field work with one partner and one staff member.

Quality Control. Ortega & Konrad, LLP received an unqualified review of its most recent external quality control review. The quality control review included a review of government agencies and is enclosed for your review.

Disciplinary action. No State or professional disciplinary action has been taken against Ortega & Konrad, LLP within the past three years and none is currently pending. In addition the firm has not had any federal or state desk reviews or field reviews of our audits during the past three years.



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PARTNER, SUPERVISORY & STAFF QUALIFICATIONS & EXPERIENCE

All members assigned to this engagement are proven professionals in conducting audits of governmental entities as shown on the resumes that follow. The one full time and one part-time staff members we have available to us are seasoned auditors.

Mario Ortega will be the overall partner in charge assigned to your engagement. Mario has over twenty-three years of experience in public accounting and has been substantially involved in auditing water districts and other governmental and nonprofit entities. Mr. Ortega was instrumental in assisting the District and two other water districts in complying with GASB 34 and has assisted other governmental agencies in complying with the CAFR reporting requirements. In addition, Mr. Ortega has been involved in assisting in the process of issuing water revenue bonds.

Mr. Luis Almeida, will be assisting Mr. Ortega on this engagement. Louis has over twenty-one years in public and private accounting experience; eleven of those years were with two firms specializing in governmental audits; Diehl Evans & Company and Grice Lund and Tarkington. In addition to Mr. Almeida's experience in auditing, Mr. Almeida was Vice President of GLT Business Solutions, Inc., Grice Lund and Tarkington's computer consulting division.

Mr. Gene Konrad will be the concurring partner on the engagement. Mr. Konrad has experience in providing both audit and tax services in various industries including water districts and organizations subject to the requirements of OMB Circular A-133.

It is difficult for any firm to assure the continuity of members assigned to their engagement. However, since all of our staff, including our part-time personnel, are seasoned professionals who have settled into their careers, the likelihood of personnel turnover is much less than most traditional accounting firms. In addition, Mr. Ortega assures you that as principal of the firm, he will be onsite on a full time basis to assure continuity.



RESUMES OF AUDIT TEAM – MARIO ORTEGA

ENGAGEMENT

RESPONSIBILITY Mr. Ortega will serve as your Audit Partner. He will be responsible for the overall supervision of the audit. This responsibility includes insuring professional performance of the audit and timely delivery of the final product.

EXPERIENCE

Twenty-three years of public accounting experience with a concentration in financial and compliance audits for public agencies including 45 annual audits of the following water districts:

- Otay Water District (7 years)
- Sweetwater Authority (9 years)
- Padre Dam Municipal Water District (4 years)
- Ramona Municipal Water District (2 years)
- South Bay Irrigation District (15 years)
- Descanso Community Water District (7 years)
- Imperial Irrigation District (2 years)

PROFESSIONAL

ACTIVITIES

American Institute of Certified Public Accountants
California Society of Certified Public Accountants
California Society of Municipal Finance Officers

EDUCATION

University of San Diego
Bachelors of Business Administration in Accounting

National University
Masters of Science in Taxation

Eighty hours of continuing professional education every two years, including twenty-four hours in courses directly related to the governmental environment and to government auditing.



RESUMES OF AUDIT TEAM – GENE KONRAD

ENGAGEMENT

RESPONSIBILITY Gene Konrad will be the engagement Quality Review Partner. He will be responsible for the independent and quality control review of the audit. This responsibility includes insuring all professional standards and performance of the audit have been met.

EXPERIENCE

Thirty years of experience in public accounting. Experience with financial and compliance audits, accounting and advisory services for water agencies including 42 annual audits of the following water districts:

- Sweetwater Authority (9 years)
- Padre Dam Municipal Water District (4 years)
- Otay Water District (3 years)
- Ramona Municipal Water District (4 years)
- South Bay Irrigation District (9 years)
- Descanso Community Water District (6 years)

PROFESSIONAL ACTIVITIES

American Institute of Certified Public Accountants
California Society of Certified Public Accountants
California Society Litigation Section Member
Former Chairman of the University Community Planning Group (9 years)
Involved extensively with development of the City of San Diego's
Wastewater Reclamation Plant at Miramar and other MWWWD projects
Committee Member – City of San Diego Select Committee on
Government Efficiency & Fiscal Reform – Appointed Position

EDUCATION

University of Hawaii
Degree in Business Administration

Eighty hours of continuing professional education every two years, including twenty-four hours in courses directly related to the governmental environment and to government auditing.



RESUMES OF AUDIT TEAM – LOUIS ALMEIDA

ENGAGEMENT

RESPONSIBILITY Louis Almeida will be your in-charge auditor. He will work directly with the engagement partner in establishing audit objectives and overall scope, as well as approving the selection of audit procedures. He will monitor the engagement's progress and ensure that the audit team receives adequate supervision and direction. He, along with the engagement partner will consult with you to assure that all your questions are answered.

EXPERIENCE

Twenty-one years of public accounting experience with a concentration in financial and compliance audits for public agencies including audits of the following:

- South Bay Irrigation District
- Sweetwater Authority
- Descanso Community Water District
- Eastern Municipal Water District
- Dana Point Sanitary District
- Imperial Irrigation District
- Seeley County Water District
- City of Coachella
- City of Coronado
- City of Santa Paula
- City of El Centro
- County of Imperial

EDUCATION

University of San Diego
Bachelors of Business Administration in Accounting

Eighty hours of continuing professional education every two years, including twenty-four hours in courses directly related to the governmental environment and to government auditing.



GOVERNMENT ENGAGEMENTS

References. We have furnished within this proposal the names, addresses and telephone numbers of persons, firms, and agencies for whom similar audits have been conducted by Mario Ortega & Gene Konrad.

List of engagements. In addition to Otay Water District, the following is a list of organizations and agencies to which Mario Ortega & Gene Konrad have provided auditing and consulting services:

Sweetwater Authority

Debra Farrow, Director of Finance
(619) 420-1413

Engagement Partner: Gene Konrad (1990-2003), Mario Ortega (2004-2005)

Engagement Manager: Mario Ortega (1990-2003)

Annual Hours: 185

Dates: 1990-2003 (13 years with previous firm)
2004-2005 (2 years as Ortega & Konrad, LLP)

Scope of work:

1. Annual financial statement audit
2. Single audit of federal funding when required
3. Preparation of State Controllers Report
4. Audit of 6 year forecast for 1994, 2002 and 2005 official statements
5. Agreed upon procedures for 1994, 2002 and 2005 underwriters "comfort letter"

South Bay Irrigation District

Mark Rogers, General Manager
(619) 420-1413

Engagement Partner: Gene Konrad (1990-2003), Mario Ortega (2004-2005)

Engagement Manager: Mario Ortega (1990-2003)

Annual Hours: 55

Dates: 1990-2003 (13 years with previous firm)
2004-2005 (2 years as Ortega & Konrad, LLP)

Scope of work:

1. Annual financial statement audit
2. Preparation of State Controllers Report.



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GOVERNMENT ENGAGEMENTS (Continued)

Padre Dam Municipal Water District

Douglas Wilson, General Manager
(619) 258-4617

Engagement Partner: Gene Konrad
Engagement Manager: Mario Ortega
Annual Hours: 180
Dates: 1999-2002 (4 years)

Scope of work: Annual financial statement audit

Descanso Community Water District

Brian Bruce, General Manager
(619) 409-7754

Engagement Partner: Gene Konrad (2002-2003), Mario Ortega (2005-2008)
Engagement Manager: Mario Ortega (2002-2003)
Annual Hours: 60
Dates: 2000-2003 (3 years)
2005 (1 year as Ortega & Konrad, LLP)

Scope of work:

1. Annual financial statement audit
2. Preparation of State Controllers Report



AUDIT APPROACH

Approach: The audit procedures for this engagement are presented in the form of a comprehensive work plan, broken down by major audit activity. We believe a well thought-out work plan is essential to performing a thorough, yet cost effective audit. We have developed standard audit programs for Water District audits, which we will tailor as required to meet the unique needs of Otay Water District.

Planning: A properly planned audit provides for an effective and efficient audit. Not all water districts are identical, and it is important that we review the District's financial statements and discuss the current year's results with District personnel in order to determine our best approach. There are some firms and practitioners that believe that the planning process is unproductive time and do only what is necessary to satisfy auditing standards. At Ortega & Konrad, LLP we believe that the planning process is a great tool for identifying key audit areas to concentrate our efforts. During our planning, all audit team members are present and participate in the process. As a result of this team participation, all members have a better understanding of the overall approach and know exactly what they are responsible for completing.

Internal Controls: Generally Accepted Auditing Standards (GAAS) requires that we obtain an understanding of accounting internal controls. The District has invested a substantial amount of its resources in hiring very capable accounting and administrative personnel who have created accounting and administrative controls designed to assure accuracy and credibility of its reporting. At Ortega & Konrad, LLP, we believe that an in-depth understanding of the District's controls and testing of these controls for effectiveness lends to the credibility of the financial statements.



AUDIT APPROACH (Continued)

Internal Controls – Continued: We also believe that this extra effort provides us a better understanding of the financial data we are reviewing and an opportunity to provide the District useful feedback.

In obtaining an understanding of the District's controls, we will also obtain an understanding of its operations. Our process of understanding will include interviewing District personnel from various departments (i.e. Engineering, Operations, Customer Service, etc.). Based on our experience we have found that there is much to be learned about the financial statements outside of the Finance Department.

Statistical Sampling: The use of statistical sampling will be considered in tests of controls and for certain substantive tests. However, based on our vast years of experience, we have not found statistical sampling the most efficient effective approach in auditing water districts. The use of statistical sampling in this audit would be unlikely.

Sample Size: Sample sizes are determined during the audit process and can vary depending on risk, reliable or unreliable internal controls, and other analytical techniques available.

Analytical Procedures. We anticipate utilizing analytical procedures extensively during our examination. This will include comparing actual results to budget as well as reviewing board minutes and interviewing district personnel from various departments to corroborate evidence gathered during the examination.

Determination of Laws & Regulations to be Tested. Auditing Standards requires us to design an audit that provides reasonable assurances of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts. If specific information comes to our attention that provides evidence concerning the existence of possible noncompliance that could have a material indirect effect on the financial statements, we are required to apply audit procedures specifically directed to ascertaining whether that noncompliance has occurred.

In order to determine if there are any material compliance issues that need to be addressed, we will request copies of all grant agreements to review. In addition, inquiries will be made to determine if there are any contracts that contain covenants that if not followed, could have a material impact on the financial statements.

OK

AUDIT APPROACH (Continued)

Compliance Sample Testing. If after reviewing and documenting the District's internal controls, we determine that test of controls are in order, our testing could range from a system walk-through to an actual test of transactions. If we decide to perform a test of transaction, our testing would be limited to approximately twenty-five transactions in the system being tested.

If the District is subject to the provisions of OMB 133, (i.e. the Single Audit Act), we will be required to test for compliance and design our sample to achieve a low level risk of control. This means that we would be required to obtain a sample of forty items with zero exceptions in our sample. Keep in mind that we are only required to design our sample to achieve a low-level risk; that does not mean we need to achieve such level. In our experience with Single Audits and water districts, the area usually subject to this testing is work-in process disbursements.

Potential Audit Problems. We do not anticipate any audit problems during our engagement. However, we believe that if an audit is well planned, any unanticipated problems are quickly identified and can be addressed with the proper level of District personnel.



AUDIT APPROACH (Continued)

Assignment of Team Members and Hours: Ortega & Konrad, LLP will be utilizing a growing approach in auditing which emphasis the use of strong analytical techniques that concentrates on comparing the District’s financial results to events that have occurred and decisions that have been made by District staff and board members. We will be looking for a direct correlation between events and decisions and financial results.

Our proposed segmentation of the audit engagement, level of team members and number of hours is as follows:

	Hours		
	Partner	Member	Total
➤ Engagement Planning			
Acceptance evaluation			
Determination of audit			
Objectives and key dates			
Preliminary internal control			
Evaluation Development of			
Overall audit strategy	14	5	19
➤ Tests of controls			
Design of audit			
Audit fieldwork,			
Evaluate results and draft			
reports	52	75	127
➤ Final review procedures	11		11
➤ Presentation to Board	3		3
	<hr/>		
Total Hours	80	80	160

OK

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PROPOSER GUARANTEES

The Proposer certifies it can and will provide and make available, at minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: Mario Ortega

Name: Mario G. Ortega

Title: Partner

Firm: Ortega & Konrad, LLP

Date: January 12, 2009

OK

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PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of Otay Water District.
- D. Proposer warrants that all information provided by it in connection with this submittal is true and accurate.

Signature of Official: *Mario Ortega*

Name: Mario G. Ortega

Title: Partner

Firm: Ortega & Konrad, LLP

Date: January 12, 2009

FORMATION OF CONTRACT;
ADDITIONAL CONTRACT PROVISIONS

1. This Request for Proposal (RFP), together with proposer's signed offer (Proposal) and the Otay Water District's written acceptance thereof, including any contract provisions approved by the parties pursuant to subsequent negotiations, if any, shall constitute a binding contract (collective, the "Contract"). The Contract shall only be amended or modified annually, upon approval by the District of an updated Appendix E or pursuant to a written amendment signed by both parties.

2. Conflict of Interest
 - a. Auditor has received and reviewed a copy of the District's Conflict of Interest Code (the "COI"), set forth under Division I, Chapter 5, Section 6 of the District's Code of Ordinance. Auditor understands that, to the extent it (i) conducts research and arrives at conclusions concerning advice, recommendations or information independently from the District; and (ii) renders information, advice, recommendations or counsel to the District, it may be required to file a disclosure statement in accordance with the COI.

 - b. No officer or employee of the District shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his or her financial interest or the financial interest of any corporation, partnership or association in which he or she has a financial interest if such participation would be in violation of any State statute or regulation.

 - c. Auditor, its officers, managers, related entities, affiliates, business associates, and their respective relatives or living trusts or other similar entities or persons (each, a "Related Person") shall avoid any relationship with District or any contractor of District that constitutes or may constitute a conflict of interest in connection with services provided under this Agreement.

 - d. Prior to entering into this Agreement and during the term, Auditor shall have a duty to disclose to the District any and all circumstances that pose an actual or potential conflict of interest.

OK

- e. Auditor shall not obtain for itself or any Related Person any financial gain from the services other than as specified in this Agreement. Auditor represents that neither Auditor nor any Related Person has an existing financial interest and that neither will acquire any such interest, direct or indirect, that conflicts in any manner or degree with the performance of services required under this Agreement and that no person having any such interest shall be subcontracted in connection with this agreement, or employed by Auditor. Auditor shall not enter into this Agreement if such a conflict of interests exists at present.
 - f. If an actual or potential conflict of interest issue arises, Auditor agrees to fully cooperate in any inquiry and to provide the District with all documents or other information reasonably necessary to enable the District to determine whether or not a conflict of interest existed or exists.
 - g. Auditor shall not conduct or solicit any non-District business while on District property or time.
 - h. Failure to comply with the provisions of this section shall constitute grounds for immediate termination of this Agreement, in addition to whatever other remedies the District may have.
3. The Contract shall be interpreted and enforced pursuant to the laws of the State of California, without regard to any conflict of laws principles. Disputes which cannot be resolved by mutual agreement or by the terms and condition of this Contract shall be resolved by a court of competent jurisdiction in the County of San Diego, State of California.

Signature of Official: Mario Ortega

Name (typed): Mario Ortega

Title: Partner

Firm: Ortega & Konrad, LLP

Date: January 20, 2009



POWELL & SPAFFORD, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

To the Partners
Ortega & Konrad, LLP
Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Ortega & Konrad, LLP (the firm) in effect for the year ended November 30, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel, and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, engagements performed under *Governmental Auditing Standards* and Employee Benefit Plans under *ERISA*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because of the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Ortega & Konrad, LLP, in effect for the year ended November 30, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

July 31, 2006

Howell & Spafford, LLP



Ortega & Konrad, LLP

Certified Public Accountants

Otay Water District

Dollar Cost Proposal to Provide Audit Services

For the Fiscal Year Ended June 30, 2009

Firm: Ortega & Konrad, LLP
Certified Public Accountants

Address: 5151 Shoreham Place, Suite 100
San Diego, CA 92122

Telephone Number: (858) 623-2786

Date: January 12, 2009



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ALL INCLUSIVE MAXIMUM PROPOSED FEES

The fees for our services are based on the actual time required by the individuals assigned to the engagement. Any out-of-pocket costs such as report production, typing, postage, etc. are not included in our bid and reimbursement will not be requested. Our Firm's hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

Based on our estimates, the all-inclusive maximum price to perform an audit of the general purpose financial statements and CAFR is \$19,200 for the fiscal year ending June 30, 2009.

We certify that Mario G. Ortega is a partner of Ortega & Konrad, LLP and is authorized, pursuant our partnership agreement, to submit the bid and contract with Otay Water District.

ORTEGA & KONRAD, LLP

Mario G. Ortega



**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR
THE AUDIT OF THE JUNE 30, 2009 FINANCIAL STATEMENTS:
GENERAL PURPOSE FINANCIAL STATEMENTS & CAFR**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	80	\$200	\$140	\$ 11,200
Managers	0	N/A	N/A	\$ 0
Supervisory Staff	0	N/A	N/A	\$ 0
Staff	80	\$150	\$100	\$ 8,000
Other (specify)				\$ 0
Subtotal	160			\$ 19,200
Out-of-Pocket expenses:				\$ 0
Meals, lodging & transportation				\$ 0
Total all-inclusive cost For the June 30, 2009 audit				\$ 19,200

Ortega & Konrad, LLP will not be incurring any travel costs and accordingly is not requesting reimbursement.



**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR
THE AUDIT OF THE JUNE 30, 2009 FINANCIAL STATEMENTS:
SUPPORTING SCHEDULES FOR STATE CONTROLLER'S REPORT**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	8	\$200	\$140	\$ 1,120
Managers	0	N/A	N/A	\$ 0
Supervisory Staff	0	N/A	N/A	\$ 0
Staff	0	N/A	N/A	\$ 0
Other (specify) Bid Discount				\$ (320)
Subtotal	<u>8</u>			<u>\$ 800</u>
Out-of-Pocket expenses				<u>\$ 0</u>
Transportation				<u></u>
Other				<u></u>
Total price for State Controllers Report				<u>\$ 800</u>



**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE JUNE 30, 2009 FINANCIAL STATEMENTS:
SUPPORTING SCHEDULE FOR SINGLE AUDIT REPORT**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	6	\$200	\$140	\$ 840
Managers	0	N/A	N/A	\$ 0
Supervisory Staff	0	N/A	N/A	\$ 0
Staff	20	\$150	\$100	\$ 2,000
Other (specify)				\$ 0
Subtotal	<u>26</u>			<u>\$ 2,840</u>
Out-of-Pocket expenses				\$ 0
Transportation				
Other				
Total for Single Audit Report				<u>\$ 2,840</u>

OK

RATES FOR ADDITIONAL PROFESSIONAL SERVICES

Should the District request Ortega & Konrad, LLP to render services not specified in the Request for Proposal, such additional work would be subject to a separate engagement letter and a “not to exceed fee” for such work would be negotiated at the hourly rates set forth in the All Inclusive Cost Section of this Proposal.

MANNER OF PAYMENT

Fees will be billed monthly as the work progresses, based upon hours work completed and hourly rates in accordance with our cost proposal. Interim billing will cover a period of not less than a calendar month and total billing will not exceed the all-inclusive cost.

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
INTERVIEWS**

	1 Int Ctrl	2 Weakness	3 CAFR	4 Actg Issues	5 Water Exp	6 Timing	7 Staff	8 Add Value	Interview Total	RFP TOTAL	GRAND TOTAL
Ortega & Conrad											
Joe	5.0	5.0	4.0	5.0	5.0	5.0	4.5	5.0	38.5		
Jim	4.0	5.0	4.0	5.0	4.0	5.0	5.0	4.0	36.0		
Steve	4.0	5.0	4.0	4.0	4.0	5.0	5.0	4.0	35.0		
	13.0	15.0	12.0	14.0	13.0	15.0	14.5	13.0	109.5	223.0	332.5
AKT											
Joe	4.0	5.0	4.0	4.0	5.0	4.0	5.0	5.0	36.0		
Jim	5.0	5.0	4.0	5.0	5.0	5.0	4.0	5.0	38.0		
Steve	4.0	5.0	3.0	4.0	5.0	4.0	4.0	5.0	34.0		
	13.0	15.0	11.0	13.0	15.0	13.0	13.0	15.0	108.0	209.0	317.0
Caporicci & Larson											
Joe	4.0	4.0	3.0	5.0	4.0	4.5	4.0	5.0	33.5		
Jim	5.0	4.0	3.0	4.0	4.0	5.0	5.0	5.0	35.0		
Steve	4.0	5.0	3.0	4.0	3.0	4.0	4.0	4.0	31.0		
	13.0	13.0	9.0	13.0	11.0	13.5	13.0	14.0	99.5	220.0	319.5
Diehl, Evans											
Joe	5.0	5.0	5.0	5.0	4.0	4.5	4.0	5.0	37.5		
Jim	5.0	4.0	5.0	5.0	4.0	5.0	4.0	5.0	37.0		
Steve	4.0	4.0	5.0	5.0	5.0	4.0	4.0	5.0	36.0		
	14.0	13.0	15.0	15.0	13.0	13.5	12.0	15.0	110.5	210.0	320.5

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
RATINGS SUMMARY
FOR THE YEAR ENDING JUNE 30, 2009**

TOTALS		x2	x2	Info	x2	x2	x2	Totals		
Firm Name	Statement of Independence	License to Practice	Firm Quals	Staff Quals	Prior OWD Engagements	Similar Audits	Audit Approach	Issues / Problems	Cost	Totals
AKT	20	20	19	17	No	15	15	13	31,000	209
			38	34		30	30		24	
Caporicci & Larson	20	20	20	14	No	14	17	18	24,000	220
			40	28		28	34		16	
Charles Z. Fedak	12	20	14	14	No	14	12	9	24,000	181
			28	28		28	24		16	
Diehl Evans	20	20	18	17	No	14	18	12	33,000	210
			36	34		28	36		12	
Hosaka Nagel	12	12	13	9	No	8	10	11	15,582	155
			26	18		16	20		20	
Lance Soll & Lunghard	20	20	16	14	No	13	16	12	27,250	202
			32	28		26	32		16	
Mayer Hoffman McCann	20	14	17	17	No	16	17	12	35,600	204
			34	34		32	34		12	
Ortega & Konrad	20	17	17	18	No	19	17	12	22,800	223
			34	36		38	34		16	

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
RATINGS SUMMARY
FOR THE YEAR ENDING JUNE 30, 2009**

Joe Beachem

x2

x2

Info

x2

x2

x2

Firm Name	Statement of Independence	License to Practice	Firm Quals	Staff Quals	Prior OWD Engagements	Similar Audits	Audit Approach	Issues / Problems	Cost	Totals
AKT	5	5	5 10	3 6		3 6	3 6	3	31,000 3 6	47
Caporicci & Larson	5	5	5 10	2 4		2 4	5 10	5	24,000 4 8	51
Charles Z. Fedak	3	5	3 6	2 4		2 4	3 6	2	24,000 4 8	38
Diehl Evans	5	5	4 8	4 8		4 8	5 10	3	33,000 3 6	53
Hosaka Nagel	3	3	3 6	0 0		0 0	3 6	3	15,582 5 10	31
Lance Soll & Lunghard	5	5	4 8	4 8		3 6	4 8	3	27,250 4 8	51
Mayer Hoffman McCann	5	3	4 8	4 8		4 8	5 10	3	35,600 3 6	51
Ortega & Konrad	5	4	4 8	5 10		5 10	4 8	3	22,800 4 8	56

Scoring: 1 - 5, with 5 = highest

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
RATINGS SUMMARY
FOR THE YEAR ENDING JUNE 30, 2009**

Steve Dobra

			x2	x2	Info	x2	x2		x2	
Firm Name	Statement of Independence	License to Practice	Firm Quals	Staff Quals	Prior OWD Engagements	Similar Audits	Audit Approach	Issues / Problems	Cost	Totals
AKT	5	5	5 10	4 8		3 6	3 6	2	31,000 3 6	48
Caporicci & Larson	5	5	5 10	4 8		4 8	4 8	3	24,000 4 8	55
Charles Z. Fedak	3	5	4 8	4 8		5 10	3 6	1	24,000 4 8	49
Diehl Evans	5	5	5 10	4 8		4 8	4 8	2	33,000 3 6	52
Hosaka Nagel	3	3	4 8	3 6		2 4	2 4	2	15,582 5 10	40
Lance Soll & Lunghard	5	5	4 8	3 6		4 8	3 6	2	27,250 4 8	48
Mayer Hoffman McCann	5	3	4 8	4 8		5 10	3 6	2	35,600 3 6	48
Ortega & Konrad	5	4	5 10	4 8		5 10	4 8	2	22,800 4 8	55

Scoring: 1 - 5, with 5 = highest

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
RATINGS SUMMARY
FOR THE YEAR ENDING JUNE 30, 2009**

Marissa Dychitan			x2	x2	Info	x2	x2		x2	
Firm Name	Statement of Independence	License to Practice	Firm Quals	Staff Quals	Prior OWD Engagements	Similar Audits	Audit Approach	Issues / Problems	Cost	Totals
AKT	5	5	4 8	5 10		4 8	4 8	4	31,000 3 6	54
Caporicci & Larson	5	5	5 10	4 8		3 6	4 8	5	24,000 4 8	55
Charles Z. Fedak	3	5	3 6	4 8		3 6	3 6	3	24,000 4 8	45
Diehl Evans	5	5	4 8	4 8		3 6	4 8	3	33,000 3 6	49
Hosaka Nagel	3	3	3 6	3 6		3 6	3 6	3	15,582 5 10	43
Lance Soll & Lunghard	5	5	3 6	3 6		3 6	4 8	3	27,250 4 8	47
Mayer Hoffman McCann	5	4	4 8	4 8		3 6	4 8	4	35,600 3 6	49
Ortega & Konrad	5	4	3 6	4 8		4 8	4 8	3	22,800 4 8	50

Scoring: 1 - 5, with 5 = highest

**OTAY WATER DISTRICT
AUDIT PROPOSAL ANALYSIS
RATINGS SUMMARY
FOR THE YEAR ENDING JUNE 30, 2009**

Jim Cudlip			x2	x2	Info	x2	x2		x2	
Firm Name	Statement of Independence	License to Practice	Firm Quals	Staff Quals	Prior OWD Engagements	Similar Audits	Audit Approach	Issues / Problems	Cost	Totals
AKT	5	5	5 10	5 10		5 10	5 10	4	31,000 3 6	60
Caporicci & Larson	5	5	5 10	4 8		5 10	4 8	5	24,000 4 8	59
Charles Z. Fedak	3	5	4 8	4 8		4 8	3 6	3	24,000 4 8	49
Diehl Evans	5	5	5 10	5 10		3 6	5 10	4	33,000 3 6	56
Hosaka Nagel	3	3	3 6	3 6		3 6	2 4	3	15,582 5 10	41
Lance Soll & Lunghard	5	5	5 10	4 8		3 6	5 10	4	27,250 4 8	56
Mayer Hoffman McCann	5	4	5 10	5 10		4 8	5 10	3	35,600 3 6	56
Ortega & Konrad	5	5	5 10	5 10		5 10	5 10	4	22,800 4 8	62

Scoring: 1 - 5, with 5 = highest



AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 4, 2009
SUBMITTED BY:	Sean Prendergast, 	W.O./G.F. NO:	DIV. NO. All
	Payroll/AP Supervisor		
APPROVED BY: (Chief)	Joseph R. Beachem, 	Chief Financial Officer	
APPROVED BY: (Asst. GM):	German Alvarez, 	Assistant General Manager	
SUBJECT:	Director's Expenses for the 2nd Quarter of Fiscal Year 2009		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the Director's expenses for the 2nd quarter of Fiscal Year 2009.

ANALYSIS:

The Director's expense information is being presented in order to comply with State law. (See Attachment B for Summary and C-H for Details.)

FISCAL IMPACT: 

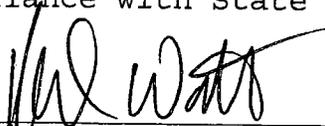
None.

STRATEGIC GOAL:

Prudently manage District funds.

LEGAL IMPACT: _____

Compliance with State law.



General Manager

Attachments:

- A) Committee Action Form
- B) Director's Expenses and per Diems
- C-H) Director's Expenses Detail



ATTACHMENT A

SUBJECT/PROJECT:	Director's Expenses for the 2nd Quarter of Fiscal Year 2009
------------------	---

COMMITTEE ACTION:

This is an informational item only.

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.

**BOARD OF DIRECTORS'
EXPENSES AND PER-DIEMS**

**FINANCE, ADMINISTRATION, AND
COMMUNICATIONS COMMITTEE MEETING
FEBRUARY 19, 2009**

Policy 8 requires that staff present the Expenses and Per-Diems for the Board of Directors on a Quarterly basis:

- Fiscal Year 2009, 2nd Quarter.
- The expenses are shown in detail by Board member, month and expense type.
- This presentation is in alphabetical order.
- This information was presented to the Finance, Administration, and Communications Committee on February 19, 2009.

Board of Directors' Expenses and Per-Diems
Fiscal Year 2009 Quarter 2 (Oct 08- Dec 08)

• Director Bonilla	\$ 0.00
• Director Breitfelder	\$1,493.23
• Director Croucher	\$1,100.00
• Director Lopez	\$ 694.33
• Director Robak	<u>\$2,827.83</u>
• Total	\$6,115.39

Director Bonilla

Fiscal Year 2009 Quarter 2

	<u>Oct_08</u>	<u>Nov_08</u>	<u>Dec_08</u>	Qtr2
• Mileage Business				
• Mileage Commute				
• Conference/Seminars				
• Business Meetings				
• Director's Fees				
•				
• Monthly Totals	0.00	0.00	0.00	
• Quarterly Total				\$0.00
• Meetings Attended				
• Meetings Paid*	0	0	0	
• Fiscal Year-to-Date 2009 (Jul 08-Jun 09)				\$0.00
• *Director Bonilla does not request per-diem reimbursements				

Director Breitfelder

Fiscal Year 2009 Quarter 2

	<u>Oct_08</u>	<u>Nov_08</u>	<u>Dec_08</u>	<u>Qtr2</u>
• Mileage Business	46.80	72.54	49.14	
• Mileage Commute	17.55	17.55	52.65	
• Seminars & Travel				
• Director's Fees	400.00	300.00	300.00	
• Business Meetings		237.00		
• Monthly Totals	\$464.35	\$627.09	\$401.79	
• Quarterly Total				<u>\$1,493.23</u>
• Meetings Attended	14	5	13	
• Meetings Paid	4	3	3	
Fiscal Year-to-Date 2009 (Jul 08-Dec 08)				\$ 4,891.35

Director Croucher

Fiscal Year 2009 Quarter 2

	<u>Oct 08</u>	<u>Nov 08</u>	<u>Dec 08</u>	Qtr2
• Mileage Business				
• Mileage Commute				
• Director's Fees	100.00	400.00	600.00	
• Travel & Seminars				
• Business Meeting				
• Monthly Totals	\$100.00	\$400.00	\$600.00	
•				
• Quarterly Total				<u>\$1,100.00</u>
• Meetings Attended	1	4	7	
• Meetings Paid	1	4	6	
• Fiscal Year-to-Date 2009 (Jul 08-Dec 08)				\$4,048.25

Director Lopez

Fiscal Year 2009 Quarter 2

	<u>Oct_08</u>	<u>Nov_08</u>	<u>Dec_08</u>	Qtr2
• Mileage Business		22.23		
• Mileage Commute	11.70	23.40		
• Business Meetings		37.00		
• Director's Fees	300.00	300.00		
• Monthly Totals	\$311.70	\$382.63		
• Quarterly Total				<u>\$694.33</u>
• Meetings Attended	3	4		
• Meetings Paid	3	3		
• Fiscal Year-to-Date 2009 (Jul 08-Dec 08)				\$1,476.96

Director Robak

Fiscal Year 2009 Quarter 2

	<u>Oct_08</u>	<u>Nov_08</u>	<u>Dec_08</u>	<u>Qtr2</u>
• Mileage Business	17.55	23.99	181.35	
• Mileage Commute	4.68	2.34	7.02	
• Director's Fees	400.00	200.00	800.00	
• Travel & Seminars			1,138.90	
• Business Meetings		37.00	15.00	
• Monthly Totals	\$422.23	\$263.33	\$2,142.27	
• Quarterly Total				<u>\$2,827.83</u>
• Meetings Attended	7	4	11	
• Meetings Paid	4	2	8	
Fiscal Year-to-Date 2009 (Jul 08-Dec 08)				\$3,995.75

Board of Directors' Expenses and Per Diems
Fiscal Year 2009 to Date (Jul 08- Dec 08)

• Director Bonilla	\$ 0.00
• Director Breitfelder	\$4,891.35
• Director Croucher	\$4,048.25
• Director Lopez	\$1,476.96
• Director Robak	<u>\$3,995.75</u>
• Total	\$14,412.31

Board of Directors' Expenses and Per Diems
***Projected Fiscal Year 2009 (Jul 08- Jun 09)**

• Director Bonilla	\$ 0.00
• Director Breitfelder	\$ 9,783.00
• Director Croucher	\$ 8,097.00
• Director Lopez	\$ 2,954.00
• Director Robak	<u>\$ 7,992.00</u>
• Total	\$28,826.00

- *Based on actual expenses through 2nd quarter

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

**ATTACHMENT D
SECTION D**

DIRECTOR'S NAME: BONILLA, JAIME

Account Name	Date	Descriptions	Amount
---------------------	-------------	---------------------	---------------

Grand Total

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: BREITFELDER, LARRY

**ATTACHMENT E
SECTION E**

Account Name	Date	Descriptions	Amount
Business meetings			
	7/15/2008	COUNCIL OF WATER UTILITIES	\$ 25.00
	7/17/2008	WATER AGENCIES ASSOCIATION	45.00
	8/19/2008	COUNCIL OF WATER UTILITIES	25.00
	8/21/2008	CALIFORNIA SPECIAL DISTRICTS	37.00
	8/24/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	65.00
	9/18/2008	CALIFORNIA SPECIAL DISTRICTS	37.00
	9/19/2008	COUNCIL OF WATER UTILITIES	25.00
	9/26/2008	RANCHO SAN DIEGO-JAMUL	15.00
	11/13/2008	REGISTRATION FEE - ASIAN BUSINESS ASSOCIATION ANNUAL AWARDS	175.00
	11/18/2008	COUNCIL OF WATER UTILITIES	25.00
	11/20/2008	CALIFORNIA SPECIAL DISTRICTS	37.00
Business meetings Total			511.00
Director's Fee			
	8/5/2008	CSDA BOARD MEETING	100.00
	8/6/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/19/2008	COUNCIL OF WATER UTILITIES	100.00
	8/20/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	8/21/2008	CSDA BOARD MEETING	100.00
	9/3/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/15/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	9/16/2008	COUNCIL OF WATER UTILITIES	100.00
	9/18/2008	SPECIAL BOARD OF DIRECTORS MEETING	100.00
	9/25/2008	CSDA ANNUAL CONFERENCE SEPT. 22-25, 2008	400.00
	10/9/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/16/2008	WATER AGENCIES ASSOCIATION	100.00
	10/20/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	10/28/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	11/13/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	11/18/2008	COUNCIL OF WATER UTILITIES	100.00

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: BREITFELDER, LARRY

**ATTACHMENT E
SECTION E**

Account Name	Date	Descriptions	Amount
	11/20/2008		
	12/1/2008	CSDA BOARD MEETING	100.00
	12/9/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	12/15/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
		REGULAR BOARD OF DIRECTORS MEETING	100.00
Director's Fee Total			2,300.00
Mileage - Business			
	9/31/2008		
	8/31/2008	MEETING - SEPTEMBER 16, 18, 22, 23, 24, & 25, 2008	184.86
	10/31/2008	MEETING - AUG. 19 & 21, 2008	72.54
	11/20/2008	MEETING - OCT. 16 & 20, 2008	46.80
	12/16/2008	MEETING - NOV. 18 & 20, 2008	72.54
		MEETING - DEC. 16, 2008	49.14
Mileage - Business Total			425.88
Mileage - Commuting			
	9/31/2008		
	8/31/2008	MEETING - SEPTEMBER 3 & 15, 2008	35.10
	10/9/2008	MEETING - AUG. 5, 6 & 20, 2008	58.50
	11/13/2008	MEETING - OCT. 9, 2008	17.55
	12/15/2008	MEETING - NOV. 13, 2008	17.55
		MEETING - DEC. 1, 9 & 15, 2008	52.65
Mileage - Commuting Total			181.35
Seminars and conferences			
	9/22/2008	REGISTRATION FEE - CSDA ANNUAL CONFERENCE 9/22-25/08	425.00
	9/24/2008	REGISTRATION FEE - CSDA GOVERNANCE FOUNDATIONS	225.00
		REGISTRATION FEE - CSDA CALIFORNIA WOMEN LEAD PANEL	35.00
Seminars and conferences Total			685.00
Travel			
	9/25/2008	ACCOMODATIONS - CSDA ANNUAL CONFERENCE IRVINE CA ON SEPT 22-25, 2008	788.12
Travel Total			788.12
Grand Total			\$ 4,691.35

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: CROUCHER, GARY

**ATTACHMENT F
SECTION F**

Account Name	Date	Descriptions	Amount
Director's Fee			
	7/2/2008		
	7/16/2008	REGULAR BOARD OF DIRECTORS MEETING	\$ 100.00
	7/22/2008	COMMITTEE AGENDA REVIEW	100.00
	7/23/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	7/28/2008	LEGAL AND LEGISLATIVE COMMITTEE	100.00
	8/6/2008	BOARD AGENDA REVIEW	100.00
	8/18/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/19/2008	COMMITTEE AGENDA REVIEW	100.00
	8/22/2008	ENGINEERING, OPERATION & WATER RESOURCE	100.00
	9/3/2008	AD HOC - GM PERFORMANCE REVIEW COMMITTEE	100.00
	9/4/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/5/2008	SEMINAR - SPECIAL DISTRICT & LOCAL	100.00
	9/6/2008	SEMINAR - SPECIAL DISTRICT & LOCAL	100.00
	9/17/2008	SEMINAR - SPECIAL DISTRICT & LOCAL	100.00
	9/18/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	10/28/2008	SPECIAL BOARD OF DIRECTORS MEETING	100.00
	11/3/2008	LEGAL AND LEGISLATIVE COMMITTEE MEETING	100.00
	11/13/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	11/20/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	12/1/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	12/8/2008	LEGAL AND LEGISLATIVE COMMITTEE MEETING	100.00
	12/9/2008	BOARD AGENDA REVIEW	100.00
	12/10/2008	CSDA BOARD MEETING	100.00
		MEETING WITH MAYOR SANDERS	100.00

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: CROUCHER, GARY

**ATTACHMENT F
SECTION F**

Account Name	Date	Descriptions	Amount
Director's Fee			
	12/12/2008		
	12/15/2008	LEGAL AND LEGISLATIVE COMMITTEE MEETING	100.00
	11/4/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
		BOARD AGENDA REVIEW	100.00
Director's Fee Total			2,600.00
Mileage - Business			
	9/30/2008		
		MEETING - SEPT. 4 & 6, 2008	105.30
Mileage - Business Total			105.30
Seminars and conferences			
	9/5/2008		
		REGISTRATION FEE - SPECIAL DISTRICT AND LOCAL GOVERNMENT INSTITUTE SEPT. 4-6, 2008	735.00
Seminars and conferences Total			735.00
Travel			
	9/30/2008		
		ACCOMODATIONS - SPECIAL DISTRICT LOCAL GOVERNMENT INSTITUTE FINANCE CONFERENCE FALL CONFERENCE SEPT. 3 - 6, 2008	607.95
Travel Total			607.95
Grand Total			\$ 4,048.25

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: LOPEZ, JOSE

**ATTACHMENT G
SECTION G**

Account Name	Date	Descriptions	Amount
Business meetings			
	9/18/2008		
	11/20/2008	CALIFORNIA SPECIAL DISTRICTS	\$ 37.00
		CALIFORNIA SPECIAL DISTRICTS	37.00
Business meetings Total			74.00
Director's Fee			
	7/22/2005	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	8/4/2008	CITY OF CHULA VISTA INTERAGENCY WATER TASK FORCE	100.00
	8/6/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/22/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE M	100.00
	9/3/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/17/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE M	100.00
	9/18/2008	SPECIAL BOARD OF DIRECTORS MEETING	100.00
	10/9/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/16/2008	DEVELOPERS/BUSINESS MEETING	100.00
	10/27/2008	CHULA VISTA WATER AGENCIES TASK FORCE MEETING	100.00
	11/3/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
	11/13/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	11/20/2008	ENGINEERING, OPERATION & WATER RESOURCE COMMITTEE MEETING	100.00
Director's Fee Total			1,300.00
Mileage - Business			
	9/18/2008	MEETING - SEPT. 18, 2008	22.23
	11/20/2008	MEETING - NOV. 20, 2008	22.23
Mileage - Business Total			44.46
Mileage - Commuting			
	8/6/2008	MEETING - AUGUST 6, 2008	11.70
	9/3/2008	MEETING - SEPT. 3, 2008	11.70
	10/16/2008	MEETING - OCT. 16, 2008	11.70
	11/20/2008	MEETING - NOV. 13 & 20, 2008	23.40
Mileage - Commuting Total			58.50
Grand Total			\$ 1,476.96

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: ROBAK, MARK

**ATTACHMENT H
SECTION H**

Account Name	Date	Descriptions	Amount
Business meetings			
	11/20/2008	CSDA BOARD MEETING	\$ 37.00
	12/12/2008	REGISTRATION FEE - RANCHO SAN DIEGO-JAMUL	15.00
Business meetings Total			52.00
Director's Fee			
	7/2/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	7/9/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	7/21/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	8/6/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/20/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	8/21/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	9/3/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/10/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	9/15/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	9/18/2008	SPECIAL BOARD OF DIRECTORS MEETING	100.00
	9/19/2008	ANNUAL JOINT MEETING WITH BOARD OF DIRECTORS FROM HELIX, LAKESIDE, PADRE DAM & SWEETWATER	100.00
	10/7/2008	WATER CONSERVATION GARDEN AUDIT COMMITTEE MEETING	100.00
	10/8/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	10/9/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/28/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	11/12/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	11/13/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
	12/1/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	12/2/2008	ANNUAL LUNCHEON RECOGNIZING NON-PROFIT INNOVATION & EXCELLENCE - ATTENDED WITH GARDEN EXECUTIVE DIRECTOR	100.00

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2008 THROUGH DECEMBER 31, 2008**

DIRECTOR'S NAME: ROBAK, MARK

**ATTACHMENT H
SECTION H**

Account Name	Date	Descriptions	Amount
Director's Fee	12/3/2008	ASSOCIATION OF CALFIORNIA WATER AGENCIES - LONG BEACH	100.00
	12/4/2008	ASSOCIATION OF CALFIORNIA WATER AGENCIES - LONG BEACH	100.00
	12/5/2008	ASSOCIATION OF CALFIORNIA WATER AGENCIES - LONG BEACH	100.00
	12/9/2008	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	12/10/2008	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	12/15/2008	REGULAR BOARD OF DIRECTORS MEETING	100.00
Director's Fee Total			2,500.00
Mileage - Business	9/31/2008	MEETING - SEPT. 6,10,15,18 & 19, 2008	21.65
	7/31/2008	MEETING - JULY 2, 9 & 21, 2008	15.21
	8/31/2008	MEETING - AUGUST 6, 20 & 21 2008	9.36
	10/31/2008	MEETING - OCT. 7, 8, 9 & 28, 2008	17.55
	11/30/2008	MEETING - NOV. 12, 13, & 20, 2008	23.99
	12/31/2008	MEETING - DEC. 1, 2, 3, 5, 9, 10 & 15, 2008	181.35
Mileage - Business Total			269.11
Mileage - Commuting	9/31/2008	MEETING - SEPT. 3 & 15, 2008	4.68
	7/31/2008	MEETING - JULY 4, 2008	2.34
	8/31/2008	MEETING - AUGUST 6 & 20, 2008	4.68
	10/31/2008	MEETING - OCT. 9 & 28, 2008	4.68
	11/13/2008	MEETING - NOV. 13, 2008	2.34
	12/31/2008	MEETING - DEC. 1, 9, & 15, 2008	7.02
Mileage - Commuting Total			25.74
Seminars and conferences	9/26/2008	RANCHO SAN DIEGO-JAMUL MEETING	10.00
	12/5/2008	2008 ACWA FALL CONFERENCE DEC. 2-5, 2008	628.00
Seminars and conferences Total			638.00
Travel	12/8/2008	ACCOMODATIONS - ACWA FALL CONFERENCE LONG BEACH CA ON DEC 3-6, 2008	510.90
Travel Total			510.90
Grand Total			\$ 3,995.75



EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

OCT 16 2008

Pay to: Larry Breitfelder

Period Covered:
From 10-1 to 10-30-08

Employee Number: 7013

Date	Meeting Name	Purpose / Issues Discussed	Mileage	
			Home to OWD OWD to Home	Other Locations
2	McLean Event			
7	CV City Council			
✓ 9	OWD Board		30	
10	First Friday			
12	SBFAA			
16	OWD Petrol Employee Event			
✓ 16	Water Agency Assoc Mts.			40
17	Eastlake High Event			
18	FRA			
✓ 20	Conserv. Action Comm.			40
22	RWF			
23	a Mtg.			
27	Mtg w/ Councilman Hueso			

TOTAL MEETING PER DIEM: \$ 400.00
(\$145 per meeting)

TOTAL MILEAGE CLAIMED: 140 miles

30

✓ 28 OWD Fin.

[Signature]
(Director's Signature)

Receipt
GM Approval Date: 11/3/08 [Signature]

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT = \$ _____

INSTRUCTIONS ON REVERSE



AB000.1B1000.2101.528101
AB000.1B1000.2101.521102

300.00
17.55
EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Larry Breitfelder

Period Covered:

Employee Number: 7013

From: 11-1-08 To: 11-30-08

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	6/16	CSDA			90
2.	13	OWD Board		30	
3.	17	CV City Hall			
4.	18	CWU (Council of Water Utilities)			84
5.	20	CRTE			
6.	20	CSDA			40
7.					
8.					
9.					
10.				0*	
11.				100.00x	
12.				3=	
13.				300.00*	
14.				0*	
15.				30x	
16.				0.5850	
17.				17.55*	
18.					

Per Diem

Mileage

Total Meeting Per Diem: \$ 400.00 ~~300.00~~

Total Mileage Claimed: 154 miles

[Signature]
(Director's Signature)

Receipt
GM Approval: [Signature] 1/9/2009

Date: 1-7-09

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: \$ _____

to 1/22/09
1-16-09



AB000-1B1000-2101-528101 300.00
 AB000-1B1000-2101-521102 52.65
 EXHIBIT B

OTAY WATER DISTRICT
 BOARD OF DIRECTORS
 PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Larry Breitfelder

Period Covered:

Employee Number: 7013

From: 12-1-08 To: 12-31-08

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	3	OWD Fin. (Finance, Admin & Communications Comm.)		30	
2.	5	Mtz w/ GM			
3.	8	CO PAO			
4.	9	CSOA			
5.	9	OWD Fin. (FA&C Committee)		30	
6.	11	AMC		0*	
7.	13	CVTA			
8.	13	OWD Holiday Party			
9.	14	SBFACA			
10.	15	CAC		100*x 3.=	
11.	15	OWD BOB		300.00*	30
12.	16	CWU		0*	84
13.	20	FRA			
14.				0*	
15.				30+	
16.				30+	
17.				30+	
18.				90*	

Per Diem

Mileage

Total Meeting Per Diem: \$ 300.00
 (\$100 per meeting)

Total Mileage Claimed: 174

90*x
 0.5850=
 52.65*

Receipt
 GM Approval:

[Signature] 1/9/2009

[Signature]
 (Director's Signature)

Date: _____

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: \$ _____

1/20/09
 1-16-09

AB000-1B4000-2101-528101 300.00
AB000-1B4000-2101-521102 11.70



EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Jose Lopez

Period Covered:

Employee Number: 7010

From: 10/01/08 To: 10/31/08

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	10/9	OWD	Board Meeting	0	
2.	10/16	OWD	Developers/Business meeting	20	
3.	10/27	CVWATF	Chula Vista Water Agencies Task Force meeting	0	
4.					
5.					
6.					
7.					
8.					
9.				0**	
10.				3**	
11.				100**	
12.				300**	
13.				0**	
14.				20**	
15.				0**300**	
16.				11.70	
17.					
18.					

Per Diem
Mileage

Total Meeting Per Diem: \$ 300
(\$100 per meeting)

Total Mileage Claimed: 20 miles

Attended 3
Paid 3

GM Receipt: [Signature]

[Signature]
(Director's Signature)
11/26/08

Date: 11/14/08

FROM

AB000-1B4000-2101-528101 500.00
AB000-1B4000-2101-521102 23.40

FAX NO.:

Jun. 11 1999 12:54AM P1



OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

EXHIBIT B

Pay To: Jose Lopez

Period Covered:

Employee Number: 7010

From: 11/01/08 To: 11/30/08

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1.	11/03	OWD	Committee meeting	0	
✓ 2.	11/13	OWD	Regular Special Board meeting	20	
✓ 3.	11/20	OWD	Committee meeting	20	
4.	11/20	CSDA	Quarterly meeting	28	38
5.					
6.					
7.					
8.					
9.				0.*	
10.				100.00x	
11.				3.=	
12.				300.00* ^f	
13.				0.*	
14.				20.+	
15.				20.+	
16.				40.*	
17.				40.x	
18.				0.5850= 23.4* ^f	

Per Diems

Mileage

Total Meeting Per Diem: \$300
(\$100 per meeting)

Total Mileage Claimed: 78 miles

(Director's Signature)

GM Receipt:

Date: 1/16/2009

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: \$

1/23/09
1-30-09

AB000-135000-2101-528101

800.00

AB000-135000-2101-521102

7.02



OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Mark Robak

Period Covered:

Employee Number: 70141208

From: 12-1-08 To: 12-31-08

3217 Fair Oaks Lane, Spring Valley, CA 91978

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1	12-1	Finance & Administration Committee	Monthly meeting involving finance & administration issues	4	6
✓ 2	12-2	Salute to Excellence Bahia Hotel	Annual luncheon recognizing nonprofit innovation and excellence - Attended with Garden Executive Director (Exhibit A)	0	29
✓ 3	12-3	Association of California Water Agencies	Fall Conference - Long Beach (See Exhibit B - Agenda)	0	127
✓ 4	12-4	Association of California Water Agencies	Fall Conference - Long Beach	0	0
✓ 5	12-5	Association of California Water Agencies	Fall Conference - Long Beach	0	127
✓ 6	12-9	Finance & Administration Committee	Monthly meeting involving finance & administration issues	4	6
✓ 7	12-10	Water Conservation Garden	Monthly Meeting / General Business (See Exhibit C - Agenda)	0	9
8	12-12	Rancho San Diego-Jamul Chamber Holiday Breakfast	Cuyamaca College - No Charge	0	0
9	12-13	Annual Otay Holiday Party	Lafayette Hotel - No Charge	0	0
✓ 10	12-15	Monthly Otay Board Meeting	General District Business	4	6
11	12-29	Lunch with General Manager	Discussion of District business - No Charge	0	0
				12	310

Total Meeting Per Diem: \$800
(\$100 per meeting)

Total Mileage Claimed: 322 miles

Mark Robak

(Director's Signature)

Receipt
GM Approval: *[Signature]*

Date: 1/24/2009

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: \$ _____

[Handwritten notes and signatures]
1-30-09



AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 4, 2009
SUBMITTED BY:	Joseph R. Beachem  Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:			
(Chief)			
APPROVED BY:	German Alvarez, Assistant General Manager 		
(Asst. GM):			
SUBJECT:	Future OPEB (Other Post Employment Benefits) Funding to the CalPERS Trust		

GENERAL MANAGER'S RECOMMENDATION:

That the Board provides direction on the ongoing funding of the Annual Required Contribution (ARC) to CalPERS and the medical expense reimbursement requests from CalPERS.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To obtain direction from the Board on the ongoing funding of the Annual Required Contribution (ARC) to CalPERS and medical expense reimbursement requests from CalPERS.

ANALYSIS:

On February 3, 2008, the Board authorized the creation of a CalPERS trust to hold OPEB funds. This trust was set up in conformance with the Governmental Accounting Standards Board (GASB) requirements as outlined in GASB 45.

At the February meeting, the Board authorized a \$5 million initial deposit and ongoing payments of the ARC to the CalPERS trust. At this time, authorization was given to the General Manager and Chief Financial Officer to make withdrawals from the CalPERS trust to reimburse the District for any retiree medical costs made in the future. However, no specific direction was given on how to proceed with the reimbursements. Staff is looking to confirm the prior direction of the Board on the annual ARC payments and on how to proceed with reimbursements from CalPERS.

In Fiscal Year 2007-08, staff established the CalPERS trust, as directed, and made the initial \$5 million deposit. In addition, staff made the ARC payment of \$846,000, as directed. Aside from these direct payments, the District has effectively made a deposit to the CalPERS trust by way of funding the retiree medical benefits without making a claim on the CalPERS trust. The District is entitled to make reimbursement requests and has until June 30, 2009 to make the reimbursement request for the Fiscal Year 2007-08 medical costs totaling \$649,007.

All retiree medical expenses are to be paid upfront by the District and then the District may request reimbursement. This is the normal process as outlined by CalPERS. The District uses its internal designated OPEB fund to pay the retiree medical costs, and when and if reimbursements are requested from CalPERS, the funds would be deposited back into the District's OPEB fund. As of December 31, 2008, this internal fund had a balance of \$4,716,540. The financial impact of the reimbursement is described in the Fiscal Impact section below.

It is worth noting that the overall funding of the OPEB liability totals \$9.1 million as of December 31, 2008. The total estimated liability is \$11.9 million resulting in a 77% funding level. This funding level is exceptional and rarely seen in other government entities. One important note regarding the balance of funds is that CalPERS lost approximately 25% of its value in the stock market crash. Approximately half of the CalPERS funds are invested in equities, which were affected significantly by the crash.

This fund is a long-term fund focused on payments going far into the future. With this long-term perspective, the District looks at a 30-year funding strategy, spreading out the short term effects of significant market changes.

FISCAL IMPACT:



The decision of whether or not to fund the full ARC and whether or not to request full reimbursement of retiree medical costs from CalPERS have various financial ramifications.

One of the financial impacts is best summarized in the context of a discussion on risk versus return. The Otay funds are invested in very low risk investments with a secure market rate of return. CalPERS is invested at a moderately higher risk level than Otay. Commensurate with this added risk is added

return. The higher return from the CalPERS investments means that the total money needed to be considered fully funded is lower than if the District had maintained its own investment portfolio. This was one of the significant benefits of investing in a PERS trust. The lower liability freed up funds, previously designated to fund the OPEB liability, to be used for additional negotiated employee benefits.

If the District continues to make the full ARC payment then the District will continue to use the higher CalPERS rate of return. Without fully funding the ARC payment the actuary will no longer be able to use the CalPERS rate of return. This would result in a greater unfunded balance and a corresponding higher ARC.

The second financial impact is on cash reserves. If the District uses its own designated OPEB funds to pay for retiree health care without requesting reimbursement from CalPERS, then the District's OPEB funds will be depleted in the beginning of calendar year 2013. If the District does make the requests for reimbursement, the District will be able to maintain a higher fund balance over a longer period of time, maintaining the District's reserves into calendar year 2016. Requesting reimbursement has the benefit of maintaining a larger amount of funding in control of the District for a longer period of time. This gives the District added financial flexibility during this difficult financial time. Also, extending the time that the District maintains its own OPEB funds delays the upward pressure on rates that will occur when the ARC is fully funded from rates as opposed to the OPEB funds.

The third financial impact relates to the District's credit rating. A discussion is warranted on this matter, as funding less than the ARC is an option available to the Board. The fact that the District has deposited approximately half of the OPEB liability into a trust is a significant plus for the District's credit rating. However, even more important is that the District maintains a funding plan that at least pays the ARC.

Showing the financial foresight and where-with-all to make the ARC payments on an annual basis is one of many important factors in evaluating the District's credit worthiness. In the current credit markets, maintaining the District's AA rating is significant. The interest rate variation between an A and a AA rating is close to 2% which can equate to a tremendous savings in interest expense for the District. It was the Board's direction to make the ARC payments on an annual basis and staff is looking to reaffirm that position.

STRATEGIC GOAL:

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

LEGAL IMPACT: _____

None.



General Manager

Attachments:

- A) Committee Action Form
- B) OPEB Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Future OPEB (Other Post Employment Benefits) Funding to the CalPERS Trust
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board provides direction on the ongoing funding of the Annual Required Contribution (ARC) to CalPERS and the medical expense reimbursement requests from CalPERS.

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.

PERS OPEB FUNDING

Discussion Points

- Update on the OPEB Funds
 - Prior Board Direction
 - OPEB Fund Balances
 - OPEB Liability
 - Direct Transfers
 - Indirect Transfers
- Future Funding Direction

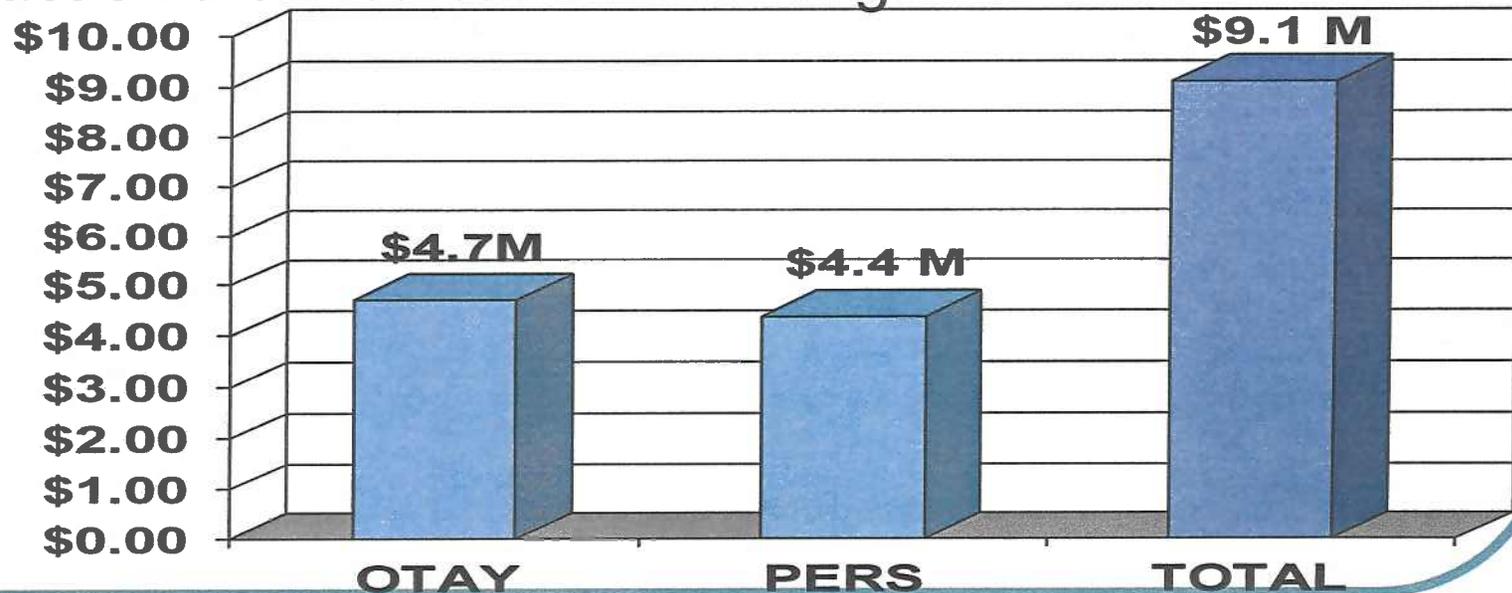
Prior Board Direction

- Establish a PERS trust
- Fund \$5 million
- Fund the ARC on an ongoing basis
 - The ARC (annual required contribution) is the annual amount needed to fully fund the trust over a 30-year period.

OPEB Funds

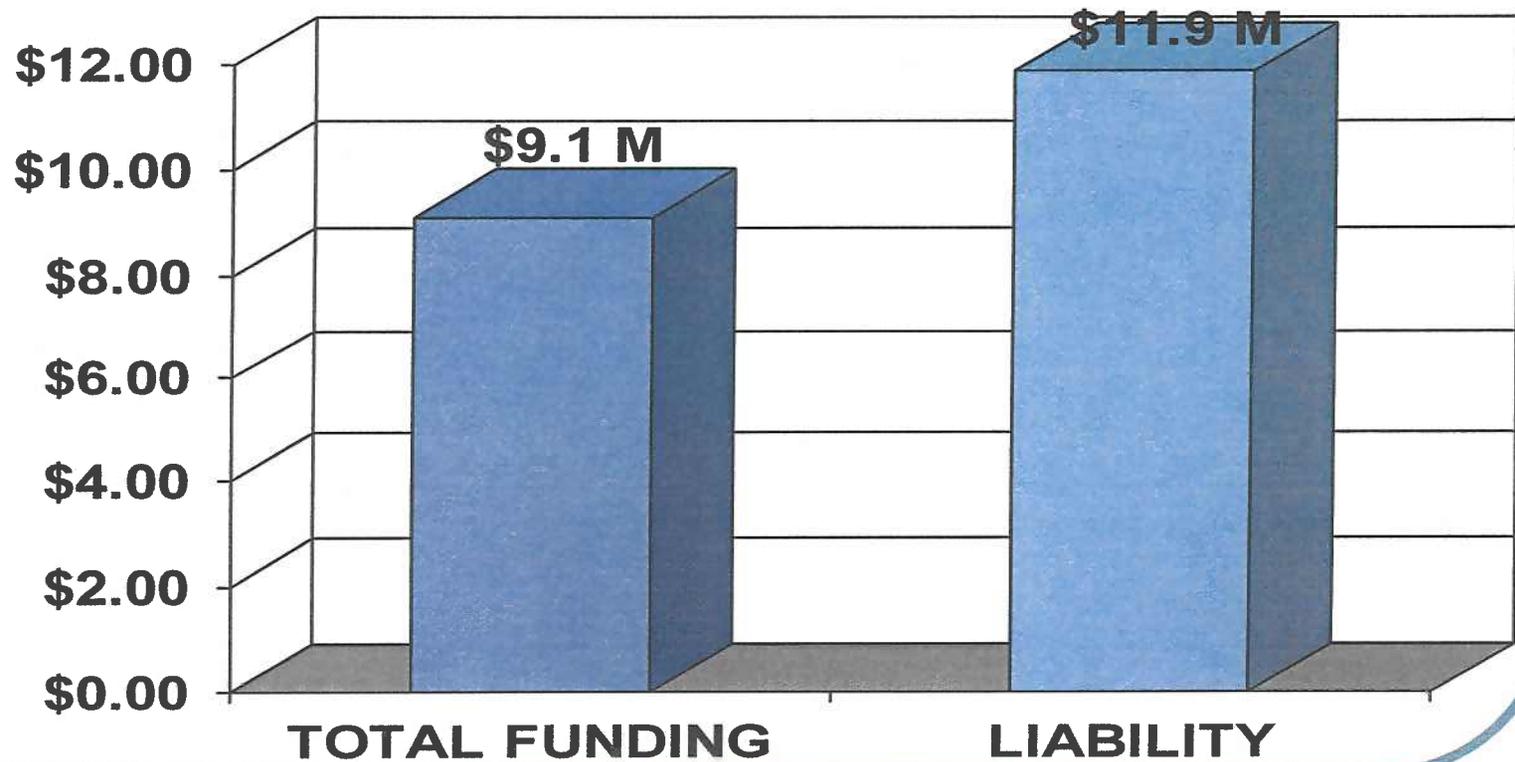
As of December 31, 2008

- Otay's Designated Fund - \$4,716,540
- PERS trust- \$4,394,883
- That the District has had the foresight to set aside these funds is exceptional and has had a positive impact on the District's credit ratings.



OPEB Liability As of 12-31-08

- Total OPEB Funds- \$9,111,423
- OPEB Liability (Est.) - \$11,869,242



Direct Transfers

- Initial PERS funding - \$5.0 million
- Annual PERS funding – Annual Required Contribution (ARC)
 - 2008 “Normal costs” – \$135,000
 - 2008 “Amortization of unfunded liability” - \$711,000
 - Increasing at approximately 3% from 2008 to 2009

Indirect Transfers

Annual payments made by the District for retiree benefits can be reimbursed to the District from the assets in the PERS trust.

The District has paid retiree benefits from its own OPEB Fund in the amount of:

\$649,007 – 2008 Fiscal Year

\$138,367 – 2009 Fiscal Year to date through Sept. 30th

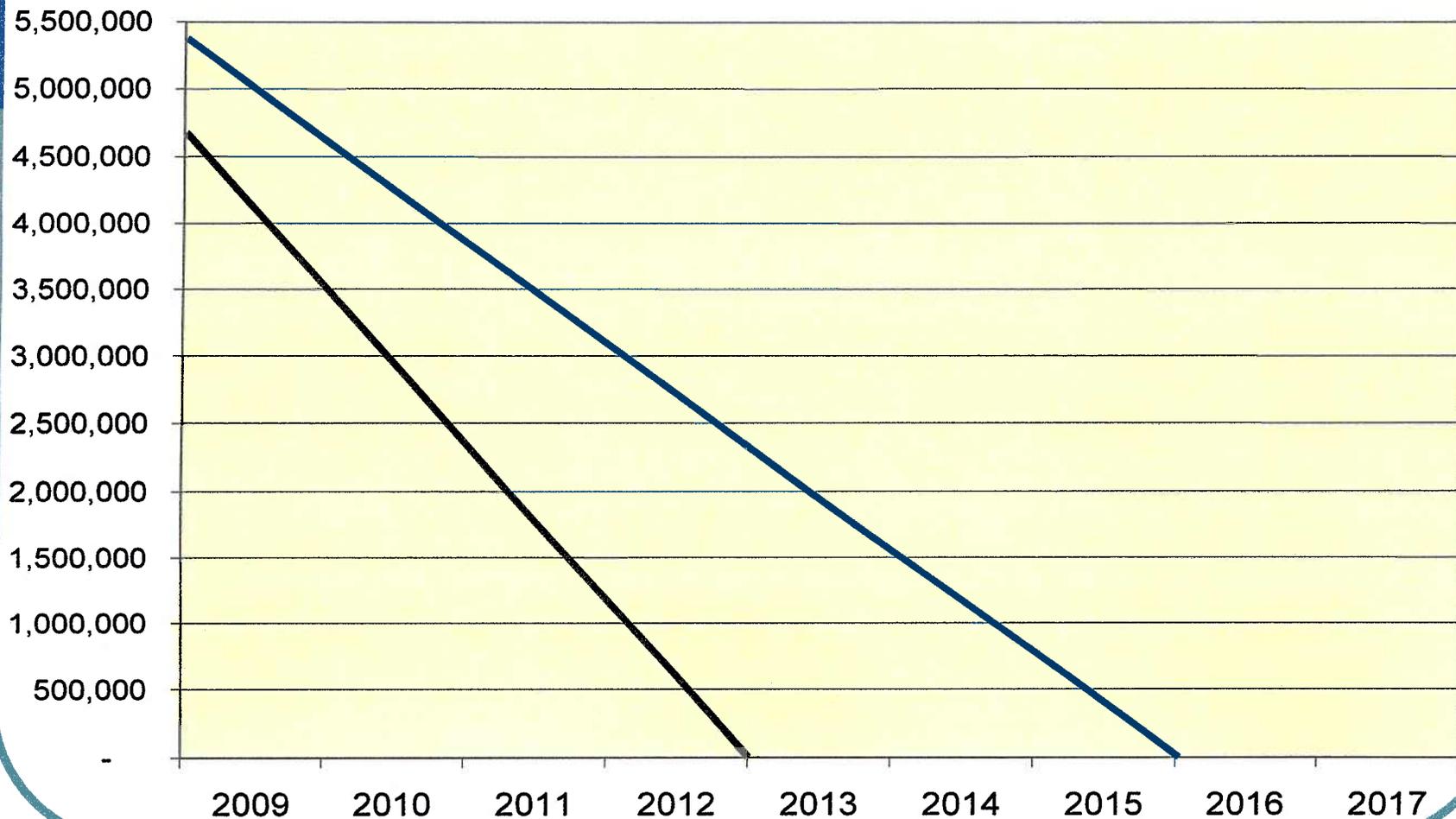
If these are not reimbursed, it is considered an additional contribution to the PERS trust even though the trust would not receive the funding.

Future Funding

- **Medical Reimbursements**

- With annual requests for reimbursement of medical costs from the PERS trust the District's OPEB fund has sufficient money to make the ARC payments into the 2016 fiscal year, approximately 7 years.
- Without annual reimbursements the District's OPEB fund only has approximately 4 years of funds.
- Requesting reimbursements will maintain a higher Otoy reserve balance for a longer period of time, delaying the upward pressure on rates.

Otay Fund Balance Scenarios



Balance W/O Reimbursement

Balance With Reimbursement

Future Funding

- Continuing to fund the ARC has two positive impacts:
 - The credit rating is impacted by the District's continued payment of the ARC. This is viewed as a significant positive as it shows the credit markets that the District has a plan to fund the OPEB liability and that it has the financial where-with-all and discipline to follow through with this plan.
 - With continued ARC payments the actuaries will use the higher CalPERS rate of return to determine a lower District OPEB liability. This in turn lowers the District's ARC payment.

Request for Direction

- Board's direction on the annual medical cost reimbursement request from the PERS trust.
- Board's direction on the funding of the Annual Required Contribution.