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

FRIDAY
February 19, 2010
11:30 A.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. REPORT ON DIRECTOR'S EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2010 (PRENDERGAST) [5 minutes]

WORKSHOP

4. DISCUSSION OF CAPACITY AND ANNEXATION FEES (BEACHEM/BELL) [20 minutes]

DISCUSSION ITEMS

5. REVIEW OF DETAILS RELATED TO THE PROPOSED DEBT ISSUANCE TO FINANCE THE DISTRICT'S CAPITAL INFRASTRUCTURE (BEACHEM) [20 minutes]

6. ADOPT RESOLUTION NO. 4154 APPROVING THE JOINT EXERCISE OF POWER AGREEMENT WITH THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ESTABLISH THE OTAY WATER DISTRICT FINANCING AUTHORITY; ADOPT RESOLUTION 4155 AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND AN OFFICIAL STATEMENT AND APPROVING A TRUST AGREEMENT AND THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH WATER REVENUE BONDS AND APPROVING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH; AND APPROVE THE SELECTION OF AN UNDERWRITER FOR THE BONDS (BEACHEM)

7. APPROVE THE ADJUSTMENT OF THE WHEELING RATE FOR THE DELIVERY OF TREATY WATER TO THE CITY OF TIJUANA, AND THE REFUNDING OF ACCUMULATED OVERPAYMENTS FOR PAST WATER DELIVERIES TO RETURN THE DISTRICT TO A COST-NEUTRAL POSITION WITH RESPECT TO THE WATER TRANSFER AGREEMENT WITH MEXICO (BEACHEM/CUDLIP) [10 minutes]

8. APPROVE THE APOINTMENT OF DIEHL, EVANS & COMPANY, LLP, TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2010 (BEACHEM/CUDLIP) [5 minutes]

9. REJECT TRANSPaC CLAIM (SARNO) [5 minutes]

10. ADJOURNMENT

BOARD MEMBERS ATTENDING:
Jaime Bonilla, Chair
Larry Breitfelder

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

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 12, 2010 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 12, 2010.

Susan Cruz, District Secretary

AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Sean Prendergast, Payroll/AP Supervisor	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Director's Expenses for the 2nd Quarter of Fiscal Year 2010		

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 2010.

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 2010

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.

ATTACHMENT B

BOARD OF DIRECTORS' EXPENSES AND PER-DIEMS

FINANCE, ADMINISTRATION, AND COMMUNICATIONS COMMITTEE MEETING
FEBRUARY 19, 2010

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

- Fiscal Year 2010, 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, 2010.

Board of Directors' Expenses and Per-Diems
Fiscal Year 2010 Quarter 2 (Oct 09- Dec 09)

• Director Bonilla	$20.00
• Director Breitfelder	$1,632.40
• Director Croucher	$1,300.00
• Director Lopez	$687.90
• Director Robak	$1,988.35
• Total	$5,628.65

Board of Directors' Expenses and Per Diems
Fiscal Year 2010 to Date (Jul 09- Dec 09)

• Director Bonilla	$20.00
• Director Breitfelder	$2,746.30
• Director Croucher	$2,100.00
• Director Lopez	$1,867.10
• Director Robak	$2,890.90
• Total	$9,624.30

Board of Directors' Expenses and Per Diems
***Projected** Fiscal Year 2010 (Jul 09- Jun 10)

• Director Bonilla	$ 40.00
• Director Breitfelder	$ 5,493.00
• Director Croucher	$ 4,200.00
• Director Lopez	$ 3,734.00
• Director Robak	$ 5,782.00
• Total	$ 19,249.00

- *Based on actual expenses through 2nd quarter

Director Bonilla

Fiscal Year 2010 Quarter 2

	Oct 09	Nov 09	Dec 09
Business Meetings	0.00	20.00	0.00
Director's Fees	0.00	0.00	0.00
Mileage Business	0.00	0.00	0.00
Mileage Commuting	0.00	0.00	0.00
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	**0.00**	**20.00**	**0.00**
Quarterly Total			**$20.00**

Fiscal Year-to-Date 2009 (Jul 09-Dec 09)	**$20.00**

Director Bonilla does not request per diem reimbursements

Meetings Attended			
Meetings Paid			

Director Breitfelder

Fiscal Year 2010 Quarter 2

	Oct 09	Nov 09	Dec 09
Business Meetings	0.00	84.00	25.00
Director's Fees	500.00	500.00	200.00
Mileage Business	90.20	112.20	46.20
Mileage Commuting	37.40	18.70	18.70
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	**627.60**	**714.90**	**289.90**
Quarterly Total			**$1,632.40**

Fiscal Year-to-Date 2009 (Jul 09-Dec 09)	**$2,746.30**

Meetings Attended	5	5	2
Meetings Paid	5	5	2

Director Croucher

Fiscal Year 2010 Quarter 2

	Oct 09	Nov 09	Dec 09
Business Meetings	0.00	0.00	0.00
Director's Fees	600.00	500.00	200.00
Mileage Business	0.00	0.00	0.00
Mileage Commuting	0.00	0.00	0.00
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	**600.00**	**500.00**	**200.00**
Quarterly Total			**$1,300.00**

Fiscal Year-to-Date 2009 (Jul 09-Dec 09)	**$2,100.00**

Meetings Attended	6	5	2
Meetings Paid	6	5	2

Director Lopez

Fiscal Year 2010 Quarter 2

	Oct 09	Nov 09	Dec 09
Business Meetings	45.00	0.00	0.00
Director's Fees	400.00	100.00	100.00
Mileage Business	20.90	0.00	0.00
Mileage Commuting	11.00	11.00	0.00
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	**476.90**	**111.00**	**100.00**
Quarterly Total			**$687.90**

Fiscal Year-to-Date 2009 (Jul 09-Dec 09)	**$1,867.10**

Meetings Attended	4	1	1
Meetings Paid	4	1	1

Director Robak

Fiscal Year 2010 Quarter 2

	Oct 09	Nov 09	Dec 09
Business Meetings	200.00	0.00	640.00
Director's Fees	200.00	200.00	500.00
Mileage Business	18.70	101.75	121.30
Mileage Commuting	4.40	2.20	0.00
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	**423.10**	**303.95**	**1,261.30**
Quarterly Total			**$1,988.35**

Fiscal Year-to-Date 2009 (Jul 09-Dec 09)	**$2,890.90**

Meetings Attended	4	2	6
Meetings Paid	2	2	5

OTAY WATER DISTRICT
ADMINISTRATIVE EXPENSES - BOARD
July 1, 2009 - December 31, 2009

		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total
JAIME BONILLA (DETAILED IN SECTION D):														
5214	Business meetings	$ -	$ -	$ -	$ -	$ 20.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20.00
5281	Director's fees	-	-	-	-	-	-	-	-	-	-	-	-	-
5211	Mileage - Business	-	-	-	-	-	-	-	-	-	-	-	-	-
5211	Mileage - Commuting	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ -	$ -	$ -	$ -	$ 20.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20.00
LARRY BREITFELDER (DETAILED IN SECTION E):														
5214	Business meetings	$ -	$ 25.00	$ 25.00	$ -	$ 84.00	$ 25.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 159.00
5281	Director's fees	600.00	-	300.00	500.00	500.00	200.00	-	-	-	-	-	-	2,100.00
5211	Mileage - Business	22.00	-	22.00	90.20	112.20	46.20	-	-	-	-	-	-	292.60
5211	Mileage - Commuting	82.50	-	37.40	37.40	18.70	18.70	-	-	-	-	-	-	194.70
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ 704.50	$ 25.00	$ 384.40	$ 627.60	$ 714.90	$ 289.90	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,746.30
GARY D. CROUCHER (DETAILED IN SECTION F):														
5214	Business meetings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5281	Director's fees	500.00	-	300.00	600.00	500.00	200.00	-	-	-	-	-	-	2,100.00
5211	Mileage - Business	-	-	-	-	-	-	-	-	-	-	-	-	-
5211	Mileage - Commuting	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ 500.00	$ -	$ 300.00	$ 600.00	$ 500.00	$ 200.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,100.00
JOSE LOPEZ (DETAILED IN SECTION G):														
5214	Business meetings	$ -	$ -	$ -	$ 45.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 45.00
5281	Director's fees	300.00	500.00	300.00	400.00	100.00	100.00	-	-	-	-	-	-	1,700.00
5211	Mileage - Business	-	13.20	-	20.90	-	-	-	-	-	-	-	-	34.10
5211	Mileage - Commuting	22.00	33.00	11.00	11.00	11.00	-	-	-	-	-	-	-	88.00
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ 322.00	$ 546.20	$ 311.00	$ 476.90	$ 111.00	$ 100.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,867.10
MARK ROBAK (DETAILED IN SECTION H):														
5214	Business meetings	$ 20.00	$ 20.00	$ 20.00	$ 200.00	$ -	$ 640.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 900.00
5281	Director's fees	200.00	300.00	200.00	200.00	200.00	500.00	-	-	-	-	-	-	1,600.00
5211	Mileage - Business	20.35	45.10	3.30	18.70	101.75	121.30	-	-	-	-	-	-	310.50
5211	Mileage - Commuting	2.20	4.40	2.20	4.40	2.20	-	-	-	-	-	-	-	15.40
5213	Seminars and conferences	-	50.00	15.00	-	-	-	-	-	-	-	-	-	65.00
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ 242.55	$ 419.50	$ 240.50	$ 423.10	$ 303.95	$ 1,261.30	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,890.90
TOTALS:														
5214	**Business meetings**	**$ 20.00**	**$ 45.00**	**$ 45.00**	**$ 245.00**	**$ 104.00**	**$ 665.00**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,124.00**
5281	**Director's fees**	**1,600.00**	**800.00**	**1,100.00**	**1,700.00**	**1,300.00**	**1,000.00**	**-**	**-**	**-**	**-**	**-**	**-**	**7,500.00**
5211	**Mileage - Business**	**42.35**	**58.30**	**25.30**	**129.80**	**213.95**	**167.50**	**-**	**-**	**-**	**-**	**-**	**-**	**637.20**
5211	**Mileage - Commuting**	**106.70**	**37.40**	**50.60**	**52.80**	**31.90**	**18.70**	**-**	**-**	**-**	**-**	**-**	**-**	**298.10**
5213	**Seminars and conferences**	**-**	**50.00**	**15.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65.00**
5212	**Travel**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total	**$ 1,769.05**	**$ 990.70**	**$ 1,235.90**	**$ 2,127.60**	**$ 1,649.85**	**$ 1,851.20**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 9,624.30**

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: BONILLA, JAIME

ATTACHMENT D

SECTION D

Account Name	Date	Descriptions	Amount
Business meetings	11/19/2009	MEXICAN AMERICAN PROFESSIONAL ASSOCIATION EVENT	$ 20.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: **BREITFELDER, LARRY**

ATTACHMENT E

Account Name	Date	Descriptions	SECTION E Amount
Business meetings	8/18/2009	COUNCIL OF WATER UTILITIES	$ 25.00
	9/15/2009	COUNCIL OF WATER UTILITIES	25.00
	11/17/2009	COUNCIL OF WATER UTILITIES	25.00
	11/19/2009	CALIFORNIA SPECIAL DISTRICTS	39.00
		MEXICAN AMERICAN PROFESSIONAL ASSOCIATION EVENT	20.00
	12/15/2009	COUNCIL OF WATER UTILITIES	25.00
Business meetings Total			159.00
Director's Fee	7/1/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	7/6/2009	CONSERVATION ACTION COMMITTEE MEETING	100.00
	7/7/2009	INTRA SITE TOUR - DISTRICT FACILITY SITE (1296-3 RESERVOIR)	100.00
	7/10/2009	AD HOC LEGAL MATTERS COMMITTEE MEETING	100.00
	7/20/2009	GM REVIEW - AGENDA BRIEFING	100.00
	7/27/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	9/2/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/15/2009	CONSERVATION ACTION COMMITTEE MEETING	100.00
	9/28/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	10/5/2009	CONSERVATION ACTION COMMITTEE MEETING	100.00
	10/7/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/15/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	10/20/2009	COUNCIL OF WATER UTILITIES	100.00
	10/21/2009	CONSERVATION ACTION COMMITTEE MEETING	100.00
	11/3/2009	CADS BOARD OF DIRECTORS MEETING	100.00
	11/4/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	11/9/2009	CONSERVATION ACTION COMMITTEE MEETING	100.00
	11/17/2009	COUNCIL OF WATER UTILITIES	100.00
	11/19/2009	CADS BOARD OF DIRECTORS MEETING	100.00
	12/2/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	12/15/2009	COUNCIL OF WATER UTILITIES	100.00
Director's Fee Total			2,100.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: **BREITFELDER, LARRY**

ATTACHMENT E

Account Name	Date	Descriptions	SECTION E Amount
Mileage - Business	7/31/2009	MEETING - JULY 6, 2009	22.00
	9/28/2009	MEETING - SEPT. 15, 2009	22.00
	10/31/2009	MEETING - OCT. 5, 20 & 21, 2009	90.20
	11/30/2009	MEETING - NOV. 3, 9, 17& 19, 2009	112.20
	12/31/2009	MEETING - DEC. 15, 2009	46.20
Mileage - Business Total			292.60
Mileage - Commuting	7/31/2009	MEETING - JULY 1, 7, 10, 20 & 27, 2009	82.50
	9/28/2009	MEETING - SEPT. 2 & 28, 2009	37.40
	10/31/2009	MEETING - OCT. 7 & 15, 2009	37.40
	11/30/2009	MEETING - NOV. 4, 2009	18.70
	12/31/2009	MEETING - DEC. 2, 2009	18.70
Mileage - Commuting Total			194.70
Grand Total			2,746.30

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: CROUCHER, GARY

ATTACHMENT F
SECTION F

Account Name	Date	Descriptions	Amount
Director's Fee	7/1/2009	REGULAR BOARD OF DIRECTORS MEETING	$ 100.00
	7/7/2009	INTRA SITE TOUR - DISTRICT FACILITY SITE (1296-3 RESERVOIR)	100.00
	7/10/2009	LEGAL AD HOC COMMITTEE	100.00
	7/27/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	7/30/2009	AGENDA REVIEW WITH GM AND COUNCIL	100.00
	9/17/2009	GM REVIEW - AGENDA BRIEFING	100.00
	9/28/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	9/30/2009	WATER RATES AD HOC COMMITTEE MEETING	100.00
	10/6/2009	GM - COMMITTEE AGENDA REVIEW	100.00
	10/7/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/8/2009	OWED AUDIT REVIEW	100.00
	10/14/2009	WATER CONSERVATION JAPE MEETING	100.00
	10/15/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	10/30/2009	COMMITTEE AGENDA BRIEFING MEETING WITH GENERAL MANAGER	100.00
	11/2/2009	MEETING WITH STAFF TO SIGN DOCUMENTS FOR BOND REFINANCING CLOSING	100.00
	11/3/2009	CADS BOARD OF DIRECTORS MEETING	100.00
	11/4/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	11/19/2009	SAN DIEGO CADS QUARTERLY MEETING	100.00
	11/30/2009	COMMITTEE AGENDA BRIEFING MEETING WITH GENERAL MANAGER	100.00
	12/2/2009	ENGINEERING, OPERATIONS AND WATER RESOURCES COMMITTEE MEETING	100.00
	12/30/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
Director's Fee Total			$2,100.00
Grand Total			$2,100.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: LOPEZ, JOSE

ATTACHMENT G
SECTION G

Account Name	Date	Descriptions	Amount
Business meetings	10/8/2009	WATER AGENCIES ASSOCIATION	$ 45.00
Business meetings Total			45.00
Director's Fee	7/1/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	7/8/2009	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	7/22/2009	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	8/5/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/10/2009	WATER CONSERVATION GARDEN COMMITTEE MEETING	100.00
	8/24/2009	SPECIAL REGULAR BOARD MEETING	100.00
	8/25/2009	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	8/31/2009	GM REVIEW - AGENDA BRIEFING	100.00
	9/2/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/14/2009	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	9/28/2009	CHULA VISTA WATER TASK FORCE	100.00
	10/7/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/14/2009	WATER CONSERVATION JAPE MEETING	100.00
	10/15/2009	WATER AGENCY ASSOCIATION	100.00
	10/19/2009	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
	11/4/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	12/14/2009	FINANCE AND ADMINISTRATIVE COMMITTEE MEETING	100.00
Director's Fee Total			1,700.00
Mileage - Business	8/31/2009	MEETING - AUG. 10, 2009	13.20
	10/15/2009	MEETING - OCT. 15, 2009	20.90
Mileage - Business Total			34.10
Mileage - Commuting	7/31/2009	MEETING - JULY 1 & 22, 2009	22.00
	8/31/2009	MEETING - AUG. 5, 24, & 25 2009	33.00
	9/30/2009	MEETING - SEPT. 2, 2009	11.00
	10/7/2009	MEETING - OCT. 7, 2009	11.00
	11/4/2009	MEETING - NOV. 4, 2009	11.00
Mileage - Commuting Total			88.00
Grand Total			$ 1,867.10

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: **ROBAK, MARK**

ATTACHMENT H
SECTION H

Account Name	Date	Descriptions	Amount
Business meetings	7/10/2009	THE CHAMBER SAN DIEGO EAST COUNTY	$ 20.00
	8/7/2009	SAN DIEGO EAST COUNTY CHAMBER OF COMMERCE	20.00
	9/11/2009	SAN DIEGO EAST COUNTY CHAMBER OF COMMERCE	20.00
	10/2/2009	SAN DIEGO EAST COUNTY CHAMBER OF COMMERCE	200.00
	12/3/2009	SAN DIEGO EAST COUNTY CHAMBER HOLIDAY MIXER & OPEN HOUSE	15.00
	12/4/2009	REGISTRATION ASSOCIATION OF CALIFORNIA WATER AGENCIES DEC.1-4, 2009	625.00
Business meetings Total			900.00
Director's Fee	7/1/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	7/9/2009	SAN VICENTE DAM RAISE CEREMONY	100.00
	8/5/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/19/2009	WATER REUSE SAN DIEGO CHAPTER MEETING	100.00
	8/24/2009	SPECIAL REGULAR BOARD MEETING	100.00
	9/2/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/3/2009	GM REVIEW - DISCUSSION OF GENERAL BUSINESS GOALS & OBJECTIVES FOR NEW YEAR	100.00
	10/7/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	10/29/2009	CELEBRATION OF LIFE - WATER CONSERVATION	100.00
	11/4/2009	REGULAR BOARD OF DIRECTORS MEETING	100.00
	11/6/2009	WATER REUSE WORKSHOP IRVINE RANCH WATER DISTRICT	100.00
	12/10/2009	WATER REUSE SAN DIEGO CHAPTER MEETING	100.00
	12/31/2009	AQUA BI-YEARLY CONVENTION IN SAN DIEGO DEC. 1-4, 2009	400.00
Director's Fee Total			1,600.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

DIRECTOR'S NAME: **ROBAK, MARK**

ATTACHMENT H
SECTION H

Account Name	Date	Descriptions	Amount
Mileage - Business	7/31/2009	MEETING - JULY 6 & 31, 2009	20.35
	8/31/2009	MEETING - AUG. 5, 19 & 24 2009	45.10
	9/2/2009	MEETING - SEPTEMBER 2, 2009	3.30
	10/31/2009	MEETING - OCT. 7, 15 & 26 2009	18.70
	11/30/2009	MEETING - NOV. 4 & 6, 2009	101.75
	12/31/2009	MEETING - DEC. 1 - 4 & 10, 2009	80.30
		PARKING - TOWN & COUNTRY CONVENTION CENTER DEC. 1-4, 2009	41.00
Mileage - Business Total			310.50
Mileage - Commuting	7/31/2009	MEETING - JULY 1, 2009	2.20
	8/31/2009	MEETING - AUG. 5 & 24 2009	4.40
	9/2/2009	MEETING - SEPTEMBER 2, 2009	2.20
	10/31/2009	MEETING - OCT. 7 & 29, 2009	4.40
	11/30/2009	MEETING - NOV. 4, 2009	2.20
Mileage - Commuting Total			15.40
Seminars and conferenc	8/21/2009	SAN DIEGO EAST COUNTY - WATER CONSERVATION POLITICS IN PARADISE	50.00
	9/25/2009	THE RANCHO SAN DIEGO-JAMUL BREAKFAST MEETING	15.00
Seminars and conferences Total			65.00
Grand Total			$ 2,890.90

EXHIBIT B

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

NOV 13 2009

Pay To: Larry Breitfelder

Period Covered:

Employee Number: 7013

From: 10/1/09 **To:** 10/30/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	10/5/09	CAC	Conservation Action Committee—Ordinance Work Group		40
2.	10/7/09	OWD Board Meeting	District Business	34	
3.	10/15/09	OWD EO&WR Comm	Engineering, Operations & Water Resources Committee Meeting	34	
4.	10/20/09	CWU	Council of Water Utilities		84
5.	10/21/09	CAC	Conservation Action Committee –Ordinance Workshop/State Presentation		40
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					

Total Meeting Per Diem: $500.00
($100 per meeting)

Total Mileage Claimed: 232 **miles**

L Breitfelder

(Director's Signature)

GM Receipt: [signature]

Date: 11.19.2009

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

received 11/23/09 from Susan CRUZ

AB000·1B1000·2101·520101 500.00
AB000·1B1000·2101·521102 18.70

EXHIBIT B

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

JAN 17 2010

Pay To: Larry Breitfelder

Period Covered:

Employee Number: 7013

From: 11/1/09 To: 11/30/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	11/3/09	CSDA Brd Mtg	CSDA Board of Directors Mtg.		40
2.	11/4/09	OWD Brd Mtg	OWD Board of Directors Mtg	34	
3.	11/9/09	CAC	Conservation Action Committee		40
4.	11/17/09	COWU	Council of Water Utilities		84
5.	11/19/09	CSDA	CSDA Quarterly Mtg.		40
6.					
7.					
8.					
9.					
10.			0·*		
11.			Per Diems 100·00×		
12.			5·=		
13.			500·00*		
14.			0·*		
15.			Mileage 34·×		
16.			0·55=		
17.			18·70*		
18.					

Total Meeting Per Diem: $ 500.—
($100 per meeting)

Total Mileage Claimed: 238 miles

Pres Bod

(Director's Signature)

GM ~~Approval~~ Receipt: _____

Date: _____

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

10 JAN 27 AM 8:33

1-27-10

AB000 · 1B1000 · 2101 - 521102 EXHIBIT B 18.70

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

JAN 17 2010

Pay To: Larry Breitfelder

Period Covered:

Employee Number: 7013

From: 12/1/09 To: 12/31/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	12/2/09	OWD Committee	OWD Engineering Committee	34	
2.	12/15/09	COWK	Council of Water Utilities		84
3.					
4.					
5.					
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18.					

Per Diems

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100.x
2.=
200.00*

mileage

0.*
34.x
0.55=
18.70*

Total Meeting Per Diem: $ 200.-
($100 per meeting)

Total Mileage Claimed: 118 miles

AD 1-27-10

(Director's Signature)

Pages Not Receipt

~~GM Approval~~: _____

Date: _____

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

'10 JAN 27 AM 8:33

EXHIBIT B

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

Pay To: Gary Croucher

Period Covered:

Employee Number: 7011

From: 010/01/09 **To:** 010/31/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1	10/06	GM	Committee Agenda Review		
2	10/07	Board	Regular Board Meeting		
3	10/08	Audit	OWD Audit review		
4	10/14	Committee	Water Conservation JPA meeting		
5	10/15	Committee	Engineering and Operations Committee		
6	10/30	GM	Agenda Briefing		

Total Meeting Per Diem: $600
($100 per meeting)

Total Mileage Claimed: 0 **miles**

(Director's Signature)

GM Approval: Recruit

Date: 11-5-2009

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

'09 NOV 6 AM 9:39

AB000.1133000.2101.528101 500.00

EXHIBIT B

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

Pay To: Gary Croucher

Period Covered:

Employee Number: 7011

From: 11/01/09 **To:** 11/30/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1	11/02	GM	Bond Closing - review and signatures		
✓ 2	11/03	CSDA	CSDA Board of Directors meeting		
✓ 3	11/04	Board	Regular Board Meeting		
✓ 4	11/19	CSDA	San Diego CSDA Quarterly Meeting		
✓ 5	11/30	Committee	Committee meeting agenda review		
			Per Diems 0.*		
			100.00×		
			5.=		
			500.00* ✓		

Total Meeting Per Diem: $500
($100 per meeting)

Total Mileage Claimed: 0 **miles**

[signature]
(Director's Signature)

GM ~~Approval~~ Receipt: [signature] 1.8.2010

Date: 12-30-09

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

NAD 1-27-10

'10 JAN 25 AM 9:26

AB000.1B3000-2101-528101 200.00

EXHIBIT B

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

Pay To: Gary Croucher **Period Covered:**

Employee Number: 7011 **From:** 12/01/09 **To:** 12/31/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1	12/02	Committee	E & O Committee Meeting		
2	12/30	GM	Board of Directors agenda review		
			Per Diems		
			0.*		
			100.00×		
			2.=		
			200.00*		

Total Meeting Per Diem: ~~$200~~ $200
($100 per meeting)

Total Mileage Claimed: 0 **miles**

(Director's Signature)

GM ~~Approval~~ Receipt: 1.8.2010 **Date:** 12.30.09

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

'10 JAN 25 AM 9:26

1-27-1

EXHIBIT B

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

Pay To: Jose Lopez

Period Covered:

Employee Number: 7010

From: 10/01/09 **To:** 10/31/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1.	10/7/09	OWD	BOARD OF DIRECTORS MEETING	20	
✓ 2.	10/14/09	OWD	WATER CONSERVATION GARDEN		0
✓ 3.	10/15/09	WAA	WATER AGENCY ASSOCIATION		38
✓ 4.	10/19/09	OWD	ADMIN & FINANCE MEETING	0	
5.					
6.					
7.					
8.					
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14.					
15.					
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17.					
18.					

Total Meeting Per Diem: $ 400.—
($100 per meeting)

Total Mileage Claimed: 58 miles

(Director's Signature)

GM Reciept:

Date: 11.4.2009

'09 NOV 6 AM 9:39

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

AB000 · 1B4000 · 2101 · 528101 100.00
AB000 · 1B4000 · 2101 · 521102 11.00

EXHIBIT B

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

JAN 15 2010

Pay To: Jose Lopez

Period Covered:

Employee Number: 7010

From: 11/01/09 To: 11/30/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.	11/04/09	OWD	Board Meeting	20	
2.					
3.					
4.					
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7.					
8.					
9.					
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17					
18.					

Per Diems

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100 • 00 ×
1 • =
100 • 00 *

Mileage

0 • *

20 • ×
0 • 55 =
11 • 00 *

Total Meeting Per Diem: $100.00
($100 per meeting)

Total Mileage Claimed: 20 miles

(Director's Signature)

GM Reciept:

Date: 1.20.2010

'10 JAN 21 AM 8:40

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

AO
1-27-10

HB000.134000.2101.528101 100.00

EXHIBIT B

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

Pay To: Jose Lopez

Period Covered: JAN 15 2010

Employee Number: 7010

From: 12/01/09 To: 12/31/09

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1.					
2.	12/14/09	OWD	Fin. + Admin Committee	Ø	
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.			Per Diems 0 *		
11.			100.00 ×		
12.			1 =		
13.			100.00 *		
14.					
15.					
16.					
17.					
18.					

Total Meeting Per Diem: $100.00
($100 per meeting)

Total Mileage Claimed: Ø miles

(Director's Signature)

GM Reciept:

Date: 1.20.2010

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

'10 JAN 21 AM 8:40

1.27.09

AB 000-1B5000-2101-528101 200.00
AB 000 · 1B 500 · 2101 · 521102 4.40
NOV 13 2009

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

Pay To: Mark Robak **Period Covered:**

Employee Number: 70141009 **From:** 10-1-09 **To:** 10-31-09

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	10-7	Monthly Otay Board Meeting	General District Business	4	6
2	10-15	SDCWA – Legislation, Conservation & Outreach Committee Meeting	Discussion of budget re-allocation to the Water Conservation Garden (See Exhibit A – Agenda)	0	22
3	10-26	Otay Water District	Discussion of bill credits with Otay staff	4	6
4	10-29	Celebration of Life – Water Conservation Garden	For Nora Jaeschke – **No Charge**	0	0
			0 *		
			100 · 00 ×		
			2 · =		
			Per Diems 200 · 00 *		
			0 · *		
			4 · 00 +		
			4 · 00 +		
			Mileage 8 · 00 *		
			8 · 00 ×		
			0 · 55 =		
			4 · 40 *		
				8	34

ok per Pres Crancher

Total Meeting Per Diem: $~~300~~ 200.-
($100 per meeting)

Total Mileage Claimed: 42 **miles**

Mark Robak
(Director's Signature)

'10 JAN 25 AM 9:26 Receipt

GM Approval: 1.8.2010 **Date:**

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

VAD 1.27.10

AB000. 1B5000. 2101. 528101 200.00
AB000. 1B5000. 2101. 521102 2.20

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

Pay To: Mark Robak **Period Covered:**

Employee Number: 70141109 **From:** 11-1-09 **To:** 11-30-09

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	11-4	Monthly Otay Board Meeting	General District Business	4	6
2	11-6	Water ReUse Workshop Irvine Ranch Water District	Discussion of recent changes to State Recycled Water Policy – See Exhibit A	0	179
			0•*		
			Per Diems 100•00× 2•= 200•00*		
			0•*		
			mileage 4•× 0•55= 2•20*		
				4	185

Total Meeting Per Diem: $200
($100 per meeting)

Total Mileage Claimed: 189 **miles**

Mark Robak
(Director's Signature)

Receipt
GM Approval: M Watts 1·8·2010

Date:

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

'10 JAN 25 AM 9:26

N
MD
1·27·10

AB000.1B5000-2101.528101 500.00

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

Pay To: Mark Robak

Period Covered:

Employee Number: 70141209

From: 12-1-09 **To:** 12-31-09

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	ACWA Bi-Yearly Convention In San Diego	Issues dealing with regional and statewide water issues – See Exhibit A	0	29
2	12-2	ACWA Bi-Yearly Convention In San Diego	Issues dealing with regional and statewide water issues – See Exhibit A	0	29
3	12-3	ACWA Bi-Yearly Convention In San Diego	Issues dealing with regional and statewide water issues – See Exhibit A	0	29
4	12-4	ACWA Bi-Yearly Convention In San Diego	Issues dealing with regional and statewide water issues – See Exhibit A	0	29
5	12-10	Water ReUse San Diego Chapter Meeting	Speakers and discussion on local recycled water issues – See Exhibit B	0	30
6	12-11	Rancho San Diego Jamul Chamber of Commerce Mixer	Monthly business/community forum – No Charge	0	0
				0	146

Total Meeting Per Diem: $500
($100 per meeting)

Total Mileage Claimed: 146 **miles**

Mark Robak
(Director's Signature)

receipt
GM ~~Approval~~: 1-8-2010

Date:

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

'10 JAN 25 AM 9:26

AD 1-27-10

AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	February 19, 2010
SUBMITTED BY:	Rita Bell, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Water Capacity and Annexation Fee Workshop		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To conduct a Water Capacity and Annexation Fee Workshop for the Finance, Administration, and Communications Committee, with the objective of receiving direction as to the best methodology to use for setting the fees, and to the process of gaining community support.

BACKGROUND:

To meet the objectives of the District, whereby growth pays for growth, and capacity and annexation fees are charged to new customers. Periodically, these fees are reviewed and updated to ensure equity and accuracy in the setting of these fees.

In July 2009, an RFP was issued to retain a consultant to conduct a water and sewer capacity and annexation fee study for the District. Three firms responded, and in October 2009, under the General Manager's authority, the firm of PBS&J was retained to perform a capacity and annexation fee study for the District.

Capacity Fee:

In November 2004, the Board raised the water capacity fee as recommended by the rate study performed by the firm Black & Veatch. The rate study was performed in fiscal year 2003 and identified the legally supported capacity fee of $4,120. This calculation was based on the most up-to-date capital improvement plan at that time, the draft 2004 Water Resources Master Plan. As a result of the study, the Board set the new capacity fee at $4,120 and assigned the January 1, 2003 ENR index as the new basis from which the capacity fee is to be inflated each quarter. The current water capacity fee effective 1/1/2010 is $5,434.

Historically, the methodology for Otay's capacity fee has been to create a fee whereby the cost of all future expansion projects is divided by all future customers. This is called the Incremental Capacity Fee methodology and is one of several industry standard methodologies for calculating a capacity fee charge.

Annexation Fee:

In May 2006, the water annexation fee was adjusted to reflect the same base data as the capacity fee study performed in 2004. This resulted in an increase of the fee by $102. This fee is charged to new customers annexing into the District. Its purpose is to collect from the new water customers their fair share of excess capacity in existing facilities. The current water annexation fee effective 1/1/2010 is $1,601.

Sewer Capacity and Annexation Fees:

The sewer capacity and annexation fees were last updated in November 1998 as part of a fee study. The District is scheduled to conduct a Wastewater Master Plan scheduled to commence in Fiscal Year 2011. After the District has updated and reliable capital planning data a more meaningful and relevant sewer capacity and annexation fee study can be performed.

ANALYSIS:

There are several industry accepted methodologies to use when calculating capacity and annexation fees.

The first method is the Incremental Capacity Fee, where the cost of all future expansion projects is divided by all future customers. This is the current method used by the District for calculating the capacity fee. The following illustrates the components of the calculation.

$$\frac{\text{Value of Future Facilities}}{\text{Future Equivalent Meters}}$$

The second is called the Buy-in Fee, where the cost of the current system, including the excess capacity, is divided by all current customers. The new fee is charged to all new customers and reflects how much the existing customers have paid for the current system. This calculation is illustrated below.

$$\frac{\text{Existing Asset Value}}{\text{Existing Equivalent Meters}}$$

The third option is the Combined Fee. Under this methodology the cost of the current system plus the cost of all future expansion projects is divided by all projected customers, future and existing. At its simplest the following illustrates the combined fee methodology.

$$\frac{\text{Existing and Future Asset Values}}{\text{Existing and Future Equivalent Meters}}$$

Each of the three fee methodologies is viable under California law. An agency's choice of which structure they use is normally driven by two factors: the availability of data and where they are in their build-out cycle. For instance, without a master plan or engineering developed CIP, the incremental and combined fee cannot be calculated. The buy-in fee cannot be calculated unless the agency has a good fixed asset and/or GIS system.

Similarly, where the agency is in their build-out cycle is equally important. If an agency is from 1% to 30% built-out the incremental fee is the most appropriate. This is because very few facilities have been built but many expansion capital projects are planned. From 31% to 80% the combined fee is most appropriate because the agency has both established assets but has expansion projects as well. The buy-in fee is most appropriate as an agency nears build-out as the majority or all of the assets are in the ground and there are very little if any expansion assets required.

For all three of the capacity fee methodologies discussed earlier, there are also various ways to value the cost of existing facilities. The methodologies and their pros and cons are listed in Table A. The first valuation methodology is reproduction cost. This is the original cost of existing facilities adjusted for inflation. The second is replacement cost or what it would cost today to build the same functional infrastructure (which means it may not be identical in construction methods or materials, but that it performs the same function). Within both of these methods there is a choice to either deduct or not deduct depreciation costs from these values. The logic to deduct depreciation is that when new customers are buying into an existing system they are buying one that is aged and may not have the service life of new facilities. The argument to exclude depreciation from the calculation as a deduction is that the maintenance cost of the infrastructure is not included, and these assets are being maintained to operational standards.

After review of the pros and cons of the valuation methods, it was decided that replacement cost less depreciation should be used for pipelines. This has become the industry standard when an agency, such as Padre Dam and Otay, has a fully developed GIS database where facilities quantities and characteristics can be obtained quickly. This information is normally much more complete than an agency's financial fixed asset records. It also provides a fair value for both existing and future customers. Reproduction cost understates the value of a utility system unless facilities are new.

Table A
Summary of Valuation Methods

Valuation Method	Description	Pros/Cons
Cost: Reproduction Costs Reproduction Costs New Reproduction Costs New Less Depreciation	Estimated design and construction cost of facilities under present market conditions. An appropriate index (trend factor) is applied to historical cost. Does not consider any technological improvements or regulatory modifications.	Can be one of the easiest to calculate. If assets are new and technology has not changed much, can be equivalent to Replacement Costs. The older the assets, the greater the disparity with Replacement Costs. Unless system is fairly new, deflates the value of existing assets paid for by existing customers.
Cost: Replacement Costs Replacement Costs New Replacement Costs Less Depreciation	The cost to construct a facility in today's dollars with the latest advances in technology. This is as if the asset is constructed today. The most economical new facility that could replace services provided by the asset being valued.	Requires engineering determination of present construction costs of similar facilities. Provides current cost to replace the system.

The following Table B provides a summary of some similar agencies, such as Helix, Padre Dam, and Olivenhain, who have recently updated their fees. The most relevant comparison is Padre Dam as they are using the same valuation and methodology as recommended for Otay. In Padre Dam's case, they use replacement costs less depreciation to calculate the value of their pipelines and pump stations for both water and sewer. They use reproduction costs less depreciation for all other asset valuations. They also use the same combined formula for their methodology as recommended for Otay.

Table B

	Capacity Fee			
Agency	Fee	Valuation Methodology	Fee Methodology	Fee Per EDU
Olivenhain MWD*	Water	RCLD	Combined	$5,712-$10,824
Helix WD*	Water	RCLD	Buy-In	$ 6,947
Helix WD	Water Supply	Future Costs	Incremental	$ 3,125
Padre Dam MWD	Water	RRCLD	Combined	$ 8,872

*Based on 3/4" residential water meter

Legend:

Reproduction Cost	RC
Reproduction Cost Less Depreciation	RCLD
Replacement Cost	RepC
Replacement Cost Less Depreciation	RepCLD
Reproduction/Replacement Cost Less Depreciation	RRCLD

Based on discussions and analysis, staff's recommendation is to use replacement cost less depreciation as the basis for valuation of water pipelines as it most fairly represents what existing customers would have to pay for the current assets today. Reproduction costs less depreciation is used for all other assets. It is common to use reproduction cost for reservoirs and pump stations because of the difficulty in estimating accurate replacement cost, this type of infrastructure cost data is often not handily available.

The District's current methodology for calculating annexation fees is not one of the options discussed earlier, rather it is a hybrid fee meant to capture excess capacity paid for by existing customers.

Our consultant has suggested a new way to view the annexation fee. Under this methodology, all property taxes paid by the existing District property owners (1% property tax and availability fees) divided by the total number of existing EDUs within the District. This fee is then charged to new customers that would like to annex into the Otay Water District boundaries, as they have not historically paid their share of this tax.

Water Capacity Fee

Option One: An Incremental Capacity Fee based on costs of all future capital projects yields a capacity fee of $7,803.

Option Two: A Buy-in Fee with replacement cost less depreciation for pipelines, reproduction cost less depreciation for all others, yields a capacity fee of $7,251. This would replace the current capacity fee of $5,434.

Option Three: A Combined Fee with replacement/reproduction cost less depreciation for existing assets and future capital costs for expansion assets the new capacity fee would be $7,500.

With all of these options the current annexation fee (based on excess capacity) of $1,601 would be eliminated.

New Water Source Fee

Another method to consider is to create a "new water source fee" that would be charged to all new customers. This new fee would be based on the expansion portion of the cost of new water source projects and the resources they would provide, which will allow for growth. Many of these new projects benefit all customers as they provide a measure of "drought protection", add reliability to our system, and provide some independence from the County Water Authority and Metropolitan Water District. Therefore, the betterment portion should be charged to all customers via rates and charges. This new fee is calculated to be $864.

Water Annexation Fee

Under the new recommended Annexation Fee using the present value of all property taxes paid by existing water customers, the recommended water annexation fee would be $2,514. This fee would only be paid by new customers wanting to annex into the

Otay Water District boundaries, and it would disregard whether the customer is in an Improvement District (ID).

FISCAL IMPACT:

None.

STRATEGIC GOAL:

This revenue source will help the District meet its fiscal responsibility to its ratepayers.

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Presentation

ATTACHMENT A

SUBJECT/PROJECT:	Water Capacity and Annexation Fee Workshop

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.

Attachment B

Committee Workshop

Capacity and Annexation Fee Study for Water

Finance, Administration and Communications Committee Workshop

February 19, 2010

Background

- Objective that growth pays for growth
- New customers "buy-in" to the system
- Fees reviewed every 4 to 6 years to ensure equity and accuracy
- Fees increased quarterly by ENR index

Capacity and Annexation Fee Study

- RFP was issued in July 2009
- 3 firms responded to RFP
- In October 2009, PBS&J was selected as responsive bidder
- Karyn Keese is our consultant on this project

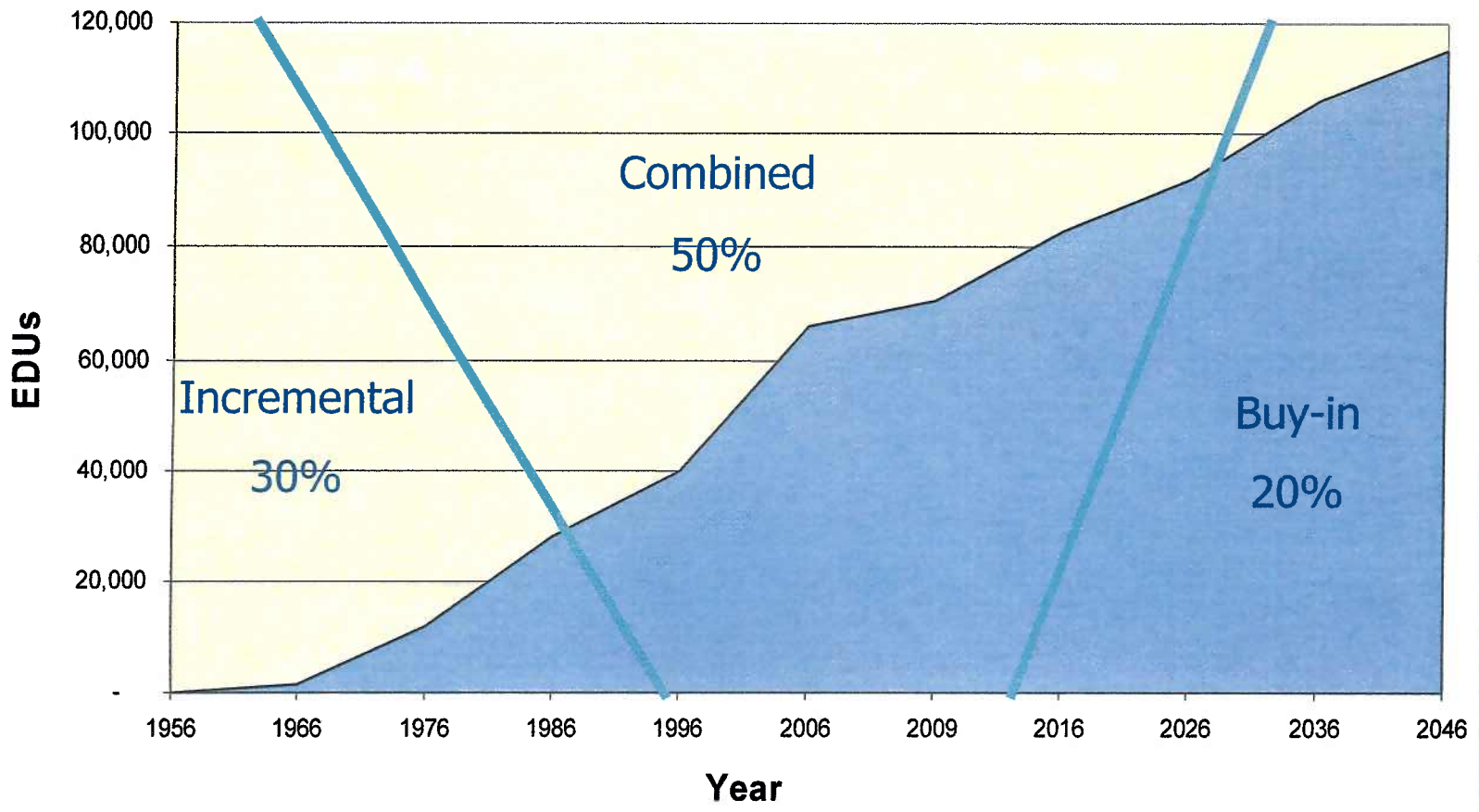
Current Water Capacity Fee

- This fee was last updated November 2004
- Black & Veatch performed the study
- The method used was the Incremental Capacity Fee Method
- The cost basis was future capital cost
- Rate was set at $4,120
- The current capacity fee is $5,434 for one EDU

Water Annexation Fee

- The fee was last updated in May 2006
- The study was performed in-house using the water capacity fee study as a basis of cost
- The fee is based on the value of excess capacity divided by the number of new customers expected
- The fee was set at $1,411
- The current water annexation fee is $1,601

Methods for Capacity Fees



How other Agencies Charge Capacity Fees

	Capacity Fee			
Agency	Fee	Valuation Methodology	Fee Methodology	Fee Per EDU
Olivenhain MWD*	Water	RCLD	Combined	$5,712-$10,824
Helix WD*	Water	RCLD	Buy-In	$ 6,947
Helix WD	Water Supply	Future Costs	Incremental	$ 3,125
Padre Dam MWD	Water	RRCLD	Combined	$ 8,872

*Based on 3/4" residential water meter

Legend:

Reproduction Cost	RC
Reproduction Cost Less Depreciation	RCLD
Replacement Cost	RepC
Replacement Cost Less Depreciation	RepCLD
Reproduction/Replacement Cost Less Depreciation	RRCLD

Current Rate Study

- Capacity Fee Methodologies
  - Incremental Capacity Fee:

$$\frac{\text{Value of Future Facilities}}{\text{Future Equivalent Meters}}$$

  - Combined Fee:

$$\frac{\text{Existing and Future Asset Values}}{\text{Existing and Future Equivalent Meters}}$$

  - Buy-in Fee:

$$\frac{\text{Existing Asset Value}}{\text{Existing Equivalent Meters}}$$

Methods to Value Cost

- Reproduction Cost
  - Original cost of existing facilities inflated for inflation (Identical Facility Type)
- Replacement Cost
  - What it would cost today to build the same functional infrastructure (Identical Capacity with Optimal Facility Type)

Other Cost Considerations

- Deduct Depreciation
  - Existing assets are not new
  - Takes into consideration the service life of the asset
- Not to Deduct Depreciation
  - Assets have been maintained to service level standards
  - Major maintenance not included in cost of assets

Recommended - Replacement Cost Less Depreciation

- Districts with fully-developed GIS database can ensure accuracy of method
- Provides most equitable value for both existing and future customers
- Reproduction costs understates value of system

New Water Supply Fee

- Charged to all new customers
- Based on the expansion portion of these new water projects

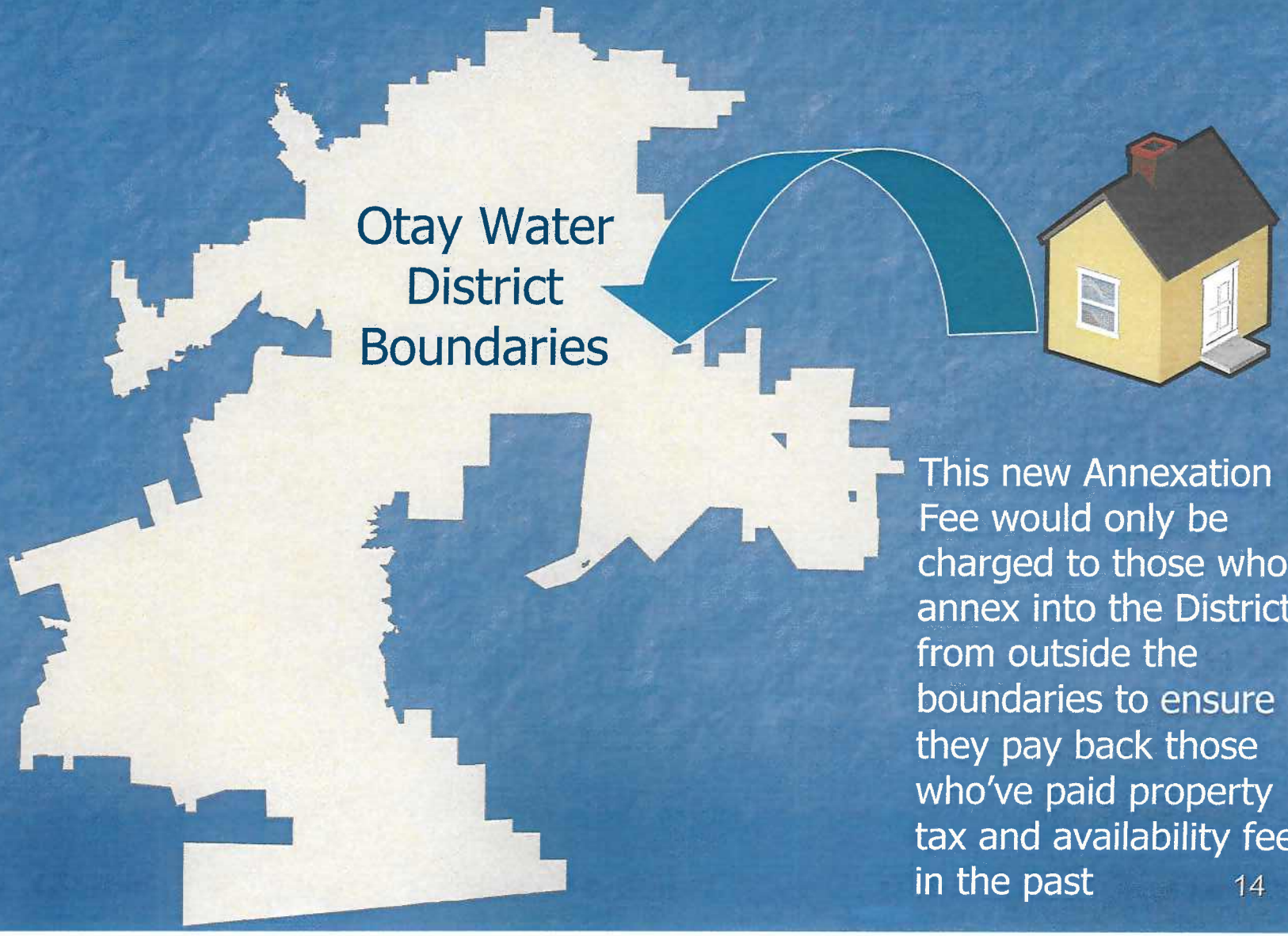
$$\frac{\text{Value of New Water Supply Facilities}}{\text{Future Equivalent Meters}}$$

Proposed Fee = $864

Water Annexation Fee

- New recommended Annexation Fee
- Based on 1% and availability taxes paid by existing customers
- Only paid by customers annexing into Otay Water District, not an ID
- New fee would be $2,514

Water Annexation Fee



This new Annexation Fee would only be charged to those who annex into the District from outside the boundaries to ensure they pay back those who've paid property tax and availability fees in the past

Difference in Fee Methods
Replacement Cost Less Depreciation

	Current Fees	Options		
		Buy-in	Incremental	Combined
Capacity Fee	$ 5,434			
Current Annexation Fee[1]	1,601			
	7,035	$7,251	$7,803	$7,500
New Water Supply Fee		864	864	864
Total Fees for New Meter	$ 7,035	$8,115	$8,667	$8,364
New Annexation Fee (Tax Fee) [2]		$2,514	$2,514	$2,514

[1] Only 75% of customers this fiscal year have paid annexation fees to annex into an ID to receive water service

[2] Only for customers annexing outside of Otay Water District boundaries

Difference in Fee Methods
Replacement Cost With Depreciation

	Current Fees	Options		
		Buy-in	Incremental	Combined
Capacity Fee	$ 5,434			
Current Annexation Fee[1]	1,601			
	7,035	$10,925	$7,803	$9,759
New Water Supply Fee		864	864	864
Total Fees for New Meter	$ 7,035	$11,789	$8,667	$10,623
New Annexation Fee (Tax Fee) [2]		$2,514	$2,514	$2,514

[1] Only 75% of customers this fiscal year have paid annexation fees to annex into an ID to receive water service

[2] Only for customers annexing outside of Otay Water District boundaries

Difference in Fee Methods
Reproduction Cost Less Depreciation

	Current Fees	Options		
		Buy-in	Incremental	Combined
Capacity Fee	$ 5,434			
Current Annexation Fee[1]	1,601			
	7,035	$4,588	$7,803	$5,863
New Water Supply Fee		864	864	864
Total Fees for New Meter	$ 7,035	$5,452	$8,667	$6,727
New Annexation Fee (Tax Fee) [2]		$2,514	$2,514	$2,514

[1] Only 75% of customers this fiscal year have paid annexation fees to annex into an ID to receive water service

[2] Only for customers annexing outside of Otay Water District boundaries

Difference in Fee Methods Reproduction Cost With Depreciation

	Current Fees	Options		
		Buy-in	Incremental	Combined
Capacity Fee	$ 5,434			
Current Annexation Fee[1]	1,601			
	7,035	$7,300	$7,803	$7,542
New Water Supply Fee		864	864	864
Total Fees for New Meter	$ 7,035	$8,164	$8,667	$8,406
New Annexation Fee (Tax Fee) [2]		$2,514	$2,514	$2,514

[1] Only 75% of customers this fiscal year have paid annexation fees to annex into an ID to receive water service

[2] Only for customers annexing outside of Otay Water District boundaries

Recommendations

	Current Fees	Recommended Method
Capacity Fee	$ 5,434	Combined Replacement Less Depreciation
Current Annexation Fee[1]	1,601	
	7,035	$7,500
New Water Supply Fee		864
Total Fees for New Meter	$ 7,035	$8,364
New Annexation Fee (Tax Fee) [2]		$2,514

[1] Only 75% of customers this fiscal year have paid annexation fees to annex into an ID to receive water service

[2] Only for customers annexing outside of Otay Water District boundaries

Gaining Community Support

- District staff to meet with:
  - Building Industry Association (BIA)
  - Developers
- Educate and gain their support for methodology and fee levels
- Return to Committee and Board for Approval

Questions?

AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	FOR G.A. German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Information Concerning Long-Term Debt Financing		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the details related to the proposed debt issuance to finance the District's capital infrastructure.

ANALYSIS:

This staff report will review why this debt issuance is recommended at this time, for this amount, how it differs from prior bond issuances, and what actions are required by the Otay Board and the Otay Water District Financing Authority's governing board.

Staff recommends the issuance of debt to finance approximately $47 million of the capital projects, allocated as follows:

- $24,000,000 in Expansion Projects
- $22,000,000 in Betterment Projects
- $1,000,000 in Replacement Projects

After additional borrowing to cover $550,000 of estimated issuance costs and the $3,750,000 funding of a reserve, the total issuance is expected to be approximately $51.3 million.

Timing of the Debt Issuance

The last debt issuance was in 2007 and was expected to fund two years of the Capital Improvement Program (CIP). Due to the economic slowdown, this debt issuance has been moved out by one year. At the May 2009 budget workshop, where the Board approved the 2010 budget, staff highlighted the need for a debt issuance in Fiscal Year 2010. Staff had targeted an issuance around March of 2010. Staff has reconfirmed, using the latest information available, the need to issue additional debt as the District's reserve balances are expected to drop below the reserve fund target levels by year-end absent the borrowing. The proposed debt issuance will replenish the District's reserves and fund the capital projects for an expected two to three years before the District will again approach the reserve target levels.

Build America Bonds

Due to the availability of the special financing structure "Build America Bonds" (BABs), authorized by the American Recovery and Reinvestment Act, financing costs can be locked in today at a low cost to the District. The lower overall financing cost of the BABs results from a federal government reimbursement to issuers of 35% of interest costs over the life of the issue. Currently, that brings the cost of issuing long-term BABs bonds approximately 50 basis points below comparable term tax-exempt bonds on the longer maturities. The special financing structure is currently only available to issuers until December 31, 2010. While President Obama has recommended making these provisions permanent in his 2011 budget proposal, the benefit as compared to the regular tax-exempt bonds is expected to be eliminated.

As described below, staff expects the District will benefit from issuing a portion of the debt as BABs.

Capital Improvement Funding

The latest refinement of the proposed Capital Improvement Program has a total three-year CIP of $107.9 million. In 2011 through 2013 approximately $26M is anticipated to be funded from water rates and $30M from grants, capacity and other restricted fees. This is approximately 52% of the necessary funding over the next three years leaving approximately $51.9M to be funded through debt or increased water revenues. This would result in a debt issuance of approximately $57M after taking into account

costs and debt reserve funding. This amount of debt, as discussed below can not be supported currently and also meet the other financial objectives of the District.

Amount of the Debt Issuance

In May of 2009, at the budget workshop, the projected amount of the debt issuance was $41 million. Over the past year, staff has revised the rate model multiple times as updated or new information became available. Using the current version of the District's rate model, staff is presented with a range of options for debt financing.

At the higher end, the debt issuance is sized at approximately $57 million to cover all capital facilities over the next three years, as well as costs and the funding of a debt reserve. At the lower end of possible debt issuances is an issue of approximately $36.1 million to cover only two years of capital infrastructure needs. A smaller debt issuance would cause unnecessary issuance costs resulting from back-to-back debt issuances.

There are a number of factors in determining the recommended option among this range of sizing options. In the general sense, the preferred option is to select the amount of debt that best meets the overall goals of the District. All options meet the reserve requirements and fund the capital infrastructure, as presented in the most recent projected CIP, discussed below. The differences center around how the options manage debt coverage ratios, interest rate risk, and their effect on customer rates. These factors are discussed immediately below.

Debt Coverage

In order to issue debt at a low cost the District must demonstrate a strong ability to pay the annual debt service. This ability is measured by the debt coverage ratio which is calculated by dividing net water revenues by annual debt payments. For many years the District has used the rate model to monitor the debt coverage ratio and set rates so that this ratio is at or above 150%. Historically, this level of debt coverage has been considered strong, and this along with many other factors has warranted the high AA credit rating given to the District by Standard & Poor's.

This year has presented a number of challenges which have negatively affected the debt coverage ratio. Economic pressures

and conservation have reduced the District's sales to a projected 8% below budget. This, as well as the CWA and MWD rate increases, has directly affected the debt coverage ratio. The amount of debt the District is able to issue in this year is limited to an amount less than $57M if the District is to maintain its high credit rating.

Historically, a coverage ratio of 150% has been considered strong. With the changes in the market and the special challenges that face California, it is important that the District continue to meet this target. A debt coverage of at least 150% at the current time, is the most prudent way of satisfying the rating agencies potential concerns over the effect of the recession and water supply on District finances. Certain debt coverage levels are established as a means to offset potential revenue declines resulting from further water sales reductions, both as a result of conservation efforts during the water supply crisis and from the consumer's need to reduce household expenses, as well as a decline in new development fees.

In consultation with the District's Financial Advisor, staff has determined that an acceptable amount of debt is $51.3 million, which will bring the District's debt coverage ratio to approximately 151%. Staff and the Financial Advisor are confident that this new level will maintain the District's high credit ratings. This determination is only possible due to the Board's long standing support of financial strength and excellent management.

Interest Rate Risk

Issuing $51.3 million in debt takes the maximum advantage of low interest rates, and based on the rate model projections, produces the lowest overall financing costs. This is after taking into account the negative arbitrage, which is the net cost of holding additional debt. Issuing a larger amount of debt has a cost and benefit. The cost, or negative arbitrage, results from borrowing funds at a higher interest rate than they can be reinvested. The benefit of issuing a larger amount of debt in the current year is the expectation of avoiding higher issuance costs or interest rates in the future.

The cost, or negative arbitrage, is realized only for the first two years as compared to 28 years of benefit realized over the remaining life of the bonds. Staff compared the issuance of $51.3M in debt today compared to a $36.1M issue today and a

$15.2M in debt issued two years from now. It is projected that an increase of only 13 basis points in interest rates over the next two years is the threshold over which it is financially beneficial to issue the larger amount of debt in the current year. This projection assumes that the Build America Bonds (BABs) option will not be available or that it will have been cut back to eliminate their benefit over tax-exempt bonds.

The current interest rates are at low levels which make the timing for a debt issuance one of the best since September 2008. Interest rates were relatively stable from January 2006 to March 2007. Leading up to September 2008 and since that time, rates have been unusually volatile, with numerous interest rate swings of over 50 basis points. Four of those swings exceeded one full percent, each occurring in a very short period. By issuing a larger amount of debt at this time the interest rates are locked in and the District is not susceptible to the variability of interest rates for at least three years.

There are a number of factors that can affect interest rates. Long-term treasuries are expected by many economists to increase between 50 and 60 basis points over the next year. While municipal bond interest rates do not track closely to treasury bonds, they are both affected by general inflationary factors. This level of anticipated inflation in the treasury rates over just one year is supportive of the assumption that municipal bonds will increase more than 13 basis points over the next two years.

Both the increase in interest rates and the elimination of the benefit of BABs are reasonable assumptions to build into this analysis. Based on this evaluation, staff will recommend a larger debt issuance at this time.

Customer Rates

With the issuance of the larger amount of debt, $51.3M, net revenues must increase proportionately in order to maintain the debt coverage ratio to acceptable levels. The option of issuing $36.1M in debt would have a two year effect of lowering rates by approximately 1.7% in each year; however with the higher priced 2012 debt, which would accompany a 2010 lower debt issuance, there would be a net increase in customer rates of approximately 2% beginning in 2013 and beyond.

Consistent with the District's Debt Policy, Policy No. 45, the recommended financing strategy is expected to reduce the overall

cost to customers by maintaining a strong credit rating and by minimizing the District's overall debt service.

Bond Structuring

In order to obtain the most favorable interest rates, staff recommends that the financing be split into two components, a long-term taxable portion of Build America Bonds, and a short-term tax-exempt portion. While the initial interest rate on BABs is higher than traditional tax-exempt bonds, the effective rate after taking into account the federal reimbursement is lower than traditional tax-exempt bonds for certain longer term maturities. The break-even point is usually about 12-15 years, and BABs are more cost effective for debt maturing from 2025 through 2040.

It is recommended that the financing be structured as one series of BABs, maturing from approximately 2025 through 2040, and one series of traditional tax-exempt bonds maturing from approximately 2011 to 2024, to take the best advantage of the financing options available to the District and incur the lowest overall effective interest costs. Most bond sales utilizing a BAB component are structured in a similar fashion to take advantage of lowest cost of two different types of bonds.

At this time, the estimated overall true interest cost is 4.25%, net of the BABs interest reimbursement. The estimated true interest cost without using BABs would be approximately 4.75%, or .5% higher than with the use of BABs. The use of BABs will save the District approximately $275,000 annually in debt service costs. Final rates will not be determined until the bonds are actually offered for sale, which is expected to occur on March 17, 2010.

Revenue Bonds/JPA

The investors in Build America Bonds generally prefer the bonds to be issued in a "revenue bond" structure, rather than the traditional "Certificates of Participation" (COPs) that the District has issued in the past. Substantively, there is no difference between a revenue-secured COPs and a revenue bond issued by the District; the security for both forms of debt is identical. However, there is a difference in investor perception, and that could lead to higher interest costs on this financing if the BABs are issued as COPs.

In order to issue revenue bonds instead of COPs, the District needed to partner with another public agency to form a Joint Powers Authority (JPA) to act as a conduit issuer of the revenue bonds. In February 2010, the Board became a member of the California Municipal Finance Authority (CMFA). Membership in CMFA was the first step in the process of forming a JPA between the District and CMFA. The JPA, to be known as the "Otay Water District Financing Authority," is a single purpose entity controlled by the District for the sole purpose of issuing revenue bonds for the benefit of the District. CMFA will have a very limited role in the bond transaction, and all financial decisions regarding the bonds will be made solely by the District. In the recent CWA debt financing this exact structure was used.

The Board of the CMFA will consider approving the JPA agreement at its February 19, 2010 meeting. If CMFA approves the formation of the Otay Water District Financing Authority ("Authority") and approves the form of JPA agreement, as anticipated, the JPA agreement will be presented to this Board for approval on March 3, 2010.

In addition, the first regular meeting of the Authority will be noticed for March 3, 2010, as required under the Brown Act. This Board will be designated to serve as the Authority Commission for the Authority and, after approving the Bylaws and appointing officers for the Authority, the Authority Commission will consider a resolution to authorize the issuance of debt and approve the form of the bond documents. Drafts of the staff reports and resolutions to be presented to the Authority at the March 3, 2010 meeting are included as Attachment B to this Staff Report for information purposes only.

Negotiated Sale of Bonds

The District used a competitive bidding process for sale of its COPs in 2004 and 2007 and for the recent sale of its General Obligation Refunding Bonds in 2009. These transactions were standard, tax-exempt financings with typical call provisions with no major change in maturity or structure required once the bids were received.

In general, Build America Bonds are not sold through a competitive bidding process. The desire to move maturities of the bonds between taxable BABs and tax-exempt bonds in response to market conditions (the break-even point between effective rates on the two series of bonds) on the day of the bond sale

requires flexibility to implement. This flexibility can only be achieved by selecting one underwriter to negotiate for the sale of bonds. In a negotiated sale, the underwriter is better able to canvass their investor base and gauge response to a change in maturity. In addition, optional redemption provisions are not standard for taxable bonds like BABs. The underwriter needs to work with investors to accept the most liberal provisions it can to provide the District cost effective call options.

The District solicited proposals from six firms with the most experience in marketing California BABs. Citigroup Global Markets Inc. ("Citi") was selected for this issue, based on their ability to market both the BABs and the tax-exempt bonds at the lowest possible cost to the District, as well as a competitive fee structure. The Financial Advisor will assist the District in determining that the bonds sold by Citi are sold at competitive interest rates.

In selecting Citi, staff and the Financial Advisor assessed three factors:

1. the demonstrated ability to market BABs at the lowest costs;
2. the demonstrated ability to market tax-exempt bonds at the lowest cost; and
3. proposed fees.

Financing Participants

In addition to the underwriter, who will purchase the bonds from the JPA and sell them to investors, the District has selected the following firms to assist in the financing:

GCR, LLP is acting as Bond Counsel and will prepare all legal documents required to provide valid pledge of revenue to the bonds, as well as provide an opinion as to the tax treatment of interest on either series of bonds.

Harrell & Company Advisors, LLC was selected as Financial Advisor and will assist with structuring the bonds, negotiating fees and interest rates with the underwriter and preparing the Official Statement.

Stradling Yocca Carlson & Rauth is acting as Disclosure Counsel and will review the Official Statement to make sure all information material to an investor's decision to purchase the bonds is included in the document.

Union Bank is acting as Trustee, receiving debt service payments from the District and transmitting them to bond owners.

Fees for the professionals involved in the financing are all contingent on the bond closing and will be paid from the proceeds of the bonds. In addition, fees charged by CMFA to assist in the creation of the JPA and the issuance of the bonds will be paid from proceeds of the bonds.

Actions

Several actions are required to accomplish the financing as described.

1. The District will be asked to consider Resolution No. 4154 approving the Joint Powers Agreement by and between the District and CMFA which will create the Otay Water District Financing Authority (Authority) and allows the District's financing to be structured as revenue bonds. The CMFA board approved the Joint Powers Agreement on February 19, 2010.

2. The District will be asked to consider Resolution No. 4155 approving the form of the following financing documents:

    - Installment Purchase Agreement by and between the District and the Authority;
    - Trust Agreement;
    - Continuing Disclosure Agreement;
    - Official Statement relating to the Bonds; and
    - Bond Purchase Agreement.

The resolution also provides the designated District officials and staff with the authorization to approve changes to the form of, and to execute and deliver the various financing documents in connection with the bonds, circulate a Preliminary Official Statement and an Official Statement and execute a Bond Purchase Agreement with the underwriter, Citigroup Global Markets, Inc. The resolution provides that the bonds may be issued in two series, with a combined maximum amount not-to-exceed $52,000,000, at a true interest cost not-to-exceed 7.0% with respect to BABs and not-to-exceed 5.0% with respect to the

series of bonds that will be tax-exempt. The underwriter's discount or takedown will not exceed $4.41 per $1,000 for the tax exempt bonds and $6.26 per $1,000 for the BABs.

3. The Authority, in a special Board meeting, will be asked to consider Resolution No. 2010-01 approving the Authority's bylaws and appointing its officers.

4. The Authority, in a regular Board meeting, will be asked to consider Resolution No. 2010-02 approving the form of the following financing documents:

   - Trust Agreement by and between the Authority and the Trustee;
   - Installment Purchase Agreement by and between the District and the Authority;
   - Continuing Disclosure Agreement;
   - Official Statement relating to the Bonds; and
   - Bond Purchase Agreement.

The resolution also provides the designated Authority officials and staff with the authorization to execute the various financing documents in connection with the bonds, circulate a Preliminary Official Statement and an Official Statement and execute a Bond Purchase Agreement with the underwriter, Citigroup Global Markets, Inc. The resolution provides that the bonds may be issued in two series, with a combined maximum amount not-to-exceed $52,000,000, at a true interest cost not-to-exceed 7.0% with respect to BABs and not-to-exceed 5.0% with respect to the series of Bonds that will be tax-exempt. The underwriter's discount or takedown will not exceed $4.41 per $1,000 for the tax exempt bonds and $6.26 per $1,000 for the BABs.

FISCAL IMPACT:

The sale of the $51.3M in bonds will provide debt funding for approximately three of the District's Six-Year CIP, while maintaining operating and capital reserve levels in accordance with the Board's Reserve Policy. The bonds will have a 30-year maturity and may be issued in two series, one series of BABs and one series of traditional tax-exempt bonds. Final determination of the size and maturity of each series will be based on market

conditions at the time of sale and the combination that provides the lowest overall net interest cost to the District. At the estimated true interest cost of 4.25%, net of the BABs interest reimbursement, the annual debt service on the bonds is projected to be approximately $2.92 million, net of the BABs interest reimbursement.

STRATEGIC GOAL:

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) Draft Staff Reports, Resolutions, and Bylaws to be presented to the Authority on March 3, 2010
C) Presentation

ATTACHMENT A

SUBJECT/PROJECT:	Information Concerning Long-Term Debt Financing

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.

Attachment B
GCR Draft of 2/10/10

RESOLUTION NO. 2010-01

A RESOLUTION OF THE AUTHORITY COMMISSION OF THE OTAY WATER DISTRICT FINANCING AUTHORITY APPOINTING OFFICERS OF THE AUTHORITY, ADOPTING BYLAWS AND PROVIDING FOR A FILING WITH THE CALIFORNIA SECRETARY OF STATE

WHEREAS, the Otay Water District Financing Authority (the "Authority") has been formed pursuant to a Joint Exercise of Powers Agreement (the "Agreement") between the Otay Water District (the "District") and the California Municipal Finance Authority ("CMFA"), dated as of March 3, 2010, between the District and CMFA; and

WHEREAS, the Authority Commission, as the governing board of the Authority, desires to appoint officers, adopt bylaws, and approve a filing with the California Secretary of State, as provided for in the Government Code of the State of California; and

WHEREAS, the Authority has determined that it is desirable and furthers its public purpose to assist in the financing of certain projects in the District's Capital Improvement Program (the "2010 Project"), and that the District will benefit from demonstrable savings in the costs of financing the 2010 Project as a result of the Authority's participation; and

WHEREAS, the Authority proposes to issue its Water Revenue Bonds, 2010 Series A and its Water Revenue Bonds, 2010 Series B (collectively, the "Bonds") for the purpose of financing the 2010 Project;

NOW, THEREFORE, BE IT RESOLVED by the Authority Commission as follows:

Section 1. The Authority Commission hereby adopts the Bylaws of the Authority, on file with the Secretary of the Authority and incorporated herein by reference.

Section 2. The Authority Commission hereby appoints the members of the Board of Directors of the District to serve in the same capacity for the Authority Commission as they serve in the Board of Directors of the District, initially, the following persons shall serve as the President and Vice-President of the Authority Commission:

President: Jaime Bonilla

Vice-President: Jose Lopez

Section 3. The Authority Commission hereby appoints the Officers of the Authority in accordance with the Agreement and the Bylaws of the Authority:

Executive Director: Mark Watton

Treasurer/Auditor: Joseph Beachem

Secretary to the Authority Commission: Susan Cruz

Section 4. The Authority Commission hereby authorizes the Secretary of the Authority to cause a notice of the Agreement to be prepared and filed with the Office of the California Secretary of State, which notice shall contain the following information:

(a) the name of each party to the Joint Exercise of Powers Agreement creating the Authority;

(b) the date upon which the Joint Exercise of Powers Agreement became effective;

(c) a statement of the purpose of the Joint Exercise of Powers Agreement and the power or powers to be exercised by the Authority; and

(d) a description of any amendments made to the Joint Exercise of Powers Agreement prior to such filing.

The Secretary of the Authority is hereby directed to file such notice within 30 days of March 3, 2010, the effective date of the Agreement.

Section 5. All of the recitals herein set forth are true and correct and the Authority Commission so finds and determines.

Section 6. This Resolution shall take effect immediately upon passage.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010.

_____
Jaime Bonilla, President of the Commission
Otay Water District Financing Authority

Attest:

_____
Susan Cruz, Secretary to the
Otay Water District Financing Authority

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Commission of the Otay Water District Financing Authority, do hereby certify that the foregoing Resolution No. 2010-01 was duly adopted by the Commission of the Otay Water District Financing Authority at a regular meeting thereof held on the _____ day of _____, 2010 by the following vote:

Ayes: All Commissioners voted yes, unless otherwise indicated below.
Noes: Commissioners:
Abstain: Commissioners:
Absent: Commissioners:

I further certify that the foregoing is a full, true and correct copy of Resolution No. 2010-01, and that the same has not been modified, amended or repealed.

DATE: _____, _____

_____
Susan Cruz, Secretary to the
Otay Water District Financing Authority

DRAFT

GCR
Draft of 2/10/10

OTAY WATER DISTRICT FINANCING AUTHORITY
REGULAR MEETING

Action:	Organizational; Adopt Bylaws and Appoint Commissioners and Officers for the Authority; Adopt Schedule for Regular Meetings
Purpose:	To designate the Commissioners and Officers of the Otay Water District Financing Authority
Meeting:	March 3, 2010

DRAFT

Background:

The Otay Water District (the "District") requested that the California Municipal Financing Authority, a public agency existing under the laws of the State of California ("CMFA"), assist the District with a proposed financing of capital improvement projects of the District. The CMFA agreed to assist the District and will together with the District create a new joint exercise of powers entity to be known as the Otay Water District Financing Authority ("Authority"). Both CMFA and the District have approved the formation of the Authority and entered into a joint exercise of powers agreement for that purpose. CMFA and the District are the only members and the Authority. The Authority is expected to be a single purpose entity controlled by the District with the sole purpose of issuing revenue bonds for the benefit of the District.

Historically, the District has issued its debt as certificates of participation through its own non-profit corporation; changes in the municipal market have resulted in an interest rate premium being charged to such securities, favoring the issuance of revenue bonds.

Analysis:

The Authority will be governed by a five member Commission which will consist of all members of the District's Board of Directors, who will serve on the Commission in the same capacity as they serve on the Board of the District.

The officers of the Authority will be staff members of the District. The General Manager of the District will serve as the Executive Director of the Authority, the District Secretary will serve as the Secretary of the Authority and the District's Chief Financial Officer will serve as the Treasurer/Auditor of the Authority.

Recommendation:

It is recommended that the Authority Commission adopt Resolution No. 2010-01 approving the Bylaws of the Authority; appointing commissioners and officers; and establishing that regular meetings of the Authority Commission will be held annually on the first Wednesday of March.

Attachments:
A) Resolution No. 2010-01
B) Bylaws

DRAFT

GCR
Draft 02/10/2010

BYLAWS
OF THE
OTAY WATER DISTRICT FINANCING AUTHORITY

ARTICLE I - THE AUTHORITY

Section 1. Name of Authority. The name of the Authority shall be the "Otay Water District Financing Authority" (the "Authority").

Section 2. Office of Authority. The office of the Authority shall be at the offices of Otay Water District (the "District") the 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978.

Section 3. Governing Body. The members of the Board of Directors of Otay Water District shall constitute the governing body of the Authority, which governing body shall be known as the Authority Commission. The members of the Authority Commission shall serve in the same capacity for the Authority as they serve for the Otay Water District. The President and Vice-President of the Authority Commission shall be as follows:

President. The President shall be the member of the Authority Commission who is the then current President of the Board of Directors of the District. The President shall preside at all meetings of the Authority Commission.

Vice-President. The Vice-President shall be the member of the Authority Commission who is the then current Vice President of the Board of Directors of the District. The Vice-President shall perform the duties of the President in the absence or incapacity of the President.

ARTICLE II - OFFICERS

Section 1. Officers. The officers of the Authority, in addition to the President and the Vice President of the Authority Commission, shall be an Executive Director, a Secretary and a Treasurer/Auditor. An officer is authorized to sign for and in the name of the Authority all contracts, deeds and other instruments approved by the Authority Commission to be made by the Authority.

Section 2. Executive Director. The Executive Director of the Authority shall be the General Manager of the Otay Water District. The Executive Director shall conduct day-to-day administration of the Authority's business and affairs, subject to the direction of the Authority Commission.

Section 3. Treasurer/Auditor. The Treasurer/Auditor shall be the then current or acting Chief Financial Officer of the Otay Water District. The Treasurer/Auditor shall keep regular books of accounts showing receipts and expenditures and shall render to the Authority Commission, as requested, an account of the transactions of the Authority and shall perform the duties required by the Joint Exercise of Powers Act, being California Government Code Section 6500 et seq. (the "Act") and any other duties that are designated from time to time by the Authority. The Treasurer/Auditor or in the absence of the Treasurer/Auditor, a person appointed by the Treasurer/Auditor or the Authority Commission, shall have the care and custody of all funds of the Authority. The Treasurer/Auditor may enter into agreements on behalf of the Authority with any financial institution authorized to accept deposits of public funds, providing for the transfer of funds between accounts maintained therein by the Authority upon request by telephone. Such agreements may also provide for the investment upon request by telephone of funds maintained in such accounts, in property or securities in which public agencies may legally invest money subject to their control. Such agreements shall designate the accounts maintained by the Authority which are subject thereto, and the persons who may, from time to time, make such transfers and direct such investments by telephone request.

Section 4. Secretary. The Secretary shall be the then current or acting Secretary of Otay Water District. The Secretary shall keep the records of the Authority, shall act as Secretary of the meetings of the Authority Commission and record all votes, and shall keep a record of the proceedings of the Authority Commission in the form of minutes to be kept for such purpose, and shall perform all duties incident to the office of Secretary.

Section 7. General Counsel. The then current General Counsel of the District shall serve as General Counsel to the Authority.

Section 8. Duties. The officers of the Authority shall perform such other duties and functions as may from time to time be required by the Authority or these Bylaws or by resolution, rules and regulations or by motion of the Authority Commission. Any officer of the Authority may sign, with the countersignature

of one other officer, deputy officer or member of the Authority, all orders and checks for the payment of money under the direction of the Authority.

Section 9. Assistants and Deputies; Additional Personnel. Whenever an officer of the Otay Water District is designated an officer of the Authority, the assistants and deputies of such officers from time to time shall also be, ex officio, officers of the Authority; and whenever a power is granted to, or a duty imposed upon, such officer, the power may be exercised, or a duty performed, by such assistant or deputy. The Authority Commission may from time to time employ such other personnel as it deems necessary to exercise its powers, duties and functions. The selection and compensation of such officers and other personnel shall be determined by the Authority Commission.

ARTICLE III - MEETINGS

Section 1. Regular Meetings. Regular meetings shall be held at least once a year at the business office of the Authority, or at such other place as the President may designate, on dates and at a time as fixed by the President of the Authority Commission. If at any time any regular meeting falls on a legal holiday, such regular meeting shall be held on the next business day at the same time.

Section 2. Special Meetings. A special meeting may be called at any time by the President or upon the request of a majority of the members of the Authority Commission as permitted by law.

Section 3. Closed Sessions. Nothing contained in these bylaws shall be construed to prevent the Authority Commission from holding closed sessions during a regular or special meeting concerning any matter permitted by law to be considered in a closed session.

Section 4. Public Hearing. All public hearings held by the Authority Commission shall be held during regular or special meetings of the Authority Commission.

Section 5. Adjourning Meetings and Continuing Public Hearings to Other Times or Places. The Authority Commission may adjourn any meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time-to-time. If all members are absent from any regular meeting or adjourned regular meeting, the Secretary or Acting Secretary of the Authority may declare the meeting adjourned to a stated time

and place and shall cause a written notice of the adjournment to be given in the manner permitted by law.

Any public hearing being held, or any hearing noticed or ordered to be held at any meeting may by order or notice of continuance be continued, or recontinued to any subsequent meeting in the same manner and to the same extent set forth herein for the adjournment of the meetings; provided, that if the hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing a copy of the order or notice of continuance shall be posted immediately following the meeting at which the order or declaration of continuance was adopted or made.

Section 6. Applicability of Ralph M. Brown Act. Meetings of the Authority shall be held, notice given and the business of the Authority conducted, all as provided in the Ralph M. Brown Act, being California Government Code Section 54950 *et seq*.

Section 7. Quorum. A majority of the members of the Authority Commission shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. Action may be taken by the Authority Commission upon a vote of a majority of a quorum, unless a higher vote is required by law or by these Bylaws.

Section 8. Manner of Voting. The manner of voting on resolutions and on other matters shall be as prescribed by the President.

ARTICLE IV - AMENDMENTS

Section 1. Amendments to Bylaws. The Bylaws may be amended by the Authority at any regular or special meeting by the affirmative vote of a majority of the members of the Authority Commission.

Attachment B
GCR Draft of 2/10/10

RESOLUTION NO. 2010-02

OTAY WATER DISTRICT FINANCING AUTHORITY

A RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED $52,000,000 TO FINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND EQUIPPING OF FACILITIES OF THE OTAY WATER DISTRICT AND OTHER MATTERS RELATING THERETO

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "JPA Act"), the Otay Water District (the "District") and the California Municipal Finance Authority ("CMFA") entered into a joint exercise of powers agreement (the "Agreement") pursuant to which the Otay Water District Financing Authority (the "Authority") was organized; and

WHEREAS, the Authority is authorized by its Agreement and the JPA Act to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements for all purposes permitted by the JPA Act and described in the Agreement; and

WHEREAS, pursuant to the provisions of the JPA Act, the parties comprising the Authority are authorized to jointly exercise any power common to such contracting parties, including, without limitation, the power to finance the acquisition, construction, rehabilitation, equipping, disposition property, both real and personal; and

WHEREAS, the District is a municipal water district and wishes to finance the acquisition and construction of improvements, betterments, renovations, and expansions of certain facilities owned and operated by the District for its water system to provide for the production, acquisition, treatment and distribution of potable and reclaimed water (the "2010 Project"); and

WHEREAS, the District has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of making a loan to the District to finance the 2010 Project; and

WHEREAS, the District is empowered to acquire, own and operate the water and reclaimed water facilities it intends to finance; and

WHEREAS, pursuant to a Trust Agreement, dated March 3, 2010 (or such other date as approved by the Authority) (the "Trust Agreement"), between the Authority and Union Bank of California, N.A. (the "Trustee"), the Authority will issue the OTAY WATER DISTRICT FINANCING AUTHORITY, WATER REVENUE BONDS, SERIES 2010A (NON-AMT TAX-EXEMPT BONDS) (2010 WATER SYSTEM PROJECT) (the "Series A Bonds") and the OTAY WATER DISTRICT FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2010B (TAXABLE BUILD AMERICA BONDS) (2010 WATER SYSTEM PROJECT) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") for the purpose, among others, of financing the 2010 Project; and

WHEREAS, pursuant to the Installment Purchase Agreement, dated as of March 3, 2010 (or such other date as approved by the Authority) (the "Installment Purchase Agreement"), between the Authority and the District, the Authority will loan the proceeds of the Bonds to the District for the purpose, among others, of financing the 2010 Project; and

WHEREAS, pursuant to a Bond Purchase Agreement, to be dated the date of sale of the Bonds (the "Bond Purchase Agreement"), among Citigroup Global Markets, Inc., as underwriter (the "Underwriter"), the Authority and the District, the Bonds will be sold to the Underwriter, and the proceeds of such sale will be used as set forth in the Trust Agreement to finance the 2010 Project, to fund a debt service reserve account, if one is established, and to pay costs incurred in connection with the issuance of the Bonds; and

WHEREAS, the Bonds will be offered for sale through an official statement, and a preliminary form of the Official Statement is being presented to this Authority Commission for approval; and

WHEREAS, some of the Bonds may be issued as taxable "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, such that the Authority will be entitled to receive cash subsidy payments from the United States treasury (the "Interest Subsidy Payments"), and the Authority wishes to designate the District as the recipient of any such Interest Subsidy Payments pursuant to this Resolution and pursuant to the Installment Purchase Agreement; and

WHEREAS, there have been placed on file with the Authority prior to this meeting the following documents and agreements:

(1) A proposed form of the Trust Agreement;

(2) A proposed form of the Installment Purchase Agreement;

(3) A proposed form of the Bond Purchase Agreement; and

(4) A proposed form of official statement (the "Official Statement") to be used by the Underwriter in connection with the offering and sale of the Bonds; and

WHEREAS, GCR, LLP has been selected to serve as Bond Counsel to the Authority, Stradling Yocca Carlson & Rauth, a Professional Corporation, has been selected to serve as Disclosure Counsel to the Authority, Harrell & Company Advisors has been selected to serve as the Financial Advisor to the Authority, and Citigroup Global Markets, Inc. has been selected to act as the underwriter (the "Underwriter") for the Bonds, and each of those entities is hereby confirmed to serve the Authority in those capacities in connection with the Bonds, pursuant to the terms of any contract or agreement entered into with the District; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the making of the agreements and the consummation of the financing authorized by this resolution do exist, have happened and have been performed in regular and due time, form and manner, and the Authority is duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing as provided in this resolution.

NOW THEREFORE, BE IT RESOLVED by the Authority Commission of the Otay Water District Financing Authority (the "Board"), as follows:

Section 1. The Authority Commission hereby finds and determines that the foregoing recitals are true and correct.

Section 2. Pursuant to the JPA Act and the Trust Agreement, the Authority is hereby authorized to issue its revenue bonds designated as the OTAY WATER DISTRICT FINANCING AUTHORITY, WATER REVENUE BONDS, SERIES 2010A (NON-AMT TAX-EXEMPT BONDS) (2010 WATER SYSTEM PROJECT) (the "Series A Bonds") and the OTAY WATER DISTRICT FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2010B (TAXABLE BUILD AMERICA BONDS) (2010 WATER SYSTEM PROJECT) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds") in an aggregate principal amount not to exceed $52,000,000. The Bonds shall be issued and secured in accordance with the terms of and shall be in the form or forms set forth in the Trust Agreement, with such changes, deletions or insertions as may be approved by any member of the Authority Commission and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, provided that the Underwriters' discount or takedown shall not exceed not exceed $4.41 per $1,000 for the Series A Bonds and $6.26 per $1,000 for the Series B Bonds and the true interest cost for the Bonds shall not exceed shall not exceed 5.0% for the Series A Bonds and 7.0% for the Series B Bonds. The Bonds shall be executed by the manual or facsimile signature of a member of the Authority Commission or an Authorized Officer.

Section 3. The Trust Agreement, in substantially the form placed on file with the Authority, is hereby approved. The President of the Authority Commission, or the Executive Director or the Treasurer/Auditor of the Authority, and their written designees (each, an "Authorized Officer" and, collectively, the "Authorized Officers"), is hereby authorized and directed, on behalf of the Authority, to approve the delivery of the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority. The Trustee, the dated date, maturity dates or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Trust Agreement, as finally executed.

Section 4. The Installment Purchase Agreement, in substantially the form placed on file with the Secretary of the Authority, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Installment Purchase Agreement in substantially said form, with such changes and insertions therein as such officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authority hereby designates the District as the recipient of any Interest Subsidy Payments which the Authority may be entitled to receive in connection with all or any of the Bonds. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to approve language reflecting this designation to be included in the Installment Purchase Agreement and to execute and deliver any certificate, written request or any other document necessary or desirable to ensure that the District is entitled to receive said Interest Subsidy Payments.

Section 5. The Bond Purchase Agreement, in substantially the form placed on file with the Authority, is hereby approved. Each Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement in substantially said

form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 6. The Underwriter is hereby authorized to distribute a preliminary Official Statement, in substantially the form placed on file with the Authority, to persons who may be interested in the purchase of the Bonds and to deliver the Official Statement in final form to the purchaser(s) of the Bonds, in each case with such changes as any Authorized Officer deems desirable, necessary or appropriate.

Section 7. The Bonds, when executed as provided in Section 1, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser or purchasers thereof in accordance with written instructions executed on behalf of the Authority by any Authorized Officer. Such instructions shall provide for the delivery of the Bonds to the purchaser or purchasers thereof, upon payment of the purchase price thereof.

Section 8. Any member of the Authority Commission and any Authorized Officer, each, is hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver any and all documents, including, without limitation, any and all documents and certificates to be executed in connection with securing credit support, if any, for the Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Authority has approved in this Resolution; provided that no such documents or certificates shall create any obligation or liability of the Authority other than with respect to the revenues and assets derived from the proceeds of the Bonds or otherwise securing the Bonds under the financing documents described and authorized herein.

Section 9. Any Authorized Officer, acting alone, is hereby authorized to execute and deliver future amendments to the documents authorized to be executed and delivered pursuant to this Resolution ("Authorized Documents"), without further action of the Authority, for the purpose of (i) adding to the covenants and agreements of the District or of the provider of any credit enhancement or liquidity facility; (ii) assigning or pledging additional security for any of the Bonds, which security shall be provided by the District; (iii) curing any ambiguity, inconsistency or omission or supplementing any defective provisions of the Authorized Documents; (iv) permitting the qualification of the Trust Agreement or any supplemental indenture under the Trust Indenture Act of 1939 or any similar federal statutes hereafter in effect; (v) providing for any additional procedures, covenants or agreements necessary to maintain the tax-exempt status of interest on the Bonds, or, if the Bonds are taxable and federally subsidized, allow the Authority and/or the District to provide evidence of compliance with any procedures or covenants required to maintain eligibility for the subsidy; (vi) modifying or eliminating the book-entry registration system for the Bonds, if any; or (vii) providing for the appointment of a co-trustee/bondowner representative or the succession of a new trustee/bondowner representative authorized pursuant to the terms of the Trust Agreement; provided such amendments are (1) made pursuant to a written request of the District, (2) made pursuant to the terms of such documents, (3) are consistent with such documents, (4) do not require the consent of the holders of the Bonds and (5) do not provide for any additional duties or costs with respect to the Authority for which the District does not agree in advance to reimburse or indemnify the Authority therefor.

Section 10. All actions heretofore taken by any Authorized Officer and other appropriate officers and agents of the Authority with respect to the issuance of the Bonds are hereby ratified, confirmed and approved.

Section 11. This Resolution shall take effect from and after its adoption.

*****

PASSED AND ADOPTED by the Otay Water District Financing Authority this ____ day of _____, 2010 by the following vote:

Ayes: All Commissioners voted yes, unless otherwise indicated below.

Noes: Commissioners:

Abstain: Commissioners:

Absent: Commissioners:

I, the undersigned, a duly appointed and qualified Member of the Authority Commission of the Otay Water District Financing Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Authority Commission of said Authority at a duly called meeting of the Authority Commission of said Authority held in accordance with law on March 3rd, 2010.

_____
Jaime Bonilla, President of the Authority Commission
Otay Water District Financing Authority

Attest:

_____
Susan Cruz, Secretary to the
Otay Water District Financing Authority

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Otay Water District Financing Authority, do hereby certify that the foregoing Resolution No. 2010-02 was duly adopted by the Commission of the Otay Water District Financing Authority at a regular meeting thereof held on the _____ day of March, 2010, that the foregoing is a full, true and correct copy of Resolution No. 2010-02, and that the same has not been modified, amended or repealed.

DATE: _____, 2010

_____
Susan Cruz, Secretary to the
Otay Water District Financing Authority

LEGAL

OTAY WATER DISTRICT FINANCING AUTHORITY
REGULAR MEETING

Action: Adopt Resolution 2010-02 Authorizing the Issuance of Water Revenue Bonds and Approving the Execution and Delivery of Documents Related Thereto and Authorizing Related Actions

Purpose: To obtain authorization for the issuance of revenue bonds to finance certain capital improvements

Meeting: March 3, 2010

DRAFT

Background:

The Otay Water District (the "District") approached the California Municipal Financing Authority ("CMFA") to assist the District with a proposed financing of capital improvement projects of the District. The CMFA agreed to join the District in creating a new Joint Powers Authority to be known as the Otay Water District Financing Authority ("Authority"). Both CMFA and the District approved the formation of the Authority and agreed to enter into a joint exercise of powers agreement for that purpose. The initial and immediate purpose of the Authority is to facilitate the issuance of revenue bonds for the benefit of the District.

Analysis:

The District has adopted a Resolution authorizing the issuance of the Bonds, and the execution and delivery of related documents by the District. The Authority is now being asked to approve the issuance of the Bonds and the execution and delivery of required documents and to authorize the officers of the Authority to take certain actions deemed necessary or advisable in connection therewith.

The Bonds will be payable as to principal and interest from pledged revenues under the Trust Agreement. The pledged revenues will be in the form of installment payments and other payments to be made by the District to the Authority pursuant to the Installment Purchase Agreement. The installment purchase payments will be made on a parity basis with certain installment purchase payments being made by the District, from Net Revenues of the District, in connection with outstanding certificates of participation of the District, as more specifically described in the Installment Purchase Agreement and the Official Statement.

It is anticipated that a portion of the Bonds will be issued as taxable "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, such that the Authority will be entitled to receive cash subsidy payments from the United States treasury (the "Interest Subsidy Payments"). The Authority wishes to designate the District as the recipient of any such Interest Subsidy Payments pursuant to this Resolution and pursuant to the Installment Purchase Agreement.

The Authorizing Resolution (Attachment A) approves the Bond issuance subject to certain conditions, approves the form of the documents discussed below, and delegates authority to the President of the Authority Commission and to the Officers of the authority to finalize, execute and deliver the documents and to do any and all things necessary to complete the transaction. Pursuant to the Authorizing Resolution, the following documents are being authorized in substantially the form on file with the Secretary of the Authority, and the President and the Officers of the Authority are being authorized and directed to execute and deliver the same, with such changes thereto as deemed necessary or advisable:

- The Trust Agreement provides for the issuance of the Bonds.
- The Official Statement is the primary disclosure document for the transaction. The preliminary Official Statement is on file with the Secretary and contains information necessary for investors to make informed buying decisions regarding the Bonds. It also contains information on the District water supplies, operations, CIP, finances, and the regional economy. The Resolution authorizes the Underwriter to distribute the preliminary Official Statement and to deliver the final Official Statement.
- The Installment Purchase Agreement provides for payments to be made to the Authority by the District from Net Revenues of the District's water system.
- The Continuing Disclosure Agreement, attached to the Preliminary Official Statement, prescribes ongoing information disclosure responsibilities of the District.
- The Bond Purchase Agreement establishes final conditions of the sale of the Bonds to the Underwriter.

Recommendation:

It is recommended that the Commission adopt Resolution No. 2010-02 Authorizing the Issuance of Revenue Bonds in a Principal Amount not to Exceed $52,000,000 to Finance the Acquisition, Construction, Improvement, Renovation, Improvement, Renovation and Equipping of Facilities of the Otay Water District and Other Matters Relating Thereto.

Attachments:
A) Resolution No. 2010-02

Attachment C

Capital Financing Plan

March 3, 2010

Financing Plan

- Timing of Debt
- CIP to be Funded
- Sizing of the Debt
- Build America Bonds
- Otay Water District JPA
- Selection of Underwriter
- Pending Actions

Timing of Debt

Reserve levels are approaching target levels and will fall below target level as the fiscal year continues. Capital expenditures are expected to decrease reserves another $12M by 6/30/10.

Current water reserve levels and year-end targets are:

Fund	12/31/09 Balances	6/30/10 Targets
General Fund	$15.1M	$14.9M
Expansion Fund	$16.2M	$7.6M
Betterment Fund	$2.5M	$2.9M
Replacement Fund	$24.5M	$23.2M
	$58.3M	$48.6M

Funding CIP with debt maintains reserves at or above target levels.

CIP Funding

The District continues to have a substantial CIP.

Projections for next three years are:

2011	$28.9M
2012	$35.0M
2013	$44.0M
Total	$107.9M

In 2011 through 2013, approximately $26M is anticipated to be funded from water rates and $30M from grants, capacity and other restricted fees. This is approximately 52% of the necessary funding over the next three years leaving approximately $51.9M to be funded through debt or increased water revenues.

Reliable water supplies and obtaining new sources of water are a prominent feature in the future CIP.

Sizing of the Debt

- Range of Options
  - 3 years of CIP $57.0M
  - 2 years of CIP $36.1M
- Protection of the District's Credit Rating
  - Effect on the Debt Coverage Ratio
- Negative Arbitrage
- Effect on Rates

Rate Covenant

Credit Strength Based in Part on Ability to Implement Rates to Maintain Adequate Coverage Ratio

With a proposed debt issuance of $53.1M the anticipated Debt Coverage Ratios remain above target of 150%

2010 187%

2011 158%

2012 151%

Debt coverage has a minimum of 125%

Negative Arbitrage vs. Future Costs

- Evaluated the likelihood of future financing cost increases weighed against the negative arbitrage to hold funds
- Conclusion – Recommendation is to maximize the 2010 financing within constraints
  - Lock in interest rates
  - Leads to predictable rate increase for next three years
  - Minimizes the overall cost of financings

Rate Model

The approximate rate impact of issuing the larger recommended amount of debt $51.3M as compared to the lesser $36.1M debt is as follows:

2011	+1.7%	Increase in rates
2012	+1.7%	Increase in rates
2013	-5.6%	Decrease in rates

Net Benefit is approximately 2% beginning in 2013 and beyond.

Recommended Bond Size

- Bond Size Estimated at $51.3M
  - $47.00M in CIP
  - $ 3.75M to Debt Service Reserves
  - $ 0.55M to Issuance Costs
- Annual Debt Service of $2.92M Net of BAB Reimbursement
- Effective Interest Rate 4.25%

Build America Bonds

Authorized by American Recovery and Reinvestment Act

Bonds are Issued at Taxable Rates and US Treasury Reimburses Issuer for 35% of Interest Cost

Build America Bonds

Most Cost Effective at the Longer End of Yield Curve (2025 and later)

- Tax-Exempt Series 2011-2024
- Taxable BAB Series 2025-2040

Build America Bonds

Results in Approximately 50 Basis Points Reduction in Interest Rates Compared to 100% Traditional Tax-exempt Bonds

(Approx. $275,000 Annually)

Otay Water District Financing Authority

- Joint Powers Agreement with CMFA
- Allows Issuance of Revenue Bonds Instead of Traditional COPs
- More Desirable by Taxable Build America Bond Investors

Underwriter Selection

- Difficulties with marketing BABs through competitive sale
- RFP solicited from 6 firms
- Citigroup Global Markets Inc. selected based on ability to market both BABs and tax-exempt bonds at lowest rate; competitive fees

Pending Actions to Approve Bonds

District Board

- Approve Resolution No. 4154 to form the JPA
- Approve Resolution No. 4155 approving the Bond Underwriter and the following Bond documents
  - Installment Purchase Agreement
  - Trust Agreement
  - Continuing Disclosure Agreement
  - Official Statement
  - Bond Purchase Agreement

Pending Actions to Approve Bonds

Financing Authority

- Approve Resolution No. 2010-01 approving the bylaws and appointing commissioners and officers of the JPA
- Approve Resolution No. 2010-02 approving the Bond Underwriter and the following bond documents
  - Installment Purchase Agreement.
  - Trust Agreement
  - Continuing Disclosure Agreement
  - Official Statement
  - Bond Purchase Agreement

Summary

- Reserve levels are approaching target levels
- Debt is sized to maintain debt coverage ratios
- AA rating is expected to be maintained
- New debt structure to minimize cost of debt
- $51.3M debt issuance to be approved with the pending Board actions

Questions?

AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Authorizing the Otay Water District to Execute a Joint Exercise of Powers Agreement with the California Municipal Finance Authority to Establish the Otay Water District Financing Authority; Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, A Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official Statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; Approving the Selection of an Underwriter for the Bonds		

GENERAL MANAGER'S RECOMMENDATIONS:

That the Board (i) adopt Resolution No. 4154 authorizing the General Manager to execute a joint exercise of powers agreement with the California Municipal Finance Authority (CMFA) to establish the Otay Water District Financing Authority (Authority); (ii) adopt Resolution No. 4155 Authorizing the Execution and Delivery of an Installment Purchase Agreement, A Bond Purchase Agreement, A Continuing Disclosure Agreement and an Official Statement and Approving a Trust Agreement and the Distribution of a Preliminary Official statement in Connection with Water Revenue Bonds and Approving and Authorizing Certain Other Actions in Connection Therewith; and (iii) approve the selection of an underwriter for the Bonds.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To facilitate the issuance of debt to finance certain projects in the District's Capital Improvement Program (CIP.)

BACKGROUND:

The Otay Water District (District) has previously executed an installment sale agreement dated as of June 1, 1996 (the "1996 Installment Sale Agreement") securing the District's outstanding Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "1996 Certificates"), an installment purchase agreement dated as of July 1, 2004 (the "2004 Installment Purchase Agreement") securing the District's outstanding Revenue Refunding Certificates of Participation (1993 Water Facilities Project), Series 2004 (the "2004 Certificates") and an installment purchase agreement dated as of March 1, 2007 (the "2007 Installment Purchase Agreement") securing the District's outstanding Revenue Certificates of Participation (2007 Water System Project), Series 2007 (the "2007 Certificates").

The District now needs to finance the acquisition, construction, rehabilitation and installation of approximately $35 million of its CIP over the next three years. In addition the District expects to reimburse approximately $12 million of certain District expenditures from proceeds of the water revenue bonds. The actual amount of reimbursement will be determined following the closing.

ANALYSIS:

The Authority

Staff is proposing the formation of the Otay Water District Financing Authority (the "Authority") pursuant to a joint exercise of powers agreement between the District and California Municipal Finance Authority ("CMFA"). CMFA is a joint exercise of powers authority that was created in 2004 by various local agencies to facilitate tax-exempt financings.

The Authority will be empowered under the California Government Code to issue revenue bonds, cause the proceeds to be used for the purchase of certain components of the CIP. Pursuant to an Installment Purchase Agreement, the District will purchase those components from the Authority and will pay installment payments to the Authority comprised of Net Revenues. Once formed, the Authority can be used for all future issuances of long-term debt as water revenue bonds. Under the agreement forming the Authority, the District has control over all matters of the Authority.

The governing body of the Authority, to be known as the Authority Commission, will be comprised of the members of the Board of Directors of the District. The staff of the District will also serve as the staff of the Authority.

The formation of the Authority has required several actions by the District. On February 3, 2010 the District took the first step by becoming a member of the CMFA. On February 19, 2010, the CMFA Board authorized the execution and delivery of a joint powers agreement with the District, which once executed, will form the Authority. Now, similarly, the District Board must authorize the execution and delivery of a joint powers agreement to form the Authority.

A Board Resolution authorizing the execution and delivery of a joint powers agreement and other matters related to the establishment of the Authority is provided as ***Attachment B***.

The Bond Documents

Proceeds from the 2007 COPs have been fully spent. The District's next long-term debt issuance was scheduled to occur in FY 2009, but the District staff postponed the issuance due to the economic slowdown and management's ability to temporarily fund CIP costs from other sources. For reasons presented to this Board pursuant to a separate informational item, the District's staff and its financial advisor are recommending that the District issue debt as soon as possible. The maximum issue size of $52 million is a not-to-exceed number as specified in the authorizing resolution (***Attachment C***). The proposed use of proceeds will be substantially as follows:

2010 Project Fund. The 2010 Project Fund is sized to provide approximately 36 months of CIP funding and is based on the most current Finance and Engineering staff projections.

Debt Service Reserve Fund (DSRF). The District and the Financial Advisor are currently sizing the issue anticipating that a DSRF for all or a portion of the Bonds might be established.

Delivery Costs. Delivery Costs are the costs the District will incur to issue the Bonds. These costs include the underwriter discount, professional fees for bond counsel, disclosure counsel and financial advisor, and other costs such as credit rating agency fees, CMFA fees, printing costs and other costs related to the issuance of the Bonds.

Parity Debt and Structure of Debt. The 2010 Bonds will be payable as to principal and interest from pledged revenues under the Trust Agreement. The pledged revenues will be in the form of installment payments and other moneys to be paid by the District to the Authority pursuant to the Installment Purchase Agreement. The installment purchase payments will be made on a parity basis with the installment purchase payments being made by the District, from

Net Revenues of the District, in connection with the District's outstanding COPs.

The District desires to issue the 2010 Bonds as a mix of taxable Build America Bonds ("BABs") and traditional tax-exempt bonds to obtain the most beneficial blend of debt for the District. Unlike traditional tax-exempt debt, interest on BABs is taxable to investors. Rather than a tax exemption to investors, the federal government provides a cash subsidy to issuers on each interest payment date in the amount of 35% of the interest. BABs are issued with an extraordinary call feature that can be exercised in the event of a change in federal law effecting the cash subsidy. The risk of this is considered to be small, but it is borne by the issuer rather than the investors.

BABs investors generally favor debt in the middle and long end of the yield curve. As a result, certain early and middle maturities may be more cost effective to issue as tax-exempt debt. Accordingly, the decision as to how much BABs is issued versus tax-exempt debt will be made at the time of pricing, with advice and input from the financial advisor and underwriter.

Note: The use of proceeds of BABs is more restricted than those of traditional tax-exempt debt. For example, only up to 2% of the sale proceeds may be used for cost of issuance. In addition, all sale proceeds not used to fund a reasonably required reserve fund or costs of issuance must be used for capital expenditures. Although it is not anticipated at this time, if any costs are incurred that can not be funded with proceeds of the BABs such costs will be funded with the proceeds of traditional tax-exempt debt to the extent possible.

Timing for Issuance. The 2010 Bonds will be issued at the earliest practical date if the Board approves the proposed issuance.

Documents to be Approved. Issuance of the Bonds requires Board approval of various resolutions and documents described below. Certain key documents are provided as attachments to this Staff Report and others are on file with the District Secretary and available for review:

- Resolution Approving JPA Formation ***(Attachment B)*** approves the agreement forming the JPA.

  - The Joint Exercise of Powers Agreement, on file with the District Secretary, creates the Authority.

- Authorizing Resolution ***(Attachment C)*** Authorizes the Execution and Delivery of an Installment Purchase Agreement, a Bond Purchase Agreement, a Continuing Disclosure Agreement and an

Official Statement and approves a Trust Agreement and the Distribution of a Preliminary Official Statement in Connection with Water Revenue Bonds and approves and authorizes certain other actions in connection therewith and delegates to District officers the authority to finalize, execute and deliver the documents and to do any and all things necessary to complete the transaction.

- Form of Preliminary Official Statement ***(Attachment D)*** as the primary disclosure document for the transaction, the POS contains information necessary for investors to make informed buying decisions regarding the Bonds. It contains information on the debt issue, District water supplies, operations, CIP, finances, and the regional economy.

- The Installment Purchase Agreement, on file with the District Secretary, provides for payments to be made to the Authority.

- The Trust Agreement, on file with the District Secretary, provides for the issuance of the Bonds.

- The Continuing Disclosure Agreement ***(Attachment E)***, prescribes ongoing information disclosure responsibilities of the District.

- The Bond Purchase Agreement, on file with the District Secretary, establishes final conditions of the sale of the Bonds to the Underwriter.

Approval of the recommended actions position District staff and its financing team to move forward with the issuance of the Bonds. After the Bonds are priced and issued, staff will report back to the Board with results at the next scheduled meeting.

The Underwriters - Method of Sale

In a competitive sale, the underwriters for the debt are not involved in either the debt structuring process or in pre-sale marketing efforts. They submit a bid on the date of sale. In a negotiated sale, the issuer selects its underwriter(s) in advance. Information concerning the method of sale is being provided separately in an informational report.

The District has traditionally caused its debt to be sold on a competitive basis. The District's finance policy provides that debt shall be issued on a competitive basis unless special circumstances warrant a negotiated sale. The District staff and the Financial Advisor recommend a negotiated sale for the Bonds due to: (i) volatile market conditions; (ii) the need to tap a new investor base for the sale of the BABs; and (iii) the need for flexibility at the time of sale to determine the most cost effective mix of BABs and traditional tax exempt bonds at the time of pricing.

The District staff and the financial advisor forwarded requests for proposals to several underwriters and received and evaluated five proposals. The District staff, with input from the Financial Advisor, selected Citigroup Global Markets, Inc. to serve as the Underwriter for the Bonds. The Resolution authorizing the issuance of the bonds, ratifies this selection, authorizes the District to execute and deliver a bond purchase agreement with the Underwriter and sets forth certain terms and conditions for the bond purchase agreement, including the condition that the underwriter discount or takedown does not exceed $4.41 per $1,000 for the tax exempt bonds and $6.26 per $1,000 for the BABs.

FISCAL IMPACT:

As further described in the informational item separately presented to this Board, the District anticipates that savings will be realized by establishing the Authority and authorizing the issuance of the Bonds. The District estimates that the benefit of establishing the authority and issuing revenue bonds instead of certificates of participation is about $50,000 per year. The estimated benefit of issuing a mix of taxable and tax exempt bonds is $275,000 per year.

STRATEGIC GOAL:

To fund the District's CIP to continue ensuring reliability of service and provide for expansion.

LEGAL IMPACT:

The issuance of debt will be authorized.

General Manager

Attachments:

A) Committee Action Form
B) Resolution No. 4154 Approving Authority Formation and JPA Agreement
C) Resolution No. 4155 Approving the Bond Issuance
D) Preliminary Official Statement
E) Continuing Disclosure Agreement

Attachment B

RESOLUTION NO. 4154

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF A JOINT EXERCISE OF POWERS AGREEMENT BY AND BETWEEN THE OTAY WATER DISTRICT AND CALIFORNIA MUNICIPAL FINANCE AUTHORITY

WHEREAS, the Otay Water District (the "District") is a municipal water district organized and existing under the laws of the State of California; and

WHEREAS, the District, upon authorization by this Board of Directors (the "Board"), acting pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Law"), may enter into a joint exercise of powers agreement with one or more other public agencies pursuant to which such contracting parties may jointly exercise any power common to them; and

WHEREAS, pursuant to the JPA Law, certain public agencies (the "CMFA Members") have entered into a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "CMFA Agreement") in order to form the California Municipal Finance Authority ("CMFA") for the purpose of promoting economic, cultural and community development and in order to exercise any powers common to the CMFA Members, including the issuance of bonds, notes or other evidences of indebtedness; and

WHEREAS, the District and CMFA desire to create and establish the Otay Water District Financing Authority (the "Authority") pursuant to the JPA Law and a joint exercise of powers agreement (the "Authority Agreement") to, among other things, finance and refinance various Public Capital Improvements and Working Capital, both as defined in the Marks-Roos Local Bond Pooling Act of 1985 constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Pooling Act"); and

WHEREAS, under the JPA Law and the Authority Agreement, the Authority will be a public entity separate and apart from the parties to the Authority Agreement, and the debts, liabilities and obligations of the Authority will not be the debts, liabilities or obligations of the District or any representative of the District serving on the governing body of the Authority; and

WHEREAS, the Authority is authorized under the Bond Pooling Act to assist its members in the financing and refinancing of public capital improvements, including, but not limited to, the purchase at public or negotiated sale of certain obligations (the "Obligations") issued by members of the Authority and other public agencies and the sale at public or negotiated sale of such Obligations or the issuance and sale at public or negotiated sale of bonds secured in whole or in part by such Obligations or by other revenues of the Authority; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT AS FOLLOWS:

SECTION 1. Declaration of Board. This Board hereby specifically finds and declares that the actions authorized hereby constitute public affairs of the District, and that the statements, findings and determinations of the District set forth in the preambles above and of the document approved herein are true and correct.

SECTION 2. Joint Exercise of Powers Agreement. The form of Joint Exercise of Powers Agreement, dated as of March 3, 2010, presented to this meeting and on file with the Secretary of the Board (the "Secretary"), is hereby approved. The General Manager or Chief Financial Officer of the District or their respective authorized designee is hereby authorized to execute and deliver said Joint Exercise of Powers Agreement in substantially said form, with such changes therein as General Counsel may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. Further Actions. The President and Vice President of the Board of Directors, the General Manager, Chief Financial Officer, and the Secretary of the District or their respective authorized designees are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this resolution and the Joint Exercise of Powers Agreement. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

SECTION 4. The District Secretary shall forward a certified copy of this Resolution and an originally executed copy of the Authority Agreement to CMFA in care of its counsel, as follows:

Harriet M. Welch, Esq.
Squire, Sanders & Dempsey LLP
555 South Flower St., Suite 3100
Los Angeles, CA 90071-2300

SECTION 5. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Jaime Bonilla, President of the
Board of Directors of the Otay Water District

Attest:

_____
Susan Cruz, Secretary to the
Board of Directors of the Otay Water District

4813-6254-8485, v.3

Attachment C

RESOLUTION NO. 4155

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, AND AN OFFICIAL STATEMENT AND APPROVING A TRUST AGREEMENT AND THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH WATER REVENUE BONDS; AND APPROVING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Otay Water District, a municipal water district duly formed and existing under and by virtue of the laws of the State of California (the "District"), owns and operates a water system (the "Water System") to provide for the production, acquisition, treatment and distribution of potable and reclaimed water; and

WHEREAS, the District proposes to finance the acquisition and construction of improvements, betterments, renovations, and expansions of certain facilities within its Water System (the "Project"); and

WHEREAS, the District and the California Municipal Finance Authority ("CMFA") executed a Joint Exercise of Powers Agreement, dated as of February 19, 2010 (the "Agreement"), by and between the District and the CMFA, which Agreement creates and establishes the Otay Water District Financing Authority (the "Authority") a joint exercise of powers authority duly organized and operating pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (hereinafter, the "Act"); and

WHEREAS, Article 4 of the Act authorizes and empowers the Authority to issue bonds to assist local agencies in financing and refinancing projects and programs consisting of certain public capital improvements whenever a local agency determines that there are significant public benefits from so doing; and

WHEREAS, the District has determined that there are significant public benefits and it furthers a public purpose to finance the Project and for the Authority to assist in such financing; and

WHEREAS, if approved by the Authority, such financing will occur through the issuance and sale of Otay Water District Financing Authority Water Revenue Bonds, in one or more series, at fixed rates and bearing interest that is tax-exempt and/or taxable to the holders thereof (the "Bonds"); and

WHEREAS, GCR, LLP has been selected to serve as Bond Counsel to the District, Stradling Yocca Carlson & Rauth, a Professional Corporation has been selected to serve as Disclosure Counsel to the District, Harrell & Company Advisors has been selected to serve as the Financial Advisor to the District, and Citigroup Global Markets, Inc. has been selected to act

as the underwriter (the "Underwriter") for the Bonds, and each of those entities is hereby confirmed to serve the Authority in those capacities in connection with the Bonds, pursuant to the terms of any contract or agreement entered into with the District; and

WHEREAS, pursuant to an Installment Purchase Agreement, dated as of March 3, 2010 (the "Installment Purchase Agreement"), between the Authority and the District, the District will be obligated to make installment payments (the "Installment Payments") to the Authority as the purchase price of the Project and the Installment Purchase Agreement provides for the pledge of water system revenues and establishes covenants to secure the payment of obligations from net revenues of the District; and

WHEREAS, pursuant to a Trust Agreement, dated as of March 3, 2010 (the "Trust Agreement"), the Authority will assign its right to receive Installment Payments and other payments to be made by the District thereunder to Union Bank, N.A, as Trustee, and all revenues under the Trust Agreement will be pledged to the repayment of the Bonds; and

WHEREAS, the proceeds of the Bonds are to be applied to, among other things, the Costs of the Project, as provided in the Trust Agreement and the Installment Purchase Agreement; and

WHEREAS, for this proposed financing, there has been presented to the District the following documents for approval:

1. The Installment Purchase Agreement;

2. The Trust Agreement;

3. An Official Statement for the Bonds, currently in the form of a Preliminary Official Statement (the "Official Statement");

4. A Bond Purchase Agreement; and

5. A Continuing Disclosure Agreement by and between the District and Union Bank, N.A., as Dissemination Agent (the "Continuing Disclosure Agreement").

WHEREAS, the Installment Purchase Agreement, Trust Agreement, Preliminary Official Statement, Continuing Disclosure Agreement and other related documents and certificates are necessary to carry out the financing of the Project; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the making of the agreements and the consummation of the financing authorized by this resolution do exist, have happened and have been performed in regular and due time, form and manner, and the District is duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing as provided in this resolution.

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND DETERMINED BY THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT, AS FOLLOWS:

Section 1. Each of the above recitals is true and correct and is adopted by the Board of Directors of the District.

Section 2. The forms of the Installment Purchase Agreement and the Continuing Disclosure Agreement, each in the form presented at this meeting or on file with the District Secretary, and the performance by the District of its obligations thereunder are hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each of the President of the Board of Directors, the General Manager or the Chief Financial Officer of the District, and their designees (each, an "Authorized Officer" and, collectively, the "Authorized Officers") is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the same in substantially said form, with such changes therein as the Authorized Officer executing such document may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The District hereby approves the appointment of Union Bank, N.A. (the "Trustee") to act as trustee for the Bonds. The form of Trust Agreement between the Authority and the Trustee, on file with the District Secretary, is hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each Authorized Officer is hereby authorized and directed, on behalf of the District, to approve the delivery of the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 4. The form of the Preliminary Official Statement relating to the Bonds presented at this meeting is hereby approved, and the District's Financial Advisor and Underwriter are hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the General Manager or the Chief Financial Officer or their designees to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, including but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading. The General Manger and the Chief Financial Officer, each, individually, is hereby authorized to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes as determined necessary by any Authorized Officer to make such Official Statement complete and accurate as of its date.

Section 5. The District hereby affirms the appointment of Citigroup Global Markets, Inc. as the Underwriter for the Bonds. The form of Bond Purchase Agreement substantially in the form on file with the Secretary is hereby approved. Subject to the conditions precedent listed on Section 6 hereof, each of the General Manager and the Chief Financial Officer and their respective designees is authorized, on behalf of the District, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 6. The authorization of the execution of the Installment Purchase Agreement, the Bond Purchase Agreement and the Continuing Disclosure Agreement and of the approval of the Trust Agreement set forth in Sections 2, 3 and 5 of this resolution is subject to the following conditions precedent:

(1) The Bonds shall have a final Maturity Date not later than September 1, 2040;

(2) The Bonds shall be issued in an aggregate principal amount not to exceed $52,000,000;

(3) The underwriters' discount or takedown in the Bond Purchase Agreement shall not exceed $4.41 per $1,000 for the Series A Bonds and $6.26 per $1,000 for the Series B Bonds; and

(4) The true interest cost of the Bonds shall not exceed 5.0% for the Series A Bonds and 7.0% for the Series B Bonds.

Section 7. The Chief Financial Officer is hereby authorized, upon a determination by such officer that the establishment of a reserve fund is in the best interest of the District and/or necessary or beneficial for the marketability of one or more maturities or one or more series of the Bonds, to direct that a reserve fund for all or any portion of the Bonds or series of the Bonds be established and funded. The reserve fund may be funded, at the discretion of the Chief Financial Officer, with the concurrence of Bond Counsel, with proceeds of the Bonds, with cash from the District or by procuring a surety bond or policy or from any other available source.

Section 8. The Chief Financial Officer is hereby authorized, upon a determination by such officer, with the concurrence of the Financial Advisor, that the procurement of a municipal bond insurance policy is in the best interest of the District, to procure and maintain a policy of municipal bond insurance for the benefit of the registered owners of one or more maturities of the Bonds, in such form or forms and on such terms and conditions as such officer shall, with the concurrence of the General Manager and the Financial Advisor, require or approve, such approval to be conclusively evidenced by the execution and delivery of a commitment letter for and on behalf of the Authority to the issuer of such municipal bond insurance policy.

Section 9. The General Manager and the Chief Financial Officer, each, are hereby authorized to enter into a contract for Bond Counsel services with GCR, LLP, a contract for Disclosure Counsel services with Stradling Yocca Carlson & Rauth, a Professional Corporation and a contract for financial advisor services with Harrell & Company Advisors, in such form or forms and on such terms and conditions as such officer shall, require or approve, such approval to be conclusively evidenced by the execution and delivery of a contract with such party and/or pursuant to a request to the Trustee or the Underwriter to pay their fees and costs out of the proceeds of the Bonds.

Section 10. Each Authorized Officer is hereby authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which he or she may deem necessary or desirable in order to consummate the transactions authorized hereby and to consummate the sale, execution and delivery of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, each of the documents hereby

authorized and the Bonds; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 11. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 3rd day of March, 2010.

_____
Jaime Bonilla, President of the
Board of Directors of the Otay Water District

Attest:

_____
Susan Cruz, Secretary to the
Board of Directors of the Otay Water District

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Board of Directors of the Otay Water District, do hereby certify that the foregoing Resolution No. 4155 was duly adopted by the Board of Directors of the Otay Water District at a regular meeting thereof held on the _____, 2010 by the following vote:

Ayes: DIRECTORS:

Noes: DIRECTORS:

Abstain: DIRECTORS:

Absent: DIRECTORS:

_____
Susan Cruz, Secretary to the Board of
Directors of the Otay Water District

(SEAL)

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN DIEGO)

I, Susan Cruz, Secretary to the Board of Directors of the Otay Water District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 4155 of said Board, and that the same has not been amended or repealed.

DATE: _____, 2010

_____
Susan Cruz, Secretary to the Board of
Directors of the Otay Water District

(SEAL)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification of the securities laws of such jurisdiction.

DRAFT AS OF FEBRUARY 12, 2010

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS

S&P: ___

Fitch: ___

(See "CONCLUDING INFORMATION - Ratings on the Bonds" herein)

In the opinion of GCR, LLP, San Diego, California ("Bond Counsel"), based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2010B Bonds is not excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the 2010A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS - Tax Matters" herein.

SAN DIEGO COUNTY **STATE OF CALIFORNIA**

OTAY WATER DISTRICT FINANCING AUTHORITY

$_____*
WATER REVENUE BONDS,
SERIES 2010A
(Non-AMT Tax-Exempt)

$_____*
WATER REVENUE BONDS,
SERIES 2010B
(Taxable Build America Bonds)

Dated: Date of Delivery **Due: September 1, as shown on the inside front cover.**

The cover page contains certain information for general reference only. It is not a summary of the issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Otay Water District Financing Authority Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) ("2010A Bonds") and the Otay Water District Financing Authority Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) ("2010B Bonds" and together with the 2010A Bonds, the "Bonds") are payable from Installment Payments to be made by the Otay Water District (the "District") to the Otay Water District Financing Authority (the "Authority") as payment for certain real property and improvements (the "Project") pursuant to an Installment Purchase Agreement, as described herein and from certain funds held under the Trust Agreement. The Bonds will be issued pursuant to a Trust Agreement, dated as of March 1, 2010 (the "Trust Agreement"), by and between the Otay Water District Financing Authority (the "Authority") and Union Bank, N.A., as trustee (the "Trustee"). The Bonds are being issued to provide funds for construction of certain storage and distribution facilities. See "THE FINANCING PLAN" herein. The Bonds are secured by Pledged Revenues, consisting of Installment Payments to be paid by the District to the Authority as payment for the purchase of certain real property and improvements thereto pursuant to an Installment Purchase Agreement by the and between the District and the Authority as described herein and from certain funds held under the Trust Agreement. The District is required under the Installment Purchase Agreement to make payments in each fiscal year from Taxes and from Net Revenues of the District's water system (the "Water System") in an amount sufficient to pay the annual principal and interest due on the Bonds, as described herein. (See "SOURCES OF PAYMENT FOR THE BONDS" and "RISK FACTORS" herein).

Interest on the Bonds is payable on September 1, 2010, and semiannually thereafter on March 1 and September 1 of each year until maturity or earlier prepayment. The Bonds are subject to optional, sinking fund and mandatory redemption as more fully described herein (see "THE BONDS - General Provisions" and "THE BONDS - Redemption" herein).

The Bonds are limited obligations of the Authority and are payable solely from and secured solely by Pledged Revenues and other moneys held under the Trust Agreement. The District's obligation to make the Installment Payments is a limited obligation of the District payable solely from Taxes and Net Revenues of the Water System, and neither the full faith and credit nor the taxing power of the District, the State of California or any of its political subdivisions is pledged for the payment of the Bonds, other than the Taxes. The obligation of the District to make the Installment Payments under the Installment Purchase Agreement does not constitute a debt of the District, the Authority, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are offered, when, as and if issued, subject to the approval as to the legality of the Installment Purchase Agreement by GCR, LLP, San Diego, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the District by GCR, LLP, San Diego, California, as General Counsel to the District, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, _____. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2010 (see "THE BONDS - General Provisions - Book-Entry Only System" herein).

The date of the Official Statement is _____, 2010.

Citi

* Preliminary, subject to change.

$_____*

OTAY WATER DISTRICT FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2010A
(Non-AMT Tax-Exempt)

MATURITY SCHEDULE

(Base CUSIP®† _____)

$_____ Serial Bonds

Maturity Date September 1	Principal Amount	Interest Rate	Reoffering Yield	CUSIP®†
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				

$_____*

OTAY WATER DISTRICT FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2010B
(Taxable Build America Bonds)

MATURITY SCHEDULE

$_____ ___% Term Bond maturing September 1, ____, Yield ___% CUSIP®† ___

$_____ ___% Term Bond maturing September 1, ____, Yield ___% CUSIP®† ___

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* Preliminary, subject to change.

† CUSIP® A registered trademark of the American Bankers Association. Copyright © 1999-2010 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP® Service Bureau. This data in not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE WATER SYSTEM."

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has submitted the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

OTAY WATER DISTRICT
SAN DIEGO COUNTY, CALIFORNIA

BOARD OF DIRECTORS

Jaime Bonilla, President - Division 2
Jose Lopez, Vice President - Division 4
Gary D. Croucher, Treasurer - Division 3
Larry Breitfelder, Division 1
Mark Robak, Division 5

MANAGEMENT TEAM

Mark Watton, *General Manager*
German Alvarez, *Assistant General Manager Finance & Administration*
Manny Magaña, *Assistant General Manager Engineering & Operations*
Joseph R. Beachem, *Chief Financial Officer*
Rom Sarno, Jr., *Chief of Administrative Services*
Geoff Stevens, *Chief Information Officer*
Rod Posada, *Chief of Engineering*
Pedro Porras, *Chief of Water Operations*

PROFESSIONAL SERVICES

Bond Counsel
GCR, LLP
San Diego, California

Disclosure Counsel
Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

General Counsel to the District
GCR, LLP
San Diego, California

Financial Advisor
Harrell & Company Advisors, LLC
Orange, California

Trustee
Union Bank, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

OTAY WATER DISTRICT FINANCING AUTHORITY

$_____*	$_____*
WATER REVENUE BONDS, SERIES 2010A (Non-AMT Tax-Exempt)	**WATER REVENUE BONDS, SERIES 2010B (Taxable Build America Bonds)**

This Official Statement which includes the cover page and appendices (the "Official Statement") is provided to furnish certain information concerning the sale and delivery of the following bonds (collectively, the "Bonds"):

- Otay Water District Financing Authority Water Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (the "2010A Bonds"), and,
- Otay Water District Financing Authority Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (the "2010B Bonds").

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "RISK FACTORS" herein).

The District

The Otay Water District (the "District") was established in 1956. The District is a municipal water district organized and existing under and in accordance with Division 20 of the Water Code of the State of California, commencing with Section 71000, as amended (the "Law"). The District's boundaries currently encompass an area of approximately 125 square miles in San Diego County, lying immediately east of the San Diego metropolitan area and running from the City of El Cajon south to the Mexican border, abutting the cities of El Cajon and La Mesa and encompassing most of the City of Chula Vista and a small portion of the City of San Diego. The District currently serves a population of approximately 195,000 and expects the service area to experience continued growth in the next ten years (see "OTAY WATER DISTRICT" and "APPENDIX C – ECONOMIC PROFILE FOR THE COUNTY OF SAN DIEGO" herein).

The Authority

The Otay Water District Financing Authority (the "Authority") is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Joint Powers Act"). The District and the California Municipal Finance Authority, a joint exercise of powers agency, formed the Authority by the execution of a joint exercise of powers agreement on _____, 2010. The Authority functions as an independent entity and was formed to assist the District in the financing if public capital improvements. Pursuant to the Joint Powers Act, the Authority is authorized to issue revenue bonds to provide funds to acquire or construct public capital improvements, such revenue bonds to be repaid from the installment payments for such improvements, such as the installment payments described herein.

* Preliminary, subject to change.

The Authority is governed by a five-member Board which consists of all members of the District's Board of Directors. The Board President serves as the Chairman of the Authority. The General Manager acts as the Executive Director, the District Secretary acts as the Secretary, and the Chief Financial Officer acts as the Treasurer of the Authority.

Security and Sources of Payment

The Bonds are being issued pursuant to the Joint Powers Act and a Trust Agreement, dated as of March 1, 2010 (the "Trust Agreement"), by and among the Authority and Union Bank, N.A., Los Angeles, California, as trustee (the "Trustee").

The Bonds are secured by Pledged Revenues, consisting of Installment Payments (the "Installment Payments") to be paid by the District to the Authority as the payment for the 2010 Project, as described herein, pursuant to an Installment Purchase Agreement, dated as of March 1, 2010, between the Authority and the District (the "Installment Purchase Agreement") and from certain amounts held under the Trust Agreement. The Installment Payments are scheduled to be sufficient to pay, when due, the annual principal and interest due on the Bonds. Pursuant to the Trust Agreement, the Authority has assigned to the Trustee, for the benefit of the Owners of the Bonds, all if its rights to receive and collect the Installment Payments due from the District to the Authority under the Installment Purchase Agreement and other amounts payable by the District to the Authority thereunder. For a summary of the Trust Agreement and the Installment Purchase Agreement see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meaning given them in "APPENDIX A."

The Installment Payments are secured by a charge and lien on Taxes and Revenues of the Water System and are payable from Taxes and Net Revenues, on a parity with the payments required to be made by the District under an installment sale agreement dated as of June 1, 1996 (the "1996 Installment Sale Agreement") securing the District's outstanding Variable Rate Demand Certificates of Participation (1996 Capital Projects) (the "1996 Certificates"), the payments required to be made by the District under an installment purchase agreement dated as of July 1, 2004 (the "2004 Installment Purchase Agreement") securing the District's outstanding Revenue Refunding Certificates of Participation (1993 Water Facilities Project), Series 2004 (the "2004 Certificates") and the payments required to be made by the District under an installment purchase agreement dated as of March 1, 2007 (the "2007 Installment Purchase Agreement") securing the District's outstanding Revenue Certificates of Participation (2007 Water System Project), Series 2007 (the "2007 Certificates"). The Interest Subsidy Payment to be received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds will be pledged by the District as security for its obligation to make the Installment Payments allocable to the 2010B Bonds. See "Build America Bonds" below.

- "Taxes" means all taxes, including *ad valorem* taxes of the District, other than taxes imposed pursuant to Chapter 1 of Part 9 of the Law to secure general obligation bonds of the District or any improvement district thereof.
- "Net Revenues" means, for any Fiscal Year or other 12-month period, the Revenues for such Fiscal Year or other 12-month period less the Operation and Maintenance Costs for such Fiscal Year or other 12-month period.
- "Revenues" means (i) all water availability charges imposed pursuant to Chapter 2 of Part 5 of the Law not exceeding $10 per acre per year; (ii) all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, including connection fees, (b) the earnings on and income derived from the investment of such income, rents, rates, fees

and charges or other moneys, and (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted under the Installment Purchase Agreement; provided that the term "Revenues" shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

- "Operation and Maintenance Costs" means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

See "THE WATER SYSTEM" and "SOURCES OF PAYMENT FOR THE BONDS" herein.

The District's obligation to make the Installment Payments is a limited obligation of the District payable solely from Taxes and Net Revenues of the Water System (including, with respect to the Installment Payments allocable to the 2010B Bonds only, the Interest Subsidy Payment). The obligation of the District to make the Installment Payments is an irrevocable obligation of the District payable solely from Taxes and Net Revenues (including, with respect to the Installment Payments allocable to the 2010B Bonds only, the Interest Subsidy Payment) but does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation other than the Taxes. The obligation of the District to make the Installment Payments under the Installment Purchase Agreement does not constitute a debt of the District, the Authority, the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Build America Bonds

Section 1531 (relating to "Build America Bonds") of the American Recovery and Reinvestment Act, which was signed into law by President Obama on February 17, 2009, added Section 54AA and Section 6431 to the Internal Revenue Code of 1986, as amended (the "Code"). The Authority intends to elect to designate the 2010B Bonds as "Build America Bonds" under Section 54AA of the Code, and intends that the 2010B Bonds be "qualified bonds" under Section 54AA(g)(2) of the Code. The District, designated by the Authority as the party to receive interest subsidy payments, expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable with respect to the 2010B Bonds. Such cash subsidy payments received by the District are referred to in the Trust Agreement as "Interest Subsidy Payment." The Interest Subsidy Payment received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds are pledged by the District as security for the Installment Payments allocable to the 2010B Bonds only. Neither the 2010A Bonds, the 1996 Certificates, the 2004 Certificates, the 2007 Certificates or any Parity Debt will be payable from or secured by a pledge, lien or security interest in the Interest Subsidy Payment. See "RISK FACTORS – Build America Bonds."

Tax Matters

In the opinion of GCR, LLP, San Diego, California, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions, and in reliance on certain certificates, opinions, and other things, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the 2010A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2010B Bonds is not excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. See "LEGAL MATTERS – Tax Matters" and "APPENDIX A" herein.

Professional Services

The legal proceedings relating to the execution and delivery of the Bonds are subject to the approving opinion of GCR, LLP, San Diego, California, Bond Counsel. Certain legal matters will be passed on for the District by GCR, LLP, as General Counsel for the District, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by _____.

Union Bank, N.A., Los Angeles, California, serves as Trustee under the Trust Agreement. The Trustee will act on behalf of the Bond Owners for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Installment Payments and other funds held under the Trust Agreement, and otherwise to hold all the offices and perform all the functions and duties provided in the Trust Agreement to be held and performed by the Trustee.

Harrell & Company Advisors, LLC (the "Financial Advisor") has advised the District as to the financial structure and certain other financial matters relating to the Bonds.

Fees payable to Bond Counsel, Disclosure Counsel and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

The District's financial statements for the fiscal year ended June 30, 2009, attached hereto as "APPENDIX B" have been audited by Diehl Evans and Company, LLP, Escondido, California. The District's audited financial statements are included within this Official Statement without the prior approval of the auditor.

Offering of the Bonds

Authority for Issuance and Delivery. The Bonds are to be issued pursuant to the Trust Agreement, authorized by Resolution No. ____ of the Authority adopted on _____, 2010.

Offering and Delivery of the Bonds. The Bonds were sold to Citigroup Global Markets, Inc., (the "Underwriter") on _____, 2010. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery in New York, New York on or about _____, 2010 through the facilities of The Depository Trust Company.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the District with the assistance of the Financial Advisor from sources which are believed to be accurate and complete, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financial Advisor, Disclosure Counsel or the Underwriter. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact.

Preliminary Official Statement Deemed Final. The information set forth herein is in a form deemed final, as of its date, by the District for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for the omission of certain information permitted to be omitted under the Rule). The information herein is subject to revision, amendment and completion in a Final Official Statement. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the District since the date hereof.

Availability of Legal Documents. The summaries and references contained herein with respect to the Trust Agreement, the Installment Purchase Agreement, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Definitions of certain terms used herein are set forth in "APPENDIX A" hereto. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financial Advisor. Copies of these documents may be obtained after delivery of the Bonds at the corporate trust office of the Trustee, Union Bank, N.A., Los Angeles, California or from the District, 2554 Sweetwater Springs Blvd., Spring Valley, California 91978.

THE BONDS

General Provisions

Payment of the Bonds. The Bonds will be issued in the form of fully registered Bonds in the principal amount of $5,000 each or any integral multiple thereof. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof, on September 1, 2010 and semiannually on March 1 and September 1 of each year to and including the date of maturity or redemption, whichever is earlier (each, a "Payment Date"). Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Principal with respect to the Bonds is payable on September 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

The principal and Redemption Price (as defined herein) with respect to all Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof at the corporate trust office of the Trustee. Interest with respect to Bonds shall be payable from the Payment Date next preceding their date of authentication, unless such date shall be after a Record Date (see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – CERTAIN DEFINITIONS" herein) and on or before the succeeding Payment Date, in which case interest shall be payable from such Payment Date or unless such date shall be on or before August 15, 2010, in which case interest shall be payable from the Closing Date, provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds executed in exchange for Bonds surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to the Bonds, or, if no interest has been paid or duly provided for with respect to the Bonds, from the Closing Date. Payment of interest on the Bonds shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the close of business on the Record Date in lawful money of the United States by check or draft of the Trustee mailed on the Payment Date by first class mail to such Owner at his address as it appears on such registration books, or by wire transfer made on a Payment Date to an account in the United States upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of Bonds designated by such Owner prior to the applicable Record Date. Such written notice shall remain in effect until changed by subsequent written notice by Owners who have requested wire transfer.

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest and principal on the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which is obligated in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Bonds (see "APPENDIX G - BOOK-ENTRY ONLY SYSTEM" herein). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Trust Agreement. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Trust Agreement.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Trust Agreement, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall execute and deliver a new Bond or Bonds for an aggregate principal amount of Bonds of authorized denominations of the same maturity. The Trustee may

require the payment by the Bond Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange any Bonds (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

Redemption

Optional Redemption of 2010A Bonds. The 2010A Bonds maturing on or after September 1, ___ are subject to redemption prior to maturity as a whole or in part in the order of maturity as directed by the Authority in a Written Request provided to the Trustee and by lot within each maturity in integral multiples of $5,000 on any date on or after September 1, ____, from the proceeds of optional prepayments of Installment Payments made by the District pursuant to the Installment Purchase Agreement at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption of 2010B Bonds. The 2010B Bonds are subject to redemption prior to maturity as a whole or in part in the order of maturity as directed by the Authority in a Written Request provided to the Trustee and by lot within each maturity in integral multiples of $5,000 on any date on or after September 1, 2020, from the proceeds of optional prepayments of Installment Payments made by the District pursuant to the Installment Purchase Agreement at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Optional Prepayment – 2010B Bonds. The 2010B Bonds are also subject to prepayment prior to their stated maturity dates, at the option of the Authority, on any date, in whole or in part upon the occurrence of an Extraordinary Event (as defined below), at a prepayment price equal to the greater of (i) the issue price (but not less than 100% of the principal amount) of the 2010B Bonds to be prepaid; or (ii) the sum of the present value of the remaining scheduled payments of principal to the maturity date of the 2010B Bonds to be prepaid plus the present value of the remaining scheduled payments of interest to the next optional prepayment date of the 2010B Bonds to be prepaid, not including any portion of those payments of interest accrued but unpaid as of the date on which the 2010B Bonds are to be prepaid, discounted to the date on which 2010B Bonds are to be prepaid on a semi-annual basis, assuming a 360- day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 100 basis points; plus, in each case, accrued interest represented by such 2010B Bonds to be prepaid to the date of prepayment.

For purposes of the foregoing prepayment provision, the following defined terms have the following meanings:

> An "Extraordinary Event" will have occurred if the Authority determines that a material adverse change has occurred to Section 54AA or 6431 of the Tax Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to 2010B Bonds) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the Authority or the District to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Treasury, pursuant to which the Authority's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.
>
> "Treasury Rate" means, with respect to any prepayment date for a particular 2010B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the prepayment date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any prepayment date for a particular 2010B Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Series A Bond to be prepaid, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2010B Bonds to be prepaid.

"Comparable Treasury Price" means, with respect to any prepayment date for a particular 2010B Bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such prepayment date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the District.

"Reference Treasury Dealer" means each of the four firms, specified by the District from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the District will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any prepayment date for a particular 2010B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third Business Day preceding such prepayment date.

Mandatory Sinking Fund Redemption. The 2010A Bonds maturing on September 1, ____ are subject to redemption in part by lot, commencing on September 1, ____, and on each September 1 thereafter, in integral numbers of $5,000 at a redemption price of the principal amount thereof plus accrued interest to the date of redemption, without premium in accordance with the following schedule:

2010A BONDS MATURING ON SEPTEMBER 1, ____

Redemption Date (September 1)	**Principal Amount**

The 2010B Bonds maturing on September 1, ____ are subject to redemption in part by lot, commencing on September 1, ____, and on each September 1 thereafter, in integral numbers of $5,000 at a redemption price of the principal amount thereof plus accrued interest to the date of redemption, without premium in accordance with the following schedule:

2010B BONDS MATURING ON SEPTEMBER 1, ____

Redemption Date (September 1)	**Principal Amount**

If some but not all of the Bonds maturing on September 1, ____ or September 1, ____ have been redeemed pursuant to an optional redemption or a mandatory redemption from net proceeds of insurance or condemnation, the total amount of all future sinking fund payments will be reduced pro rata, in integral multiples of $5,000, by the aggregate principal amount of such Bonds so redeemed.

Notice of Redemption. When redemption is authorized or required, the notice is required to be mailed, first class postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books and to the Information Services and by registered or certified or overnight mail to the Securities Depositories at least 30 days but not more than 60 days prior to the redemption date. With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest with respect to such Bonds to be prepaid and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to prepay such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Neither failure to receive such notice nor any defect in the notice so mailed will affect the validity of the proceedings for redemption of such Bonds or the cessation of accrual of interest from and after the redemption date.

Effect of Redemption. When notice of redemption has been duly given, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date with respect to, the Bonds (or portions thereof) so called for redemption are held by the Trustee, the Bonds (or portions thereof) so called for redemption shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date; and from and after the redemption date interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Trust Agreement, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

Partial Redemption. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and maturity.

Scheduled Debt Service

The following presents the scheduled Annual Debt Service on the Bonds, assuming no optional prepayments. The Interest Subsidy Payment are shown as a credit against debt service with respect to the 2010B Bonds; the Interest Subsidy Payment are pledged by the District as security for the Installment Payments allocable to the 2010B Bonds only.

Fiscal Year Ending June 30	2010A Bonds Principal	2010A Bonds Interest	2010A Bonds Debt Service	2010B Bonds Principal	2010B Bonds Interest	Less Refundable Credit	Net 2010B Bonds Debt Service	Grand Total
2011								
2012								
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
Total								

Estimated annual Installment Payments, along with expected annual debt service on the Installment Payments for outstanding parity obligations, are set forth in the following table.

Otay Water District
Aggregate Parity Debt Service

Fiscal Year	1996 Installment Payments [1]	2004 Installment Payments	2007 Installment Payments	2010 Installment Payments [2]	Total Parity Debt Service
2010	$ 988,820	$ 932,634	$ 2,501,410		
2011	968,860	931,236	2,505,395		
2012	948,900	933,608	2,507,864		
2013	1,025,198	929,566	2,509,020		
2014	1,000,248	928,906	2,508,864		
2015	975,297	931,388	2,512,301		
2016	1,046,605	931,994	2,514,239		
2017	1,016,665	930,819	2,514,408		
2018	986,725	928,319	2,512,798		
2019	1,053,042	924,094	2,509,234		
2020	1,018,113	922,825	2,508,456		
2021	983,182	924,500	2,510,056		
2022	1,044,510	923,656	2,509,056		
2023	1,004,590	920,744	2,510,279		
2024	1,060,928	915,697	2,508,596		
2025	1,016,018	-	2,509,373		
2026	1,067,365	-	2,506,924		
2027	1,113,723	-	2,505,900		
2028	-	-	2,506,625		
2029	-	-	2,504,375		
2030	-	-	2,504,044		
2031	-	-	2,505,419		
2032	-	-	2,503,394		
2033	-	-	2,501,578		
2034	-	-	2,504,594		
2035	-	-	2,503,453		
2036	-	-	2,498,156		
2037	-	-	2,498,484		
2038	-	-	-		
2039	-	-	-		
2040	-	-	-		
2041	-	-	-		
Total	$18,318,787	$13,909,985	$70,194,294		

(1) Using 4.99% variable rate interest.

(2) Net of Interest Subsidy Payment.

THE FINANCING PLAN

The 2010 Project

The District will use a portion of the proceeds of the Bonds to provide funds for the construction of water transmission facilities (the "2010 Project"). The 2010 Project comprises the following improvements to the District's Water System:

Jamacha Road Pipeline Project. The first and main component of the Jamacha Road Pipeline Project consists of the construction of a 36-inch tape wrapped cement mortar lined and coated steel pipeline which will transfer water from the Otay 14 Flow Control Facility. The second component consists of the replacement of concrete cylinder pipe with approximately 4,500 feet of 12-inch and 8-inch polyvinyl chloride pipe along Jamacha Road. The construction contract was awarded in June 2009. The total project cost is estimated at $21 million, of which $3.77 million has already been funded from other sources.

Conveyance System. The District is anticipating the ability to purchase additional water from a desalination plant to be constructed outside the District boundaries. The conveyance system includes 3.7 miles of pipeline, a pump station and a treatment facility. The cost to construct the conveyance system for such purchased water is approximately $30 million.

Additional Capital Projects. In addition to the Jamacha Road Pipeline projects and the conveyance system, the District has approximately 19 additional capital projects that it may include in the 2010 Project. Such additional projects include pipeline projects, well systems and pump station projects.

Estimated Sources and Uses of Funds

Under the provisions of the Trust Agreement, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

	2010A Bonds	2010B Bonds
Sources:		
Principal Amount of Bonds		
New Premium/Discount		
Total Sources		
Uses:		
2010 Project Fund		
Reserve Fund		
Underwriter's Discount		
Costs of Issuance Fund [1]		
Total		

[1] Expenses include fees of Bond Counsel, the Financial Advisor, Disclosure Counsel, the Trustee, rating fees, costs of printing the Official Statement, and other costs of delivery of the Bonds.

OTAY WATER DISTRICT

The District was formed in January 1956 pursuant to Section 7100 et seq., of the California Water Code, and joined the San Diego County Water Authority (which is a member of the Metropolitan Water District of Southern California) in September 1956 to acquire the right to purchase and distribute imported water throughout its service area. The District's boundaries currently encompass an area of approximately 125 square miles in San Diego County, lying immediately east of the San Diego metropolitan area and running from the City of El Cajon south to the Mexican border, abutting the cities of El Cajon and La Mesa, and encompassing most of the City of Chula Vista and a small portion of the City of San Diego ("Service Area"). While the District is currently providing water service to about 39 percent of its geographic Service Area, this percentage will continue to increase as the District's Service Area continues to develop and grow. The District's water sales by volume increased by 7.5% per year from 2004 to 2007. Since 2007, new residential construction has declined significantly and there has been little or no growth in residential connections. However, the District continues to add connections to its reclaimed water system. As of June 30, 2009, the District had nearly 48,000 potable and 700 recycled service accounts representing a population of approximately 195,000. Ultimately, the District is projected to serve 277,000 people, creating an average daily demand of 56.3 million gallons per day (mgd).

Most potable water delivered by the District is purchased from the San Diego County Water Authority ("SDCWA") who in turn purchases water from the region's water importer, the Metropolitan Water District of Southern California. A smaller amount of potable water is also purchased from the City of San Diego. In Fiscal Year 2007, the District began purchasing raw water from the SDCWA and entered into an agreement with the City of San Diego to treat the water to potable level before being introduced to the District's Water System. By taking raw water through SDCWA's system at a different connection, there is increased reliability of water supplied to the District. A 5.1-mile, 36" pipeline project currently under construction will, when complete, add another connection to the Helix Water District's system, where the District expects to establish an additional delivery point for treated water. Water delivered through the new pipeline will be stored in two recently constructed 10 million gallon reservoirs.

The District owns and operates a recycled water distribution network. Recycled water from the District's Ralph W. Chapman Water Recycling Facility ("RWCWRF") is used to irrigate golf courses, landscaping at schools, public parks, roadway landscapes, and various other approved uses in eastern Chula Vista. The RWCWRF is cable of reclaiming wastewater at a rate of approximately 1.2 million gallons per day. The District is also in a partnership with the City of San Diego to beneficially reuse an additional six million gallons per day of recycled water from the City of San Diego's South Bay Reclamation Plant (since Spring of 2007), which required the District to construct over six miles of connecting pipeline, a pump station and a 12 million gallon reservoir. Using this new resource to meet recycled water demands on the Water System has resulted in the District being able to allocate approximately 3,000 acre-feet per year of potable water to other uses.

The District also owns and operates a wastewater collection and reclamation system, providing public sewer service to approximately 4,627 customers within the Jamacha drainage basin. This wastewater system is not a part of the Water System.

The District is administered by a Board of Directors consisting of five members who are elected to four-year alternating terms by the voters residing within the District's boundaries. The District is divided into five divisions, with each Director representing a specific division within which he or she must reside. The current members of the Board and key administrative personnel are:

DIRECTORS

Jaime Bonilla, President - Division 2
Jose Lopez, Vice President - Division 4
Gary D. Croucher, Treasurer - Division 3
Larry Breitfelder, Division 1
Mark Robak, Division 5

MANAGEMENT TEAM

Mark Watton, *General Manager*
German Alvarez, *Assistant General Manager Finance & Administration*
Manny Magaña, *Assistant General Manager Engineering & Operations*
Joseph R. Beachem, *Chief Financial Officer*
Rom Sarno, Jr., *Chief of Administrative Services*
Geoff Stevens, *Chief Information Officer*
Rod Posada, *Chief of Engineering*
Pedro Porras, *Chief of Water Operations*

Under direction of the General Manager, the District has 166 employees.

THE WATER SYSTEM

The following information concerning the Water System was obtained from District officials except where otherwise indicated. The audited financial statements of the District for the Fiscal Year ended June 30, 2009 are attached hereto as "APPENDIX B" and should be read in their entirety.

Existing Facilities

Potable Water Facilities - The principal facilities of the existing potable water system consist of six water supply connections with SDCWA, one water supply connection with the City of San Diego, 27 pump stations, over 660 miles of pipelines, and 37 storage reservoirs.

The District currently receives treated potable water from the SDCWA through four connections to one of the aqueducts owned and operated by the SDCWA. This water is treated by the Metropolitan Water District of Southern California at its Skinner Water Treatment Plant. In addition, the District currently receives treated potable water from the SDCWA through two connections to its La Mesa Sweetwater Extension. This water is treated by the Helix Water District at its R.M. Levy Water Treatment Plant pursuant to an agreement with the SDCWA. The District also receives treated potable water from the City of San Diego. This water is sold by the SDCWA to the District in raw form and is delivered to the City of San Diego's Otay Water Treatment Plant pursuant to an agreement among the SDCWA, the District and the City of San Diego. These supply sources and connecting transmission mains deliver water to terminal storage reservoirs that provide water service to customers within the Service Area.

Reclaimed Water Facilities - The principal facilities of the existing reclaimed or recycled water system consist of one recycled water supply source, 2 pump stations, 79 miles of pipelines, and 3 storage reservoirs.

The District currently produces recycled water at the RWCWRF, which is owned and operated by the District. Reclaimed water from the RWCWRF and some of the District's treated potable water supply are delivered into storage reservoirs that provide recycled water service to reclaimed water customers.

The District is divided into five geographic areas. These five areas contain five potable water systems and two recycled water systems. The systems are called Hillsdale, Regulatory, La Presa, Central Area, and Otay Mesa. The Hillsdale, Regulatory, and La Presa systems are collectively referred to as the North District, while the Central Area, and Otay Mesa systems are collectively referred to as the South District. Recycled water service is currently limited to the South District. There are multiple pressure zones within each system, except Otay Mesa.

North District. The Hillsdale system includes the extreme north part of the District's Service Area. The Regulatory system is located between the Hillsdale and La Presa systems. The Regulatory system reservoirs are considered to provide terminal storage for the entire North District as well as some operational storage for the 520 Pressure Zone. Two new 10 million gallon reservoirs are located within the Regulatory system and will provide storage for the treated water to be delivered through the 36" inch pipeline under construction, which will be connected to the Helix Water District system. The La Presa system is generally located north and east of the Sweetwater reservoir and is the southernmost system of the North District.

South District. The Central Area system is roughly bounded by Interstate 805 on the west, Otay River on the south, the Lower Otay Reservoir on the east, and the Regulatory System on the north. Two Central Area system reservoirs provide terminal storage for the entire Central Area system and also provide operational storage for the 624 Pressure Zone. Additional reservoirs provide operational storage for other pressure zones throughout the Central Area. The Otay Mesa system includes the extreme south portion of the District Service Area and is generally located between the Otay River on the north and the Mexico border on the south. The South District has and will experience the most growth in the District's Service Area.

System	Reservoirs	Capacity (mg)
Hillsdale	6	13.9
Regulatory	14	58.4
La Presa	6	10.5
Central Area	11	85.6
Otay Mesa	2	47.7
	39	216.1

Water Supply

Service Area Water Supply - Potable. The District does not have a local source of ground or surface water, but purchases substantially all of its potable water from the SDCWA. Under a contractual arrangement with the SDCWA, the District also receives potable water from the Helix Water District's Levy Water Treatment Plant and, beginning in Fiscal Year 2007, from the City of San Diego.

Service Area Water Supply - Recycled. The District produces approximately 1.2 million gallons a day of reclaimed water at the RWCWRF. The District has contracted with the City of San Diego to purchase at least six million gallons per day (mgd) of reclaimed water produced by the City of San Diego's South Bay Water Reclamation Plant and an additional 3.5 mgd if available. Construction on the required pump station, reservoir, and the 6-mile delivery system allowing the District to connect to the City of San Diego's reclaimed water pipeline was completed in 2007. This contract with the City of San Diego has resulted in the District reducing its potable water use by approximately 3,000 acre-feet per year thereby increasing the availability of potable water for higher quality purposes.

SDCWA Water Supply. Currently, approximately 85% of the SDCWA's water supply is purchased from the Metropolitan Water District of Southern California ("MWD"). For the fiscal year ended June 30, 2009, the SDCWA supplied the District 35,557 acre-feet of water (quantities of water are expressed in terms of acre-feet which is the amount of water which will cover one acre to a depth of one foot and is equivalent to approximately 326,000 gallons and approximately the average annual water usage of two households).

As an alternative to purchasing all of its imported water from MWD, the SDCWA has begun to diversify its purchases through core and spot water transfers with other agencies. Since 2003, the SDCWA has been receiving a portion of its imported water pursuant to the terms of the Quantification Settlement Agreement ("QSA") among the State of California acting by and through the Department of Fish and Game, the Coachella Valley Water District ("CVWD"), the Imperial Irrigation District ("IID") and the SDCWA, executed on October 10, 2003, the Water Transfer Agreement (defined below) and other QSA related agreements. Water that the SDCWA receives from IID is conveyed through the Colorado River Aqueduct pursuant to an exchange agreement with MWD. The SDCWA began receiving transfer water from IID in December 2003. Starting with the initial delivery of 10,000 acre-feet, the amount of water to be delivered is increasing according to an agreed-upon schedule until the maximum transfer yield of 200,000 acre-feet per year is achieved. In addition, the SDCWA will receive approximately 80,000 acre-feet of imported water per year from water conserved through the lining of the All-American Canal Lining Project and the Coachella Canal Lining Project. The SDCWA began receiving water from the Coachella Canal Lining Project in 2007 and in 2010 will receive its full allotment from the All-American Canal Lining Project. The SDCWA is also pursuing spot water transfers to provide supplemental supplies to the region during times of supply shortages. Spot transfers are short-term transfers or leases, typically agreed to and completed within one to three years.

The SDCWA continues to pursue supply diversification efforts for itself and the region, including long-term planning, recycling of local surface water, groundwater, recycled water, local seawater desalination and conservation efforts.

Water Storage facilities are also critical to assuring consistent water availability notwithstanding fluctuation in available supply. The SDCWA has recently entered into agreements to expand available storage capacity. The SDCWA recently issued over $600 million in water bonds to finance its Capital Improvement Program. One of the purposes of the Capital Improvement Program is to interconnect a number of member agency storage facilities. Another purpose is to enhance the SDCWA's own storage capacity.

The SDCWA faces various challenges in the continued supply of water to the District and other member agencies. A description of these challenges as well as a variety of other operating information with respect to the SDCWA is included in certain disclosure documents prepared by SDCWA. The SDCWA has entered into certain continuing disclosure agreements pursuant to which SDCWA is contractually obligated for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "SDCWA Information") with certain the Municipal Securities Rulemaking Board.

SDCWA HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SDCWA. SDCWA IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH SDCWA INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

MWD Water Supply. The SDCWA currently purchases all of its imported water from MWD and IID. SDCWA is MWD's largest member agency, purchasing approximately 24 percent of MWD's supplies in fiscal year 2008/09. MWD obtains its water supply from two primary sources: the Colorado River, via MWD's Colorado River Aqueduct, and the State of California Department of Water Resources' State Water Project ("SWP"), via the Edmund G. Brown California Aqueduct.

As MWD continues to face unprecedented supply challenges resulting from a combination of drought conditions and regulatory restrictions on the operations of the SWP, MWD is augmenting the partial cuts to its SWP supplies by continuing withdrawals from storage accounts, encouraging fast-tracking of local resource development and purchasing spot water transfer supplies to meet its member agency supply needs.

It is MWD's declared policy to meet all the supplemental needs of each of its member agencies, including the Water Authority. However, MWD's Board adopted a shortage allocation method in February 2008 (the "Water Supply Allocation Plan"). The method allows MWD, in the event of shortages, to allocate water based on uniform reduction by class of water service, with adjustments made for growth, loss of local supply, demand hardening due to implementation of water conservation, and the amount a member agency's dependence on MWD for its total water supply, as well as other water supply related factors. MWD implemented the second stage of the shortage allocation method on July 1, 2009 and began allocating supplies among its member agencies pursuant to the plan. Any extended curtailment could be accompanied by an increase in MWD water charges to its member agencies and consequently could necessitate an increase in water rates to the member agencies of the Water Authority.

Colorado River Water. Under applicable laws, agreements and treaties governing the use of water from the Colorado River, California is entitled to use 4.4 million acre-feet of Colorado River water annually, plus one-half of any surplus that may be available for use collectively in Arizona, California and Nevada as declared on an annual basis by the United States Secretary of the Interior. Under the priority system that governs the distribution of Colorado River water made available to California, MWD holds the fourth priority right of 550,000 acre-feet per year and a fifth priority right of 662,000 acre-feet per year. MWD's fourth priority right is within California's basic annual apportionment of 4.4 million acre-feet; however, the fifth priority right is outside of this entitlement and therefore is not considered a firm supply of water. Until 2003, MWD had been able to take full advantage of its fifth priority right as a result of the availability of surplus water and apportioned but unused water. However, Arizona and Nevada have increased their use of water from the Colorado River, leaving no unused apportionment available for California. In addition, a severe drought in the Colorado River Basin reduced storage in system reservoirs, such that MWD stopped taking surplus deliveries in 2003 in an effort to mitigate the effects of the drought. Prior to 2003, MWD could divert over 1.2 million acre-feet in any year, but since that time, MWD's net diversions of Colorado River water have been limited to a low of approximately 633,000 acre-feet in 2006 and a high of approximately 905,000 acre-feet in 2008. Average annual net deliveries for 2003 through 2008 were approximately 762,000 acre-feet, with annual volumes dependent primarily on availability of unused higher priority agricultural water and increasing transfers of conserved water. In 2009, MWD's Colorado River Aqueduct deliveries exceeded 1 million acre-feet for the first time since 2002. These deliveries include the SDCWA QSA water supplies conveyed by MWD in accordance with the SDCWA's Exchange Agreement with MWD.

Colorado River Aqueduct. The Colorado River Aqueduct is owned and operated by MWD. Work on the Colorado River Aqueduct commenced in 1933 and water deliveries started in 1941. Additional facilities were completed by 1961 to meet additional requirements of MWD's member agencies. The Colorado River Aqueduct is 242 miles long, starting at Lake Havasu and terminating at Lake Mathews in Riverside County. After deducting evaporation and seepage losses in transporting and storing the water and considering maintenance requirements, the maximum capacity available for delivery by MWD to its member agencies is approximately 1.2 million acre-feet per year.

California's Colorado River Water Use Plan. In response to Arizona and Nevada increasing use of their respective apportionments in the late 1990s and the uncertainty of continued surpluses on the Colorado River, the Colorado River Board of California, in consultation with MWD, IID, CVWD, and the SDCWA, has developed and released a plan for reducing California's use of Colorado River water to its basic annual apportionment of 4.4 million acre-feet when necessary (the "California Plan"). The May 2000 California Plan optimizes the use of the available Colorado River supply through water conservation, transfers from higher priority agricultural users to the SDCWA's and MWD's service area, and storage programs.

Other MWD Colorado River Supply Programs. MWD has taken steps to enhance its share of Colorado River water through agreements with other agencies that have rights to use such water such as IID, the Palo Verde Irrigation District and the Central Arizona Water Conservation District.

Colorado River Operations, Shortage, and Surplus Guidelines. In December 2007, the Secretary of the Interior executed a Record of Decision ("ROD") for guidelines that determine potential shortage allocations among the Lower Basin states and revise reservoir operations (Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead). Under the guidelines, California would not have to share in any of the potential annual shortages identified by the Secretary up to 500,000 acre-feet. The ROD extended existing Interim Surplus Guidelines ("ISG") until 2026, which determine when surplus water is available for California, Arizona and Nevada. Availability of ISG surplus water depends upon whether drought conditions continue and how fast storage in the Colorado River Basin can recover from present conditions. The ROD also provided a way for Lower Basin Colorado River water contractors and others to create a storage account, under a program called Intentionally Created Surplus ("ICS"). Under ICS provisions, MWD can implement water conservation programs to create a storage account in Lake Mead of up to 1,450,000 acre-feet. When other surplus is not available and the Colorado River is not in shortage condition, MWD could call for the delivery of 375,000 acre- feet of this stored water in any year (400,000 acre-feet if water were needed to avoid shortages within the MWD service area).

Environmental Considerations. Several fish species and other wildlife species either directly or indirectly have the potential to affect Colorado River operations, thus changing power operations and the amount of water deliveries to the Colorado River Aqueduct. A number of species that are on either "endangered" or "threatened" lists under the federal and/or California endangered species acts ("ESAs") are present in the area of the Lower Colorado River. To address this issue, a broad-based state/federal/tribal private regional partnership, which includes water, hydroelectric power and wildlife management agencies in Arizona, California and Nevada, developed a multi-species conservation plan for the main stem of the Lower Colorado River (the Lower Colorado River Multi- Species Conservation Program or "MSCP"). The MSCP allows MWD to obtain federal and state permits for any incidental take of protected species resulting from current and future water and power operations and diversions on the Colorado River. The MSCP also covers operations of federal dams and power plants on the Colorado River.

Seismic Considerations. Portions of the Colorado River Aqueduct are located near earthquake faults, including the San Andreas Fault. On October 16, 1999, a magnitude 7.1 earthquake centered 45 miles from the Colorado River Aqueduct occurred. When it occurred, the aqueduct was running at capacity. Inspections following the earthquake revealed no structural damage. There were no interruptions in operations. No assurance can be made that a significant seismic event would not cause damage to project structures, which could thereby interrupt the supply of water from the Colorado River Aqueduct.

State Water Project. MWD's other major source of water is the State Water Project ("SWP"). The SWP is owned by the State of California and operated by the State Department of Water Resources ("DWR"). The SWP transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the San Francisco Bay Sacramento-San Joaquin Delta Estuary ("Bay-Delta") south via the California Aqueduct to four delivery points near the northern and eastern boundaries of MWD. The total length of the California Aqueduct is 444 miles.

MWD is one of 29 agencies that have long-term contracts for water service from DWR, but is the largest agency in terms of the number of people it serves (more than 18 million), the share of SWP water to which it is entitled, and the total amount of annual payments made to DWR. MWD's contract with DWR provides for the ultimate delivery of 1,911,400 acre-feet per year (46 percent of the total SWP entitlement). MWD also retains a "call" on 100,000 acre-feet per year on water transferred to CVWD and the Desert Water Agency, if needed, so long as it pays for the financial obligations associated with the water during the call period.

The SWP was originally intended to meet demands of 4.2 million acre-feet per year. Initial SWP facilities were completed in the early 1 970s, and it was envisioned that additional facilities would be constructed as contractor demands increased. Several factors, including public opposition, increased costs, and increased non-SWP demands for limited water supplies, combined to delay the construction of additional facilities. The quantity of SWP water available for delivery each year is controlled by both hydrology and operational considerations. Water received from the State Water Project by MWD from 2002 through 2008, including water from water transfer, groundwater banking and exchange programs varied from a low of 1,040,000 acre-feet in calendar year 2008 to a high of 1,794,000 acre-feet in calendar year 2004. MWD's allocation from the State Water Project for calendar year 2008 was 35 percent of its contracted amount, or 669,000 acre-feet. MWD received approximately 1,040,000 acre-feet of water using the State Water Project's California Aqueduct in 2008, including the allocation from the State Water Project and deliveries from water transfers, groundwater banking and exchange programs.

For calendar year 2009, DWR's October 2008 initial allocation estimate was set at 15 percent of contracted amounts. This estimate was adjusted upwards to 20 percent, 30 percent and 40 percent of contracted amounts as of March 18, 2009, April 15, 2009 and May 20, 2009, respectively. Since May 20, 2009, the State Water Project allocation has remained at 40 percent of contracted amounts. This allocation reflects that water storage in the State's major reservoirs and runoff projections remain below average and regulatory restrictions on water exports from the Bay-Delta to protect listed fish species have also reduced water deliveries from the State Water Project. Under the 40 percent allocation of contracted amounts, MWD will receive approximately 765,000 acre-feet from its basic allocation and approximately 923,000 acre-feet of total water from the State Water Project, including supplies from water transfers, exchanges and related Five-Year Supply Plan actions that will be delivered through the California Aqueduct.

Following three dry years, DWR's calendar year 2010 initial allocation estimate of water from the State Water Project was announced on November 30, 2009 as five percent of SWP contractors' contractual amounts. For MWD, the initial allocation is 95.575 acre-feet, or five percent of its 1,911.500-acre-foot contractual amount. DWR stated that its initial allocation is a very conservative estimate of what DWR expects it can deliver as a percentage of deliveries requested by SWP contractors for 2010. This initial allocation figure reflects the low carryover storage levels in the State's major reservoirs, three years of drought conditions and federally mandated environmental restrictions on water deliveries from the Sacramento-San Joaquin Delta. Actual deliveries and revised allocations for 2010 are expected to increase during the year once actual hydrologic and water supply conditions are known.

According to DWR, the five percent initial allocation is the lowest initial allocation percentage since SWP deliveries began in 1967. The previous low initial allocation was ten percent in 1993. The 1993 allocation was increased to 100 percent as supply conditions improved that year; however, federally mandated environmental restrictions on water deliveries from the Sacramento-San Joaquin Delta were not in place at that time. See "*Endangered Species Act Consideration*" and "*State Water Project Operational Constrains*" below. If the initial allocation of five percent for 2010 remains in effect throughout 2010, MWD expects to meet regional demands with Colorado River Aqueduct deliveries, storage reserves, supplemental water transfers and purchases and, if necessary, continuation of MWD's Water Supply Allocation Plan (see "*Integrated Water Resources Plan and Five-Year Supply Plan*" below).

Due to drought conditions and the court-ordered restrictions described under "*Endangered Species Act Considerations*" below, California Governor Arnold Schwarzenegger issued a proclamation on February 27, 2009 declaring a statewide drought emergency. The proclamation requests that all urban water users in California increase water conservation and directs that various state agencies take action to address impacts of the drought. These actions include expediting approvals for water transfers (provided that such transfers do not injure other legal users of water or unreasonably affect fish and wildlife); pursuing short-term efforts, such as installation of temporary barriers in the Bay-Delta, to protect water quality and water supply; and expediting regulatory consideration of proposed modifications to Bay-Delta water quality standards. DWR's drought status update issued on September 30, 2009 (the end of the water year, which runs from October 1 to September 30 of each year), stated that DWR is preparing for the likelihood of a fourth year of drought in 2010. The Governor may issue additional orders, including rationing, if drought conditions are not sufficiently mitigated. However, MWD has stated it is unable at this time to assess impacts of the emergency declaration on its State Water Project supplies.

Bay-Delta Regulatory and Planning Activities. The supply and reliability issues affecting the SWP are largely a result of longstanding environmental problems in the Bay-Delta estuary. In addition to its importance to urban and agricultural water users, the Bay-Delta is of critical ecological importance. The Bay-Delta is the largest estuary on the West Coast of the United States and provides habitat for more than 750 plant and animal species. One hundred fifty years of human activity have contributed to the destruction of habitat, the decline of several estuarine and anadromous fish species, and the deterioration of water quality. These activities include increasing water demands from urban and agricultural uses, the dredging and filling of tidal marshes, the construction of levees, urban runoff, agricultural drainage, runoff from abandoned mines, and the introduction of non-native species.

The State Water Resources Control Board ("SWRCB") is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of SWRCB can affect the availability of water to MWD and other users of SWP water. SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions. These include the Bay Delta Water Quality Control Plan ("WQCP"), which establishes the water quality standards and proposed flow regime of the estuary, and water rights decisions which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights. Since 2000, SWRCB's Water Rights Decision 1641 has governed the SWP's ability to export water from the Bay-Delta for delivery to MWD and other SWP contractors.

The CALFED Bay-Delta Program is a collaborative effort among state and federal agencies to develop a long-term solution to improve water supplies in California and the health of the Bay-Delta watershed. In August 2000, the federal government and the State of California issued a Record of Decision ("ROD") and related documents approving the final programmatic environmental documentation for the CALFED Bay-Delta Program. Implementing the CALFED Bay-Delta Program during the first seven years has resulted in investment of $3 billion on a variety of projects and programs to begin addressing the Bay-Delta's water supply, water quality, ecosystem, and levee stability problems. To guide future development of the CALFED Bay-Delta Program and identify a strategy for managing the Bay-Delta as a sustainable resource, Governor Schwarzenegger in September 2006 established, by Executive Order, a Delta Vision process. The Delta Vision process is tied to legislation that created a cabinet-level committee tasked with developing a strategic vision for the Delta. The 41-member Delta Vision Blue Ribbon Task Force issued its Delta Vision Strategic Plan (the "Strategic Plan") on October 17, 2008, providing its recommendations for long-term sustainable management of the Bay-Delta. The Strategic Plan was reviewed by the Delta Vision Committee, chaired by the State Secretary for Resources. The Implementation Report summarizing the Delta Vision Committees recommendations was submitted to Governor Schwarzenegger on December 31, 2008. These recommendations include completing the BDCP and associated environmental assessments to permit ecosystem revitalization and conveyance water improvements, identifying and reducing stressors to the Bay-Delta ecosystem, strengthening levees, increasing emergency preparedness, continuing finding for the CALFED ecosystem restoration program, updating Bay-Delta regulatory flow and water quality standards to protect beneficial uses of water and

working with the State Legislature on a comprehensive water bond package to fund Bay-Delta infrastructure projects.

On November 4, 2009, the State Legislature passed a comprehensive package of water legislation that included five bills (four of which have subsequently been signed by Governor Schwarzenegger) (the "2009 State Water Legislation") addressing California's statewide water situation, with particular emphasis on the Bay-Delta. The 2009 State Water Legislation includes, among other things, a 20 percent water conservation mandate for most localities in the State by 2020, new regulations regarding voluntary monitoring of groundwater levels by localities, and an $11.1 billion State general obligation bond measure, to be presented to the voters for their approval in 2010, that would provide funding for projects and programs throughout the State and in the Bay-Delta. Major categories of bond funding would include statewide water system operational improvements, Bay-Delta sustainability, water supply reliability, conservation and watershed protection, groundwater protection and water quality improvements, and water recycling and water conservation. The 2009 State Water Legislation also creates two new governmental agencies - the Delta Stewardship Council and the Sacramento-San Joaquin Delta Conservancy. The Delta Stewardship Council is charged with developing and implementing a Delta Plan, which would include the Bay Delta Conservation Plan upon meeting certain conditions. The Sacramento-San Joaquin Delta Conservancy will implement ecosystem restoration activities in the Bay-Delta. In addition the 2009 State Water Legislation includes legislation addressing unauthorized Bay-Delta water diversions. At this time, the District cannot predict what effect the 2009 State Water Legislation will have on the operations and finances of the SDCWA.

Endangered Species Act Considerations. The listing of several fish species as threatened or endangered under the federal or California Endangered Species Acts (respectively, the "Federal ESA" and the "California ESA" and, collectively, the "ESAs") have adversely impacted State Water Project operations and limited the flexibility of the State Water Project. An annual environmental water account established under the CALFED Bay-Delta Program as a means of meeting environmental flow requirements and export limitations has helped to mitigate these impacts. Currently, five species (the winter-run and spring-run Chinook salmon, Delta smelt, North American green sturgeon and Central Valley steelhead) are listed under the ESAs. In addition, on June 25, 2009, the California Fish and Game Commission declared the longfin smelt a threatened species under the California ESA. The Federal ESA requires that before any federal agency authorizes finds or carries out an action it must consult with the appropriate federal fishery agency to determine whether the action would jeopardize the continued existence of any threatened or endangered species, or adversely modify habitat critical to the species' needs. The result of the consultation is known as a "biological opinion." In the biological opinion the federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat and recommends reasonable and prudent alternatives or measures that would allow the action to proceed without causing jeopardy or adverse modification. The biological opinion also includes an "incidental take statement." The incidental take statement allows the action to go forward even though it will result in some level of "take," including harming or killing some members of the species, incidental to the agency action, provided that the agency action does not jeopardize the continued existence of any threatened or endangered species and complies with reasonable mitigation and minimization measures recommended by the federal fishery agency. In 2004 and 2005, the USFWS and National Marine Fisheries Service ("NMFS") issued biological opinions and incidental take statements that govern operations of the SWP and the federal Central Valley Project (the "CVP") with respect to the Delta smelt, the winter-run and spring-run Chinook salmon and the Central Valley steelhead. In a separate action on May 21, 2009, the National Marine Fisheries Service proposed to adopt a rule under the Federal ESA, applying Federal ESA "take" prohibitions to the North American green sturgeon. Existing restrictions on project operations for the benefit of other listed species will also protect the North American green sturgeon and it is unclear whether additional restrictions and impacts on project operations could result from the proposed rule.

Under the Federal ESA, critical habitat also must be designated for each listed species. Critical habitat has been designated for each of the currently listed species, including the North American green sturgeon.

The National Marine Fisheries Service issued critical habitat designation for the North American green sturgeon on October 9, 2009. The habitat designated as critical for the sturgeon includes the lower Feather River, which could have an adverse impact on State Water Project operations.

Rulings by SWRCQ, USFWS and NMFS can result in significant restrictions on the amount of water available to DWR for delivery through the SWP. An analysis by DWR of the biological opinion on the impact of the SWP and the CVP on Delta smelt, released by USFWS on December 15, 2008, for example, suggested that SWP export restrictions could reduce deliveries to MWD by 300,000 to 700,000 acre-feet in 2009. Further, the decisions of the SWRCB, USFWS, the activities of DWR and various SWP contractors, the CALFED Bay-Delta Program, the operations of the SWP and the various biological opinions have been the subject of ongoing environmental and other litigation. Such litigation has had and may continue to have a significant impact on the operation of the SWP and the amount of SWP water available to MWD. An Interim Remedial Order issued in *NRDC v. Kempthorne*, for example, resulted in reductions of approximately 250,000 acre-feet in SWP deliveries to MWD during winter and spring of 2007-08.

State Water Project Operational Constraints. DWR has altered the operations of the State Water Project to accommodate species of fish listed under the ESAs. These changes in project operations have adversely affected State Water Project deliveries. Restrictions on Bay-Delta pumping under the Interim Remedial Order in *NRDC v. Kempthorne* reduced deliveries of State Water Project water to MWD by approximately 250,000 acre-feet in 2008. The initial allocation to State Water Project contractors for 2009 was only 15 percent of their contracted amounts, based on below-average precipitation and regulatory agency restrictions on water exports from the Bay-Delta to protect listed fish species. DWR revisited this allocation as conditions changed through early 2009 and, on May 20, 2009, announced an allocation of 40 percent (approximately 765,000 acre-feet). MWD anticipates receiving approximately 923,000 acre-feet of total water from the SWP in 2009, including its basic allocation and supplies from water transfers, exchanges and related Five-Year Supply Plan actions that will be delivered through the California Aqueduct.

Operational constraints likely will continue until a long-term solution to the problems in the Bay-Delta is identified and implemented. The Delta Vision process, established by Governor Schwarzenegger, is aimed at identifying long-term solutions to the conflicts in the Bay-Delta, including natural resource, infrastructure, land use and governance issues. In addition, State and federal resource agencies and various environmental and water user entities are currently engaged in the development of the Bay-Delta Conservation Plan (the "BDCP"), which is aimed at addressing ecosystem needs and securing long-term operating permits for the SWP.

Other issues, such as the recent decline of some fish populations in the Bay-Delta and surrounding regions and certain operational actions in the Bay-Delta, may significantly reduce MWD's water supply from the Bay-Delta. State Water Project operational requirements may be further modified under new biological opinions for listed species under the Federal ESA or by the California Department of Fish and Game's issuance of incidental take authorizations under the California ESA. Biological opinions or incidental take authorizations under the Federal ESA and California ESA might further adversely affect State Water Project and Central Valley Project operations. Additionally, new litigation, listings of additional species or new regulatory requirements could further adversely affect State Water Project operations in the future by requiring additional export reductions, releases of additional water from storage or other operational changes impacting water supply operations. The Water Authority cannot predict the ultimate outcome of any of the litigation or regulatory processes described above but believes they could have a materially adverse impact on the operation of the SWP pumps, MWD's SWP supplies and MWD's water reserves.

Seismic Considerations. Major portions of the California Aqueduct are located parallel to and near the San Andreas and other faults. All major faults are crossed either by canal at ground level or by pipeline at very shallow depths to ease repair in case of damage from movement along a fault. SWP facilities are

designed to withstand earthquakes without major damage. Dams, for example, are designed to accommodate movement along their foundations and to resist earthquake forces on their embankments. Earthquake loads have been taken into consideration in the design of project structures such as pumping and power plants. The location of check structures on the canal allows for hydraulic isolation of the fault-crossing repair. No assurance can be made that a significant seismic event would not cause damage to project structures, which could thereby interrupt the supply of water from the California Aqueduct.

Integrated Water Resources Plan and Five-Year Supply Plan. MWD, its member agencies, sub-agencies and groundwater basin managers developed the MWD IRP that was adopted by the Board in January 1996 as a long- term planning guideline for resources and capital investments. The purpose of the MWD IRP was the development of a preferred resource mix to meet the water supply reliability and water quality needs for the region in a cost effective and environmentally sound manner. In 2004, the Board adopted an updated MWD IRP that reviewed the goals and achievements of the original MWD IRP, identified changed conditions for water resource development and updated the resource targets through 2025. A key component of the updated plan was the addition of a planning buffer. The planning buffer provided for the identification of additional supplies, both imported and locally developed, to address uncertainty in future supplies and demands from factors such as the level of population and economic growth which directly drive water demands, water quality regulations, new chemicals found to be unhealthful, endangered species affecting sources of supplies, and periodic and new changes in climate and hydrology. MWD is currently working on the next MWD IRP update, to evaluate supply reliability while incorporating changed conditions and new trends and managing uncertainties. It is expected to be completed in April 2010.

In anticipation of ongoing and future water supply challenges resulting from a combination of drought conditions and regulatory restrictions on the operations of the SWP, MWD and its member agencies initiated the Five-Year Supply Plan (the "Plan") in April 2008. The Plan's objective is to identify implementable resources and conservation actions that would help the region manage water deliveries under regulatory restrictions on operations of the SWP and possible continued drought conditions for the next five years. The specific resources are divided into six areas: 1) extraordinary conservation; 2) local resources; 3) Colorado River transactions; 4) near-term Delta actions; 5) State Water Project transactions; and 6) groundwater recovery. Since the Plan was initiated, the MWD Board approved the implementation of the Water Supply Allocation Plan (the "WSAP") at a Regional Shortage Level 2, which is intended to reduce total water deliveries to approximately 1.98 million acre-feet to the member agencies from July 2009 through June 2010. MWD has evaluated a set of potential resource options for the next five years. These options are estimated to yield 404,000 acre-feet of additional resources in 2009 and from 481,000 acre-feet to approximately 1.0 million acre-feet per year, inclusive of conservation, such as the continued implementation of WSAP, in future years if successfully implemented.

Additional MWD Water Supply Enhancements. MWD is currently pursuing voluntary water transfer and storage and exchange programs with the State, federal, public and private water districts and individuals. In November 2007, the MWD Board authorized purchases of up to 200,000 acre-feet of northern or central California transfer options. In addition MWD has entered into groundwater basin storage agreements with the Arvin-Edison Water Storage District and the Semitropic Water Storage District, an agreement with San Bernardino Valley Municipal Water District to coordinate the use of facilities and SWP supplies and groundwater banking and exchange transfer agreements with the Kern Delta Water District and the Mojave Water Agency.

MWD faces various challenges in the continued supply of imported water to SDCWA and other member agencies. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD has entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations, to file certain annual reports, notices of certain material events as defined under Rule 15c2-12 and annual audited financial statements (the "MWD Information") with the Municipal Securities Rulemaking Board.

MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH MWD INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

Historic and Projected Water Supply. Set forth below is a summary of the District's sources of water supply for the last seven Fiscal Years.

HISTORIC WATER SUPPLY IN ACRE-FEET PER YEAR

Fiscal Year Ending June 30	Produced Reclaimed Water	Purchased Reclaimed Water	Purchased Potable Water	Total
2003	1,117	0	34,539	35,656
2004	1,305	0	38,918	40,223
2005 (1)	1,150	0	37,678	38,828
2006	1,234	0	40,946	42,180
2007 (2)	1,263	653	41,909	43,825
2008	1,235	3,595	38,045	42,875
2009	844	3,686	34,971	39,501

(1) Rainfall in 2005 was significantly above average, resulting in decreased purchases of potable water and production of reclaimed water.

(2) After the District began purchasing reclaimed water from the City of San Diego in May of 2007, it was no longer necessary to purchase potable water for the reclaimed system to supplement the amount of produced reclaimed water. See "Water Supply – Service Area Water Supply - Recycled" above.

Source: Otay Water District.

Set forth below is a summary of the District's projection of water sources for the current and five succeeding Fiscal Years.

PROJECTED WATER SUPPLY IN ACRE-FEET PER YEAR

Fiscal Year Ending June 30	Produced Reclaimed Water	Purchased Reclaimed Water	Purchased Potable Water (1)	Total
2010	1,202	3,301	32,701	37,204
2011	1,202	3,373	32,117	36,692
2012	1,202	3,592	31,607	36,401
2013	1,202	3,834	32,287	37,323
2014	1,202	4,209	33,155	38,566
2015	1,202	4,596	34,157	39,955

(1) Purchases from SDCWA, includes raw water treated to potable level by the City of San Diego and the Helix Water District.

Source: Otay Water District.

Capital Improvement Program

The District boundaries encompass areas of San Diego County that experienced rapid growth between 2001 and 2007, and significant growth is expected in future years. The District currently serves a population of approximately 195,000. Ultimately, the District is projected to serve 277,000 people and it estimates an additional $350 million investment in capital assets will be required through ultimate buildout, over 20 years.

The District has developed a six-year Capital Improvement Program (the "CIP") based on future water demands in its Service Area. The District reviews and updates the CIP at least annually based on an analysis of the potable and recycled water demands most recently projected by developers, demographics, and population estimates by the San Diego Association of Governments. Major capital improvements within the next six years are planned in order to provide facilities to deliver water to new customers and to acquire additional water and recycled water capacity. These facilities are categorized by the District into those improvements relating to the Water System (which includes reclaimed water) and the sewer system. Within each segregated operational area, the CIP is further separated into improvement categories – Expansion, Betterment and Replacement.

The table below summarizes the current six-year $174 million Capital Improvement Program for the Water System and the categories of work to be completed.

	Fiscal Year Ending June 30 ($000's)						
	2010	2011	2012	2013	2014	2015	Total
Expansion	$11,814,500	$15,188,600	$16,550,900	$20,826,000	$12,536,000	$ 5,329,000	$ 82,245,000
Betterment	12,016,100	5,902,900	14,323,100	19,908,000	14,244,000	1,740,000	68,134,100
Replacement	6,830,500	5,930,620	3,978,000	3,175,000	2,660,000	1,171,000	23,745,120
Total	$30,661,100	$27,022,120	$34,852,000	$43,909,000	$29,440,000	$ 8,240,000	$174,124,220

The District has identified the timing and method of funding the capital improvements over the next six years. Each category of improvements is designed to be funded with operational net cashflow, bond proceeds, transfers between operational areas, other capital related charges, reserves or a combination of these sources. The District expects to fund these improvements with reserves, operating income, investment income, capacity fees and other fees, grants and additional financing. The District expects that the additional financing may occur in 2013. In order to implement the Capital Improvement Program, the District anticipates that it will need to increase its rates as described herein (see "Water Charges" below). However, there is no guarantee that the District will implement such rate increases at the amount and at the time anticipated in its planning documents. See "Water Charges – Proposition 218."

Water Service

Historical Water Use. Table No. 1 shows the amount of water usage, connections and revenue generated from water and reclaimed water sales in the last five Fiscal Years, with estimates for 2009/10. There have been over 1,372 new residential connections between Fiscal Years 2004/05 and 2008/09, an increase of 3%. Population has increased over 32% during this period from 148,000 to over 195,000, accounting for the significant increase in the amount of water usage.

TABLE NO. 1
CONNECTIONS AND WATER SALES VOLUME AND REVENUE
Fiscal Years 2004/05 through 2009/10

	2004/05	2005/06	2006/07	2007/08	2008/09	Estimate 2009/10 (5)
Potable						
Residential - Volume (ccf) (1)	8,478,645	9,228,713	9,713,112	9,402,189	8,881,191	8,713,200
Residential - Connections	42,059	42,763	43,292	43,342	43,431	43,441
Residential – Sales Revenue (2)	$ 13,705	$ 16,784	$ 18,695	$ 17,775	$ 17,853	$ 22,318
All Others - Volume (ccf)	5,727,645	5,875,415	6,346,352	6,173,480	6,042,570	5,791,700
All Others - Connections	3,983	4,088	4,168	4,249	4,257	5,792
All Others – Sales Revenue (2)	$ 11,041	$ 11,191	$ 12,002	$ 12,261	$ 12,523	$ 15,552
Reclaimed (3)						
Reclaimed - Volume (ccf)	1,453,271	1,729,000	1,920,287	2,001,137	1,991,682	1,985,500
Reclaimed - Connections	483	558	588	626	671	683
Reclaimed – Sales Revenue (2)	$ 2,655	$ 3,066	$ 3,886	$ 5,182	$ 5,499	$ 6,909
Total						
Total Volume (ccf)	15,659,561	16,830,128	17,979,751	17,576,806	16,915,448	16,490,400
Total Connections	46,525	47,409	48,048	48,217	48,359	49,916
Total Sales (2)	$ 27,401	$ 31,041	$ 34,583	$ 35,218	$ 35,875	$ 44,388
Fixed Charges (4)	$ 11,947	$ 12,715	$ 14,023	$ 15,535	$ 16,524	$ 19,298
Total Revenue	$ 39,348	$ 43,756	$ 48,606	$ 50,753	$ 52,399	$ 64,077

(1) ccf refers to a measurement of 100 cubic feet (1 cubic foot = 7.48 gallons).

(2) Revenue in $ Thousands.

(3) The District receives a credit from SDCWA and MWD for every acre-foot of reclaimed water sold. Beginning in May 2007, the District stopped purchasing potable water to supplement the reclaimed water purchases for the reclaimed system and since that time the credit has been received on all reclaimed water sold.

(4) Includes fixed charges, energy charges and delinquency collections on both potable and reclaimed water sales.

(5) Based on Fiscal Year 2009/10 Budget.

Source: Otay Water District.

Table No. 2 shows the 10 largest water users for Fiscal Year 2008/09.

TABLE NO. 2
TEN LARGEST CUSTOMERS BY WATER SALES REVENUES [1]
Year ended June 30, 2009

Customer	Business Type	Usage in Hundred Cubic Feet	% of Water System Consumption	Water Sales Revenues	% of Total Water Sales Revenues
City of Chula Vista	Public	769,396	4.5%	$2,083,668	4.0%
Otay River Const/ Southbay Expressway	Construction	261,338	1.5	1,044,277	2.0
County of San Diego	Public [3]	403,858	2.4	1,023,342	2.0
State of California	Public [2]	342,056	2.0	864,858	1.6
Eastlake III Community Association	Business/ Irrigation [4]	214,865	1.3	539,324	1.0
Sweetwater School District	Public	163,519	1.2	477,150	0.9
Eastlake County Club	Irrigation [4]	204,961	1.0	458,259	0.9
Steele Canyon	Irrigation	156,090	1.0	370,516	0.7
Salt Creek Partners LLC	Irrigation	173,839	0.9	357,528	0.7
Chula Vista School District	Public	113,525	0.7	329,847	0.6
		2,803,447	16.5%	$7,548,770	14.4%

(1) Includes both potable and reclaimed water sales and excludes fixed charges.

(2) Richard J. Donavan Correctional Facility.

(3) George F. Bailey Detention Facility.

(4) Reclaimed water use.

Source: Otay Water District.

Water Charges

Water Service Rates. The District held a public hearing on May 21, 2009 and approved a 19.9% rate increase that took effect for water usage billed as of October 1, 2009. The District, based on its internal rate model and the need to fund the CIP, anticipates that it will need to increase its rates by approximately 12.2% in each of the next two years and 3% in each of the following three years. The largest component of the required rate increases is related to the increase in purchased water costs from SDCWA.

The water rate structure uses both fixed and variable charges. All customer classes are charged the "monthly fixed charge" based on the meter size as shown on Table No. 3. The commodity or consumption rates as outlined in Table No. 4 are variable in that they are charges per unit. The District also uses an inclining block rate structure for the commodity rate. As a result, each class of customer has a range of rates and for certain classes - commercial, irrigation, and recycled - rates are further differentiated based on meter size. Residential customers (also called domestic customers) have a range of rates beginning at $2.10 and up to $4.21 based on the number of units used. The average residential customer uses 15 units of water. One unit of water is equal to 100 cubic feet of water (one cubic foot of water equals 7.48 gallons). Customers outside the District and tanker trucks are charged two times the commodity rate.

TABLE NO. 3
MONTHLY FIXED CHARGES
As of October 1, 2009

Meter Size	Domestic Service Monthly Fixed Charge	MWD/SDCWA Monthly Fixed Charge
3/4"	$ 14.58	$ 9.77
1"	18.52	16.28
1-1/2"	28.37	32.61
2"	40.18	52.15
3"	71.68	104.30
4"	107.13	162.98
6"	205.59	325.92
8"	323.73	521.51
10"	461.57	749.61
Fire	30.11	

Source: Otay Water District.

TABLE NO. 4
COMMODITY RATES
As of October 1, 2009

Customer Class: Domestic

Units [1]	Charge Per Unit
1-10*	$2.10
11-22	2.73
Over 23	4.21

Customer Class: Multi Residential

Units [1]	Charge Per Unit
0-4	$2.08
Over 5-8	2.70
Over 9	4.15

* Customers whose total consumption is 10 units or less per month shall receive a benefit of a lower rate for units 1-5. These units will be billed at a rate of $1.35 per unit.

Customer Class: Commercial

Less Than 10" Meter:	10" Meter or Greater:	Charge Per Unit
1-173 Units	0-7,426 Units	$2.22
174-831 Units	7,427-14,616 Units	2.27
Over 832 Units	Over 14,617 Units	2.31

Customer Class: Irrigation

3/4"-1" Meter:	1-1/2"-2" Meter:	3" and Up Meter:	Charge Per Unit
1-49 Units	1-144 Units	1-1,044 Units	$3.02
50-132 Units	145-355 Units	1,045-8,067 Units	3.08
Over 133 Units	Over 356 Units	Over 8,068 Units	3.14

Customer Class: Recycled

3/4"-1" Meter:	1-1/2"-2" Meter:	3"-4" Meter:	6" Meter:	Charge Per Unit
1-42 Units	1-168 Units	1-403 Units	1-7,916	$2.58
43-97 Units	169-402 Units	404-820 Units	7,917-16,357	2.62
Over 98 Units	Over 403 Units	Over 821 Units	Over 16,358	2.67

(1) 1 unit equals 100 cubic feet of water.

Source: Otay Water District.

Additionally, commercial agriculture users participating in MWD or SDCWA conservation programs are eligible to receive discounts from the base agriculture rate. As noted above, the District has estimated that future rate increases will be necessary to implement the current six-year CIP. Additionally, the rates, charges and fees may be increased each year to pass-through increases in costs imposed by SDCWA or MWD not already estimated to occur (approximately 84% of the projected rate increases over the next five years relate to estimated increases in SDCWA and MWD charges to the District).

Other Charges. The District charges an energy charge of $0.038 per 100 feet of elevation for all connections over a 450 foot elevation. Betterment charges in certain areas ranging from $.07 to $.26 per unit to pay for reservoirs, pump stations and other infrastructure. The District also applies additional water development charges in some areas in the North District.

Capacity Fees and Meter Fees. The District charges capacity fees to connect to the Water System. Current capacity fees are $5,442 for a single family residential connection. The District also charges a meter fee for the materials and installation cost of a meter. The meter fees range from $264 for a single family residence to $5,507 for a 10" meter.

Availability Fees. The District levies and collects annual standby availability charges. Current legislation provides that any availability charge in excess of $10 per acre shall be used only for the purpose of the improvement district for which it was assessed. Therefore, availability fees shown in Table No. 9 and Table No. 10 include only the first $10 of availability fees. To the extent the availability fees in excess of $10 per acre are authorized for operational purposes, they are included in Table No. 9 in "Connection and Other Fees" and in Table No. 10 in "Other Income."

Annexation Fees. When service is requested outside the boundaries of an improvement district, the land to be serviced is annexed and an annexation fee is charged by the District. Current annexation fees are $1,603 for single family residential connections and are adjusted quarterly according to the Engineering News-Record index.

Proposition 218. On November 5, 1996, California voters approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes,

assessments, fees and charges. Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes, assessments, fees and charges imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges, except those which are pledged to the repayment of debt. If such provisions were held to apply to the District's fees or charges and a repeal or reduction in District fees or charges were to occur, and it was held that any such taxes, assessments, fees or charges were not pledged to any debt repayment, the District's ability to pay debt service on the Bonds could be adversely affected.

Article XIIID conditions the imposition or increase of any "fee" or "charge" upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIIID defines "fee" or "charge" to mean levies (other than *ad valorem* or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." One of the requirements of Article XIIID is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and a mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Following the enactment of Proposition 218 in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services are not property-related fees and charges and thus are not subject to the above described requirements of Proposition 218 regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed.

In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District*, 32 Cal. 4th 409, upheld a Court of Appeals decision that water and wastewater connection fees were not property related fees or charges subject to Article XIIID, while at the same time stating in dicta that fees for ongoing water and wastewater service through an existing connection were property related fees and charges.

On March 23, 2005, the California Fifth District Court of Appeal published *Howard Jarvis Taxpayers Association v. City of Fresno*, concluding that in lieu fees charged as a component of water and wastewater utility service charges are subject to the requirements of Proposition 218. The ruling in City of Fresno relies in part on the *Richmond* decision's dicta and appears to conflict with *Apartment Association of Los Angeles County, Inc. v. City of Los Angeles*, 24 Cal. 4th 830 (2001), in which the California Supreme Court ruled that the property-related fee provisions of Proposition 218 apply only to fees triggered by property ownership alone and not by voluntary conduct of the property owner, such as consuming utility services. The *City of Fresno* decision is final, as review has been denied by the California Supreme Court.

On July 24, 2006, the California Supreme Court stated in *Bighorn-Desert View Water Agency v. Beringson* that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIIID and are further subject to the provisions of Section 3 of Article XIIIC. This decision reversed the July 2004 California Appellate Court decision (*Bighorn-Desert View Water Agency v. Beringson* (180 Cal. App 4th 890)) which opined that the costs of water services are not property related or incidents of property ownership because they are based on consumption and not on property ownership. The California Supreme Court held that such water service charges may be reduced or repealed through a local voter initiative pursuant to Article XIIIC of the California Constitution. The Supreme Court stated that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. However, the Supreme Court

stated in its opinion that water providers may determine rates and charges upon proper action by the governing body and that the legislative body may increase a charge which was not affected by initiative or impose an entirely new charge.

As a result of this case, there can be no assurance that Proposition 218 will not limit the ability of the District to impose, levy, charge and collect increased fees and charges for water services.

On May 21, 2009, the District approved rate increases effective September 1, 2009 following a public hearing held pursuant to Article XIIID of the Constitution. This approval includes authorization to raise rates by up to 10% per year for the next five years for costs other than SDCWA and MWD rate increases. The approval includes authorization to pass through all such SDCWA and MWD increases without limitation during the five year period. The Otay Board of Directors will continue to take action each year to set rates, however they are not expected to hold another Proposition 218 hearing for five years.

Taxes

The County levies a 1% *ad valorem* tax on behalf of all taxing agencies in the County, including the District. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including the District, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIIIA of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of "base" revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year's growth in property value becomes part of each District's allocation in the following year.

The availability of revenue from growth in the tax base may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values. As of the date of this Official Statement, a portion of the District's tax base is within a redevelopment plan area.

California law exempts $7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under AB 454 (Statutes of 1987, Chapter 921), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time to time, legislation has been considered as part of the State budget to shift the share of the 1% *ad valorem* property tax collected by counties from special districts to school districts or other governmental entities (the "ERAF Shift"). While legislation enacted in connection with the Fiscal Year 1992/93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% *ad valorem* tax, the share of the countywide 1% *ad valorem* tax pledged to debt service by special districts was exempted. None of the State budgets enacted since Fiscal Year 1992/93 have permanently reallocated additional portions of the special districts' shares of the countywide 1% *ad valorem* tax.

However, the State Budgets for Fiscal Years 2003/04 through 2005/06 reallocated approximately $1.30 billion of the 1% *ad valorem* property tax from local government to schools. Of that amount, approximately $350 million was reallocated from special districts. The District estimates that this resulted in a reduction of approximately 40% in Taxes as a result of the ERAF Shift in those years. On July 24, 2009, the California legislature approved amendments to the 2009/10 Budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009/10 will be more than $84 billion, down from nearly $91.7 billion in fiscal year 2008/09 and nearly $103 billion in fiscal year 2007/08. The budget amendments combined deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009/10, including (among many others) $2 billion borrowed from cities', counties' and special districts' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), which the State must repay with interest within three years.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and some economists believe that they produce a significant budget shortfall next year. Additionally, borrowing or taking of certain revenues from local governments has resulted in litigation.

The declaration by the State of California of a fiscal emergency under Proposition 1A, as a part of the State's 2009-10 budget adoption, authorized the State to withhold the equivalent of 8% of fiscal 2009/10 property related tax revenues from cities, counties and special districts. The tax revenues are required to be repaid by the State with interest within three years. The District's Proposition 1A receivable was $267,197. As a part of the budget package, local governments were given the opportunity to sell their Proposition 1A receivable through financing offered by California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. California Communities issued bonds in November 2009, securitizing the future payments by the State and remitting the proceeds of the bonds to the local governments who opted to participate in the securitization. The District opted to participate in the securitization program and has received 50% of Proposition 1A receivable as of January 15, 2010. The remaining half will be received on May 3, 2010.

There can be no assurance that the share of the 1% *ad valorem* property tax the District currently receives will not be reduced further pursuant to State legislation enacted in the future to address future budget deficits. See "Historical and Projected Taxes, Net Revenues and Debt Service Coverage" herein for historic and projected receipts of Taxes.

Personnel

The District currently has 166 full-time budgeted positions. The OWD Employee Association (the "Union") represents 124 full-time and 1 part-time employees as a collective bargaining unit. The District has not experienced any strikes and continues to have positive labor relations which includes a negotiated five-year Collective Bargaining Agreement that ends on June 30, 2013.

The District provides retirement benefits for its employees through a contractual agreement with the California Public Employees' Retirement System ("CalPERS"). Active members in the District's benefit pension plan are required to contribute 8% of their annual covered salary. The District has elected to contribute 7% on behalf of its employees. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2009 was 19.369%. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. Due to significant investment losses, CalPERS will be significantly increasing contribution rates over the next several years. For the Fiscal Year ended June 30, 2009, the

District's annual pension costs and actual contribution was $2,150,579, and, for Fiscal Year ending June 30, 2010, the District's annual pension cost and actual contribution is expected to be $2,240,538, a 4.18% increase. An increase of 0.674% is expected for 2010/11 and a 1.311% increase is expected for 2011/12. The required contribution for Fiscal Year 2009/10 was determined as part of the June 30, 2007 actuarial valuation, pursuant to which the District had an unfunded actuarial accrued liability of approximately $14.5 million as of June 30, 2007. As part of the June 30, 2008 actuarial valuation, CalPERS estimates the District's unfunded actuarial accrued liability will not change significantly as of June 30, 2009 or June 30, 2010. Unfunded liabilities are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment of the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

In addition to the pension benefits described above, it is the District's practice and policy to provide certain life insurance and health care benefits ("Other Post Employment Benefits, or OPEB") for eligible retired employees, directors and eligible dependents. These benefits vary based on the hire date of the employee. As of the last actuarial projection, dated June 30, 2009, the District's Actuarial Accrued Liability for OPEB benefits was $10,070,000.

The District has chosen to fund this liability by investing funds with the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 2.9% of the annual covered payroll.

Based on the District's financial statements at June 30, 2009, the amount actually contributed to the CERBT and changes in the District's net OPEB obligation total $6.2 million. In addition, the District's Board has designated approximately $3.9 million of its reserves towards the remaining liabilities. In accordance with GASB Statement 45, and the requirements of the CERBT, the District will periodically update the actuarial projections and continue to fund the resulting ARC on an annual basis.

Insurance

General Liability and Property Damage

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. Beginning in July 2003, the District began participation in an insurance pool through Special Districts Risk Management Authority (SDRMA). Coverages through SDRMA are as follows: property coverage - $350 million/occurrence with replacement cost for scheduled property; $100 million for boiler and machinery; $200 million for workers' comp.; $500,000 for personal liability coverage for board members; $400,000 for employee dishonesty coverage; $750,000 for uninsured/underinsured motorists; and $10 million per occurrence for each of the following types of coverage, auto liability, public officials and employees errors, employment practices liability, employee benefits liability, and general liability.

Separate financial statements for SDRMA may be obtained at: Special District Risk Management Authority, 1112 I Street, Suite 300, Sacramento, California 95814.

Workers' Compensation

Through SDRMA, the District is insured up to $200 million Statutory Workers' Compensation and $5 million in Employer's Liability with a Zero Member Deductible. SDRMA currently has a pool of 328 agencies in the Workers Compensation Program.

Health insurance

Prior to 2008, the District maintained a self-insurance program for health claims. Beginning in January 2008, the District began providing health insurance through SDRMA covering all of its employees, retirees, and other dependents. Prior estimated accrued claims outstanding at June 30, 2008 amounted to $137,029, and all remaining claims were paid as of December 31, 2008. SDRMA is a self-funded pooled medical program administered in conjunction with the California State Association of Counties (CSAC).

District Reserves and Investment Policy

As of June 30, 2009, the District had approximately $78.7 million in cash and investments, of which the Board has designated $47.9 million for capital projects and $8.4 million for insurance. The District's reserves are not pledged to and do not secure the District's obligation to make Installment Payments.

In accordance with State of California law, the District Board of Directors has approved an investment policy (the "Investment Policy") which complies with Sections 53601 through 53630 of the Government Code of the State of California providing legal authorization for the investment or deposit of funds of local agencies. All investments of the District conform to the restrictions of those laws. The District's investments by category and their respective market value and book value as of December 31, 2009 are set forth in Table 5 below. For additional information relating to the District's investments, see "APPENDIX B - DISTRICT AUDITED FINANCIAL STATEMENTS," Note 2.

TABLE NO. 5
SUMMARY OF INVESTMENTS
As of December 31, 2009

Investments	*Market Value*	*Book Value*	*% of Portfolio*
Federal Agency Issues – Callable	$31,999,380	$31,998,003	45.27%
Corporate Notes	4,150,580	4,029,129	5.70
Certificates of Deposit – Bank	3,079,108	3,079,108	4.36
Local Agency Investment Fund (LAIF)	8,832,213	8,823,849	12.48
San Diego County Pool	22,749,327	22,757,180	32.69

Source: Otay Water District.

The Investment Policy may be changed at any time at the discretion of the District (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. Any exception to the Investment Policy must, however, be formally approved by the Board of Directors of the District. There can be no assurance the State law or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the District with respect to investments will not change.

Outstanding Indebtedness of the District

The District had outstanding indebtedness as of December 31, 2009 as shown in Table No. 6.

TABLE NO. 6
OTAY WATER DISTRICT
OUTSTANDING INDEBTEDNESS
As of December 31, 2009

Category of Indebtedness	Original Issue	Amount Outstanding	Final Maturity
(1) 1996 Certificates of Participation	$15,400,000	$ 11,700,000	2026
(2) 2004 Refunding Certificates of Participation	12,270,000	9,790,000	2023
(3) 2007 Certificates of Participation	42,000,000	40,400,000	2036
(4) 2009 General Obligation Refunding Bonds	7,780,000	7,780,000	2022
(5) State Water Resources Control Board Note		701,516	2012

(1) In June 1996, the District issued its 1996 Variable Rate Demand Certificates of Participation to provide funds for the design, acquisition, construction and equipping of various water and water-related facilities and an administration building for use in connection with the administration of the District. The 1996 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment Payments securing the Certificates. Interest is payable at a variable rate of interest, and the interest rate at February 1, 2010 was 0.25% and was 0.15% at December 31, 2009. At current rates, debt service is expected to be $400,000 to $450,000 each year for the next several years. However, the annual installment payments are estimated in the projections at approximately $980,000 based on the current 25-Year Revenue Bond Index of 4.99%.

(2) In August 2004, the District issued its 2004 Revenue Refunding Certificates of Participation to defease its outstanding 1993 Certificates of Participation. The 2004 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment Payments securing the Certificates. Annual installment payments are approximately $933,000.

(3) In March 2007, the District issued its 2007 Revenue Certificates of Participation to provide funds for the design, construction and equipping of two 10 million gallon reservoirs and various water-related facilities. The 2007 Certificates are payable from Installment Payments which are secured by a pledge of and lien on Net Revenues and Taxes on a parity with the Installment payments securing the Certificates. Annual installment payments are approximately $2,501,000.

(4) Voters within Improvement District No. 27 of the District authorized $100 million general obligation bonds in 1989. The District issued $11,500,000 general obligation bonds in 1992 and refinanced the bonds in 1998 and again in 2009. Annual debt service is approximately $764,000. The District also has approximately $29 million in general obligation bonds authorized between 1960 and 1978 for various Improvement Districts throughout the District, but unissued. The general obligation bonds are not secured by a lien on Revenues or Taxes and the District has no current plans to issue any of the authorized but unissued general obligation bonds.

(5) The State Water Resources Control Board Note bears interest at 3.5% and is payable in annual installments of $366,325. This note has no lien on Net Revenues and Taxes.

Source: Otay Water District.

Historical Operating Results

The following table summarizes the Statement of Net Assets included in the District's audited financial statements for the last five Fiscal Years. The audited financial statements of the District for the Fiscal Year ended June 30, 2009 are attached hereto as "APPENDIX B" and should be read in their entirety.

TABLE NO. 7
OTAY WATER DISTRICT
NET ASSETS
For the Fiscal Year Ended June 30

	2005	2006	2007	2008	2009
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 3,473,662	$ 13,755,907	$ 8,048,633	$ 23,351,911	$ 50,823,237
Restricted Cash and Cash Equivalents	21,053,829	-	11,191,213	3,753,983	1,760,631
Investments	73,376,529	62,596,513	68,912,864	60,682,507	26,169,080
Restricted Investments	-	-	19,975,538	-	-
Accounts Receivable	7,105,484	6,808,999	8,675,458	7,689,720	8,029,609
Accrued Interest Receivable	82,483	818,798	1,559,081	715,900	319,186
Restricted Accrued Interest Receivable	506,678	-	-	-	-
Taxes and Availability Charges Receivable	-	-	-	362,976	413,000
Restricted Taxes and Availability Charges Receivable	322,438	318,090	443,854	174,219	190,151
Inventories	620,119	592,426	633,697	711,240	816,865
Prepaid Expenses and Other Current Assets	341,686	664,133	1,164,300	1,908,028	976,045
Total Current Assets	$106,882,908	$ 85,554,866	$120,604,638	$ 99,350,484	$ 89,497,804
Non-Current Assets:					
Restricted Assets:					
Net OPEB Obligation	$ -	$ -	$ -	$ 5,649,008	$ 6,204,876
Total Restricted Assets:	$ -	$ -	$ -	$ 5,649,008	$ 6,204,876
Deferred Bond Issuance Costs	$ 586,950	$ 555,550	$ 1,254,821	$ 1,240,166	$ 1,142,762
Capital Assets:					
Land	$ 12,215,546	$ 12,494,062	$ 12,971,479	$ 13,025,364	$ 13,402,840
Construction in Progress	45,144,448	58,869,241	40,300,055	42,338,220	18,280,278
Capital Assets, Net of Depreciation	305,120,717	325,624,281	370,989,434	391,350,813	422,369,157
Total Capital Assets, Net of Depreciation	$362,480,711	$396,987,584	$424,260,968	$446,714,397	$454,052,275
Other Non-Current Assets	307,795	283,440	235,694	-	-
Total Non-Current Assets	$363,375,456	$397,826,574	$425,751,483	$453,603,571	$461,399,913
Total Assets	$470,258,364	$483,381,440	$546,356,121	$552,954,055	$550,897,717

Continued on next page.

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NET ASSETS
For the Fiscal Year Ended June 30

	2005	2006	2007	2008	2009
LIABILITIES					
Current Liabilities:					
Current Maturities of Long-term Debt	$ 1,456,907	$ 1,529,848	$ 1,519,048	$ 2,445,214	$ 2,521,772
Accounts Payable	11,809,983	11,617,499	10,930,658	13,705,566	11,565,953
Accrued Payroll Liabilities	2,012,855	2,348,853	2,270,958	2,491,182	2,548,731
Other Accrued Liabilities	603,657	683,350	1,597,012	1,615,403	444,875
Customer Deposits	2,244,193	2,489,101	2,622,646	2,719,331	2,806,990
Accrued Interest	-	-	-	720,545	706,934
Liabilities Payable From Restricted Assets:					
Accounts Payable	4,556,884	7,633,220	4,492,364		-
Accrued Interest	403,839	413,442	882,888	166,096	153,270
Total Current Liabilities	23,088,318	26,715,313	24,315,574	23,863,337	20,748,525
Non-Current Liabilities:					
Long-term Debt:					
General Obligation Bonds	$ 8,728,482	$ 8,396,755	$ 8,045,029	$ 7,678,302	$ 7,291,575
Certificates of Participation	24,908,607	24,119,352	65,051,790	63,192,774	61,468,693
Notes Payable	1,659,035	1,350,778	1,031,730	701,516	359,744
Other Noncurrent Liabilities	733,854	733,915	890,473	690,709	684,309
Capital Lease Payable	$ 51,595	$ -	$ -	$ -	$ -
Total Non-Current Liabilities	$ 36,081,573	$ 34,600,800	$ 75,019,022	$ 72,263,301	$ 69,804,321
Total Liabilities	$ 59,169,891	$ 61,316,113	$ 99,334,596	$ 96,126,638	$ 90,552,846
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$325,676,089	$361,590,845	$374,667,591	$372,696,591	$382,410,491
Restricted for Net OPEB Asset	16,188,364	-	2,071,307	5,649,008	6,204,876
Restricted for Debt Service	-	-	-	3,762,106	1,797,512
Unrestricted	69,224,020	60,474,482	70,282,627	74,719,712	69,931,992
Total Net Assets	$411,088,473	$422,065,327	$447,021,525	$456,827,417	$460,344,871

Source: Otay Water District Financial Statements.

The following table summarizes the District's operating revenues, operating expenses and changes in net assets included in the District's audited financial statements for the last five Fiscal Years. The audited financial statements of the District for the Fiscal Year ended June 30, 2009, are attached hereto as "APPENDIX B" to this Official Statement and should be read in their entirety.

TABLE NO. 8
OTAY WATER DISTRICT
HISTORICAL OPERATING RESULTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For Fiscal Year Ended June 30

	2005	2006	2007	2008	2009
OPERATING REVENUES					
Water Sales	$ 39,348,056	$ 43,755,610	$ 48,605,606	$ 50,808,825	$ 52,428,648
Wastewater Revenue	2,017,992	2,331,094	2,604,431	2,386,285	2,182,429
Connection and Other Fees	540,055	1,774,384	2,040,444	2,519,735	2,492,234
Total Operating Revenues	$ 41,906,103	$ 47,861,088	$ 53,250,481	$ 55,714,845	$ 57,103,311
OPERATING EXPENSES					
Cost of Water Sales	$ 29,655,869	$ 32,043,395	$ 33,994,841	$ 35,296,002	$ 37,252,482
Wastewater	2,521,861	1,899,957	1,508,672	2,009,876	1,890,804
Administrative and General	13,809,022	15,477,287	18,418,441	21,127,922	19,888,161
Depreciation	10,524,134	10,107,455	10,729,096	13,040,572	12,475,714
Total Operating Expenses	$ 56,510,886	$ 59,528,094	$ 64,651,050	$ 71,474,372	$ 71,507,161
Operating Income (Loss)	(14,604,783)	(11,667,006)	(11,400,569)	(15,759,527)	(14,403,850)
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	$ 2,052,292	$ 3,188,645	$ 4,416,342	$ 4,538,791	$ 2,252,335
Taxes and Assessments	2,326,526	2,779,635	4,151,956	4,591,023	4,586,823
Availability Charges	556,590	609,099	715,664	744,722	625,065
Gain on Sale of Capital Assets	2,196,655	142,922	1,817	15,243	5,206
Miscellaneous Revenues	2,518,285	1,835,710	1,809,802	3,676,963	6,569,644
Donations	(35,894)	(75,000)	(80,000)	(80,541)	(95,270)
Interest Expense	(1,327,844)	(959,225)	(950,479)	(2,601,252)	(1,340,110)
Miscellaneous Expenses	(523,905)	(279,506)	(271,410)	(261,492)	(1,671,597)
Total Non-operating Revenues (Expenses)	7,762,705	7,242,280	9,793,692	10,623,457	10,932,096
Income (Loss) Before Contributions	(6,842,078)	(4,424,726)	(1,606,877)	(5,136,070)	(3,471,754)
Capital Contributions	34,969,305	15,401,580	26,563,075	14,941,962	6,989,208
Change in Net Assets	28,127,227	10,976,854	24,956,198	9,805,892	3,517,454
Total Net Assets, Beginning	$382,961,246	$411,088,473	$422,065,327	$447,021,525	$456,827,417
Total Net Assets, Ending	$411,088,473	$422,065,327	$447,021,525	$456,827,417	$460,344,871

Historical Debt Service Coverage

Table No. 9 below sets forth historical Taxes and Net Revenues and Debt Service Coverage for the last five fiscal years.

TABLE NO. 9
HISTORICAL TAXES AND NET REVENUES (in '000's) AND DEBT SERVICE COVERAGE
for the fiscal year ended June 30

	2005	2006	2007	2008	2009
Revenues:					
Water Sales	$39,348	$43,756	$48,606	$50,809	$52,399
Connection and Other Fees	540	1,774	2,040	2,520	3,460
Availability/Annexation Fees [1]	2,764	1,815	2,826	1,214	967
Capacity Fees	9,131	6,715	8,028	1,962	1,851
Investment Earnings	2,052	3,174	4,349	3,947	2,157
Total Revenue	$53,836	$57,234	$65,849	$60,452	$60,833
Operation and Maintenance Costs:					
Water Purchases	$21,988	$25,460	$27,494	$28,187	$29,310
Utilities	2,012	2,114	2,419	2,550	2,842
Payroll	12,067	12,885	13,980	16,488	16,391
Administrative	4,411	4,797	6,156	6,815	6,866
Materials and Maintenance	2,863	2,264	2,365	2,381	1,792
Repairs and Replacement [2]	124	-	-	-	-
Total Operation and Maintenance Costs	$43,465	$47,520	$52,413	$56,421	$57,201
Net Revenues	$10,371	$ 9,714	$13,436	$ 4,031	$ 3,631
Taxes	$ 1,332	$ 1,338	$ 2,930	$ 3,280	$ 3,430
Taxes and Net Revenues	$11,703	$11,052	$16,366	$ 7,311	$ 7,061
Debt Service					
1996 Installment Payments	$ 890	$ 760	$ 757	$ 651	$ 542
2004 Installment Payments	946	948	923	929	928
2007 Installment Payments	-	-	558	1,721	2,491
Letter of Credit	-	-	66	67	63
Total Debt Service	$ 1,836	$ 1,708	$ 2,304	$ 3,368	$ 4,024
Coverage Ratio	637%	647%	710%	217%	175%

(1) Includes only water availability charges not exceeding $10 per acre per year. To the extent such fees over $10 per acre are authorized for operational purposes, they are included in "Connection and Other Fees".

(2) In prior years, certain repair and replacement costs had been capitalized, but the District does not expect that practice to continue. These costs in prior years have been included in Table No. 9 for comparison purposes with future years shown in Table No. 10.

Source: Otay Water District.

Projected Debt Service Coverage

The projections of Revenues and the corresponding Taxes and Net Revenues shown in Table No. 10 are based on the assumptions shown below. The District believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see "RISK FACTORS"). To the extent that the assumptions are not actually realized, the Agency's ability to timely make the Installment Payments may be adversely affected.

Following is a discussion of assumptions used in the projection of Revenues, Net Revenues and Taxes:

(a) Water rates are projected to increase 12.2% on September 1, 2010 and January 1, 2012 and 3% annually thereafter, (see "Water Charges – Proposition 218" herein).

(b) Potable connections in equivalent dwelling units are projected to increase as follows for an overall 9% increase during the next six year period:

	Portable System		Recycled System	
	Number of Meters (EDU)	% Increase	Number of Meters (EDU)	% Increase
2010	154	0.2%	110	3.0%
2011	155	0.2%	82	2.2%
2012	289	0.4%	124	3.2%
2013	1,505	2.2%	150	3.8%
2014	1,920	2.7%	261	6.4%
2015	2,210	3.0%	343	7.8%

Recycled connections are also projected to increase 29.3% during the next six year period.

(c) Capacity and annexation fee rates are estimated to increase 3% in each year based on the projected Engineering News-Record index increases. Revenue from these fees will also increase as the number of connections increase as shown in (b) above.

(d) Water availability charges included in Availability Fees are limited to an amount not exceeding $10 per acre per year. To the extent the water availability charges exceeding $10 per acre are authorized for operational purposes, such fees are included in Other Income.

(e) Taxes do not include *ad valorem* taxes levied for the purpose of paying debt service on the District's 1998 General Obligation Refunding Bonds. Taxes are projected to decrease for 2010 by $254,000 based on a reduction in assessed value, and then slowly increasing by approximately 2%, annually. No additional ERAF deductions or Proposition 1A borrowing are assumed (see "Taxes" herein).

(f) Non-operating income is excluded from the projection. Non-operating revenues within miscellaneous revenues shown in the District's financial statements consists of property rental and golf course income.

(g) Water Supply costs are anticipated to increase between 6.8% and 13.7% annually as a result of increases in cost of purchased water and usage by new customers.

(h) Operating costs shown in fiscal year 2009/10 are based on current year estimates. Costs for subsequent fiscal years are based on the 2009/10 estimates with the annual inflationary factors shown below.

Utilities	3.5%
Materials and Maintenance	4.0%
Administrative Costs	3.0%
Salaries	5.1%
Medical Benefits	8.4%
Workers Comp	8.2%
Other Benefits	3.0%

Base operating costs are also increased based on the projected growth in District operations, similar to the growth rates shown for connections in (b) above.

(i) The debt service on the 1996 Certificates is calculated based on the existing principal repayment schedule and the Bond Buyer 25 Year Revenue Bond Index as of January 27, 2010 of 4.99%.

TABLE NO. 10
PROJECTED TAXES AND NET REVENUES (in '000's) AND DEBT SERVICE COVERAGE
For the fiscal year ended June 30

	2010 [1]	2011	2012	2013	2014	2015
Revenues:						
Water Sales	$ 60,658	$ 67,227	$ 73,016	$ 80,374	$ 85,268	$ 90,843
Availability Fees	627	628	632	648	668	692
Capacity	1,516	657	1,706	9,169	12,655	15,433
Annexation Fees	258	194	444	2,578	3,506	4,154
Other Income	1,232	1,250	1,310	1,670	1,861	1,987
Connection Fees	1,398	1,405	1,419	1,433	1,433	1,433
Investment Earnings	1,261	1,915	1,939	1,941	1,957	2,409
Interest Subsidy Payment*	-	767	835	835	835	835
Total Revenue	66,950	74,044	81,301	98,649	108,182	117,786
Operation and Maintenance Costs:						
Water Purchases	33,344	37,080	41,072	45,849	50,961	55,310
Utilities	2,365	2,428	2,341	2,485	2,664	2,874
Payroll	16,420	17,397	18,450	19,177	19,797	20,650
Administrative	4,873	4,984	5,098	5,228	5,366	5,500
Materials and Maintenance	2,460	2,553	2,651	2,757	2,867	2,982
Total Operation and Maintenance Costs	59,463	64,442	69,613	75,495	81,655	87,315
Net Revenues	7,487	9,602	11,688	23,153	26,527	30,470
Taxes	3,176	3,176	3,239	3,304	3,470	3,647
Taxes and Net Revenues	10,663	12,777	14,927	26,457	29,997	34,117
Debt Service:						
1996 Installment Payments [2]	1,088	1,065	1,025	1,088	1,050	1,022
2004 Installment Payments	927	927	926	928	923	922
2007 Installment Payments	2,491	2,491	2,495	2,497	2,498	2,497
2010 Installment Payments [*]	-	2,650	3,750	3,750	3,750	3,750
Total Debt Service	4,507	7,134	8,195	8,262	8,221	8,191
Coverage Ratio	237%	179%	182%	320%	365%	417%

(1) 2009/2010 Budget, reflects 19.9% rate increase effective September 1, 2010.

(2) Based on 25-Year Revenue Bond Index of 4.99% plus LOC fees.

* Preliminary, subject to change.

Source: Otay Water District.

The projected Revenues, Taxes and Operation and Maintenance Costs shown above are subject to several variables as described on the previous page. The District provides no assurance that the projected Taxes and Net Revenues will be achieved (see "RISK FACTORS" herein).

SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are secured by a pledge of Revenues, consisting of the Installment Payments and other payments paid by the District and received by the Authority pursuant to the 2010 Installment Purchase Agreement and all interest or other income from any investment of any money in any find or account established pursuant to the Trust Agreement (other than the Rebate Fund), and any other amounts held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund).

The Bonds are limited obligations of the Authority and are payable solely from Revenues and the other assets pledged therefor under the Trust Agreement. The Installment Payments are sufficient to pay, when due, the annual principal and interest represented by the Bonds.

Installment Payments

Installment Payments are secured by a pledge of and lien on Taxes and Revenues of the Water System and are payable from Taxes and Net Revenues in the manner described herein. Under the Installment Purchase Agreement, the District has agreed to deposit all Revenues in the Revenue Fund and all Taxes in the Tax Fund which are irrevocably pledged to the payment of the Installment Payments as provided in the Installment Purchase Agreement. The Revenues and Taxes will not be used for any other purpose while any of the Installment Payments remain unpaid except as described below. Under the terms of the Installment Purchase Agreement, Revenues are applied first to pay Operation and Maintenance Costs. The pledge of Taxes and Revenues constitutes a lien thereon and, subject to application of amounts on deposit therein as permitted in the Installment Purchase Agreement, on the Revenue Fund, the Tax Fund and the other funds and accounts created under the Installment Purchase Agreement for the payment of the Installment Payments and all other Contracts and Bonds, including, but not limited to, the 2004 Installment Payments, the 2007 Installment Payments and the 1996 Installment Payments, in accordance with the terms of the Installment Purchase Agreement and the Trust Agreement. The Installment Payments securing the Bonds are payable from Taxes and Net Revenues on a parity with installment payments securing the District's 1996 Certificates, 2004 Certificates and the 2007 Certificates. The 1996 Certificates bear interest at a variable rate. In addition, as set forth in "Interest Subsidy Payment " below, the Interest Subsidy Payment (defined below) received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds will be pledged by the District as security for its obligation to make the Installments Payments allocable to the 2010B Bonds. Neither the 2010A Bonds, the 1996 Certificates, the 2004 Certificates, the 2007 Certificates or any future Parity Debt will be payable from or secured by a pledge, lien or security interest in the Interest Subsidy Payment.

"Taxes" means all taxes, including *ad valorem* taxes of the District, other than taxes imposed pursuant to Chapter 1 of Part 9 of the Law to secure general obligation bonds of the District or any improvement district thereof.

"Net Revenues" means, for any Fiscal Year or other 12-month period, the Revenues for such Fiscal Year or other 12-month period less the Operation and Maintenance Costs for such Fiscal Year or other 12-month period.

"Revenues" means (i) all water availability charges imposed pursuant to Chapter 2 of Part 5 of the Law not exceeding $10 per acre per year; (ii) all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water System, including, without limiting the generality of the foregoing, (a) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities and commodities sold, furnished or supplied through the facilities of the Water System, including connection fees, (b) the earnings on and

income derived from the investment of such income, rents, rates, fees and charges or other moneys, and (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted under the Installment Purchase Agreement; provided that the term "Revenues" shall not include (1) Interest Subsidy Payment, and (2) customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

"Operation and Maintenance Costs" means (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (ii) costs spent or incurred in the purchase of water for the Water System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

Moneys in the Tax Fund and Revenue Fund will be used and applied by the District as provided in the Installment Purchase Agreement. Pursuant to the Installment Purchase Agreement, the District will pay from the moneys in the Revenue Fund all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All moneys in the Tax Fund, and to the extent such moneys are insufficient, all remaining moneys in the Revenue Fund, will be used and applied to pay Debt Service, including the Installment Payments, the 1996 Installment Payments, the 2004 Installment Payments, the 2007 Installment Payments and any Contracts or Bonds secured on a parity with the Installment Payments, then to replenish all reserve funds established for the Bonds and such Bonds or Contracts, including the Reserve Fund, and thereafter for any purpose permitted by law.

The Installment Payments are payable only from Taxes and Net Revenues and are not secured by, and the Bond Owners have no security interest in or mortgage on the property of the Water System or any other assets of the District. Default by the District will not result in loss of the 2010 Project or the Water System or any other assets of the District. Should the District default, the Trustee, as assignee of the Authority, shall, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, compel the District to perform and carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Authority. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Default and Limitation of Liability" and "THE INSTALLMENT PURCHASE AGREEMENT - Events of Default and Acceleration of Maturities."

Interest Subsidy Payment

"Interest Subsidy Payment" means, with respect to the 2010B Bonds, the amounts which are payable by the Federal government under Section 6431 of the Code, which the District has elected to receive under Section 54AA(g)(1) of the Code. The District agrees in the Installment Purchase Agreement to submit all documentation, and take all actions, as may be required to receive and collect the Interest Subsidy Payment when due, as provided in the Trust Agreement. The Interest Subsidy Payment received by the District from the United States Treasury as cash subsidy payments in connection with the 2010B Bonds will be pledged by the District as security for its obligation to make the Installment Payments allocable to the 2010B Bonds. Neither the 2010A Bonds, the 1996 Certificates, the 2004 Certificates, the 2007 Certificates or any future Parity Debt will be payable from or secured by a pledge, lien or security interest in the Interest Subsidy Payment.

Rates and Charges

Pursuant to the Installment Purchase Agreement, the District shall fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield during each Fiscal Year Taxes and Net Revenues equal to one hundred twenty-five percent (125%) of the Debt Service (including for purposes of such calculation the obligation of the District to repay Policy Costs, if any, to any Insurer) on the Bonds, the 1996 Certificates, the 2004 Certificates, the 2007 Certificates and Additional Contracts or Bonds for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Taxes and Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Installment Purchase Agreement.

For purposes of the rate covenants described above, the Installment Payments that are allocable to the 2010B Bonds in any fiscal year will be reduced by the amount of Interest Subsidy Payment that the District or the Trustee is entitled to receive in such fiscal year.

Parity Debt

(A) Pursuant to the 2004 Installment Purchase Agreement, the 2007 Installment Purchase Agreement and the Installment Purchase Agreement, the District may at any time execute any Contract or issue any Bonds the payments under or of which are on a parity with the Installment Payments ("Contracts or Bonds"), as the case may be, provided an Independent Financial Consultant or Certified Public Accountant shall render to and file with the District and the Trustee a written report certifying that Taxes and Net Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the issuance of the additional Contracts or Bonds adjusted as set forth below are at least equal to 125% of Debt Service (including for purposes of such calculation the obligation of the District to repay Policy Costs, if any, to the Insurer), assuming such additional Contracts had been executed or additional Bonds had been issued at the beginning of such twelve-month period.

For purposes of calculating Net Revenues as set forth in the preceding paragraph, adjustments to the computations of Net Revenues may be made for the following:

(1) any change in service charges which has been adopted subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts;

(2) customers added to the Water System subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts;

(3) the estimated change in Net Revenues which will result from the connection of existing residences or businesses to the Water System within one year following completion of any project to be funded or system to be acquired from the proceeds of such additional Bonds or Contracts; and

(4) the estimated change in Net Revenues which will result from services provided under any long-term, guaranteed contract that extends for the life of the additional Bonds or Contracts if entered into subsequent to the commencement of the twelve-month period but prior to the date of issuance or execution of the additional Bonds or Contracts.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts. Further, it shall be assumed that, for the purpose of calculating Debt Service for any Parity Debt which bears a variable interest rate, a fixed rate shall be used equal to 110% of the greater of (i) the then current variable interest rate borne by such Bonds or Contracts plus 2%, and (ii) the highest variable rate borne over the preceding 12 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued.

In addition to the foregoing, in the event any Policy Costs are past due and owing to the Insurer, the Insurer must provide written consent to the issuance of any Bonds or the execution of any Contracts.

(B) In addition, pursuant to the 1996 Installment Sale Agreement, the District may issue or incur additional obligations secured by a pledge of and lien on Taxes and/or Net Revenues on a parity with the installment payments under the 1996 Installment Sale Agreement ("Parity Debt subject to the following provisions:

(1) an Independent Financial Consultant shall render to and file with the District and the Trustee a written opinion that Taxes and Net Revenues for any twelve (12) consecutive calendar months in the eighteen (18) calendar months immediately preceding the issuance of the Parity Debt adjusted as set forth below, are at least equal to 125% of maximum total annual amount of Outstanding Installment Payments and on the additional Parity Debt to be issued;

(2) an Independent Financial Consultant having a favorable reputation for special skill, knowledge and experience in analyzing the operations of water systems shall render to and file with the District and the Trustee a written opinion that Taxes and Net Revenues in each of the three (3) Fiscal Years succeeding the issuance of the Parity Debt will equal at least 125% of the maximum amount of the sum of (1) the aggregate amount of the Installment Payments, and (2) the aggregate amount of annual debt service or other payments with respect to outstanding Parity Debt, including Parity Debt to be issued, and all other obligations constituting a lien on Net Revenues which will be due in any Fiscal Year succeeding the issuance of the Parity Debt other than reimbursement obligations with respect to any Facility relating to the Bonds or any Parity Debt;

(3) with respect to any indebtedness of the District to be issued or incurred on a subordinate and junior basis to Parity Debt ("Junior Debt"), Net Revenues for any twelve consecutive months in the eighteen calendar months immediately preceding the Junior Debt to be issued, after the payment of all Installment Payments and Parity Debt, are at least equal to

100% of the maximum total annual amount owing and outstanding Junior Debt to be issued; and

(4) money (or a reserve credit facility) shall be deposited in a separate reserve fund established for such Parity Debt in an amount necessary to increase the amount in the reserve fund established for such Parity Debt to the Reserve Requirements for the outstanding Bonds and taking into account the issuance of such Parity Debt.

For the purposes of calculating Net Revenues as set forth in subparagraph (1) above, adjustment to the computations of Net Revenues may be made for the following:

(a) any change in service charges which has been adopted subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt;

(b) customers added to the Water System subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt;

(c) the estimated change in Net Revenues which will result from the connection of existing residences or businesses to the Water System within one year following completion of any project to be funded or system to be acquired from the proceeds of such additional Parity Debt; and

(d) the estimated change in Net Revenues which will result from services provided under any long-term, guaranteed contract which extends the life of additional Parity Debt if entered into subsequent to the commencement of the twelve-month period but prior to the date of issuance of the additional Parity Debt.

For the purposes of the preceding sentence, it shall be assumed that the Installment Payments and any Parity Debt which bears a variable interest rate bears interest at a fixed rate equal to the greater of (i) the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) or (ii) the average variable rate of interest borne by such Parity Debt during the preceding thirty-six (36) months or, if no such variable rate Parity Debt is at the time outstanding, the highest interest rate borne by variable rate debt for which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for such Parity Debt.

Concurrently with the delivery of the Bonds, the District will cause to be delivered written reports of an Independent Financial Consultant evidencing compliance with both of the foregoing provisions.

Reserve Fund

A Reserve Fund has been established under the Trust Agreement to be held by the Trustee to further secure the timely payment of principal and interest with respect to the Bonds and within such Reserve Fund, a "2010A Account" and a "2010B Account." The Reserve Fund is required to be funded in an amount equal to the least of (1) maximum annual Installment Payments allocable to each Series of the Bonds, (2) 10% of the initial principal amount of each Series of the Bonds or (3) 125% of average annual Installment Payments allocable to each Series of the Bonds, initially, an amount equal to $_____. Amounts in the respective accounts of the Reserve Fund are to be used only to make Installment Payments with respect to the respective Series of Bonds to the extent the amounts in the Bonds Payment Fund are insufficient for such purpose.

There is no reserve account required for the 1996 Certificates.

The Trust Agreement provides that in lieu of a cash deposit, the District may satisfy all or a portion of a Reserve Requirement by means of a Debt Service Reserve Fund Policy (see "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein). With respect to the reserve requirement attributable to the 2004 Certificates, the District has previously deposited a Debt Service Reserve Fund Policy in the 2004 Certificates reserve account (the "2004 Surety Bond") in the amount of $945,733.76. The 2004 Surety Bond was initially provided by Financial Guaranty Insurance Corporation ("FGIC"). With respect to the reserve requirement attributable to the 2007 Certificates, the District has previously deposited a Debt Service Reserve Fund Policy in the 2007 Certificates reserve account (the "2007 Surety Bond") in the amount of $2,552,562.50. The 2007 Surety Bond was provided by Ambac Assurance Corporation ("Ambac").

Events Concerning FGIC:

On October 22, 2008, MBIA Insurance Corp. ("MBIA Corp.") and FGIC entered into a Reinsurance Agreement (the "FGIC Reinsurance Agreement"), effective September 30, 2008, and a Trust Agreement (the "FGIC Trust Agreement"), dated October 22, 2008, by and among FGIC, MBIA Corp. and the Bank of New York Mellon, as trustee, pursuant to which MBIA Corp. reinsured a portion of the U.S. public finance portfolio of FGIC (the "FGIC Covered Policies"). The 2004 Surety Bond for the 2004 Certificates is one of the FGIC Covered Policies which was reinsured by MBIA Corp.

Events Concerning MBIA and National:

Moody's Investors Service currently rates MBIA Corp. B3 with a negative outlook. Standard & Poor's currently rates MBIA Corp. BB+ with a negative outlook. Fitch Ratings withdrew its rating at the request of MBIA Corp.

On February 18, 2009, MBIA Corp. ceded its entire public finance business to a subsidiary, MBIA Insurance Corp of Illinois. MBIA Insurance Corp of Illinois has been renamed National Public Financial Guarantee Corp. ("National"). The 2004 Surety Bond reinsured by MBIA is now reinsured by National.

National's current ratings are as follows:

Rating Agency	Rating
Moody's Investors Service	Baa1, Developing Outlook
Standard & Poor's	A, Developing Outlook

For a complete discussion of the reinsurance transaction and additional information provided by National, see "APPENDIX G - NATIONAL PUBLIC FINANCE GUARANTEE CORPORATE DISCLOSURE."

Events Concerning Ambac:

Moody's Investors Service currently rates Ambac Assurance Corporation Caa2 with a developing outlook. Standard & Poor's currently rates Ambac Assurance Corporation CC with a developing outlook. Fitch Ratings withdrew its rating at the request of Ambac Assurance Corporation.

Under the trust agreement for the 2007 Certificates, [describe reserve fund deposit requirements if Ambac files for bankruptcy protection]

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

System Demand

There can be no assurance that the local demand for service provided by the Water System will increase to levels described in this Official Statement under the heading "THE WATER SYSTEM." Reduction in the level of new connections could require an increase in rates or charges in order to produce Taxes and Net Revenues sufficient to comply with the District's rate covenant in the Trust Agreement. Such rate increases could increase the likelihood of nonpayment, and could also further decrease demand. Furthermore, there can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Increased Operation and Maintenance Costs

There can be no assurance that operation and maintenance costs of the Water System will be consistent with the levels contemplated in this Official Statement. Changes in technology, increases in the cost of operation, increased water treatment requirements or other costs mandated by regulatory agencies or other expenses could require increases in rates or charges in order to comply with the rate covenant described herein and in the Trust Agreement, and could increase the possibility of nonpayment of the Bonds.

Additional Obligations Payable from Taxes and Net Revenues

The District may issue additional Bonds or enter into other obligations payable from Taxes and Net Revenues pledged for payment of the Bonds on a parity with its pledge of such Taxes and Net Revenues to the Installment Payments relating to the Bonds, the 2007 Certificates, the 2004 Certificates and the 1996 Certificates. The ability of the District to enter into such Parity Debt is subject to certain requirements set forth in the Installment Purchase Agreement. See "SOURCES OF PAYMENT FOR THE BONDS – Parity Debt."

The District may also issue bonds or enter into obligations payable from Taxes and Net Revenues which are subordinate to the Bonds.

Risks Relating to Water Supplies

The District's current potable water supply comes entirely from purchases from the San Diego County Water Authority, which in turn currently purchases 85% of its water supply from the Metropolitan Water District. This source of water could become limited due to possible events that include prolonged droughts or similar changes in State-wide weather patterns, earthquakes or other natural disasters, contamination by environmental hazards, or acts of terrorism or civil unrest. There can be no assurance that currently available water supplies would be sufficient to meet demand under current conditions in the event of a prolonged drought or other interruption of the District's source of water supply, or that the District would be able to secure alternate sources of water to meet its customer demand. See "THE WATER SYSTEM – Water Supply" herein for a discussions of the San Diego County Water Authority's Water Management Plan with respect to water supply in the region.

Environmental Regulation

The kind and degree of water treatment effected through the water system is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the water system and mandate the use of water treatment technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state agencies, should impose stricter water quality standards upon the water system, the District's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to water quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

Proposition 218

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. See "THE WATER SYSTEM – Water Charges – Proposition 218" for a discussion of specific issues and risks raised by Proposition 218. The District's current projections assume future rate increases which will be subject to the Proposition 218 notice process. The opinion of Bond Counsel will state that the enforceability of the Installment Purchase Agreement is subject to the limitations on the imposition by the District of certain fees and charges relating to the Water System under Articles XIIIC and XIIID of the California Constitution.

Casualty Risk; Earthquakes

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Revenues and Taxes through damage to the Water System and/or adversely affecting the economy of the surrounding area. The Installment Purchase Agreement requires the District to maintain insurance or self-insurance, but only if and to the extent available at a reasonable cost from reputable insurers, and the District is not expressly required to provide earthquake insurance. The District is located in a seismically active region and structures in the District could be impacted by a major earthquake originating from the numerous faults in the area. Seismic hazards encompass both potential surface rupture and ground shaking. In the event of total loss of the Water System, there can be no assurance that insurance proceeds will be adequate to prepay all Outstanding Bonds or that losses in excess of the insured amount will not occur.

Early Prepayment Risk

Early prepayment of the 2010A Bonds may occur in whole or in part without premium, on any date on or after September 1, ____, if the District exercises its right to prepay the Bonds in whole or in part pursuant to the provisions of the Trust Agreement. Early prepayment of the 2010B Bonds may occur on any date, at the option of the Authority upon the occurrence on an Extraordinary Event (see "THE BONDS – Redemption – Extraordinary Optional Prepayment – 2010B Bonds.

Limited Recourse on Default

If the District defaults on its obligation to pay debt service on the Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the Bonds. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Taxes and Net Revenues to pay the accelerated principal. So long as the Bonds are in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

No Obligation to Tax

The obligation of the District to pay debt service on the Bonds does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation, except the taxes. The obligation of the District to pay debt service on the Bonds does not constitute a debt or indebtedness of the District, the State of California or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Taxes and Net Revenues and adversely affecting the security of the Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2010A Bonds, the District has covenanted in the Trust Agreement to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code. The interest on the 2010A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2010A Bonds, as a result of acts or omissions of the District in violation of this or other covenants in the Trust Agreement. Should such an event of taxability occur, the 2010A Bonds are not subject to redemption or any increase in interest rates and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Trust Agreement. See "LEGAL MATTERS – Tax Matters" herein.

Risks Relating to Build America Bonds

The District must comply with certain requirements of the Code in order for the 2010B Bonds to be treated as qualified bonds and to continue to be eligible for the Interest Subsidy Payment. The District has covenanted to comply with each of these requirements. However, failure by the District to comply with these requirements may result in a delay or forfeiture of all or a portion of the Interest Subsidy Payment and may cause the 2010B Bonds to cease to be treated as qualified bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of execution and delivery of the 2010B Bonds. Should such an event occur, the 2010B Bonds are subject to extraordinary prepayment. If the District is obligated to provide for the issuance of refunding obligations in order to prepay the 2010B Bonds prior to their maturity, the District would be subject to the various risks attendant to issuance of refunding obligations, including higher-than-desired interest rates and duplicative transaction costs. In addition, it is important to note that Build America Bonds are a new product introduced by the American Recovery and Reinvestment Act, which was signed into law on February 17, 2009. The Interest Subsidy Payment do not constitute a full faith and credit guarantee of the United States government, but are required to be paid by the Treasury under the American Recovery and Reinvestment Act. As such, the District can provide no assurance that future legislation or clarifications or amendments to the Code, if enacted into law, or future court decisions will not reduce or eliminate the Interest Subsidy Payment with respect to the 2010B Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement, the Installment Purchase Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Trust Agreement and Installment Purchase Agreement are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

The legality and enforceability of the Trust Agreement and the Installment Purchase Agreement and certain other legal matters are subject to the approval of GCR, LLP, San Diego, California, acting as Bond Counsel. The legality and enforceability of the Trust Agreement and the Installment Sale Agreement and certain other legal matters are subject to the approval of GCR, LLP, San Diego, California, acting as Bond Counsel. See "APPENDIX E" for the proposed form of Bond Counsel's Opinion.

Certain legal matters will be passed on for the District by its General Counsel, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Neither the District nor the Authority has knowledge of any fact or other information which would indicate that the Trust Agreement or the Installment Purchase Agreement are not so enforceable against the District or the Authority, as applicable, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Tax Matters

2010A Bonds (Tax-Exempt)

General. In the opinion of GCR, LLP, San Diego, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the 2010A Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in "APPENDIX E" hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2010A Bonds. The Authority and the District have covenanted to comply with certain restrictions designed to assure that interest on the 2010A Bonds will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the 2010A Bonds being includable in federal gross income, possibly from the date of issuance of the 2010A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2010A Bonds may affect the value of, or the tax status of interest on the 2010A Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the

value of, or the tax status of interest on, the 2010A Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the 2010A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and the interest on the 2010A Bonds is not included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Prospective purchasers of the 2010A Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the 2010A Bonds, (ii) interest with respect to the 2010A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the 2010A Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the 2010A Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any 2010A Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the 2010A Bonds is excludable from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the 2010A Bonds, and the accrual or receipt of interest on the 2010A Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the 2010A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the 2010A Bonds will not have an adverse effect on the tax exempt status or market price of the 2010A Bonds.

Original Issue Discount. If the initial offering price to the public (excluding bond houses and brokers) at which a 2010A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2010A Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such 2010A Bond (other than a purchaser who holds such 2010A Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such 2010A Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as [the Interest Portion/interest on the 2010A Bonds]. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such 2010A Bond and the basis of such 2010A Bond acquired at such initial offering price by an initial purchaser of each such 2010A Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such 2010A Bonds who purchase such 2010A Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such 2010A Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such 2010A Bonds. All holders of such 2010A Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Original Issue Premium. Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a 2010A Bond based on the purchaser's yield to maturity in such 2010A Bonds, except that in the case of such a 2010A Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such 2010A Bond. A purchaser of such a 2010A Bond is required to decrease his or her adjusted basis in such 2010A Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such 2010A Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such 2010A Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a 2010A Bond, and with respect to the state and local tax consequences of owning and disposing of such a 2010A Bond.]

Internal Revenue Service Audit of Tax-Exempt Issues. The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the 2010A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2010A Bonds might be affected as a result of such an audit of the 2010A Bonds (or by an audit of similar obligations).

Information Reporting and Backup Withholding. Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007 on tax-exempt obligations, including the 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the IRS.

2010B Bonds (Federally Taxable)

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2010B Bonds. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not address all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the 2010B Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code").

Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the 2010B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2010B Bond. A "non U.S. holder" is a holder (or beneficial owner) of a 2010B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

General. In the opinion of GCR, LLP, San Diego, California, Bond Counsel, interest on the 2010B Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes. Payments of interest with respect to the 2010B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. Interest on the 2010B Bonds is exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in "APPENDIX E" hereto.

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the 2010B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2010B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2010B Bonds or the market value thereof would be impacted thereby. Purchasers of the 2010B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinion expressed by Bond Counsel is based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2010B Bonds. Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Characterization of the 2010B Bonds as Indebtedness. For federal income tax purposes, the 2010B Bonds will be treated as indebtedness of the Authority. The owners of the 2010B Bonds, by purchasing the 2010B Bonds, will be deemed to have agreed to treat the 2010B Bonds as indebtedness of the Authority for federal income tax purposes. The Authority intends to treat the 2010B Bonds as its indebtedness for tax and financial accounting purposes.

Disposition and Defeasance of 2010B Bonds. Upon the sale, exchange, retirement or other taxable disposition (collectively, a "disposition") of a 2010B Bond, a Bondholder will generally recognize gain or loss equal to the difference between the amount realized on such disposition (less any accrued interest, which will be taxable as ordinary income in the manner described above under "General") and the Bondholder's adjusted tax basis in such 2010B Bond. The Authority may deposit moneys or securities with the Trustee in escrow in such amount and manner as to cause the 2010B Bonds to be deemed to be no longer outstanding under the Trust Agreement (a "defeasance"). A defeasance of the 2010B Bonds may result in a reissuance thereof, in which event a Bondholder will also recognize gain or loss as described in the first sentence of this paragraph. Ordinarily, upon the disposition or defeasance of the 2010B Bonds, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a 2010B Bond was subject to its initial issuance at a discount, a portion of such gain will be re-characterized as interest and therefore ordinary income. In February of 2009, the President proposed increasing the long-term capital gains rate to 20%. Neither the Authority, the District nor Bond Counsel can predict whether this increase will receive Congressional approval.

Original Issue Discount. If the 2010B Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

A purchaser (other than a person who purchases a 2010B Bond upon issuance at the issue price) who buys a 2010B Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the 2010B Bonds which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized.

Owners of 2010B Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning such 2010B Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the 2010B Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Internal Revenue Service ("IRS") and to each purchaser setting forth the amount of interest paid with respect to the 2010B Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. No representations are made regarding the tax consequences of purchase, ownership or disposition of the 2010B Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided with respect to California law under "TAX MATTERS – 2010B Bonds (Federally Taxable) – General" above).

Circular 230. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs Owners of the 2010B Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Litigation

At any given time, including the present, there are certain claims, disputes and litigation actions that arise in the normal course of the District's activities. Such matters could, if determined adversely to the District, affect the expenditures of the District and in some cases its revenues. The District will furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Trust Agreement, the Installment Purchase Agreement or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Trust Agreement and the Installment Purchase Agreement are to be executed or delivered or the Bonds are to be delivered or affecting the validity thereof or which if decided adversely to the District would have a material adverse effect on the District's financial condition and its ability to make Installment Payments.

CONCLUDING INFORMATION

Ratings on the Bonds

Standard & Poor's and Fitch have assigned their ratings of "___" and "___," respectively, to the Bonds. Such rating reflects only the views of the rating agencies and any desired explanation of the significance of such rating should be obtained from the rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds were sold to _____, (the "Underwriter"). The Underwriter is offering the Bonds at the prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the 2010A Bonds at a price equal to $_____, which amount represents the principal amount of the 2010A Bonds, less a net original issue (premium/discount) of $_____ and less an Underwriter's discount of $_____. The Underwriter has purchased the 2010B Bonds at a price equal to $_____, which amount represents the principal amount of the 2010B Bonds ($_____), plus an original issue (premium/discount) of $_____, and less an Underwriter's discount of $_____. The Underwriter will pay certain of its expenses relating to the offering.

The Financial Advisor

The material contained in this Official Statement was prepared by the District with the assistance of the Financial Advisor, who advised the District as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The District will covenant to provide annually certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year, each year commencing March 31, 2011 and to provide the audited General Purpose Financial Statements of the District for the fiscal year ending June 30, 2010 and for each subsequent fiscal year when they are available (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events if deemed by the District to be material. The Annual Report and notices of material events can be accessed from the Electronic Municipal Market Access Website ("EMMA") operated by the Municipal Securities Rulemaking Board (www.emma.msrb.org). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." Failure of the District to provide the required ongoing information may have a negative impact on the value of the Bonds in the secondary market.

The District has entered into three previous continuing disclosure undertakings with respect to the (i) 1998 Bonds, (ii) 2004 Certificates of Participation and (iii) 2007 Certificates of Participation to provide continuing disclosure pursuant to Rule 15c2-12. With respect to the undertaking for the 1998 Bonds, since 2004, the District filed its Comprehensive Annual Financial Report on a timely basis. However, the supplemental information required by the undertaking regarding the tax base for ID 27 was not timely filed. As of September 16, 2009 the District was current with all filing requirements.

Additional Information

The summaries and references contained herein with respect to the Trust Agreement, the Installment Purchase Agreement, the Assignment Agreement, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Definitions of certain terms used herein are set forth in "APPENDIX A." Copies of the Trust Agreement, the Installment Purchase Agreement and the Assignment Agreement, are available for inspection during the period of initial offering on the Bonds at the offices of the Financial Advisor. Copies of these documents may be obtained after delivery of the Bonds from the District, 2554 Sweetwater Springs Blvd., Spring Valley, California 91978.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement has been duly authorized by the Otay Water District Financing Authority.

OTAY WATER DISTRICT FINANCING AUTHORITY

By: _____

Treasurer

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

DISTRICT AUDITED FINANCIAL STATEMENTS

APPENDIX C

ECONOMIC PROFILE FOR COUNTY OF SAN DIEGO

Introduction

The County of San Diego is the southernmost major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the size of the State of Connecticut.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence which contributes approximately $10 billion into the retail and service businesses of the area.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

The San Diego Convention Center contains 361,000 square feet of exhibit space and over 100,000 square feet of meeting/banquet rooms. The Convention Center can accommodate events for 30,000-40,000 people.

Population

The County of San Diego has experienced rapid growth and development in the past decade. The County has become the nineteenth most populous metropolitan area in the United States. The City of San Diego is the sixth most populous city in the United States. Total population for the County is expected to be over 3.63 million by the year 2015.

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of San Diego and the State of California for each year since 2000, and the increase from the previous year.

TABLE NO. C-1
COUNTY OF SAN DIEGO AND STATE OF CALIFORNIA
POPULATION

	COUNTY OF SAN DIEGO		STATE OF CALIFORNIA	
Year	**Population**	**Percentage Change**	**Population**	**Percentage Change**
2000	2,813,833		33,873,086	
2001	2,864,539	1.8%	34,430,970	1.6%
2002	2,920,806	2.0%	35,063,959	1.8%
2003	2,970,899	1.7%	35,652,700	1.7%
2004	3,007,285	1.2%	36,199,342	1.5%
2005	3,034,388	0.9%	36,676,931	1.3%
2006	3,058,413	0.8%	37,086,191	1.1%
2007	3,088,891	1.0%	37,472,074	1.0%
2008	3,131,552	1.4%	37,883,992	1.1%
2009	3,173,407	1.3%	38,292,687	1.1%
% Increase Between 2000 - 2009		12.8%		13.0%

Source: State of California, Department of Finance, "*E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark.*"

Per Capita Income

Per capita income information for San Diego County, the State of California and the United States are summarized in the following table.

TABLE NO. C-2
PER CAPITA INCOME
SAN DIEGO COUNTY, STATE OF CALIFORNIA AND UNITED STATES
2003 – 2007

Year	San Diego County	State of California	United States
2003	$35,810	$33,469	$31,466
2004	38,536	35,313	33,072
2005	40,383	37,183	34,685
2006	42,801	39,358	36,629
2007	44,832	41,571	38,615

Source: County of San Diego, Comprehensive Annual Financial Report for the Year Ended June 30, 2008 and State of California Department of Finance; State of California Employment Development Department.

The District is located in the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (MSA). Six major job categories constitute 79.1% of the work force. They are government (18.0%), professional and business services (16.5%), service producing (14.2%), leisure and hospitality (12.1%), educational and health services (10.9%), and manufacturing (7.4%). The December 2009 unemployment rate in the San Diego-Carlsbad-San Marcos MSA was 10.1%. The State of California December 2009 unemployment rate (unadjusted) was 12.1%.

TABLE NO. C-3
SAN DIEGO-CARLSBAD-SAN MARCOS MSA
WAGE AND SALARY WORKERS BY INDUSTRY [1]
(in thousands)

Industry	2005	2006	2007	2008	2009
Government	217.5	223.1	227.1	227.6	226.2
Other Services	48.9	48.9	48.5	48.8	49.0
Leisure and Hospitality	150.7	158.1	162.4	159.4	152.3
Educational and Health Services	124.6	127.6	134.0	137.8	137.2
Professional and Business Services	212.4	213.9	218.3	217.0	207.7
Financial Activities	84.4	82.6	77.8	74.9	72.9
Information	37.5	37.9	38.2	39.5	37.3
Transportation, Warehousing and Utilities	28.7	29.8	29.8	30.1	28.3
Service Producing					
Retail Trade	158.1	157.7	155.2	142.8	137.2
Wholesale Trade	44.5	45.3	45.5	42.6	41.5
Manufacturing					
Nondurable Goods	24.9	25.4	25.1	23.3	21.9
Durable Goods	78.9	78.0	78.5	76.6	71.5
Goods Producing					
Construction	92.4	90.7	81.3	70.8	65.1
Mining and Logging	0.4	0.5	0.4	0.3	0.3
Total Nonfarm	1,303.9	1,319.5	1,322.1	1,291.5	1,248.4
Farm	10.5	9.9	10.2	9.9	9.9
Total (all industries)	1,314.4	1,329.4	1,332.3	1,301.4	1,258.3

[1] Annually, as of December 2009.

State of California Employment Development Department, Labor Market Information Division, "*Industry Employment & Labor Force - by month, March 2008 Benchmark.*"

Major Employers

The major employers operating within the County of San Diego as of June 30, 2009 are shown in Table No. C-4.

TABLE NO. C-4
COUNTY OF SAN DIEGO
MAJOR EMPLOYERS

Employer	Number of Employees	Percent of Total Employment
Federal Government	43,500	
United States Navy	42,000	
State of California	40,900	
University of California, San Diego	26,000	
County of San Diego	20,500	
City of San Diego	19,500	
San Diego Unified School District	15,881	
Sharp Healthcare	14,390	
Scripps Health	12,700	
Scripps Mercy Hospital (Combined with Scripps Mercy Chula Vista)	11,000	

Source: _____.

"Total Employment" as used above represents the total employment of all employers located within the City of Chula Vista city limits.

Transportation

Excellent surface, sea and air transportation facilities service San Diego County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown San Diego at the edge of the San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is the third most active commercial airport in California, served by 18 major airlines. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the county.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego with stops at Del Mar and Oceanside in the north county. San Diego's harbor is one of the world's largest natural harbors. The harbor, a busy commercial port, has also become an extremely popular destination for cruise ships. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

Research and Development

Research and development activity plays an important role in the area's economy. The County is a leading health sciences and biomedical center. Approximately 35,000 persons are engaged in life sciences-related activities in the metropolitan area, with over 28,000 employed directly in health services. In addition to the University of California San Diego, other established research institutions include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and the Scripps Institution of Oceanography.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract visitor and convention business each year. The development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego community concourse have contributed to the growth in tourism. The visitor and convention business is expected to continue to increase steadily.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on these Internet sites is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATE DISCLOSURE

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of March 3, 2010 (the "Disclosure Agreement") is executed and delivered by the Otay Water District (the "District") and Union Bank of California, N.A. (the "Dissemination Agent") in connection with the execution and delivery of $_____ Otay Water District Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt Bonds) (2010 Water System Project) and $_____ Otay Water District Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (2010 Water System Project) (collectively, the "Bonds"). The Bonds are being executed pursuant to a Trust Agreement, dated as of March 3, 2010, by and between Union Bank of California, N.A., as trustee (the "Trustee") and the Otay Water District Financing Authority (the "Authority"). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Comprehensive Annual Financial Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the General Manager of the District and the Chief Financial Officer, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

"Dissemination Agent" shall mean Union Bank of California, N.A., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

"Holder" shall mean the registered owner of any Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement relating to the Bonds, dated _____, 2010.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean the EMMA system of the MSRB or any other entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than each March 31 of each year, commencing March 31, 2010, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be provided to the Repository in an electronic format as prescribed by the Repository and shall be accompanied by identifying information as prescribed by the Repository. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the Repository for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(d) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system, or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Annual Report due as of March 31, 2010 shall consist of the Official Statement. Thereafter, the District's Annual Report shall contain or include by reference the following:

(a) The District's audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, updates of Tables 1 through 9 under the caption "THE WATER SYSTEM."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Modifications to rights of Holders.

(iv) Optional, contingent or unscheduled Bond calls.

(v) Defeasances.

(vi) Rating changes.

(vii) Adverse tax opinions or events affecting the tax-exempt status of the interest on the Bonds.

(viii) Unscheduled draws on the debt service reserves reflecting financial difficulties.

(ix) Unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) Substitution of the credit or liquidity providers or their failure to perform.

(xi) Release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repository or provide the notice to the Dissemination Agent for filing with the Repository. If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(d) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and that the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(e) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a

change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

No Bondholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of such Holder's or Beneficial Owner's status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's, its officers', directors', employees' and agents' negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to tome and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

District:	Otay Water District 2554 Sweetwater Springs Boulevard Spring Valley, CA 91977 Attention: General Manager
Dissemination Agent:	Union Bank of California, N.A. 120 South San Pedro Street, 4th Floor Los Angeles, CA 90012 Attention: Corporate Trust

SECTION 13. Beneficiaries. This Disclosure Agreement solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

OTAY WATER DISTRICT

By: _____
Its: Chief Financial Officer

UNION BANK OF CALIFORNIA, N.A., as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Otay Water District
Name of Bond Issues:	$_____ Otay Water District Water Revenue Bonds, Series 2010A (Non-AMT Tax Exempt Bonds) (2010 Water System Project) and $_____ Otay Water District Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) (2010 Water System Project)
Date of Issuance:	_____, 2010

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by and between the District and Union Bank of California, N.A., as dissemination agent, dated as of March 1, 2010. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

Dissemination Agent

By: _____

cc: Issuer

AGENDA ITEM 7

OTAY WATER DISTRICT

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	James Cudlip, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration & Finance		
SUBJECT:	Rate Adjustment for Mexico Agreement to Transfer Water		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to adjust the wheeling rate for the delivery of Treaty Water to the City of Tijuana, and the refunding of accumulated overpayments for past water deliveries, to return the District to a cost-neutral position with respect to the water transfer agreement with Mexico.

COMMITTEE ACTION: _____

See Attachment A.

BACKGROUND:

On October 9, 2008, the Board approved the District's portion of *Amendment No. 1 to Agreement for Temporary Emergency Delivery of a Portion of the Mexican Treaty Waters of the Colorado River to the International Boundary in the Vicinity of Tijuana, Baja California, Mexico, and for the Operation of Facilities in the United States* ("the Agreement"), which extended the existing Agreement for a five-year period beyond November 9, 2008. As a part of this action, the contract price (wheeling rate) that the District charges for water pumped through District facilities was set at $96.48 per acre-foot for calendar year 2009. This was a reduction from the previous rate of $118.14 per acre-foot.

Under terms and conditions of the Agreement, charges for water delivered to Mexico will remain constant for the calendar year, except for charges associated with the cost of energy, which may be adjusted on a quarterly basis as appropriate. Any changes to the Schedule of Charges to be paid by Mexico are required to be submitted to the United States Commissioner 45 days prior to the beginning of each quarterly period. To adjust the rate

effective July 1, 2010, the approved new rate is due to the United States Commissioner no later than May 17, 2009.

ANALYSIS:

Overall power costs have been coming down over the last 12-18 months, and staff has recalculated the "Unit payment due Otay for delivery charges and other expenses ($/acre-foot)" to be used by the San Diego County Water Authority (CWA) on their monthly billing invoices to Mexico for water deliveries. This analysis has taken into consideration the full allocation of costs for Operations, Maintenance, and Energy involved in the District's facilities responsible for pumping water between the connections from CWA to the Mexico pipeline at the International Border. Based on actual costs incurred for the first six months of FY-2010 (Jul-Dec 2009), and budgeted costs for the remaining six months (Jan-Jun 2010), staff estimates that the cost of providing water to Mexico during CY-2010 should be approximately $65.41 per acre-foot. This reduction in costs is an overall reduction in price of 32.2%. This is similar to cost reductions evidenced by Metropolitan Water District of approximately 34.9%.

In addition to quantifying current costs to be used for upcoming water deliveries to Mexico, the analysis has brought to light the fact that the water rates paid by Mexico over the last two years have created a large overage compared to actual costs incurred. During this time Mexico has taken more water than ever before - around 5,000 acre-feet each year - so at 12/31/09 the cumulative overpayments are approximately $194,000. Based on commitments for 2010, and the contract provisions that specify when pricing adjustments are allowed to be implemented, if pricing is not reduced until the beginning of July this amount is expected to increase to over $250,000 by 06/30/10.

The contract does not clearly specify how amounts are to be repaid, or even if they are to be repaid. However, it was the District's expectation that this was to be a revenue neutral agreement, so two alternatives are being presented which would accomplish this.

Alternatives for adjusting the rate and repaying Mexico are as follows:

1. Immediately adjust the rate Otay charges Mexico for water delivered to the most current estimated cost of $65.41 per acre foot. Mexico has not scheduled water deliveries for CY-2010 to begin until April 1. According to CWA, who

administers the Agreement, they can coordinate for Otay to implement this price adjustment effective April 1, and Otay can coordinate a refund of the current amount of the overpayment ($194,000) through CWA. This would bring Mexico and the District back to a cost-neutral position at 03/31/10.

2. Adjust the rate Otay charges Mexico for water delivered to the most current estimated costs, in accordance with contract designated timelines, beginning July 1. Any water delivered in Apr-Jun will be charged at the current rate of $96.48 per acre-foot. The rate adjustment would then be implemented as a 2-step process, as only energy costs can be adjusted on a quarterly basis. This would increase the total amount of overpayment to an estimated amount over $250,000. We would recalculate the overpayment amount based on actual water volumes taken during all of 2010, and make payment through CWA after 12/31/10. This would bring Mexico and the District back to a cost-neutral position through 12/31/10.

RECOMMENDATION:

Staff recommends the first alternative, above. This is the most equitable solution from a business standpoint, and is the least complicated and easiest to reconcile and maintain on an ongoing basis.

FISCAL IMPACT:

Refund of approximately $194,000 to Mexico. This adjustment returns the District to a cost neutral position at 03/31/2010.

STRATEGIC OUTLOOK:

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

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Rate Caluclation Sheet

ATTACHMENT A

SUBJECT/PROJECT:	Rate Adjustment for Mexico Agreement to Transfer Water

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee accepts Staff's recommendation.

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.

ATTACHMENT B

Mexico Water Transfers - Cost vs Payment

Unit Cost (per AF)	O&M	Energy	Subtotal	Mexico O&M	Fixed Chgs	Total
FY 2006	$ 5.37	$ 63.79	**$ 69.16**	$ 1.75	$ 43.19	**$ 114.10**
FY 2007	10.13	57.68	**67.81**	1.80	43.19	**$ 112.80**
FY 2008	8.13	61.49	**69.62**	1.85	43.19	**$ 114.66**
FY 2009 (Jul - Dec 2008)	14.62	46.99	**61.61**	1.90	43.19	**$ 106.70**
FY 2009 (Jan - Jun 2009)	14.62	46.99	**61.61**	1.90		**$ 63.51**
FY 2010 (annualized)	18.17	45.34	**63.51**	1.90		**$ 65.41**

Current Charges to Mexico	O&M	Energy	Fixed Chgs	Total
CY 2006	$ 4.45	$ 65.89	$ 43.19	$ 113.53
CY 2007	4.45	70.50	43.19	118.14
CY 2008	4.45	70.50	43.19	118.14
CY 2009	4.65	91.83		96.48
CY 2010 (Recommended)	**20.07**	**45.34**		**65.41**

Water Deliveries To Mexico	Acre-Ft Water	Rate per Acre-Ft	Cost	Bill vs Cost	Payment Difference Over/(Under)	Cumulative
Oct-06	37.0	113.53	112.80	0.73	$27.01	27.01
Feb-08	385.1	118.14	114.66	3.48	$1,340.15	1,367.16
Mar-08	889.5	118.14	114.66	3.48	$3,095.46	4,462.62
Apr-08	652.2	118.14	114.66	3.48	$2,269.66	6,732.27
May-08	665.1	118.14	114.66	3.48	$2,314.55	9,046.82
Jun-08	636.0	118.14	114.66	3.48	$2,213.28	11,260.10
Sep-08	668.8	118.14	106.70	11.44	$7,651.07	18,911.17
Oct-08	651.5	118.14	106.70	11.44	$7,453.16	26,364.33
Dec-08	670.9	118.14	106.70	11.44	$7,675.10	34,039.43
Jan-09	450.9	96.48	63.51	32.97	$14,866.17	48,905.60
Feb-09	411.8	96.48	63.51	32.97	$13,577.05	62,482.65
Mar-09	953.9	96.48	63.51	32.97	$31,450.08	93,932.73
Apr-09	886.0	96.48	63.51	32.97	$29,211.42	123,144.15
May-09	558.3	96.48	63.51	32.97	$18,407.15	141,551.30
Jun-09	458.1	96.48	63.51	32.97	$15,103.56	156,654.86
Sep-09	540.5	96.48	65.41	31.07	$16,793.34	173,448.20
Oct-09	223.6	96.48	65.41	31.07	$6,947.25	180,395.45
Nov-09	213.4	96.48	65.41	31.07	$6,630.34	187,025.79
Dec-09	227.3	96.48	65.41	31.07	$7,062.21	194,088.00
Apr-10	630.4	96.48	65.41	31.07	$19,586.53	213,674.52
May-10	651.4	96.48	65.41	31.07	$20,239.00	233,913.52
Jun-10	630.4	96.48	65.41	31.07	$19,586.53	253,500.05
	12,092.1			**Total:**	**$253,500.05**	

AGENDA ITEM 8

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	James Cudlip, Finance Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Administration and Finance		
SUBJECT:	Approve the Appointment of the Auditor for Fiscal Year Ending June 30, 2010		

GENERAL MANAGER'S RECOMMENDATION:

That the Board approve the appointment of Diehl, Evans & Company, LLP, to provide audit services to the District for the Fiscal Year Ending June 30, 2010.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To retain the services of Diehl, Evans & Company, LLP, to serve as the District's auditors for the fiscal year ending June 30, 2010.

ANALYSIS:

The District is required to retain the services of an independent accounting firm to perform an audit of the District's financial records each year. At the Board meeting on March 9, 2009, the Board approved Diehl, Evans & Company as the District's auditors for a one-year contract, with four (4) one-year options, with each option year subject to Board review and approval.

Staff is recommending the appointment of Diehl, Evans & Company based on their knowledge of the District's operations and finances, their technical qualifications, and their performance as the District's auditors during the FY-09 audit. Also, at the conclusion of the audit, the Diehl, Evans staff provided significant advice and review of staff's draft Comprehensive Annual Financial Report (CAFR), prior to submission to the Government Finance Officers Association (GFOA) for award consideration.

The following is a tentative planning schedule for the major activities involved in completing the FY-10 financial audit:

- Apr-10: Pre-audit (3 - 4 days).
- Aug-10: Year-end audit (4 - 5 days).
- Oct-10: Board presentation of audited financials.
- Nov-10: Completed CAFR.

The audit will consist of four major components: 1) Standard Audit Services, to provide an audit opinion on the District's financial statements; 2) Review of the District's Investment Policy procedures; 3) A State Controller's Report, required by the State of California; and 4) Assistance in preparation of the District's CAFR.

FISCAL IMPACT:

The fee for auditing services for the fiscal year ending June 30, 2010, will not exceed $33,000. This amount maintains audit fees at the same amount as last year's fees.

STRATEGIC GOAL:

Required by law.

LEGAL IMPACT:

None.

General Manager

Attachments:
A) Committee Action Form
B) Diehl, Evans & Company Audit Engagement Letter

ATTACHMENT A

SUBJECT/PROJECT:	Approve the Appointment of the Auditor for Fiscal Year Ending June 30, 2010

COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board approve the appointment of Diehl, Evans & Company, LLP, to provide audit services to the District for the fiscal year ending June 30, 2010.

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.

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

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
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*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

February 5, 2010

Mr. Joseph R. Beachem
Chief Financial Officer
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004

Dear Mr. Beachem:

We are pleased to confirm our understanding of the services we are to provide Otay Water District (the District) for the year ending June 30, 2010. We will audit the financial statements of the District as of and for the year ending June 30, 2010. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) such as management's discussion and analysis (MD&A), to accompany Otay Water District's basic financial statements. As part of our engagement, we will apply certain limited procedures to Otay Water District's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Funding Progress for PERS
3. Schedule of Funding Progress for DPHP

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

1. Statistical Section

Audit Objective:

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, and will include tests of the accounting records of Otay Water District, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Governmental Auditing Standards.* The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that Otay Water District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities:

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with the preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonaudit services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the District and the respective changes in financial position and cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud , illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General:

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

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 may exist and not be detected by us. 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. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Control:

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards.*

Audit Procedures - Compliance:

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Otay Water District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

Audit Administration, Fees and Other:
We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the appropriate governmental agency; however management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Diehl, Evans and Company, LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to grantor agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carryout oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Diehl, Evans and Company, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation will be retained for a minimum of five years after the report release date or for any additional period requested by the regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately April 19, 2010 and to issue our reports no later than October 15, 2010. Harvey Schroeder is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our maximum fee for these services for the year ending June 30, 2010 will be $33,000. Our invoices for these fees will be rendered as work progresses and are payable upon presentation. The maximum annual fee stipulated herein contemplates anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2009 peer review accompanies this letter.

* * * *

We appreciate the opportunity to be of service to the Otay Water District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

DIEHL, EVANS & COMPANY, LLP

By _____
Harvey J. Schroeder CPA
Engagement Partner

RESPONSE:

This letter correctly sets forth the understanding of the Otay Water District.

By _____

Title _____

Date _____

HEIDENREICH & HEIDENREICH, CPAs, PLLC
10201 S. 51st Street #170
Phoenix, AZ 85044
(480)704-6301 fax 785-4619

System Review Report

January 28, 2009

To the Owners of
Diehl, Evans & Company, LLP
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Diehl, Evans & Company, LLP (the firm) in effect for the year ended September 30, 2008. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable 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 therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Diehl, Evans & Company, LLP in effect for the year ended September 30, 2008, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Diehl, Evans & Company, LLP has received a peer review rating of *pass*.

Heidenreich & Heidenreich

Heidenreich & Heidenreich, CPAs, PLLC

AGENDA ITEM 9

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):			
SUBJECT:	REJECTION OF TRANSPaC SOLUTIONS CLAIM		

GENERAL MANAGER'S RECOMMENDATION:

That the Board reject the claim submitted February 10, 2010, by TransPaC Solutions, a subrogation and/or reimbursement agent on behalf of Century National Insurance Company, for $43,802.05. Century National Insurance Company, paid the claim related to damages to a residence owned by Steven R. and Margo M. Bule, which they claim was caused by the District when the water was turned on at the Bule residence on October 8, 2009.

COMMITTEE ACTION: _____

Please see Attachment "A".

PURPOSE:

To recommend to the Board to reject a claim by TransPaC Solutions on behalf of Century National Insurance Company.

ANALYSIS:

The claim by TransPaC Solutions is based on a claim paid by Century National Insurance Company for damages to a residence owned by Steven R. and Margo M. Bule, at 1345 Hidden Springs Place, Chula Vista, CA 91915.

The meter at the residence was locked due to non-payment by the tenants on September 16, 2009. On October 5, 2009, Mr. Bule, the owner, called to let the District know the tenants had left and asked that the District change the account into his name and turn the water on. The District received documents confirming Mr. Bule was the owner

on October 8, 2009, and a service order to have the meter unlocked was completed.

District records indicate tenants may still have been in the residence as of September 24, 2009, when Ms. Bule called Customer Service and stated she had talked to the tenants and also stated she will pay today.

The Field Representative followed standard District practice when she went out to unlock the meter. The Field Representative gradually opened the valve at the meter box to make sure the water filled toilets, water heater and other applicances, and to make sure there were not any open faucets running in the house. While the Field Representative continued to open the valve, she noticed water coming from the second floor of the home. The water was shut off immediately. The water was coming from the second floor where the wall meets the roof above the garage. The water was running no more than five (5) minutes from the point the Field Representative began to open the valve to the point she turned it off when she saw the water coming from the second floor. District records indicate the Field Representative was at this residence to handle the service order to unlock the meter for approximately 24 minutes. We are not aware how the damages could have been caused by the water that might have leaked during the time the Field Representative was turning on the water.

A neighbor witnessed the incident and gave our Field Representative an updated phone number for the owner. A Customer Service Representative called the owner the same day and left a message about the leak and that the water was turned off at the valve in the meter in front of the house.

A door hanger was also left at the door for the homeowner indicating: "Water was turned on, however, water was running in the house, so our field representative shut off the valve at… Front of house", and that the customer should "turn the handle slowly to restore the water." A copy of the door hanger left by the District's Field Representative was submitted with the claim documents received by the District.

The District turned on the water at the residence at the request of the owner and is not responsible for water left on in the residence by the owner or tenants. The District, at the time a service order is made, advises the owner of a timeframe of when the water will be turned on and advises to make sure faucets and other appliances supplied with water are closed. Moreover, the District's Field Representative took reasonable steps to turn off the water and notify the owner upon noticing the water leak.

Based on the above, Karen Lafferty, Senior Claims Examiner for the Special District Risk Management Authority, the District's insurance

carrier, has recommended the Board reject the claim by TransPaC Solutions on behalf of Century National Insurance Company.

FISCAL IMPACT:

None at this time.

STRATEGIC GOAL:

This item supports the District's strategy of: "Ensure Full Cost Recovery."

LEGAL IMPACT:

None.

General Manager

Attachments: Attachment "A" - Committee Action Report

Attachment "B" - Claim Against Otay Water District

ATTACHMENT A

SUBJECT/PROJECT:	REJECTION OF TRANSPaC SOLUTIONS CLAIM

COMMITTEE ACTION:

This item was reviewed at the Finance, Administration and Communications Committee meeting held on February 19, 2010, and the Committee supported presentation to the full Board for their consideration.

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.

ATTACHMENT B

TransPaC Solutions
P.O.Box 36220
Louisville, KY 40233-6220
FAX: (800) 723-4869

February 10, 2010

FAX COVER SHEET

FROM: Wanda Dalhart
TO: SUSAN CRUISE
COMPANY: OTAY WATER DISTRICT
FAX: 619-660-7260

PHONE: (800) 613-5064
TPCS FAX: (800) 723-4869

YOUR CLAIM #: GC4047
INSURED: STEVEN R & MARGO M BULE
EVENT NUMBER: TPCS 935141-1394649
INSURANCE CO: CENTURY NATIONAL INSURANCE COMPANY
DATE SENT: February 10, 2010
TOTAL NUMBER OF PAGES:

COMMENTS: We have mailed this information regular mail along with the color photos in reference to the above captioned claim as well.

NOTICE OF CONFIDENTIALITY
This communication is directed solely to the Addressee and may contain confidential or legally privileged Personal Health Information protected by federal and state law.

If you are not the Addressee indicated above:
1. *DO NOT read the following pages.*
2. *DO NOT retain, copy, distribute, or disseminate the following pages.*
3. *Call the Sender IMMEDIATELY (collect if necessary) and return the original and all copies to the above Sender at TransPaC Solutions, 9390 Bunsen Parkwa, Louisville, KY 40220. The Sender will reimburse all postage paid to return the documents.*

NEITHER THE TRANSMISSION OF THE ATTACHED PAGES, NOR ANY ERROR IN TRANSMISSION OR MISDELIVERY SHALL CONSTITUTE A WAIVER OF ANY APPLICABLE LEGAL PRIVILEGE.

TransPaC Solutions
P.O.Box 36220
Louisville, KY 40233-6220
FAX: (800) 723-4869

February 5 , 2010

DISTRICT SECRETARY
OTAY WATER DISTRICT
2554 SWEETWATER SPRINGS BLVD
SPRING VALLEY CA 91977-7299

RE: Your Insured:
Your File Number:
Our Insured: STEVEN R & MARGO M BULE
Insurance Company: CENTURY NATIONAL INSURANCE COMPANY
Date of Incident: 10/8/2009
Event Number: TPCS - 935141 - 1394649
Amount Paid: $43802.05

Dear DISTRICT SECRETARY,

TransPaC Solutions is the recovery agent for CENTURY NATIONAL INSURANCE COMPANY. Enclosed is supporting documentation for their insured's claim. The amount paid includes the insured's deductible of $400.00.

Please forward your check payable to TransPaC Solutions to the address at the top of this letter. Be sure to include the TransPaC Solution's event number and the insured's name on your check.

Please contact me if you have any questions or need further information to evaluate this claim.

Sincerely,

Wanda Dalhart

Wanda Dalhart
(800) 613-5064

935141 - 1394649/T3PINS1

From:
TransPaC Solutions
P.O. Box 36220
Louisville, Kentucky 40233-6220

Taxpayer ID : 61- 1141758

Contact Information:
Examiner: Wanda Dalhart
Phone: (800) 613-5064
Fax: (800) 723-4869
Email: WandaDalhart@transpacsolutions.com
My File # : TPCS-935141-1394649

REQUEST FOR PAYMENT
CASE STATEMENT FOR DWELLING
Date of Loss: 10/8/2009

Statement sent to : DISTRICT SECRETARY
OTAY WATER DISTRICT

Your Claim # : HO771913-HO77191301-03WA
Insured : STEVEN R & MARGO M BULE
Policy # : HC12233141
Claimant : STEVEN R & MARGO M BULE

Instructions:
- Please include TPCS-935141-1394649 on all payments and correspondence to expedite processing.

ATTENTION:
AMOUNT IS SUBJECT TO CHANGE, PLEASE CONTACT TRANSPAC SOLUTIONS PRIOR TO SETTLEMENT.

Payment Date	Service Dates		Payee	Check Number	Payment
	Start Date	End Date			

Type: INDEMNITY PAYMENTS

10/26/2009			STEVEN R & MARGO M BULE	00181615	$27721.47
11/17/2009			STEVEN R & MARGO M BULE	00182494	$9113.97
01/26/2010			STEVEN R & MARGO M BULE	00185067	$3592.47

Total Claims Paid for INDEMNITY PAYMENTS

$40427.91

Total Claims Paid	$40,427.91
Recovered to Date	($0.00)
Deductible	$400.00
Outstanding Amount	$40,827.91

FootNote:
If an insured's deductible or out-of-pocket expenses are listed, we are requesting payment as a courtesy to our client's insured.
Client's Claim #:HO771913-HO77191301-03WA

From:
TransPaC Solutions
P.O. Box 36220
Louisville, Kentucky 40233-6220

Taxpayer ID : 61- 1141758

Contact Information:
Examiner: Wanda Dalhart
Phone: (800) 613-5064
Fax: (800) 723-4869
Email: WandaDalhart@transpacsolutions.com
My File # : TPCS-935141-1394649

REQUEST FOR PAYMENT
CASE STATEMENT FOR ADDITIONAL LIVING EXPENSE
Date of Loss: 10/8/2009

Statement sent to : DISTRICT SECRETARY
OTAY WATER DISTRICT

Your Claim # : HO771913-HO77191301-03WD
Insured : STEVEN R & MARGO M BULE
Policy # : HC12233141
Claimant : STEVEN R & MARGO M BULE

Instructions:
- **Please include TPCS-935141-1405221 on all payments and correspondence to expedite processing.**

ATTENTION:
AMOUNT IS SUBJECT TO CHANGE, PLEASE CONTACT TRANSPAC SOLUTIONS PRIOR TO SETTLEMENT.

Payment Date	Service Dates		Payee	Check Number	Payment
	Start Date	End Date			
Type: INDEMNITY PAYMENTS					
11/10/2009			STEVEN R & MARGO M BULE	00182266	$2779.61
01/26/2010			STEVEN R & MARGO M BULE	00185068	$194.53

Total Claims Paid for INDEMNITY PAYMENTS $2974.14

Total Claims Paid	**$2,974.14**
Recovered to Date	**($0.00)**
Outstanding Amount	**$2,974.14**

FootNote:
If an insured's deductible or out-of-pocket expenses are listed, we are requesting payment as a courtesy to our client's insured.
Client's Claim #:HO771913-HO77191301-03WD

CLAIM AGAINST
OTAY WATER DISTRICT

1. Claimant(s) Name(s): Steven & Margo Bule
2. Claimant(s) Address(es): 1345 Hidden Springs Road Chula Vista CA 91915
3. Telephone Number(s):
4. Address for Notices (if different from above): TRANSPAC Solutions Event # 935141 PO Box 31-2250 Louisville Ky 40253 800-613-5044
5. Incident or Occurrence which gives rise to claim:
   a) Date: 10/08/09 Time:
   b) Location: 1345 Hidden Springs Road Chula Vista CA 91915
   c) Name of the person(s) injured and description of personal injury(ies), if any:
   d) Describe the property, injury, damage or loss, if any:
   Water damage to ceiling, walls, floor
   e) Name(s) of District employees believed to be involved, if any. Specify the particular act or omission you claim caused the injury or damage. Include a statement explaining why you feel the District or its employees were at fault.
   Water company water on in a vacant house there was a connection that had not been turned off the was caused damage to the residence
6. Name, address and telephone number of witness(es) to the incident:
7. **Amount claimed, if under $10,000. Be sure to attach invoices or other documentation reflecting the amount of damage, cost or loss, including medical bills or reports if claiming personal injury costs or losses.**
   a) Amount claimed as of date of claim: $
   b) Estimated amount of any prospective injury, damage or loss: $
   c) Total amount claimed: $ 43802.05

Please see subrogation documents enclosed

Revised January 2010

d) Explain how the claim amount was calculated:

Please see estimates enclosed

If the amount is more than $10,000, please indicate whether your case would be an unlimited or limited civil case (see Government Code Section 910(f)):

X Unlimited Civil (Claim over $25,000)

____ Limited Civil (Claim less than $25,000)

8. Any additional information that might be helpful in considering this claim. If the claim involves medical treatment, please provide the names, address and telephone number of any doctors and/or hospitals providing treatment. If the claim relates to an automobile accident or incident, you may be asked to provide information concerning your vehicle and driver's insurance.

(If additional space is needed to provide your information, please attach additional sheets indicating the paragraph(s) to which the additional information pertains)

Warning: Presentation of a false claim is a felony (Penal Code Section 72). Pursuant to CCP Sections 128.5 and 1038, the District may seek to recover all costs of defense in the event an action is filed which is later determined not to have been brought in good faith and with reasonable cause.

I have read the statements made in the above claim and I know the same to be true of my own knowledge, except as to those matters stated upon information or belief, and as to such matters I believe that same to be true. I certify under penalty of perjury that the foregoing is true and correct.

Date: 2/5/2010

Wanda L Kalhart as Agent of Century National A/S/O Steven & Margo Bell

Claimant or Authorized Representative

COURTESY NOTICE

YOUR WATER HAS BEEN

TURNED ON

However, water was running in the house, so our field representative shut off the valve at .....

- [x] Front of house
- [ ] Side of house
- [ ] INSIDE METER BOX, WATER COMING FROM SECOND FLOOR AREA - NEED TO SHUT OFF. TURN HANDLE SLOWLY TO RESTORE WATER

Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004
Customer Service (619) 670-2777

RENTAL AGREEMENT AND/OR LEASE

Landlord/Lessor/Agent: Steve and Margo Bule
Tenant(s)/Lessee: Edwin Oneil Berryman
Tenant(s)/Lessee: Valorie Shinko
Home Address: 1345 Hidden Springs Place
City: Chula Vista, CA 91915

This Rental Agreement and/or Lease shall evidence the complete terms and conditions under which the parties whose signatures appear below have agreed. Landlord/Lessor/Agent (to the left) shall be referred to as "OWNER" and Tenant(s)/Lessee(s) (to the left) shall be referred to as "RESIDENT." As consideration for this agreement, OWNER agrees to rent/lease to RESIDENT and RESIDENT agrees to rent/lease from OWNER for use SOLELY AS A PRIVATE RESIDENCE, the premises listed to the left.

1. **TERMS:** RESIDENT agrees to pay in advance $ 2250.00 per month on the 1st day of each month.
This agreement shall commence on February 15th, 20 09 and continue: (check one)

A. ☒ Until February 14th, 20 10 as a leasehold. Thereafter it shall become a month-to-month tenancy. If RESIDENT should move from the premises prior to the expiration of this time period, he shall be liable for all rent due until such time that the apartment is occupied by an OWNER approved paying RESIDENT and/or expiration of said time period, whichever period is shorter.

B. ☐ A month-to-month tenancy, that may be terminated by either party. The OWNER giving 60-day written notice to move (for more than 1 year tenancy), or a 30-day written notice to move (for less than 1 year tenancy) and the RESIDENT giving 30-day written notice of intent to terminate tenancy.

2. **PAYMENTS:** Rent and/or other charges are to be paid at the office or apartment of the manager of the building or at such other place designated in writing by OWNER. For the safety of the manager, all payments are to be made by check or money order and no cash shall be acceptable. OWNER acknowledges receipt of the First month's rent of: $ 1125.00, and a Security Deposit of $ 2250.00 for a total payment of $ 3375.00. All payments are to be made payable to: Steve Bule and delivered to 1442 Lost Creek Road, Chula Vista 91915, California, Telephone Number: 619-216-1121 who is usually available on the following days: _____ during the following hours: _____.

3. **LATE CHARGE:** A late fee of $ 100, said amount not to exceed 6% of the monthly rent, shall be added to any payment of rent not made before 10 day(s) after the due date or for which a deficient (bounced) check shall have been given.

4. **SECURITY DEPOSITS:** The Security Deposit shall not exceed two times the monthly rent for unfurnished apartments or three times the monthly rent for furnished apartments. The total of the above deposits shall secure compliance with the terms and conditions of this agreement and shall be refunded to RESIDENT within 21 days after the premises have been completely vacated less any amount necessary to pay OWNER: a) any unpaid rent, b) cleaning costs, c) key replacement costs, d) costs for repair of damages to apartment and/or common areas above ordinary wear and tear, and e) any other amount legally allowable under the terms of this agreement. A written accounting of said charges shall be presented to RESIDENT within 21 days of move-out. If deposits do not cover such costs and damages, the RESIDENT shall immediately pay said additional costs for damages to OWNER. During the term of tenancy, RESIDENT agrees to increase the deposit upon 30 days written notice by an amount equal to any future increases in rent and/or an amount necessary to cover the cost of rectifying any damage or expense for which RESIDENT is responsible. Security deposit is not to be used as last month's rent.

5. **UTILITIES:** RESIDENT agrees to pay for all utilities and/or services based upon occupancy of the premises except N/A

6. **OCCUPANTS:** Guest(s) staying over 14 days cumulative or longer during any 12-month period, without the OWNER'S written consent, shall be considered a breach of this agreement. ONLY the following listed individuals and/or animals, AND NO OTHERS shall occupy the subject apartment for more than 14 days unless the expressed written consent of OWNER is obtained in advance: _____
RESIDENT shall pay additional rent at the rate of $100.00 per month or 25% (or the amount allowed under rent control) of the current monthly rent, whichever amount is greater, for the period of time that each additional guest in excess of the above named shall occupy the premises. RESIDENT shall pay the same additional monthly rent for each additional animal in excess of the above named animal(s), which shall occupy the premises. Acceptance of additional rent or approval of a guest shall not waive any requirement of this agreement or convert the status of any "guest" into a RESIDENT.

7. **PETS AND FURNISHINGS:** Furnishings - No liquid-filled furniture of any kind may be kept on the premises. If the structure was built in 1973 or later RESIDENT may posses a waterbed if he maintains waterbed insurance valued at $100,000.00 or more. RESIDENT must furnish OWNER with proof of said insurance. RESIDENT must also comply with Civil Code Section 1940.5. Resident shall not keep on premises a receptacle containing more than ten gallons of liquid, highly combustible materials or other items which may cause a hazard or affect insurance rates such as, musical instrument, item(s) of unusual weight or dimension. RESIDENT also agrees to carry insurance deemed appropriate by OWNER to cover possible losses caused by using said items. Pets - No animal, fowl, fish, reptile, and/or pet of any kind shall be kept on or about the premises, for any amount of time, without obtaining the prior written consent and meeting the requirements of the OWNER. Said consent, if granted, shall be revocable at OWNER'S option upon giving a 30-day written notice. In the event laws are passed or permission is granted to have any item prohibited by this agreement or if for any reason such item exists on the premises, there shall be minimum additional rent of $25.00 a month for each such item if another amount is not stated in this agreement. In the event laws are passed or permission is granted to have a pet and/or animal of any kind, an additional deposit in the amount of $ 500.00 shall be required along with the signing of OWNER'S "PET AGREEMENT."

8. **PARKING/STORAGE:** When and if RESIDENT is assigned a parking space on OWNER'S property, the parking space shall be used exclusively for parking of passenger automobiles and/or those approved vehicles listed on RESIDENT'S "Application to Rent/Lease" or attached hereto. RESIDENT is hereby assigned parking space # N/A. RESIDENT may not wash, repair, or paint in this parking space or at any other common areas on the premises. (RESIDENT may not assign, sublet, or allow RESIDENT'S guest(s) to use this or any other parking space.) RESIDENT is responsible for oil leaks and other vehicle discharges for which RESIDENT shall be charged for cleaning if deemed necessary by OWNER. Only vehicles that are operational may park in their assigned space. Resident is assigned storage space # N/A located N/A

9. **NOISE:** RESIDENT agrees not to cause or allow any noise or activity on the premises that might disturb the peace and quiet of another RESIDENT. Said noise and/or activity shall be a breach of this Agreement.

10. **LOITERING AND PLAY:** Lounging, playing, or unnecessary loitering in the halls, on the front steps, or in the common areas in such a way as to interfere with the free use and enjoyment, passage or convenience of another RESIDENT is prohibited.

11. **DESTRUCTION OF PREMISES:** If the premises become totally or partially destroyed during the term of this Agreement so that RESIDENT'S use is seriously impaired, RESIDENT or OWNER may terminate this Agreement immediately upon three-day written notice to the other.

12. **CONDITION OF PREMISES:** RESIDENT acknowledges that he has examined the premises and that said premises, all furnishings, fixtures, furniture, plumbing, heating, electrical facilities, all items listed on the attached inventory sheet, if any, and/or all other items provided by OWNER are all clean, and in good satisfactory condition except as may be indicated elsewhere in this Agreement. RESIDENT agrees to keep the premises and all items in good order and condition and to immediately pay for costs to repair and/or replace any portion of the above damaged by RESIDENT, his guests and/or invitees, except as provided by law. At the termination of this Agreement, all of the above-enumerated items in this provision shall be returned to OWNER in clean and good condition except for reasonable wear and tear; the premises shall be free of all personal property; trash not belonging to OWNER. It is agreed that all dirt, holes, tears, burns, or stains of any size or amount in the carpets, drapes, walls, fixtures, and/or any other part of the premises, do not constitute reasonable wear and tear.

AOA Form No. 101 (Rev. 02/07) - Copyright 2007 - Apartment Owners Association of California - www.aoacusa.com
• San Fernando Valley (818) 988-9200 • Los Angeles (323) 937-8811 • Long Beach (562) 597-2422 • Garden Grove (714) 539-5000 • San Diego (619) 290-7007 • Northern California (310) 760-7321

Disaster Recovery Systems Inc.

10637 Roselle Street Suite C
San Diego, CA 92121

Client:	Mrs. Bule	Home:	(619) 274-5275
Property:	1345 Hidden Springs Chula Vista, CA 91945		

Operator Info:

Operator:	MICHELLE		
Estimator:	Michelle Greenfield	Business:	(888) 989-2596
Business:	10637 Roselle Street Suite #C San Diego, CA 92121		
Type of Estimate:	Water Damage		
Date Entered:	10/20/2009	Date Assigned:	
Price List:	CASD5B_SEP09 Restoration/Service/Remodel		
Estimate:	2009-10-20-1215		

Emergency services dry down due to a pressurized washing machine hose flooded home. Equipment was capped at 3 days.

Disaster Recovery Systems Inc.

10637 Roselle Street Suite C
San Diego, CA 92121

2009-10-20-1215

2009-10-20-1215

DESCRIPTION	QNTY	UNIT COST	TOTAL
1. Emergency service call - after business hours 8pm- Did walk through and explained what needed to be done. She wanted to wait till the morning until she could contact insurance.	1.00 EA @	243.68 –	243.68
2. Returned the following morningfor walk through and authorization form insurance company. Photo document before any demo started.	1.00 EA @		0.00
3. Content Manipulation charge - per hour	1.50 HR @	45.07 =	67.61
4. Water extraction from floor	160.00 SF @	0.58 –	92.80
5. Tear out wet drywall, cleanup, bag for disposal including ceiling	325.00 SF @	0.83 –	269.75
6. Tear out and bag wet insulation	70.00 SF @	0.66 –	46.20
7. Tear out non-salv wood flr & bag - after hrs, wood floor was pulled up after hours	600.00 SF @	4.23 =	2,538.00
8. Remove Ceramic tile - Standard grade-Tile upstairs had a vinyl flooring under it	45.00 SF @	1.37 =	61.65
9. Tear out non-salvageable vinyl, cut & bag for disposal	45.00 SF @	1.12 =	50.40
10. Baseboard - Detach	197.00 LF @	1.03 –	202.91
11. Air mover (per 24 hour period) - No monitoring 17 for 3 days	51.00 EA @	27.18	1,386.18
12. Dehumidifier (per 24 hour period) - No monitoring 7 for 3 days	21.00 EA @	67.50 =	1,417.50
13. Electrician had to be called to safe off any wet electrical that was a hazard before SDG&E got there.FAXED COPY OF BILL WITH OUR ESTIMATE.	1.00 EA @	292.50 =	292.50
14. Containment Barrier set up to assist in drying down tile	80.00 SF @	0.71 =	56.80
15. Equipment setup, take down, and monitoring (hourly charge)	8.00 HR @	58.04 =	464.32
16. Apply anti-microbial agent	1,500.00 SF @	0.26 –	390.00
17. Water Extraction & Remediation Technician - after hours	5.00 HR @	87.15 –	435.75
18. Tear out toe kick and bag for disposal	32.00 LF @	2.66 =	85.12
19. General clean - up, Pull Nails, clean dust, mop floors, hepa vac to clean, general clean up	12.00 HR @	37.01 =	444.12
20. Haul debris - per pickup truck load - including dump fees	3.00 EA @	123.03 =	369.09
21. Eye protection - plastic goggles - Disposable	10.00 EA @	5.74 –	57.40

Adjustments for Base Service Charges	Adjustment
Cleaning Remediation Technician	116.08
Total Adjustments for Base Service Charges:	116.08
Line Item Totals: 2009-10-20-1215	**9,087.86**

Grand Total Areas:

0.00	SF Walls	0.00	SF Ceiling	0.00	SF Walls and Ceiling
0.00	SF Floor	0.00	SY Flooring	0.00	LF Floor Perimeter
0.00	SF Long Wall	0.00	SF Short Wall	0.00	LF Ceil. Perimeter
0.00	Floor Area	0.00	Total Area	0.00	Interior Wall Area
0.00	Exterior Wall Area	0.00	Exterior Perimeter of Walls		
0.00	Surface Area	0.00	Number of Squares	0.00	Total Perimeter Length
0.00	Total Ridge Length	0.00	Total Hip Length		

Disaster Recovery Systems Inc.

10637 Roselle Street Suite C
San Diego, CA 92121

Summary

Line Item Total				8,971.78
Total Adjustments for Base Service Charges				116.08
Material Sales Tax	@	8.750% x	298.42	26.11
Replacement Cost Value				**$9,113.97**
Net Claim				**$9,113.97**

Michelle Greenfield

Century-National Insurance Company

12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured:	Steven & Margo Bule	Home:	(619) 274-5275
Property:	1345 Hidden Springs Road Chula Vista, CA 91915		
Claim Rep.:	ROLANDO BAUTISTA	Business:	(818) 760-1980 x 2553
Business:	12200 SYLVAN STREET NORTH HOLLYWOOD, CA 91606		
Estimator:	BARBARA GILLETTE	Business:	(800) 733-1980 x 2412

Claim Number: HO771913 **Policy Number:** HC12233141 **Type of Loss:** Water Damage

Date Contacted:	10/9/2009		
Date of Loss:	10/8/2009	Date Received:	10/9/2009
Date Inspected:	10/13/2009	Date Entered:	10/9/2009 11:11 AM

Price List:	CASD5B_OCT09 Restoration/Service/Remodel
Estimate:	2009-10-09-1111

This letter will serve to provide you with the status of my report. As you are aware, I am the property field adjuster for Century National Insurance Company assigned to the claim you submitted for damage to your property. I have forwarded my report and estimate to the home office for their review and consideration.

Enclosed is a copy of the estimate. Should you have any questions regarding the estimate or my participation in the claims adjustment process, please do not hesitate to contact me. Please be reminded that any decision regarding coverage of your claim, or the application of the terms and conditions of your insurance policy, will be made by the internal Century-National Insurance adjuster assigned to your loss.

We occasionally use contractors to assist us in evaluating the cost and/or extent of repairs needed to return your property to its pre-loss condition. **You are not obliged to use these contractors.** You are responsible for the selection of the contractor who will be repairing your property. Century-National Insurance Company makes no representations or warranties for the work of any repair contractor, therefore, we strongly recommend that you check the background and licensing status of the contractor that you select to repair your property.

Respectfully,

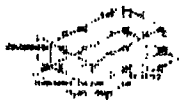
Barbara Gillette
Property Field Adjuster
(800) 733-1980 extension 2412

Century-National Insurance Company

12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

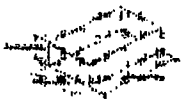
2009-10-09-1111

Laundry Room — LxWxH 5' 4" x 5' 2" x 8'



140.67 SF Walls	27.56 SF Ceiling
168.23 SF Walls & Ceiling	27.56 SF Floor
3.06 SY Flooring	17.58 LF Floor Perimeter
42.67 SF Long Wall	41.33 SF Short Wall
17.58 LF Ceil. Perimeter	

Subroom 1: Entry Offset — LxWxH 3' 5" x 1' 3" x 8'



29.56 SF Walls	4.27 SF Ceiling
33.83 SF Walls & Ceiling	4.27 SF Floor
0.47 SY Flooring	3.25 LF Floor Perimeter
27.33 SF Long Wall	10.00 SF Short Wall
5.92 LF Ceil. Perimeter	

Missing Wall:	1 -	3'5" X 8'0"	**Opens into Laundry Room**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	2'8" X 6'8"	**Opens into Exterior**	**Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
1. Shelving - wire (vinyl coated) - Detach & reset	5.33 LF	8.95	47.70	(0.00)	47.70
2. Drywall replacement per LF - up to 2' tall	20.83 LF	8.36	174.14	(0.00)	174.14
3. Seal/prime more than the floor perimeter - one coat	41.67 SF	0.38	15.83	(0.17)	15.66
4. Mask and prep for paint - plastic, paper, tape (per LF)	23.50 LF	0.90	21.15	(0.00)	21.15
5. Paint the walls - two coats	170.23 SF	0.67	114.05	(1.59)	112.46
6. Underlayment - 1/4" lauan/mahogany plywood	31.83 SF	1.27	40.42	(0.39)	40.03
7. Vinyl floor covering (sheet goods) - Standard grade	36.60 SF	2.23	81.62	(3.69)	77.93
15 % waste added for Vinyl floor covering (sheet goods) - Standard grade.					
8. Mortar bed for tile floors	31.83 SF	3.90	124.14	(2.18)	121.96
9. Tile floor covering	31.83 SF	7.52	239.36	(3.95)	235.41
10. Grout sealer	31.83 SF	0.98	31.19	(0.99)	30.20
11. Baseboard - 2 1/4"	20.83 LF	2.57	53.53	(0.47)	53.06
12. Paint baseboard - two coats	20.83 LF	0.98	20.41	(0.12)	20.29
13. Casing - 2 1/4"	17.00 LF	1.70	28.90	(0.34)	28.56
14. Paint door or window opening - 2 coats (per side)	1.00 EA	21.04	21.04	(0.20)	20.84
15. Interior door - Detach & reset - slab only	1.00 EA	21.49	21.49	(0.00)	21.49

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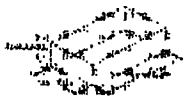
CONTINUED - Laundry Room

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
16. Paint door slab only - 1 coat (per side)	1.00 EA	13.58	13.58	(0.21)	13.37
17. Door lockset - Detach & reset	1.00 EA	18.87	18.87	(0.00)	18.87
Totals: Laundry Room			1,067.42	14.30	1,053.12

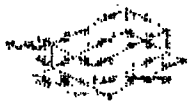
Bathroom — **LxWxH 7' 4" x 4' 11" x 8'**



170.61 SF Walls	36.06 SF Ceiling
206.67 SF Walls & Ceiling	36.06 SF Floor
4.01 SY Flooring	17.25 LF Floor Perimeter
58.67 SF Long Wall	39.33 SF Short Wall
19.58 LF Ceil. Perimeter	

Missing Wall: 1 - 2'4" X 6'8" **Opens into Exterior** **Goes to Floor**

Subroom 1: Tub walls — **LxWxH 4' 11" x 2' 7" x 2'**



20.17 SF Walls	12.70 SF Ceiling
32.87 SF Walls & Ceiling	12.70 SF Floor
1.41 SY Flooring	10.08 LF Floor Perimeter
9.83 SF Long Wall	5.17 SF Short Wall
10.08 LF Ceil. Perimeter	

Missing Wall: 1 - 4'11" X 2'8" **Opens into Bathroom** **Goes to Floor/Ceiling**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
18. Window blind - horizontal or vertical - Detach & reset	1.00 EA	28.28	28.28	(0.00)	28.28
19. Window drapery - hardware - Detach & reset	1.00 EA	28.56	28.56	(0.00)	28.56
20. Toilet paper holder - Detach & reset	1.00 EA	14.69	14.69	(0.00)	14.69
21. Towel bar - Detach & reset	2.00 EA	14.15	28.30	(0.00)	28.30
22. Light fixture - Detach & reset	1.00 EA	41.30	41.30	(0.00)	41.30
23. Mirror - plate glass - Detach & reset	16.33 SF	5.08	82.96	(0.00)	82.96
24. Batt insulation - 4" - R13	2.75 SF	0.59	1.62	(0.00)	1.62

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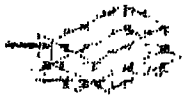
CONTINUED - Bathroom

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
25. Drywall replacement per LF - up to 2' tall	6.75 LF	8.36	56.43	(0.00)	56.43
26. Drywall Installer / Finisher - per hour, additional allowance to repair drywall inside cabinet*	1.00 HR	76.53	76.53	(0.00)	76.53
27. Spot seal / prime	1.00 EA	17.68	17.68	(0.12)	17.56
28. Mask and prep for paint - plastic, paper, tape (per LF)	29.67 LF	0.90	26.70	(0.00)	26.70
29. Paint the walls - two coats	190.78 SF	0.67	127.82	(1.78)	126.04
30. R&R Wallpaper border	29.67 LF	2.90	86.04	(5.09)	80.95
31. Trim board - 1" x 4" - installed (pine), toekick repair*	4.58 LF	3.21	14.70	(0.17)	14.53
32. Re-skin toe kick	4.58 LF	10.61	48.59	(2.64)	45.95
33. Seal & paint cabinetry - lower - faces only	6.33 LF	14.34	90.77	(0.97)	89.80
34. Baseboard - 4 1/4"	10.58 LF	3.59	37.98	(0.49)	37.49
35. Paint baseboard - two coats	10.58 LF	0.98	10.37	(0.06)	10.31
36. Casing - 2 1/4"	17.00 LF	1.70	28.90	(0.34)	28.56
37. Paint door or window opening - 2 coats (per side), door and window*	2.00 EA	21.04	42.08	(0.39)	41.69
38. Paint door slab only - 1 coat (per side)	1.00 EA	13.58	13.58	(0.21)	13.37
39. Door lockset - Detach & reset	1.00 EA	18.87	18.87	(0.00)	18.87
40. Clean floor - tile	36.06 SF	0.48	17.31	(0.00)	17.31
Totals: Bathroom			**949.06**	**12.26**	**927.80**

BACK BDRM — LxWxH 10' x 10' x 8'



229.32 SF Walls	100.00 SF Ceiling
329.32 SF Walls & Ceiling	100.00 SF Floor
11.11 SY Flooring	30.50 LF Floor Perimeter
80.00 SF Long Wall	80.00 SF Short Wall
30.50 LF Ceil. Perimeter	

Missing Wall: 1 - 3'10" X 3'10" Opens into Exterior Goes to neither Floor/Ceiling

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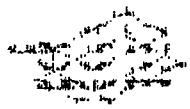
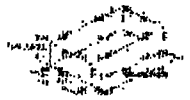
Subroom 1: Entry Offset — LxWxH 3' 6" x 2' 4" x 8'



50.01 SF Walls	8.56 SF Ceiling
58.56 SF Walls & Ceiling	8.56 SF Floor
0.95 SY Flooring	5.83 LF Floor Perimeter
29.33 SF Long Wall	18.67 SF Short Wall
8.33 LF Ceil. Perimeter	

Missing Wall:	1 -	3'8" X 8'0"	**Opens into BACK BDRM**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	2'6" X 6'8"	**Opens into Exterior**	**Goes to Floor**

Subroom 2: Closet — LxWxH 5' 10" x 2' x 8'



78.67 SF Walls	11.67 SF Ceiling
90.34 SF Walls & Ceiling	11.67 SF Floor
1.30 SY Flooring	9.83 LF Floor Perimeter
46.67 SF Long Wall	16.00 SF Short Wall
9.83 LF Ceil. Perimeter	

Missing Wall:	1 -	5'10" X 8'0"	**Opens into BACK BDRM**	**Goes to Floor/Ceiling**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
41. Window blind - horizontal or vertical - Detach & reset	1.00 EA	28.28	28.28	(0.00)	28.28
42. Closet Organizer - Melamine or Wire - Detach & reset	5.83 LF	63.58	370.67	(0.00)	370.67
43. Remove Engineered wood flooring, remove from closet floor*	11.67 SF	2.84	33.14	(0.00)	33.14
44. Remove Add for glued down application over wood substrate, remove from closet floor*	11.67 SF	2.29	26.72	(0.00)	26.72
45. Batt insulation - 4" - R13	20.00 SF	0.59	11.80	(0.00)	11.80
46. Drywall replacement per LF - up to 2' tall	32.83 LF	8.36	274.46	(0.00)	274.46
47. Seal/prime the surface area - one coat	65.66 SF	0.38	24.95	(0.26)	24.69
48. Mask and prep for paint - plastic, paper, tape (per LF)	48.67 LF	0.90	43.80	(0.00)	43.80
49. Paint the walls - two coats	357.99 SF	0.67	239.85	(3.34)	236.51
50. Paint door or window opening - 2 coats (per side), at window*	1.00 EA	21.04	21.04	(0.20)	20.84
51. Underlayment - 1/4" lauan/mahogany plywood	120.22 SF	1.27	152.68	(1.47)	151.21
52. Engineered wood flooring	120.22 SF	10.38	1,247.88	(65.88)	1,182.00
53. Add for glued down application over wood substrate	120.22 SF	0.93	111.80	(1.51)	110.29
54. Baseboard - 4 1/4"	46.17 LF	3.59	165.75	(2.12)	163.63

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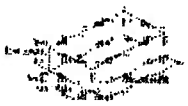
CONTINUED - BACK BDRM

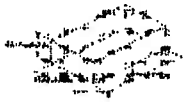
DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
55. Paint baseboard - two coats	46.17 LF	0.98	45.25	(0.28)	44.97
56. Casing - 2 1/4"	17.00 LF	1.70	28.90	(0.34)	28.56
57. Paint door or window opening - 2 coats (per side) door opening*	1.00 EA	21.04	21.04	(0.20)	20.84
58. Interior door - Detach & reset - slab only	1.00 EA	21.49	21.49	(0.00)	21.49
59. Paint door slab only - 1 coat (per side)	1.00 EA	13.58	13.58	(0.21)	13.37
60. Door lockset - Detach & reset	1.00 EA	18.87	18.87	(0.00)	18.87
Totals: BACK BDRM			**2,901.95**	**75.81**	**2,826.14**



MIDDLE BDRM — **LxWxH 10' x 10' x 8'**

247.31 SF Walls	100.00 SF Ceiling
347.31 SF Walls & Ceiling	100.00 SF Floor
11.11 SY Flooring	31.92 LF Floor Perimeter
80.00 SF Long Wall	80.00 SF Short Wall
36.92 LF Ceil. Perimeter	

Missing Wall: 1 - 3'10" X 3'10" — **Opens into Exterior** — **Goes to neither Floor/Ceiling**



Subroom 1: Entry Offset — **LxWxH 2' 1" x 2' 3" x 8'**

44.01 SF Walls	6.94 SF Ceiling
50.94 SF Walls & Ceiling	6.94 SF Floor
0.77 SY Flooring	5.08 LF Floor Perimeter
24.67 SF Long Wall	18.00 SF Short Wall
7.58 LF Ceil. Perimeter	

Missing Wall: 1 - 3'1" X 8'0" — **Opens into MIDDLE BDRM** — **Goes to Floor/Ceiling**

Missing Wall: 1 - 2'6" X 6'8" — **Opens into Exterior** — **Goes to Floor**

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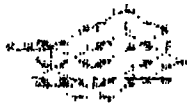
Subroom 2: Closet LxWxH 5' x 2' x 8'



78.67	SF Walls	10.00	SF Ceiling
88.67	SF Walls & Ceiling	10.00	SF Floor
1.11	SY Flooring	9.00	LF Floor Perimeter
40.00	SF Long Wall	16.00	SF Short Wall
14.00	LF Ceil. Perimeter		

Missing Wall: 1 - 5'0" X 6'8" **Opens into MIDDLE BDRM** **Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
61. Window blind - horizontal or vertical - Detach & reset	1.00 EA	28.28	28.28	(0.00)	28.28
62. Closet Organizer - Melamine or Wire - Detach & reset	5.00 LF	63.58	317.90	(0.00)	317.90
63. Batt insulation - 4" - R13	10.00 SF	0.59	5.90	(0.00)	5.90
64. Drywall replacement per LF - up to 2' tall	10.00 LF	8.36	83.60	(0.00)	83.60
65. Seal/prime the surface area - one coat	20.00 SF	0.38	7.60	(0.08)	7.52
66. Mask and prep for paint - plastic, paper, tape (per LF)	58.50 LF	0.90	52.65	(0.00)	52.65
67. Paint part of the walls - two coats	276.89 SF	0.67	185.52	(2.58)	182.94
68. Paint door or window opening - 2 coats (per side), window opening*	1.00 EA	21.04	21.04	(0.20)	20.84
69. Paneling	30.00 SF	2.31	69.30	(0.50)	68.80
70. Paneling - Detach and reset	30.00 SF	3.05	91.50	(0.00)	91.50
71. Seal & paint paneling	99.84 SF	0.81	80.87	(0.93)	79.94
72. Quarter round - 3/4" trim at top of paneling*	10.00 LF	1.44	14.40	(0.17)	14.23
73. Underlayment - 1/4" luuan/mahogany plywood	116.94 SF	1.27	148.51	(1.43)	147.08
74. Engineered wood flooring	116.94 SF	10.38	1,213.84	(64.08)	1,149.76
75. Add for glued down application over wood substrate	116.94 SF	0.93	108.75	(1.47)	107.28
76. Baseboard - 4 1/4"	37.00 LF	3.59	132.83	(1.70)	131.13
77. Baseboard - 2 1/4"	9.00 LF	2.57	23.13	(0.20)	22.93
78. Paint baseboard - two coats	46.00 LF	0.98	45.08	(0.28)	44.80
79. Paint door or window opening - 2 coats (per side), door opening*	1.00 EA	21.04	21.04	(0.20)	20.84
80. Interior door - Detach & reset - slab only	1.00 EA	21.49	21.49	(0.00)	21.49
81. Paint door slab only - 1 coat (per side)	1.00 EA	13.58	13.58	(0.21)	13.37
82. Door lockset - Detach & reset	1.00 EA	18.87	18.87	(0.00)	18.87
Totals: MIDDLE BDRM			2,705.68	74.03	2,631.65

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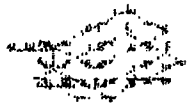
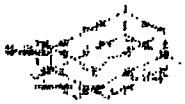
FRONT BDRM — LxWxH 10' x 10' x 8'



247.87 SF Walls	100.00 SF Ceiling
347.87 SF Walls & Ceiling	100.00 SF Floor
11.11 SY Flooring	32.00 LF Floor Perimeter
80.00 SF Long Wall	80.00 SF Short Wall
36.92 LF Ceil. Perimeter	

Missing Wall: 1 - 3'10" X 3'10" — Opens into Exterior — Goes to neither Floor/Ceiling

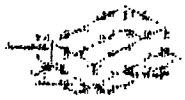
Subroom 1: Entry offset — LxWxH 3' 1" x 2' 4" x 8'



45.34 SF Walls	7.19 SF Ceiling
52.53 SF Walls & Ceiling	7.19 SF Floor
0.80 SY Flooring	5.25 LF Floor Perimeter
24.67 SF Long Wall	18.67 SF Short Wall
7.75 LF Ceil. Perimeter	

Missing Wall: 1 - 3'1" X 8'0" — Opens into FRONT BDRM — Goes to Floor/Ceiling
Missing Wall: 1 - 2'6" X 6'8" — Opens into Exterior — Goes to Floor

Subroom 2: Closet — LxWxH 4' 11" x 2' x 8'



77.89 SF Walls	9.83 SF Ceiling
87.73 SF Walls & Ceiling	9.83 SF Floor
1.09 SY Flooring	8.92 LF Floor Perimeter
39.33 SF Long Wall	16.00 SF Short Wall
13.83 LF Ceil. Perimeter	

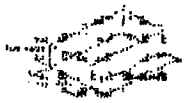
Missing Wall: 1 - 4'11" X 6'8" — Opens into FRONT BDRM — Goes to Floor

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
83. Window blind - horizontal or vertical - Detach & reset	1.00 EA	28.28	28.28	(0.00)	28.28
84. Closet Organizer - Melamine or Wire - Detach & reset	4.92 LF	63.58	312.81	(0.00)	312.81
85. Remove Engineered wood flooring, remove remainder at closet*	9.83 SF	2.84	27.92	(0.00)	27.92
86. Remove Add for glued down application over wood substrate, remove at closet floor*	9.83 SF	2.29	22.51	(0.00)	22.51
87. Batt insulation - 4" - R13	10.00 SF	0.59	5.90	(0.00)	5.90
88. Drywall replacement per LF - up to 2' tall	24.67 LF	8.36	206.24	(0.00)	206.24
89. Seal/prime the surface area - one coat	49.34 SF	0.38	18.75	(0.20)	18.55

CONTINUED - FRONT BDRM

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
90. Mask and prep for paint - plastic, paper, tape (per LF)	58.50 LF	0.90	52.65	(0.00)	52.65
91. Paint the walls - two coats	371.10 SF	0.67	248.64	(3.46)	245.18
92. Paint door or window opening - 2 coats (per side), window opening*	1.00 EA	21.04	21.04	(0.20)	20.84
93. Underlayment - 1/4" lauan/mahogany plywood	117.03 SF	1.27	148.63	(1.44)	147.19
94. Engineered wood flooring	117.03 SF	10.38	1,214.77	(64.13)	1,150.64
95. Add for glued down application over wood substrate	117.03 SF	0.93	108.84	(1.47)	107.37
96. Baseboard - 4 1/4"	46.17 LF	3.59	165.75	(2.12)	163.63
97. Paint baseboard - two coats	46.17 LF	0.98	45.25	(0.28)	44.97
98. Casing - 2 1/4"	17.00 LF	1.70	28.90	(0.34)	28.56
99. Paint door or window opening - 2 coats (per side), door opening*	1.00 EA	21.04	21.04	(0.20)	20.84
100. Interior door - Detach & reset - slab only	1.00 EA	21.49	21.49	(0.00)	21.49
101. Paint door slab only - 1 coat (per side)	1.00 EA	13.58	13.58	(0.21)	13.37
102. Door lockset - Detach & reset	1.00 EA	18.87	18.87	(0.00)	18.87
103. (Install) Bypass (sliding) door set - slabs only - Detach & reset	1.00 EA	28.34	28.34	(0.00)	28.34
Totals: FRONT BDRM			**2,760.20**	**74.05**	**2,686.15**

LOFT — LxWxH 13' 4" x 10' 1" x 8'



203.96 SF Walls	134.43 SF Ceiling
338.39 SF Walls & Ceiling	134.43 SF Floor
14.94 SY Flooring	27.58 LF Floor Perimeter
106.66 SF Long Wall	80.66 SF Short Wall
32.58 LF Ceil. Perimeter	

Missing Wall:	1 -	4'10" X 4'10"	Opens into Exterior	Goes to neither Floor/Ceiling
Missing Wall:	2 -	2'6" X 6'8"	Opens into Exterior	Goes to Floor
Missing Wall:	1 -	3'0" X 8'0"	Opens into Exterior	Goes to Floor/Ceiling

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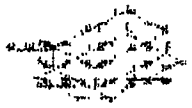
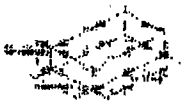
Subroom 1: Offset desk — LxWxH 4' 7" x 2' 4" x 8'



74.01	SF Walls	10.69	SF Ceiling
84.70	SF Walls & Ceiling	10.69	SF Floor
1.19	SY Flooring	9.25	LF Floor Perimeter
36.67	SF Long Wall	18.67	SF Short Wall
9.25	LF Ceil. Perimeter		

Missing Wall:	1 -	4'7" X 8'0"	**Opens into LOFT**	**Goes to Floor/Ceiling**

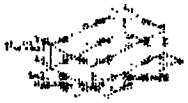
Subroom 2: Offset — LxWxH 9' 9" x 6' 8" x 8'



122.10	SF Walls	65.00	SF Ceiling
187.10	SF Walls & Ceiling	65.00	SF Floor
7.22	SY Flooring	20.75	LF Floor Perimeter
78.00	SF Long Wall	53.33	SF Short Wall
13.42	LF Ceil. Perimeter		

Missing Wall:	1 -	6'8" X 8'0"	**Opens into LOFT**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	9'9" X 4'10"	**Opens into Exterior**	**Goes to Ceiling**
Missing Wall:	1 -	2'5" X 6'8"	**Opens into Exterior**	**Goes to Floor**

Subroom 3: Offset hall — LxWxH 5' 8" x 3' x 8'



64.67	SF Walls	17.00	SF Ceiling
81.67	SF Walls & Ceiling	17.00	SF Floor
1.89	SY Flooring	6.83	LF Floor Perimeter
45.33	SF Long Wall	24.00	SF Short Wall
14.33	LF Ceil. Perimeter		

Missing Wall:	1 -	3'0" X 8'6"	**Opens into Offset**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	2'6" X 6'8"	**Opens into Exterior**	**Goes to Floor**
Missing Wall:	1 -	2'8" X 6'8"	**Opens into Exterior**	**Goes to Floor**
Missing Wall:	1 -	2'4" X 6'8"	**Opens into Exterior**	**Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
104. Window blind - horizontal or vertical - Detach & reset	1.00 EA	28.28	28.28	(0.00)	28.28
105. Batt insulation - 4" - R13	12.42 SF	0.59	7.33	(0.00)	7.33
106. Drywall replacement per LF - up to 2' tall	64.42 LF	8.36	538.55	(0.00)	538.55
107. Seal/prime more than the floor perimeter - one coat	128.83 SF	0.38	48.96	(0.52)	48.44
108. Mask and prep for paint - plastic, paper, tape (per LF)	69.58 LF	0.90	62.62	(0.00)	62.62

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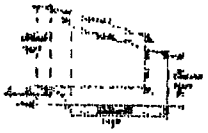
CONTINUED - LOFT

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
109. Paint the walls - two coats	464.73 SF	0.67	311.37	(4.34)	307.03
110. Paint door or window opening - 2 coats (per side), window*	1.00 EA	21.04	21.04	(0.20)	20.84
111. Underlayment - 1/4" lauan/mahogany plywood	227.12 SF	1.27	288.44	(2.79)	285.65
112. Engineered wood flooring	227.12 SF	10.38	2,357.51	(124.46)	2,233.05
113. Add for glued down application over wood substrate	227.12 SF	0.93	211.22	(2.85)	208.37
114. Baseboard - 4 1/4"	58.17 LF	3.59	208.83	(2.67)	206.16
115. Paint baseboard - two coats	58.17 LF	0.98	57.01	(0.35)	56.66
116. (Install) Cabinetry - lower (base) units - Detach & reset	4.25 LF	62.20	264.35	(0.00)	264.35
117. Seal & paint cabinetry - lower - faces only, and side panel, and top surface*	10.50 LF	14.34	150.57	(1.62)	148.95
118. Casing - 2 1/4"	102.00 LF	1.70	173.40	(2.07)	171.33
119. Paint door or window opening - 2 coats (per side), door openings*	6.00 EA	21.04	126.24	(1.18)	125.06
120. Paint door slab only - 1 coat (per side)	6.00 EA	13.58	81.48	(1.27)	80.21
121. Paint wood shelving, 12" - 24" width - 1 coat, top of pony wall*	9.83 LF	1.64	16.12	(0.15)	15.97
Totals: LOFT			**4,953.32**	**144.47**	**4,808.85**



MSTR BDRM — **Formula Sloped Ceiling 15' 9" x 11' 2" x 11' 1"**

472.33 SF Walls	179.21 SF Ceiling
651.54 SF Walls & Ceiling	175.88 SF Floor
19.54 SY Flooring	48.25 LF Floor Perimeter
51.35 LF Ceil. Perimeter	

Missing Wall: 1 - 2'6" X 6'8" **Opens into Exterior** **Goes to Floor**

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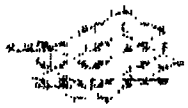
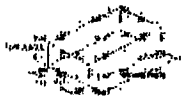
Subroom 1: Hall — LxWxH 5' 6" x 3' 1" x 8'



46.89 SF Walls	16.96 SF Ceiling
63.85 SF Walls & Ceiling	16.96 SF Floor
1.88 SY Flooring	4.83 LF Floor Perimeter
44.00 SF Long Wall	24.67 SF Short Wall
11.00 LF Ceil. Perimeter	

Missing Wall:	1 -	3'1" X 8'0"	**Opens into MSTR BDRM**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	3'1" X 8'0"	**Opens into Exterior**	**Goes to Floor/Ceiling**

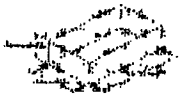
Subroom 2: Closet 1 — LxWxH 3' x 5' 5" x 8'



199.11 SF Walls	43.33 SF Ceiling
242.44 SF Walls & Ceiling	43.33 SF Floor
4.81 SY Flooring	24.50 LF Floor Perimeter
64.00 SF Long Wall	43.33 SF Short Wall
26.83 LF Ceil. Perimeter	

Missing Wall:	1 -	2'4" X 6'8"	**Opens into Hall**	**Goes to Floor**

Subroom 3: Closet 2 — LxWxH 3' 11" x 2' x 8'



69.11 SF Walls	7.83 SF Ceiling
76.94 SF Walls & Ceiling	7.83 SF Floor
0.87 SY Flooring	8.00 LF Floor Perimeter
31.33 SF Long Wall	16.00 SF Short Wall
11.83 LF Ceil. Perimeter	

Missing Wall:	1 -	3'10" X 6'8"	**Opens into Hall**	**Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
122. R&R Engineered wood flooring	244.00 SF	13.22	3,225.68	(133.71)	3,091.97
123. R&R Add for glued down application over wood substrate	244.00 SF	3.22	785.68	(3.06)	782.62
124. Underlayment - 1/4" lauan/mahogany plywood	244.00 SF	1.27	309.88	(2.99)	306.89
125. R&R Baseboard - 4 1/4"	85.58 LF	3.94	337.18	(3.93)	333.25
126. Paint baseboard - two coats	85.58 LF	0.98	83.87	(0.51)	83.36
127. Interior door - Detach & reset - slab only	2.00 EA	21.49	42.98	(0.00)	42.98
128. Bypass (sliding) door set - slabs only - Detach & reset	1.00 EA	28.34	28.34	(0.00)	28.34
129. Paint door or window opening - 2 coats (per side)	3.00 EA	21.04	63.12	(0.59)	62.53

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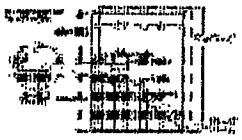
CONTINUED - MSTR BDRM

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
Totals: MSTR BDRM			**4,876.73**	**144.79**	**4,731.94**



STAIRWELL — **Formula Stairway 7" x 3' x 16' 1 15/16"**

75.12 SF Walls	1.75 SF Ceiling
76.87 SF Walls & Ceiling	33.24 SF Floor
3.69 SY Flooring	22.38 LF Floor Perimeter
7.17 LF Ceil. Perimeter	

Missing Wall: 1 - 0'7" X 8'0" **Opens into Exterior** **Goes to Floor**
Missing Wall: 1 - 0'7" X 8'0" **Opens into Exterior** **Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
130. Mask and prep for paint - plastic, paper, tape (per LF)	7.17 LF	0.90	6.45	(0.00)	6.45
131. Paint the walls - two coats	75.12 SF	0.67	50.33	(0.70)	49.63
132. Paint handrail - wall mounted	15.92 LF	0.76	12.10	(0.12)	11.98
133. R&R Engineered wood flooring	33.24 SF	13.22	439.43	(18.22)	421.21
134. R&R Add for glued down application over wood substrate	33.24 SF	3.22	107.03	(0.42)	106.61
135. Underlayment - 1/4" lauan/mahogany plywood	33.24 SF	1.27	42.21	(0.41)	41.80
136. Stair nosing - for wood flooring	45.00 LF	8.93	401.85	(56.81)	345.04
Totals: STAIRWELL			**1,059.40**	**76.68**	**982.71**

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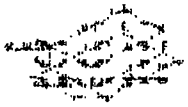
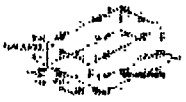
Family Room — LxWxH 14' x 12' 4" x 9'



280.44 SF Walls	172.67 SF Ceiling
453.11 SF Walls & Ceiling	172.67 SF Floor
19.19 SY Flooring	36.58 LF Floor Perimeter
126.00 SF Long Wall	111.00 SF Short Wall
40.67 LF Ceil. Perimeter	

Missing Wall:	4 -	2'11" X 4'10"	Opens into Exterior	Goes to neither Floor/Ceiling
Missing Wall:	1 -	4'1" X 8'0"	Opens into Exterior	Goes to Floor

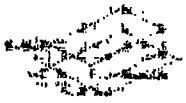
Subroom 1: Hall offset — LxWxH 3' 6" x 2' x 8'



26.67 SF Walls	7.00 SF Ceiling
33.67 SF Walls & Ceiling	7.00 SF Floor
0.78 SY Flooring	2.50 LF Floor Perimeter
28.00 SF Long Wall	16.00 SF Short Wall
7.50 LF Ceil. Perimeter	

Missing Wall:	1 -	3'6" X 8'0"	Opens into Family Room	Goes to Floor/Ceiling
Missing Wall:	1 -	2'4" X 6'8"	Opens into Exterior	Goes to Floor
Missing Wall:	1 -	2'8" X 6'8"	Opens into Exterior	Goes to Floor

Subroom 2: Offset — LxWxH 8' 6" x 6' x 9'



108.00 SF Walls	51.00 SF Ceiling
159.00 SF Walls & Ceiling	51.00 SF Floor
5.67 SY Flooring	12.00 LF Floor Perimeter
76.50 SF Long Wall	54.00 SF Short Wall
12.00 LF Ceil. Perimeter	

Missing Wall:	1 -	8'6" X 9'0"	Opens into Family Room	Goes to Floor/Ceiling
Missing Wall:	1 -	8'6" X 9'0"	Opens into Exterior	Goes to Floor/Ceiling

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
137. Window blind - horizontal or vertical - Detach & reset	4.00 EA	28.28	113.12	(0.00)	113.12
138. Ceiling fan - Detach & reset	1.00 EA	139.01	139.01	(0.00)	139.01
139. Batt insulation - 4" - R13	32.33 SF	0.59	19.07	(0.00)	19.07
140. Drywall replacement per LF - up to 2' tall	46.08 LF	8.36	385.23	(0.00)	385.23
141. Seal/prime more than the floor perimeter - one coat	97.17 SF	0.38	36.92	(0.39)	36.53
142. Mask wall - plastic, paper, tape (per LF)	60.17 LF	0.95	57.16	(0.00)	57.16

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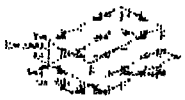
CONTINUED - Family Room

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
143. 5/8" drywall - hang, taped, floated, ready for paint, repair at ceiling*	230.67 SF	1.73	399.06	(0.00)	399.06
144. Drywall - General Laborer - per hour, additional allowance to repair at ceiling*	2.00 HR	45.29	90.58	(0.00)	90.58
145. Texture drywall - smooth / skim coat	230.67 SF	0.98	226.06	(0.00)	226.06
146. Texture drywall - machine	230.67 SF	0.34	78.43	(0.00)	78.43
147. Mask and prep for paint - plastic, paper, tape (per LF)	60.17 LF	0.90	54.15	(0.00)	54.15
148. Seal/prime the ceiling - one coat	230.67 SF	0.38	87.65	(0.92)	86.73
149. Paint the walls and ceiling - two coats	645.78 SF	0.67	432.67	(6.03)	426.64
150. Paint door or window opening - 2 coats (per side), window openings*	4.00 EA	21.04	84.16	(0.79)	83.37
151. Baseboard - 4 1/4"	46.08 LF	3.59	165.43	(2.11)	163.32
152. Paint baseboard - two coats	46.08 LF	0.98	45.16	(0.28)	44.88
153. Casing - 2 1/4"	34.00 LF	1.70	57.80	(0.69)	57.11
154. Paint door or window opening - 2 coats (per side), door openings*	2.00 EA	21.04	42.08	(0.39)	41.69
155. Paint door slab only - 1 coat (per side)	2.00 EA	13.58	27.16	(0.42)	26.74
156. Door lockset - Detach & reset	2.00 EA	18.87	37.74	(0.00)	37.74
157. Clean floor - tile	230.67 SF	0.48	110.72	(0.00)	110.72
Totals: Family Room			2,689.36	12.02	2,677.34

Kitchen — LxWxH 14' 8" x 12' x 9'



301.61 SF Walls	176.00 SF Ceiling
477.61 SF Walls & Ceiling	176.00 SF Floor
19.56 SY Flooring	32.00 LF Floor Perimeter
132.00 SF Long Wall	108.00 SF Short Wall
37.83 LF Ceil. Perimeter	

Missing Wall:	1 -	8'6" X 9'0"	**Opens into Exterior**	**Goes to Floor/Ceiling**
Missing Wall:	1 -	5'10" X 6'8"	**Opens into Exterior**	**Goes to Floor**
Missing Wall:	1 -	7'0" X 9'0"	**Opens into Exterior**	**Goes to Floor/Ceiling**

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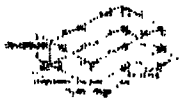
DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
158. Recessed light fixture - Detach & reset trim only	5.00 EA	3.43	17.15	(0.00)	17.15
159. Window blind - horizontal or vertical - Detach & reset	2.00 EA	28.28	56.56	(0.00)	56.56
160. Drywall replacement per LF - up to 2' tall	6.00 LF	8.36	50.16	(0.00)	50.16
161. Seal/prime the surface area - one coat	12.00 SF	0.38	4.56	(0.05)	4.51
162. 5/8" drywall - hung, taped, floated, ready for paint, repair at ceiling*	14.00 SF	1.73	24.22	(0.00)	24.22
163. Drywall - General Laborer - per hour, additional allowance for repair at ceiling*	1.00 HR	45.29	45.29	(0.00)	45.29
164. Mask wall - plastic, paper, tape (per LF)	37.83 LF	0.95	35.94	(0.00)	35.94
165. Texture drywall - smooth / skim coat	176.00 SF	0.98	172.48	(0.00)	172.48
166. Texture drywall - machine	176.00 SF	0.34	59.84	(0.00)	59.84
167. Mask and prep for paint - plastic, paper, tape (per LF)	37.83 LF	0.90	34.05	(0.00)	34.05
168. Seal/prime the ceiling - one coat	176.00 SF	0.38	66.88	(0.70)	66.18
169. Paint the walls and ceiling - two coats	477.61 SF	0.67	320.00	(4.46)	315.54
170. Trim board - 1" x 4" - installed (pine), toekick repair*	12.00 LF	3.21	38.52	(0.45)	38.07
171. Re-skin toe kick	12.00 LF	10.61	127.32	(6.91)	120.41
172. Stain & finish toe-kick	12.00 LF	1.11	13.32	(0.15)	13.17
173. Baseboard - 4 1/4"	12.67 LF	3.59	45.49	(0.58)	44.91
174. Paint baseboard - two coats	12.67 LF	0.98	12.42	(0.08)	12.34
175. Paint baseboard - one coat	1.50 LF	0.65	0.98	(0.01)	0.97
176. Clean floor - tile	176.00 SF	0.48	84.48	(0.00)	84.48
Totals: Kitchen			**1,209.66**	**13.39**	**1,196.27**

Living Room — LxWxH 19' x 11' 2" x 9'



376.28 SF Walls	212.17 SF Ceiling
588.45 SF Walls & Ceiling	212.17 SF Floor
23.57 SY Flooring	47.00 LF Floor Perimeter
171.00 SF Long Wall	100.50 SF Short Wall
47.00 LF Ceil. Perimeter	

Missing Wall:	1 -	3'6" X 9'0"	Opens into Exterior	Goes to Floor/Ceiling
Missing Wall:	2 -	4'10" X 4'10"	Opens into Exterior	Goes to neither Floor/Ceiling

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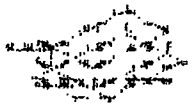
Subroom 1: Offset LxWxH 9' 10" x 3' 4" x 9'



111.84 SF Walls	32.78 SF Ceiling
144.62 SF Walls & Ceiling	32.78 SF Floor
3.64 SY Flooring	11.00 LF Floor Perimeter
88.50 SF Long Wall	30.00 SF Short Wall
16.50 LF Ceil. Perimeter	

Missing Wall:	I -	9'10" X 9'0"	**Opens into Living Room**	**Goes to Floor/Ceiling**
Missing Wall:	I -	2'6" X 6'8"	**Opens into Exterior**	**Goes to Floor**
Missing Wall:	I -	3'0" X 6'8"	**Opens into Exterior**	**Goes to Floor**

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
177. Light fixture - Detach & reset	1.00 EA	41.30	41.30	(0.00)	41.30
178. Window blind - horizontal or vertical - Detach & reset	2.00 EA	28.28	56.56	(0.00)	56.56
179. Drywall replacement per LF - up to 2' tall	8.50 LF	8.36	71.06	(0.00)	71.06
180. Seal/prime the surface area - one coat	17.00 SF	0.38	6.46	(0.07)	6.39
181. Mask and prep for paint - plastic, paper, tape (per LF)	63.50 LF	0.90	57.15	(0.00)	57.15
182. Paint the walls and ceiling - two coats	733.07 SF	0.67	491.16	(6.84)	484.32
183. Baseboard - 4 1/4"	8.50 LF	3.59	30.52	(0.39)	30.13
184. Paint baseboard - two coats	8.50 LF	0.98	8.33	(0.05)	8.28
185. Paint baseboard - one coat	49.50 LF	0.65	32.18	(0.20)	31.98
186. Paint door or window opening - 2 coats (per side)2 window, 2 door*	4.00 EA	21.04	84.16	(0.79)	83.37
187. Paint door slab only - 1 coat (per side)	2.00 EA	13.58	27.16	(0.42)	26.74
188. Door lockset - Detach & reset	2.00 EA	18.87	37.74	(0.00)	37.74
189. Clean floor - tile	244.94 SF	0.48	117.57	(0.00)	117.57
Totals: Living Room			1,061.35	8.76	1,052.59

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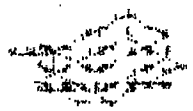
Garage LxWxH 19' 3" x 19' x 9'



576.50	SF Walls	365.75	SF Ceiling
942.25	SF Walls & Ceiling	365.75	SF Floor
40.64	SY Flooring	60.50	LF Floor Perimeter
173.25	SF Long Wall	171.00	SF Short Wall
76.50	LF Ceil. Perimeter		

Missing Wall: 1 - 16'0" X 7'0" Opens into Exterior Goes to Floor

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
190. 5/8" drywall - hung, taped, floated, ready for paint	39.00 SF	1.73	67.47	(0.00)	67.47
191. Seal/prime the surface area - one coat	39.00 SF	0.38	14.82	(0.16)	14.66
192. Paint the surface area - two coats, damaged back half of ceiling only*	169.42 SF	0.67	113.51	(1.58)	111.93
Totals: Garage			**195.80**	**1.74**	**194.06**

GENERAL

DESCRIPTION	QUANTITY	UNIT COST	RCV	DEPREC.	ACV
193. Haul debris - per pickup truck load - including dump fees	1.00 EA	123.05	123.05	(0.00)	123.05
194. General clean - up	8.00 HR	37.01	296.08	(0.00)	296.08
Totals: GENERAL			**419.13**	**0.00**	**419.13**
Line Item Subtotals: 2009-10-09-1111			**26,840.86**	**652.30**	**26,187.76**

Adjustments for Base Service Charges	Adjustment
Carpenter - Finish, Trim/Cabinet	168.08
Drywall Installer/Finisher	306.12
Wood Flooring Installer	174.42
Insulation Installer	128.34
Painter	110.84
Tile/Cultured Marble Installer	143.62
Wallpaper Hanger	127.74
Total Adjustments for Base Service Charges:	1,159.16

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Adjustments for Base Service Charges			Adjustment
Line Item Totals: 2009-10-09-1111	**27,999.22**	**652.30**	**27,346.91**

Grand Total Areas:

4,568.72	SF Walls	1,928.34	SF Ceiling	6,497.07	SF Walls and Ceiling
1,956.50	SF Floor	217.39	SY Flooring	560.47	LF Floor Perimeter
1,784.41	SF Long Wall	1,290.33	SF Short Wall	634.61	LF Ceil. Perimeter
0.00	Floor Area	0.00	Total Area	0.00	Interior Wall Area
0.00	Exterior Wall Area	0.00	Exterior Perimeter of Walls		
0.00	Surface Area	0.00	Number of Squares	0.00	Total Perimeter Length
0.00	Total Ridge Length	0.00	Total Hip Length		

Century-National Insurance Company

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Summary for Dwelling

Line Item Total				26,840.06
Total Adjustments for Base Service Charges				1,159.16
Material Sales Tax	@	8.750% x	9,504.39	831.63
Subtotal				28,830.85
Overhead	@	10.0% x	28,830.85	2,883.09
Profit	@	10.0% x	28,830.85	2,883.09
Replacement Cost Value				**$34,597.03**
Less Depreciation				(709.38)
Actual Cash Value				**$33,887.65**
Less Deductible				(400.00)
Net Claim				**$33,487.65**
Total Recoverable Depreciation				709.38
Net Claim if Depreciation is Recovered				**$34,197.03**

BARBARA GILLETTE

Century-National Insurance Company

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Recap by Category with Depreciation

O&P Items			RCV	Deprec.	ACV
CABINETRY			440.26	9.55	430.71
CLEANING			626.16		626.16
GENERAL DEMOLITION			1,702.44		1,702.44
DOORS			185.62		185.62
DRYWALL			3,172.93		3,172.93
FLOOR COVERING - CERAMIC TILE			394.69	7.12	387.57
FLOOR COVERING - VINYL			1,212.39	14.61	1,197.78
FLOOR COVERING - WOOD			10,112.04	538.07	9,573.97
FINISH CARPENTRY / TRIMWORK			2,799.97	21.69	2,778.28
FINISH HARDWARE			212.82		212.82
INSULATION			51.62		51.62
LIGHT FIXTURES			238.76		238.76
MIRRORS & SHOWER DOORS			82.96		82.96
PANELING & WOOD WALL FINISHES			160.89	0.50	160.39
PAINTING			4,981.27	55.67	4,925.60
WINDOW TREATMENT			396.20		396.20
WALLPAPER			69.13	5.09	64.04
Subtotal			26,840.06	652.30	26,187.76
Base Service Charges			1,159.16		1,159.16
Material Sales Tax	@	8.750%	831.63	57.08	774.55
Overhead	@	10.0%	2,883.09		2,883.09
Profit	@	10.0%	2,883.09		2,883.09
O&P Items Subtotal			34,597.03	709.38	33,887.65

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
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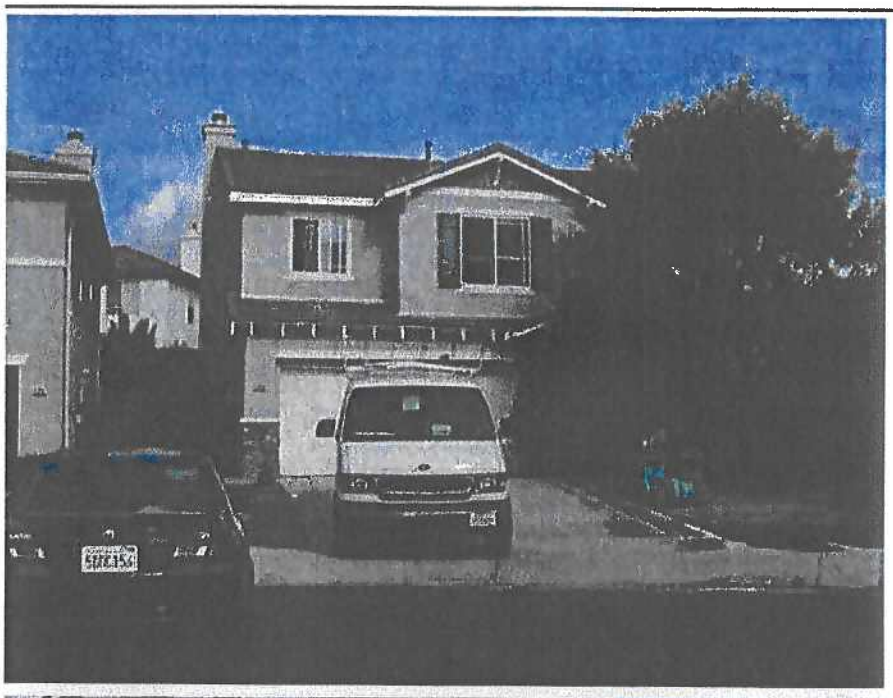
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00001
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Front of risk.

DSC00002
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Most all EMS equipment being picked up on Tuesday, Oct 13.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
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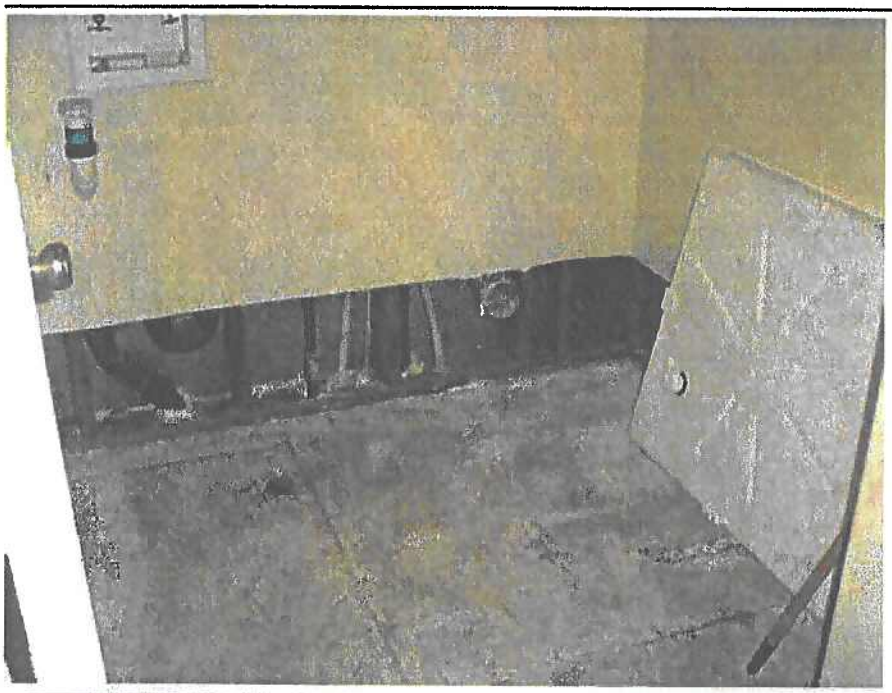
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00003
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Origin at the second floor laundry room.

DSC00004
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor laundry room.

Photo Sheet

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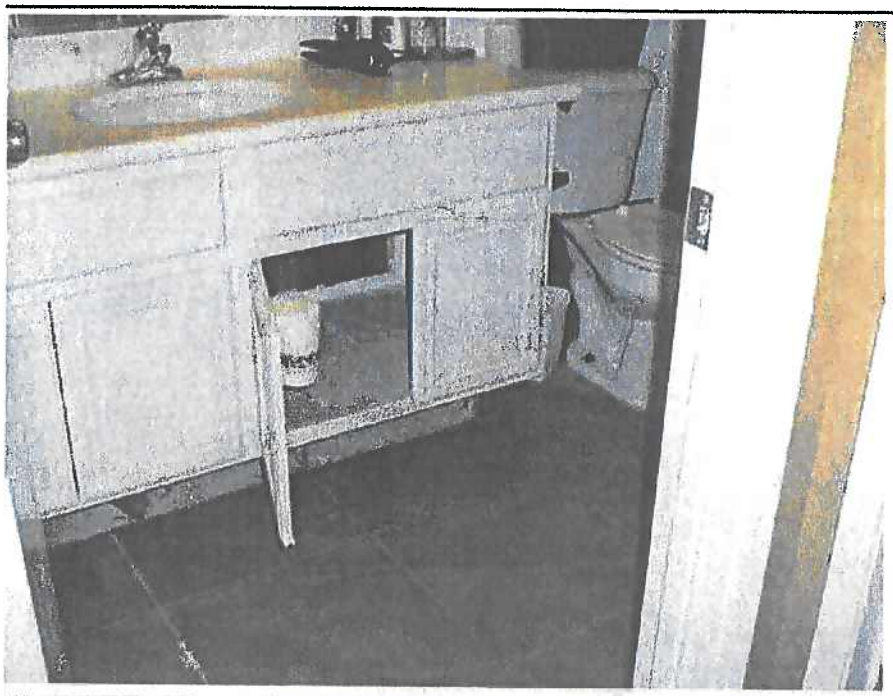
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

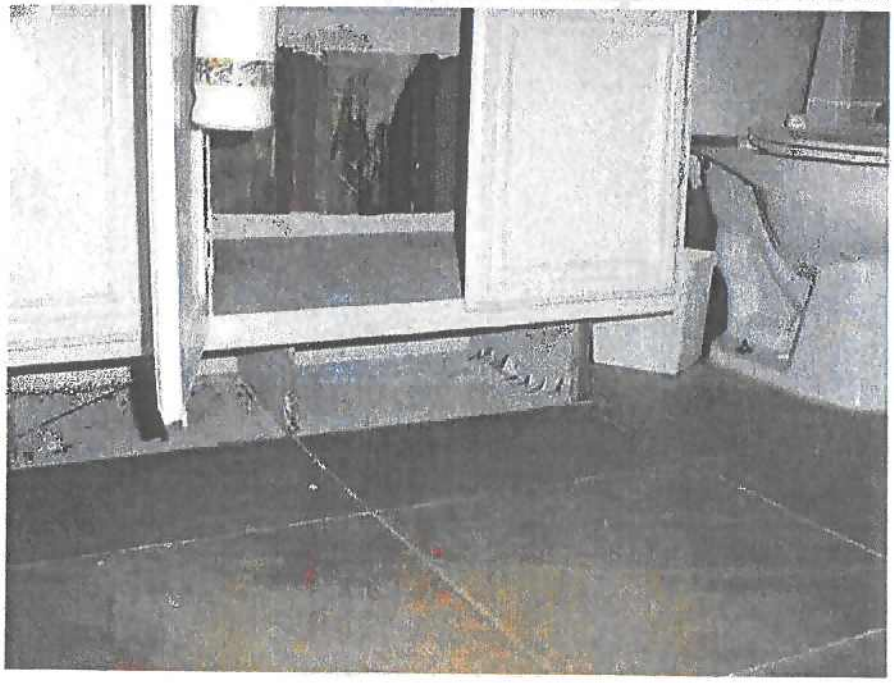


DSC00005

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor hall bathroom, toekick repairs.



DSC00006

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Toekick repair and drywall repairs inside the bathroom vanity cabinet.

Photo Sheet

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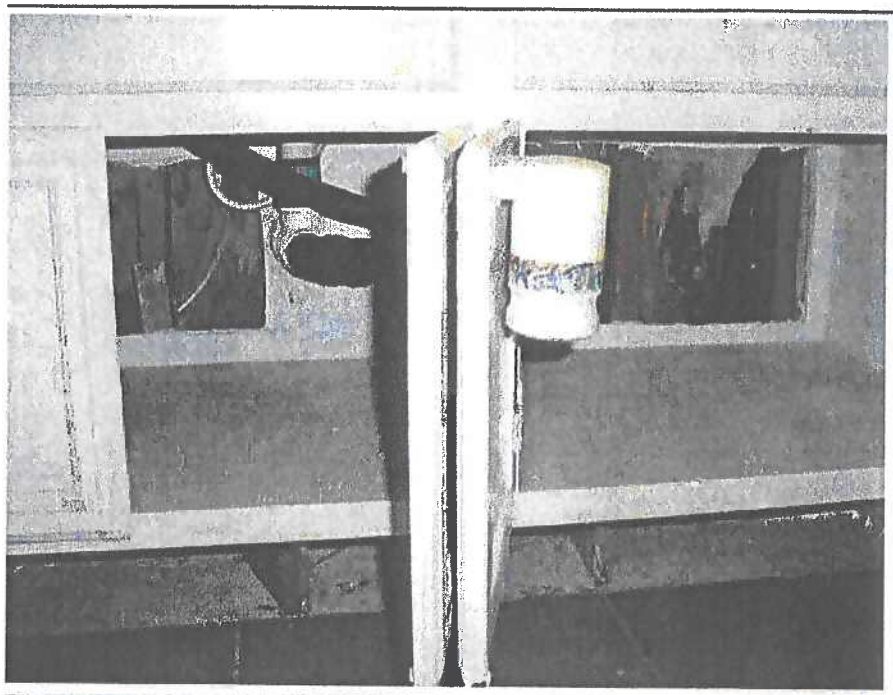
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

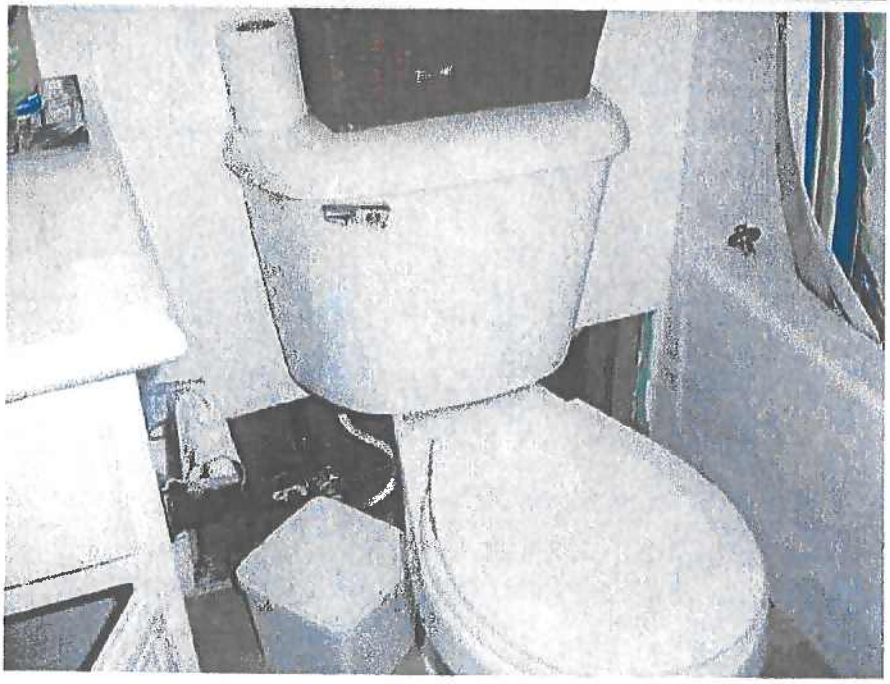


DSC00007

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Drywall repairs inside the second floor bathroom vanity cabinet.



DSC00008

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor hall bathroom, drywall repair.

Photo Sheet

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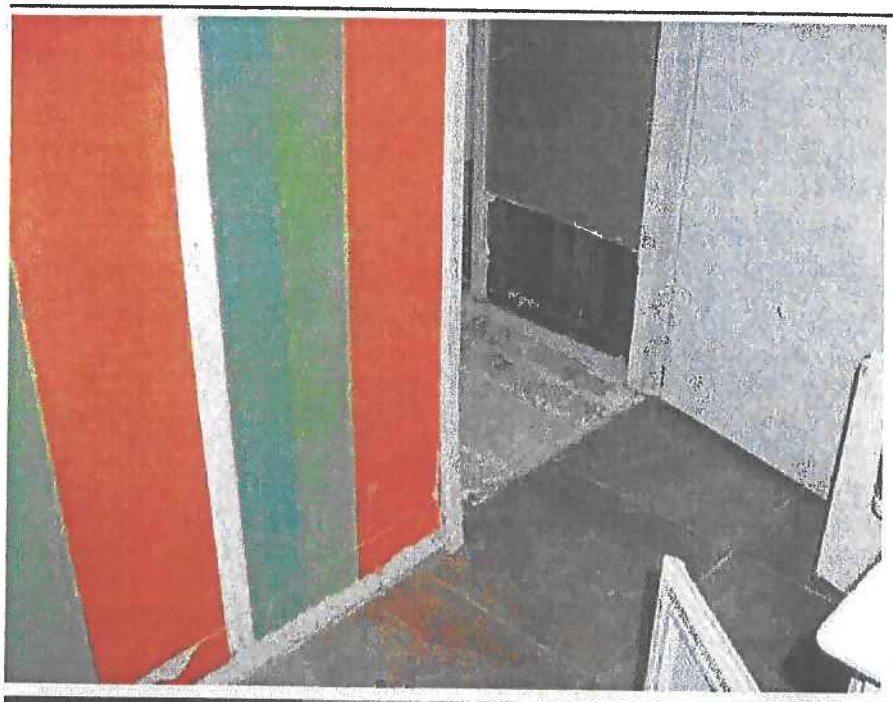
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00009

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor hall bathroom looking out into the hall.

DSC00010

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Bathroom doorway to the second floor loft. Laundry room doorway on the left.

Photo Sheet

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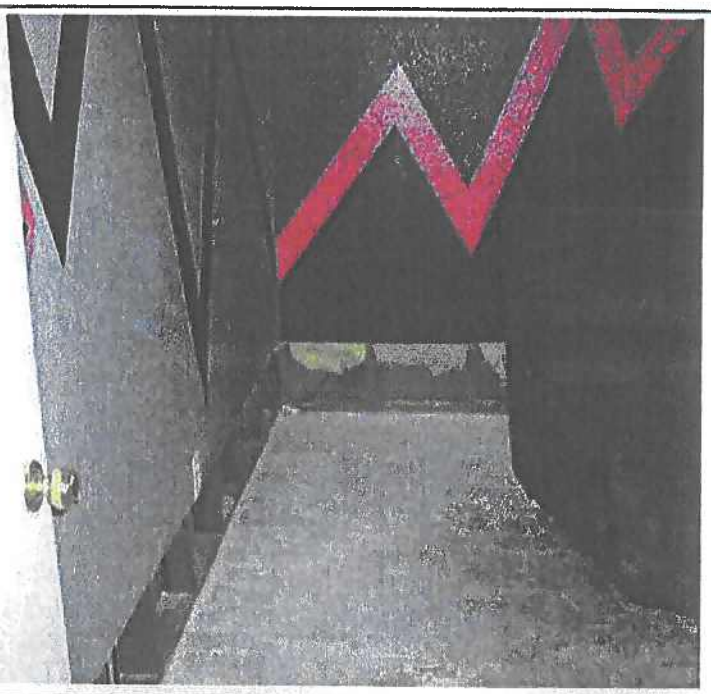
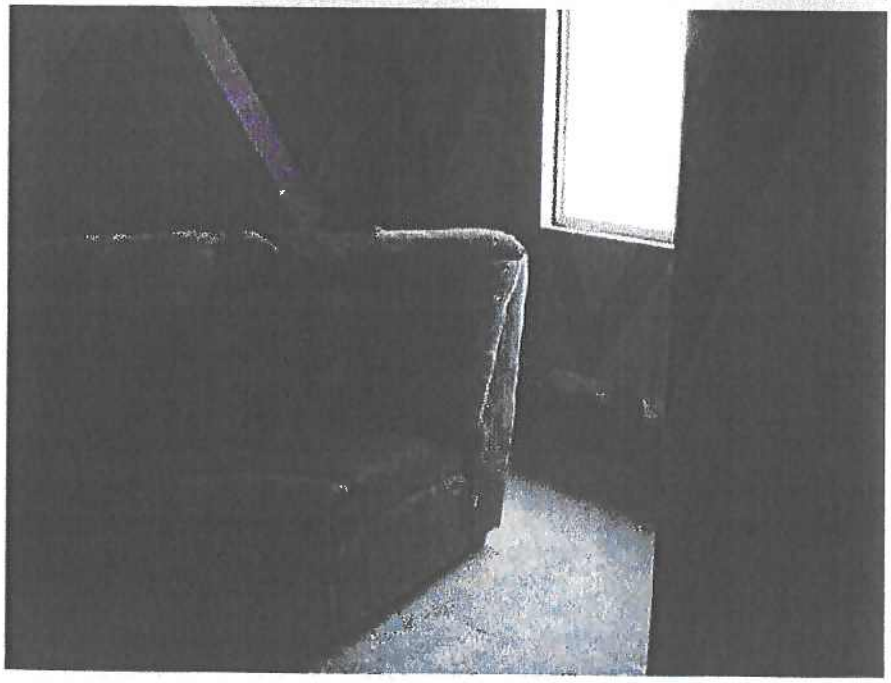
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00011
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor, back bedroom.



DSC00012
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor, back bedroom.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
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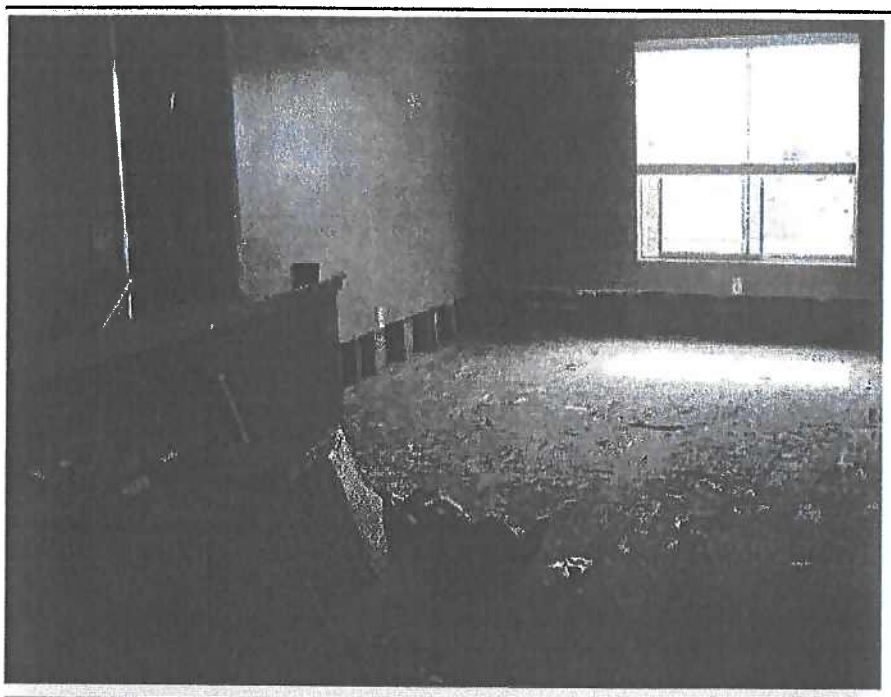
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

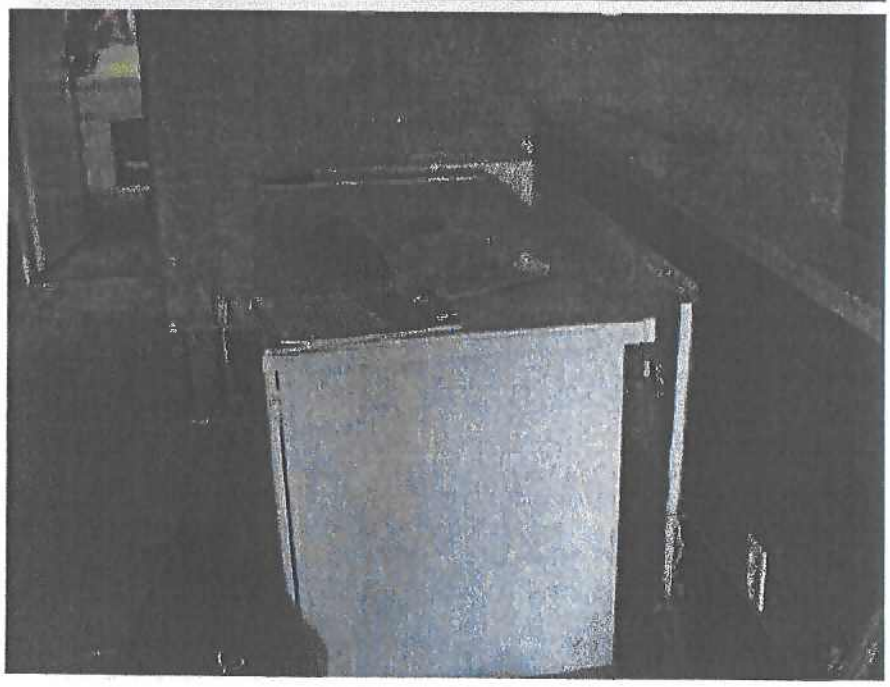


DSC00013

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor loft, total loss glue down laminate flooring. Removal has taken up part of the subfloor.



DSC00014

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor loft, reset built in cabinet.

Photo Sheet

Century-National Insurance Company
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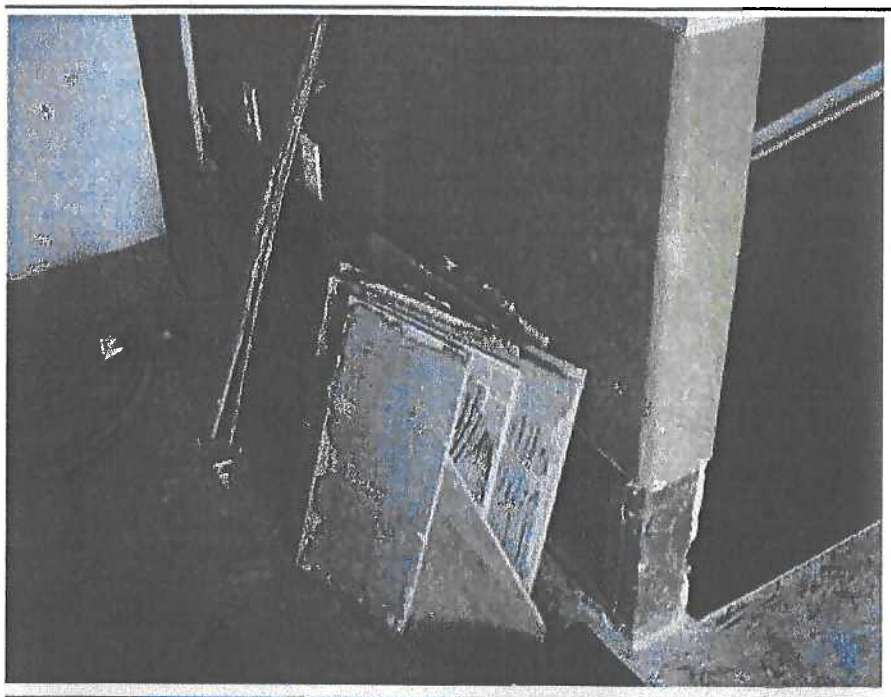
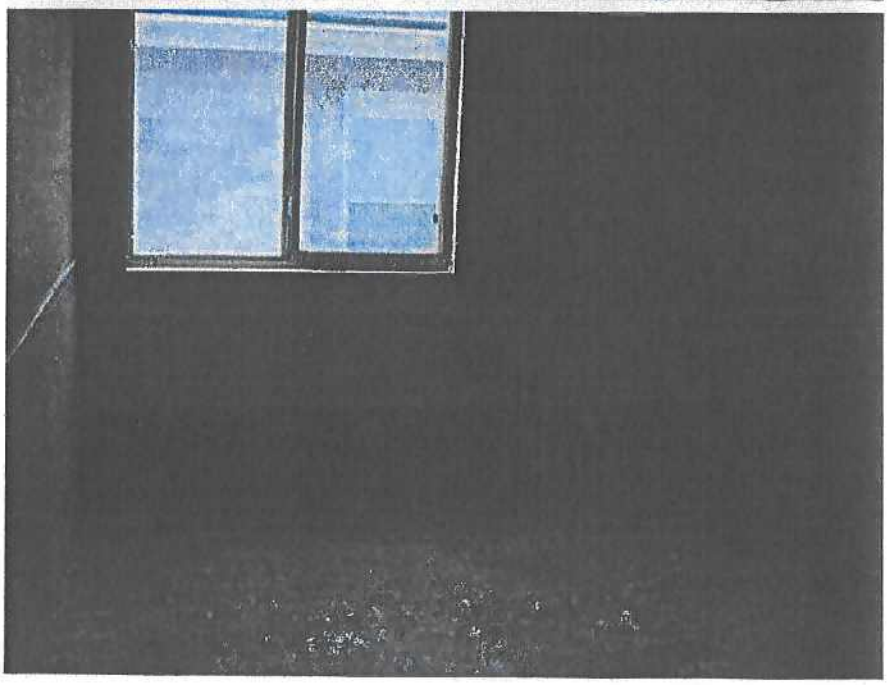
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00015
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Tiles from the laundry room.



DSC00016
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor, middle bedroom.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
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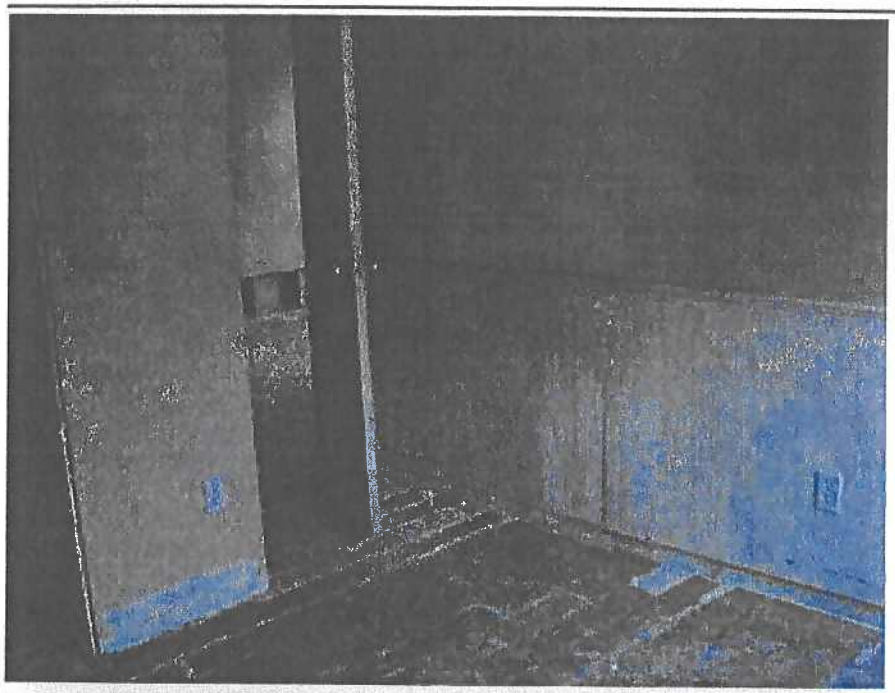
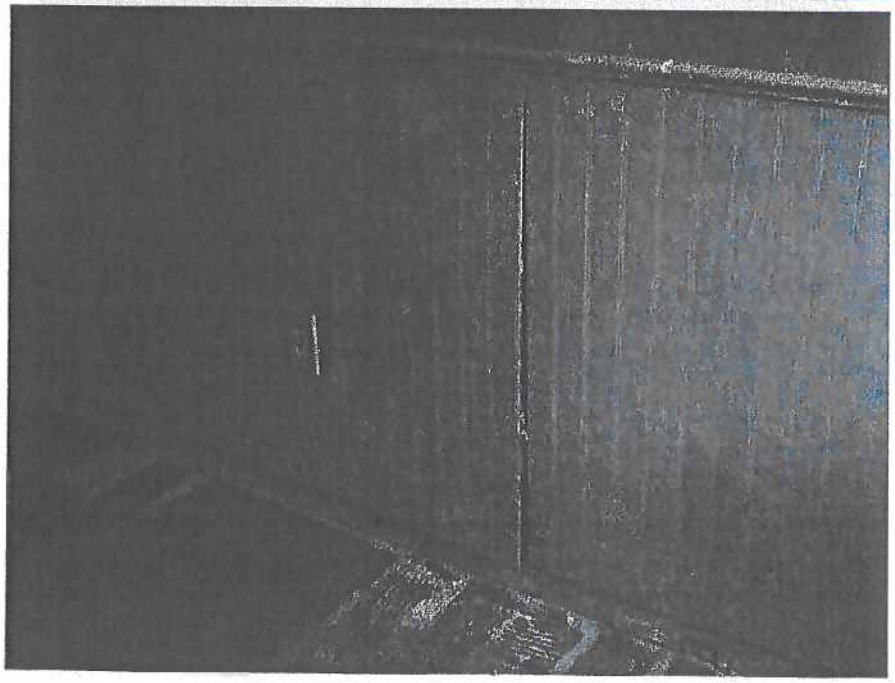
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00017
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor, middle bedroom.



DSC00018
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Reset some of the bead board paneling at the second floor middle bedroom.

Photo Sheet

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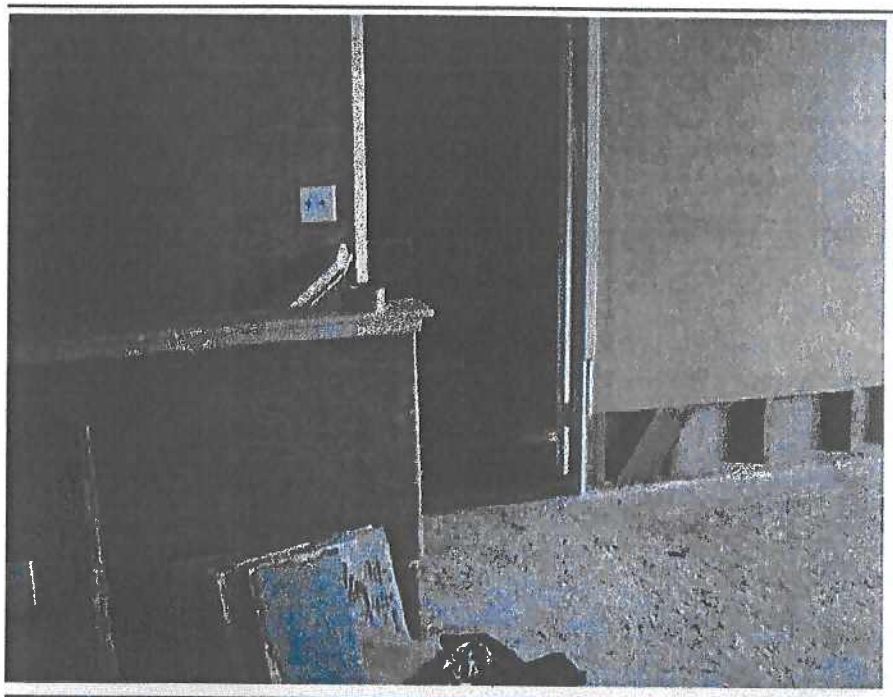
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

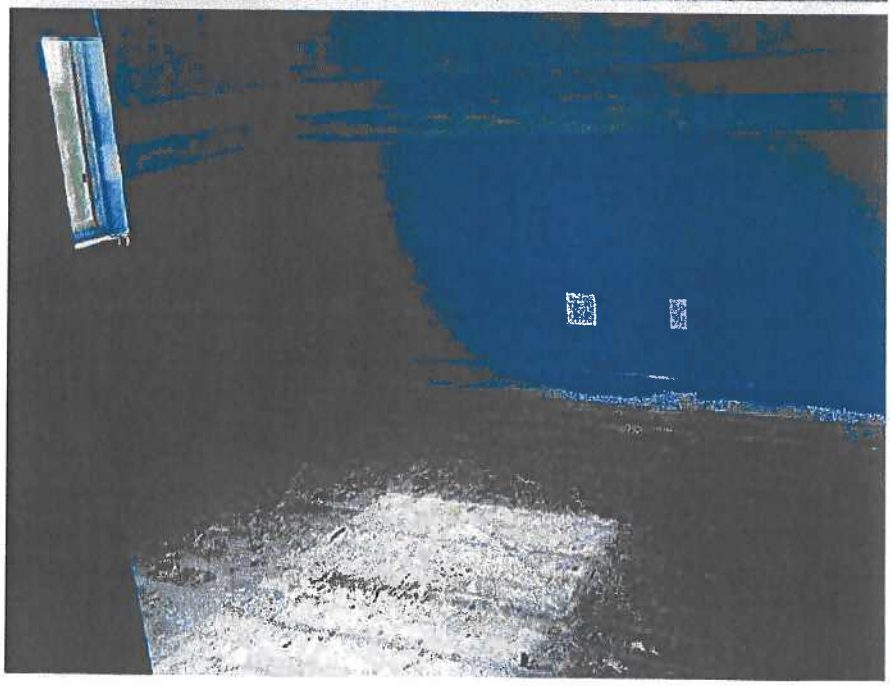


DSC00019

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor loft towards Master Bedroom. Continuous wood flooring into the master bedroom. The master is the only room not affected at the second floor.



DSC00020

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Second floor, front bedroom.

Photo Sheet

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Insured: Steven & Margo Bule
Claim #: HO771913
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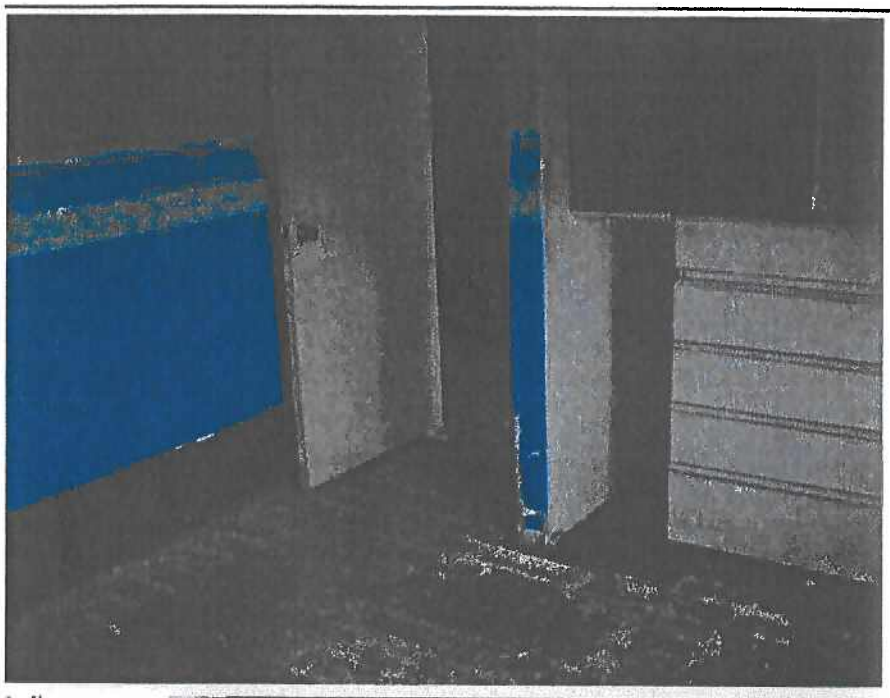

DSC00021
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Second floor front bedroom.

DSC00022
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Built in desk at the second floor loft.

Photo Sheet

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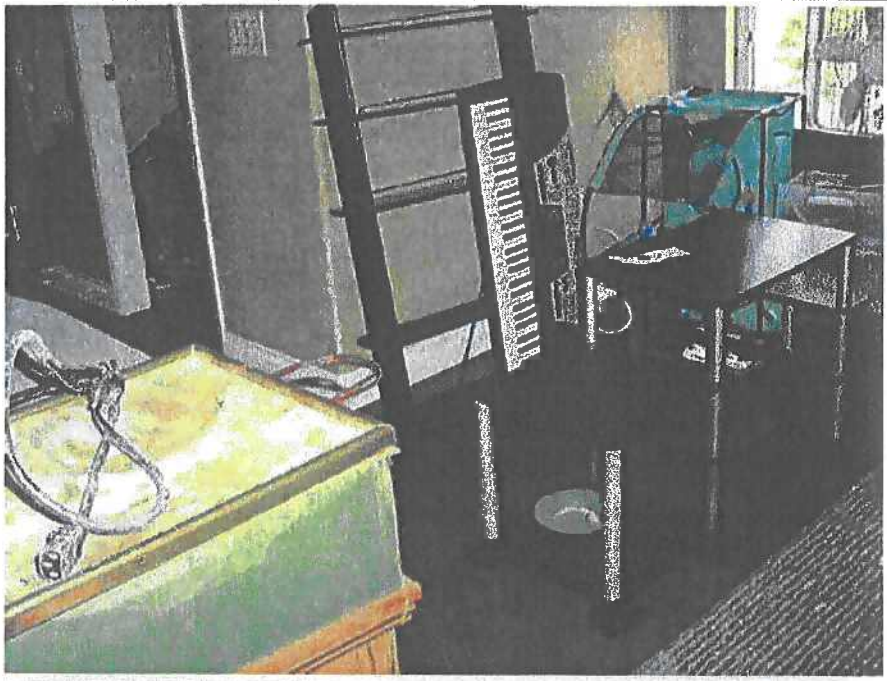
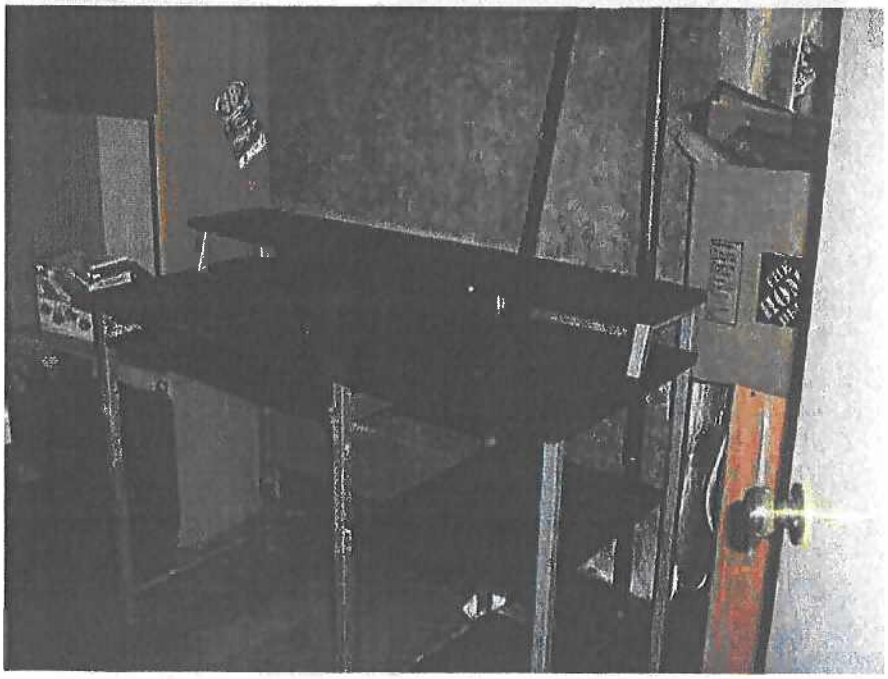
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00023
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Master bedroom at the second floor.

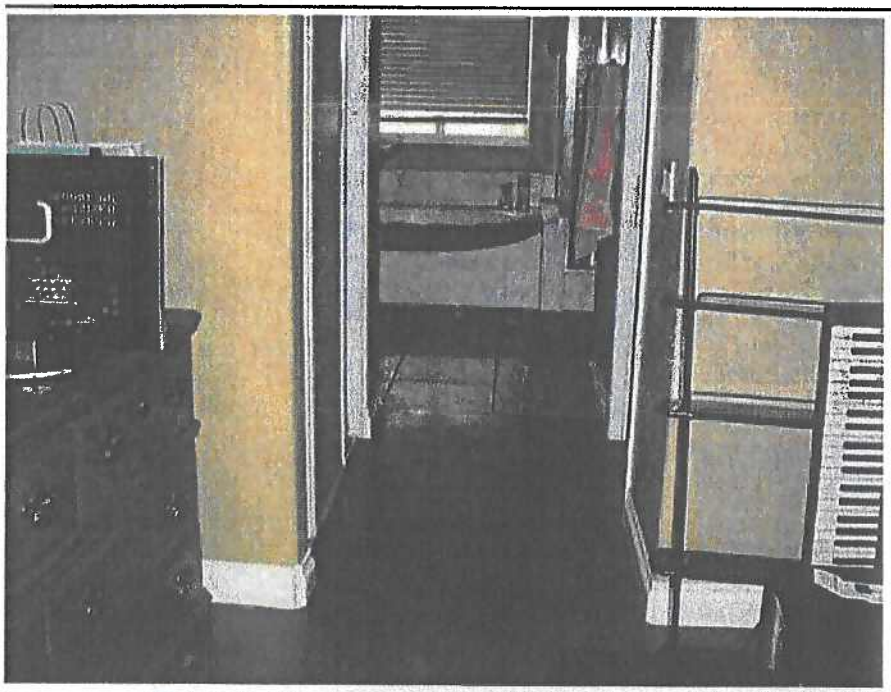


DSC00024
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Master bedroom.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



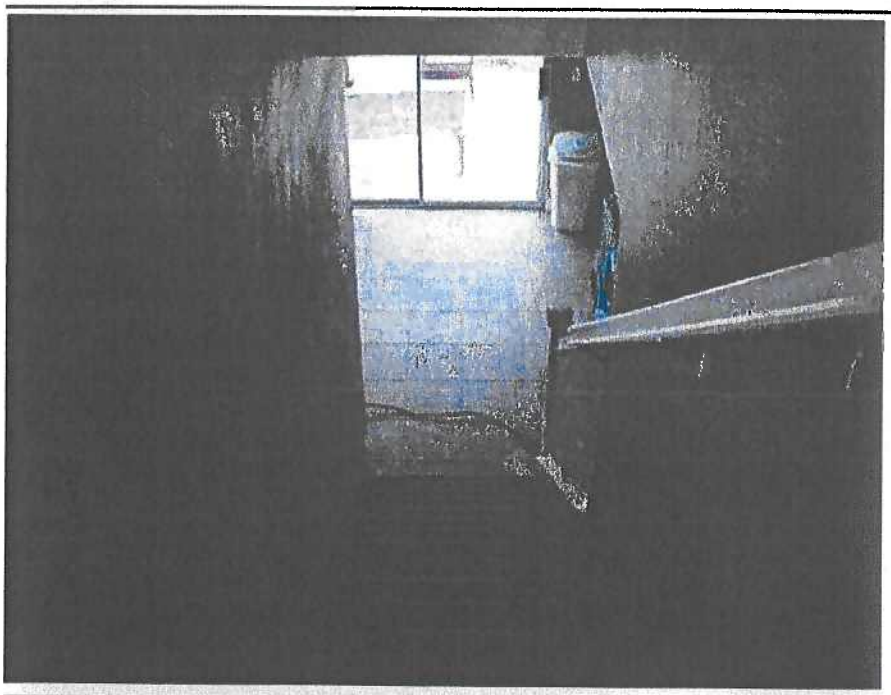
DSC00025
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Master bedroom.

DSC00026
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Master bedroom, one of two closets.

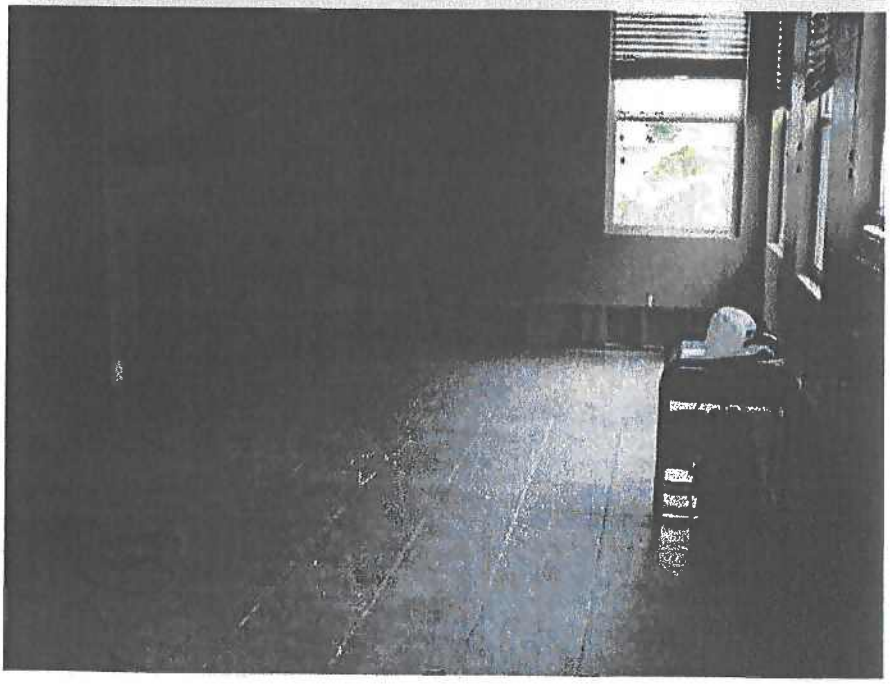
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00027
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Continuous wood flooring at the stairs.



DSC00028
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
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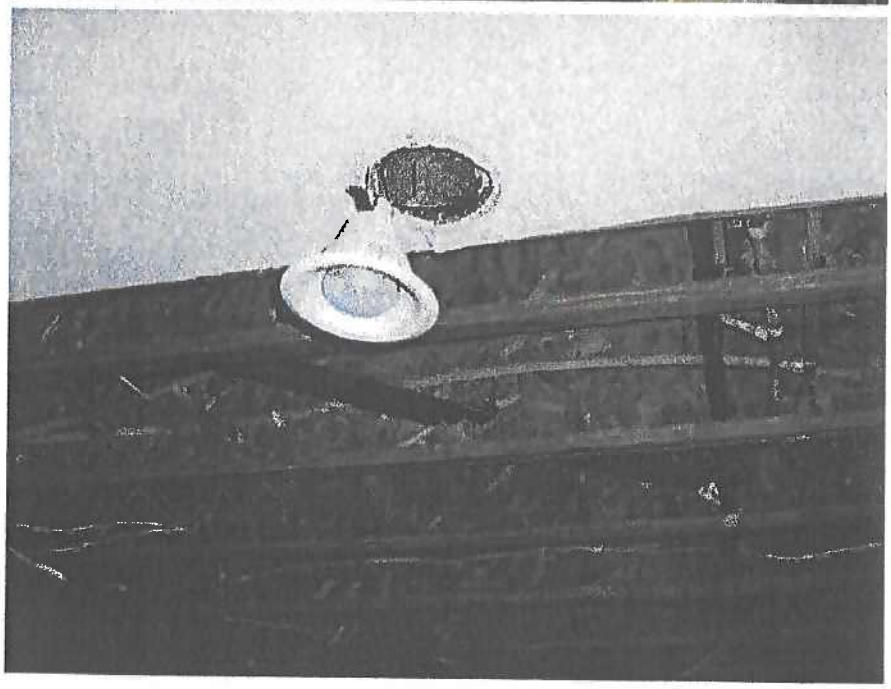
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

DSC00029
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room ceiling.



DSC00030
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room, reset canned light trim.

Photo Sheet

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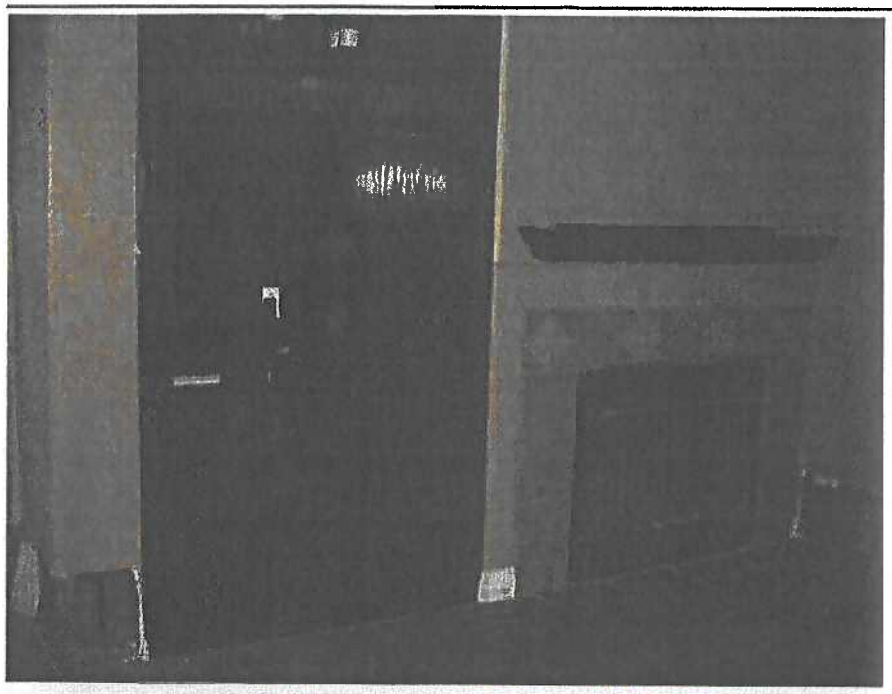
Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



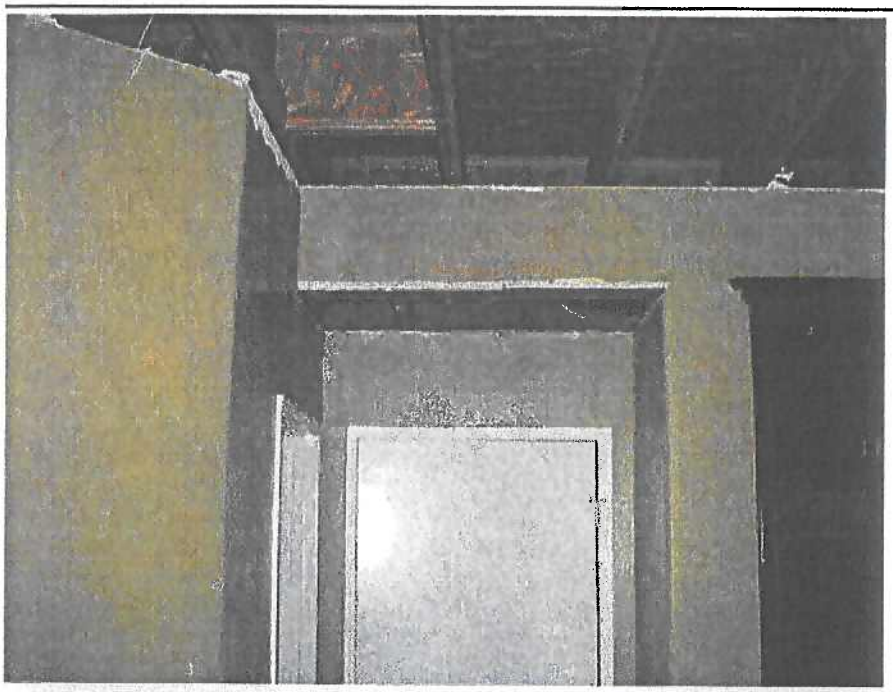
DSC00031
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room.

DSC00032
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room, detach and reset ceiling fan for drywall repairs.

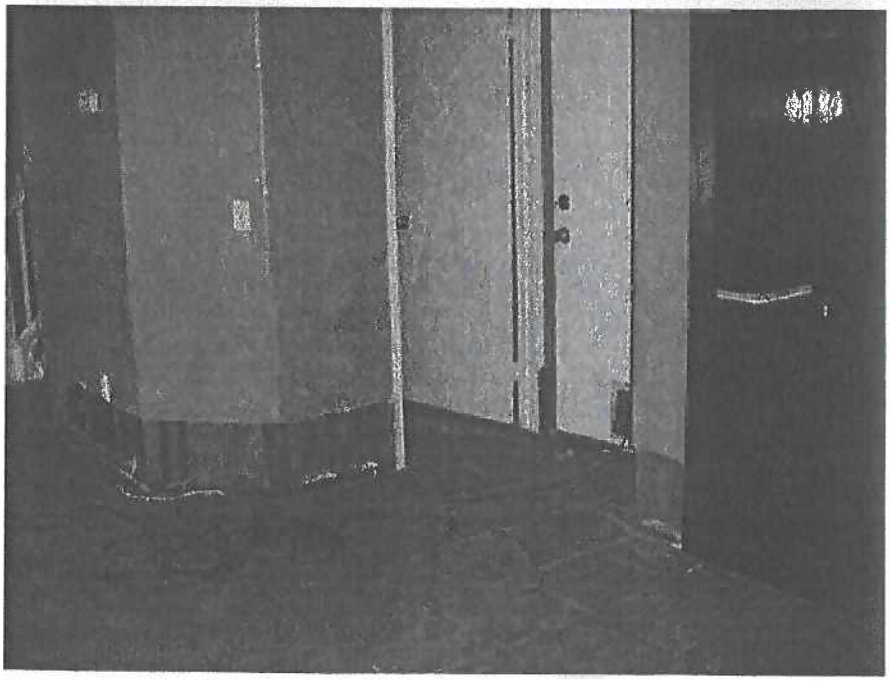
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00033
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room offset.

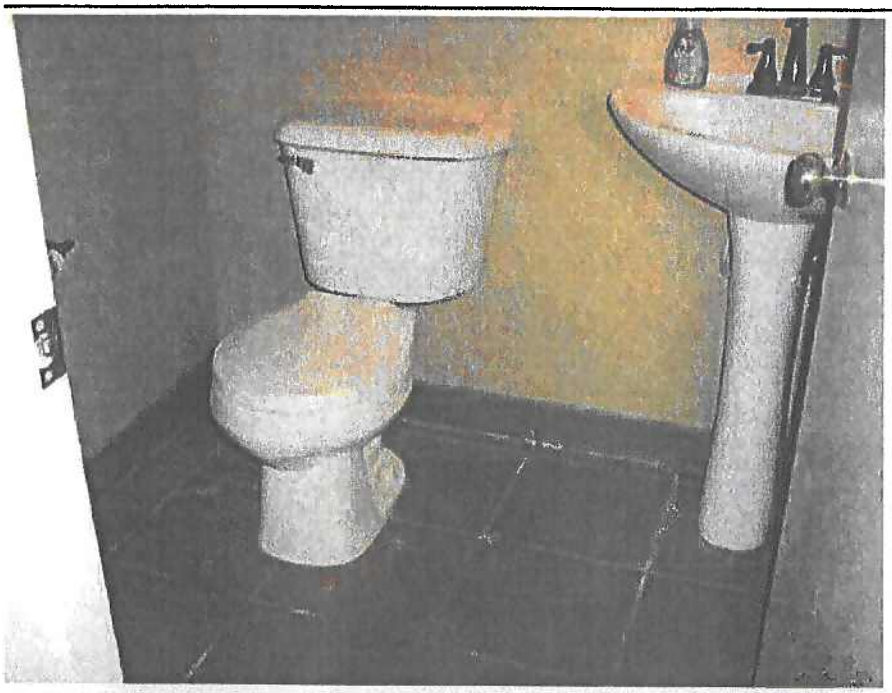


DSC00034
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Family room repairs.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

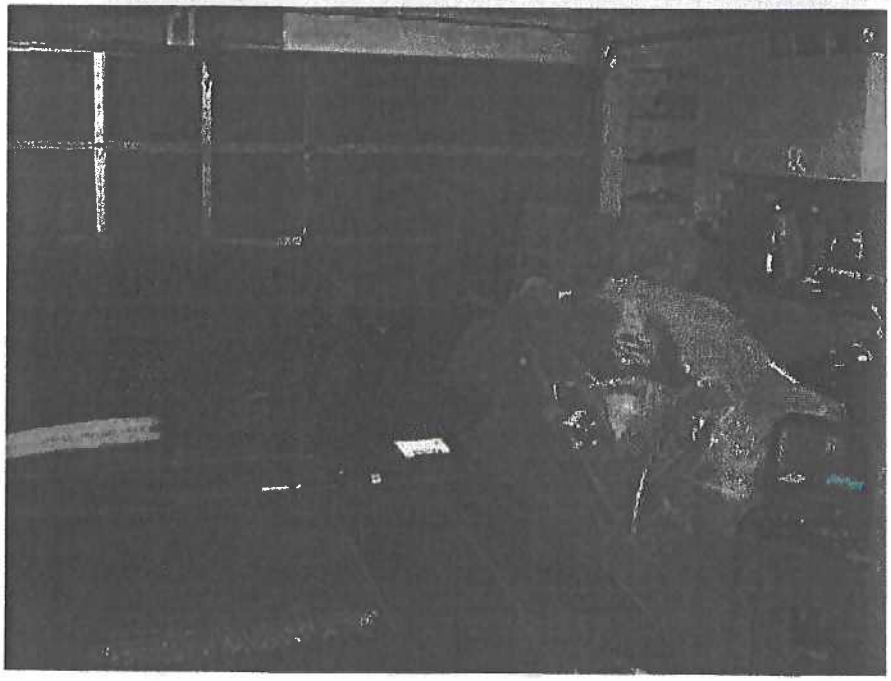


DSC00035

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Powder room located next to family room, no damage.



DSC00036

Date Taken: 10/13/2009

Taken By: BARBARA GILLETTE

Garage, impacted with tenant personal property.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141

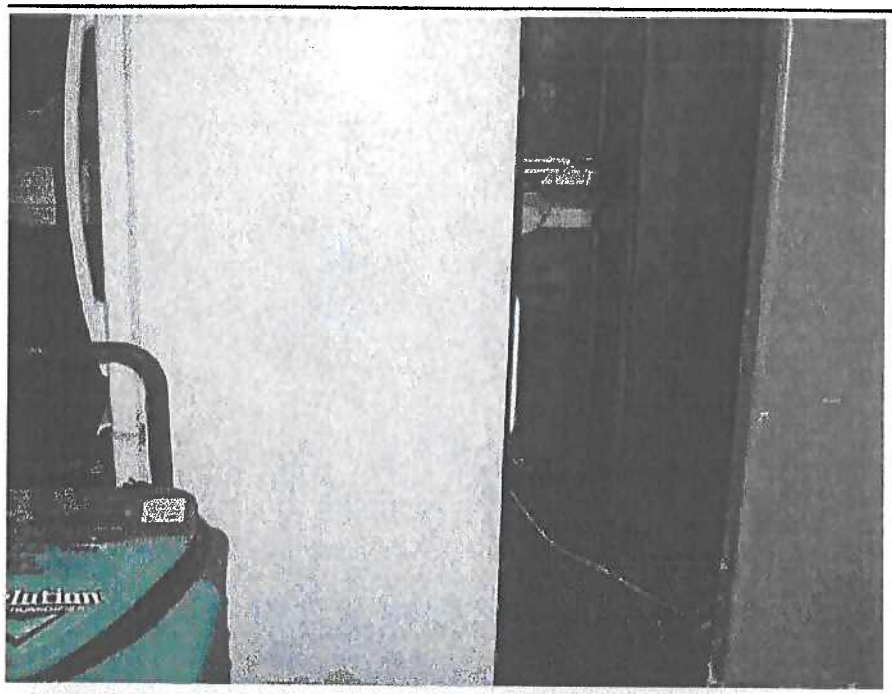
DSC00037
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Garage ceiling repairs.

DSC00038
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Garage ceiling repairs.

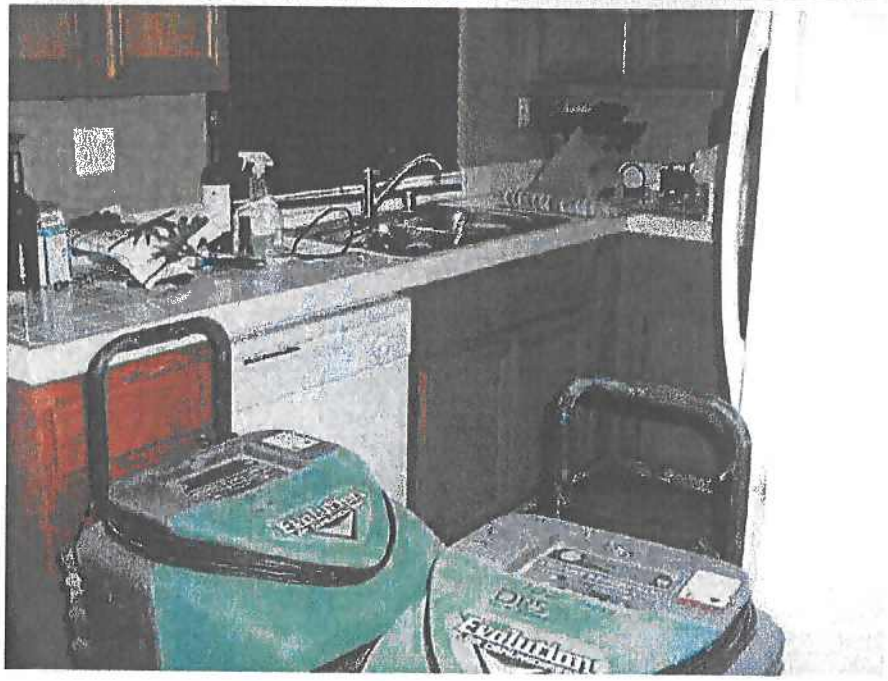
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00039
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Kitchen.

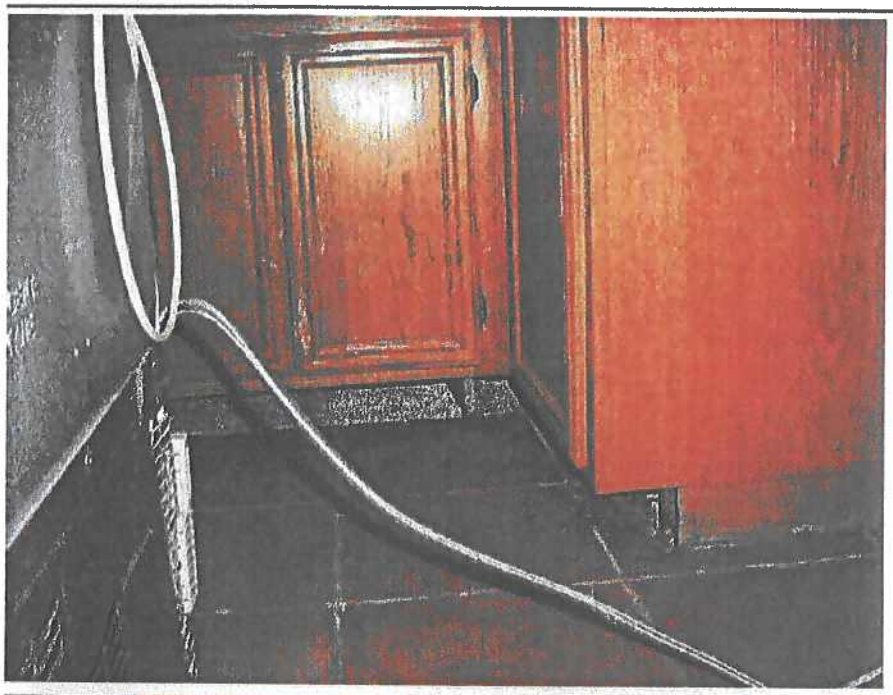


DSC00040
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Kitchen.

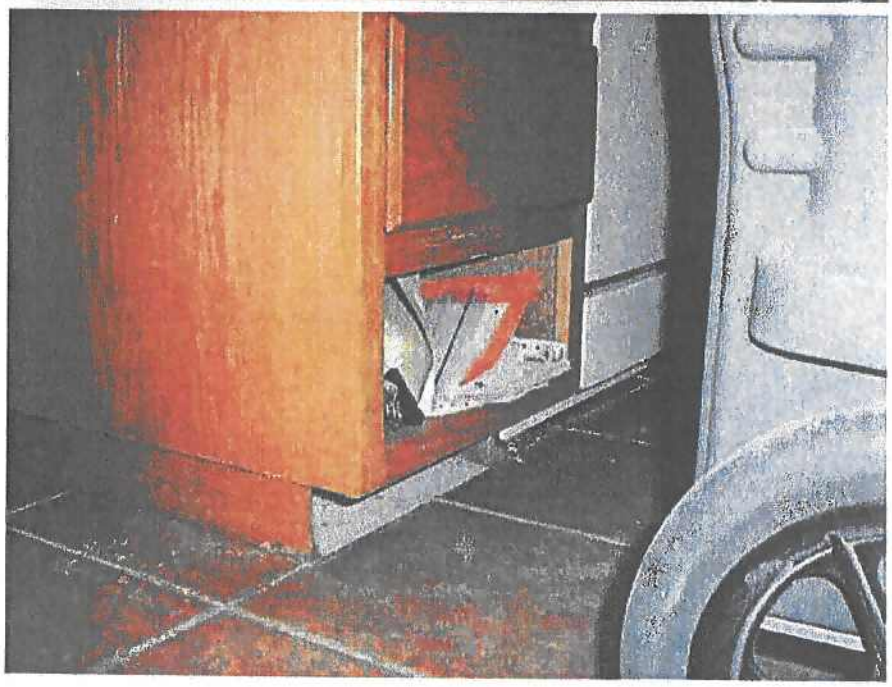
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1960 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00041
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Kitchen toekicks repair.

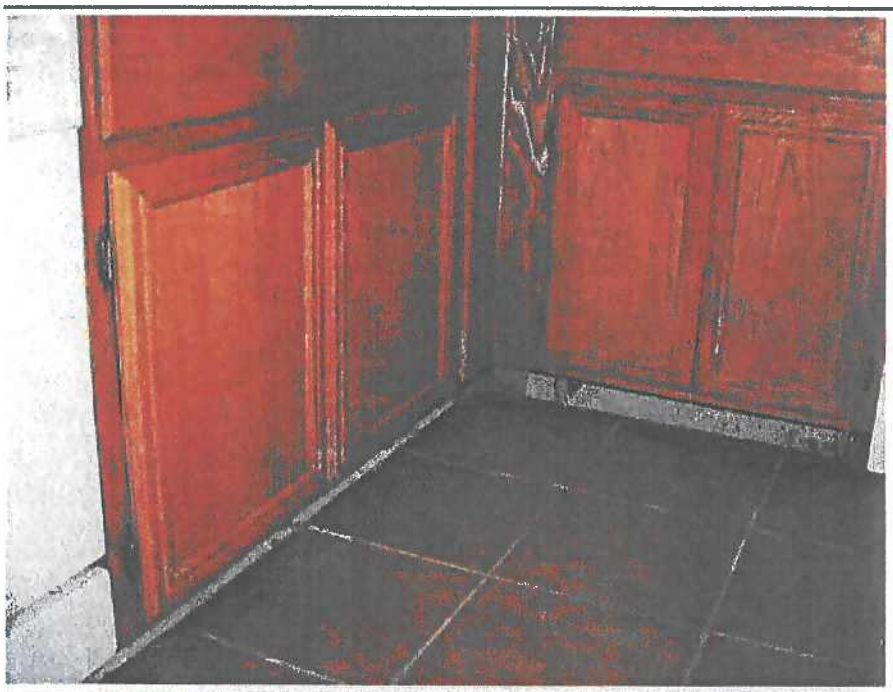


DSC00042
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Kitchen repairs at toekicks.

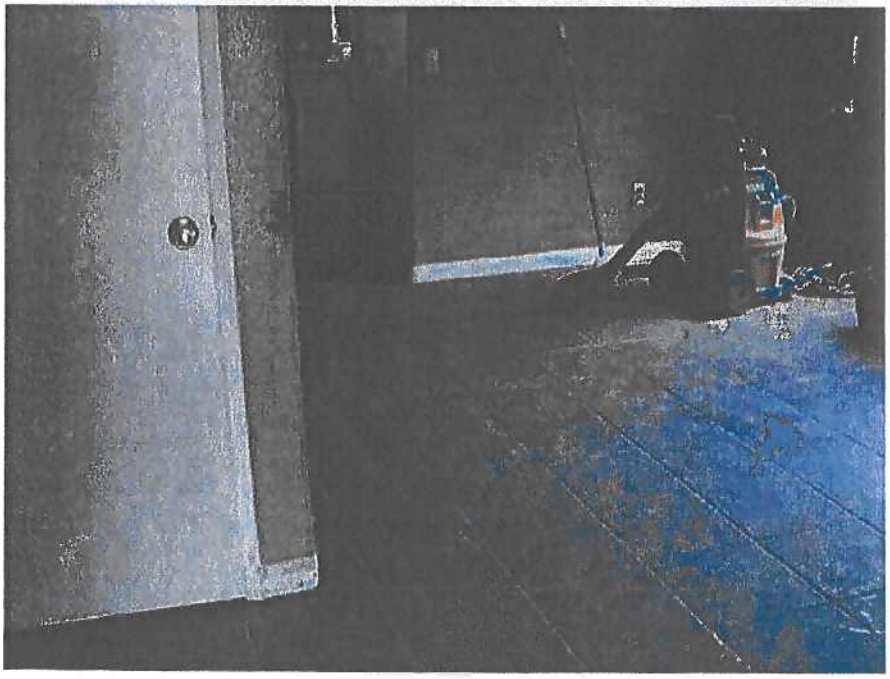
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00043
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Kitchen repairs.

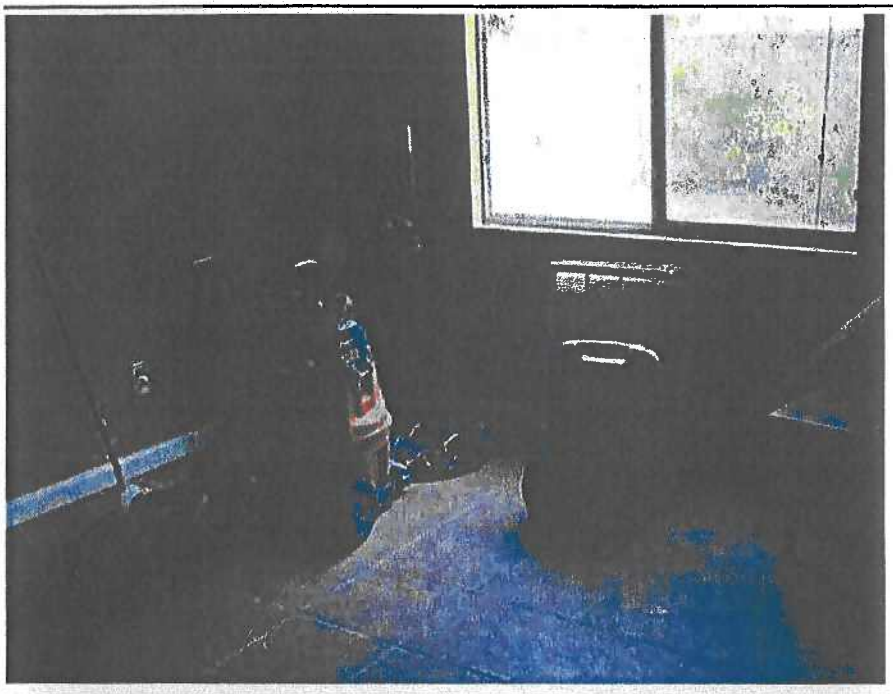


DSC00044
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Living room towards kitchen.

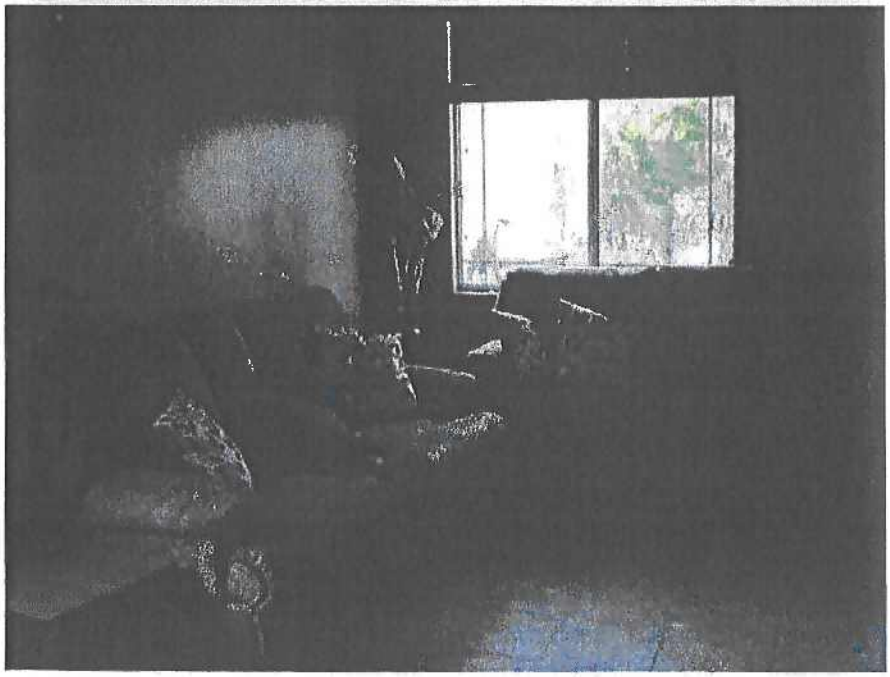
Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00045
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Living room.

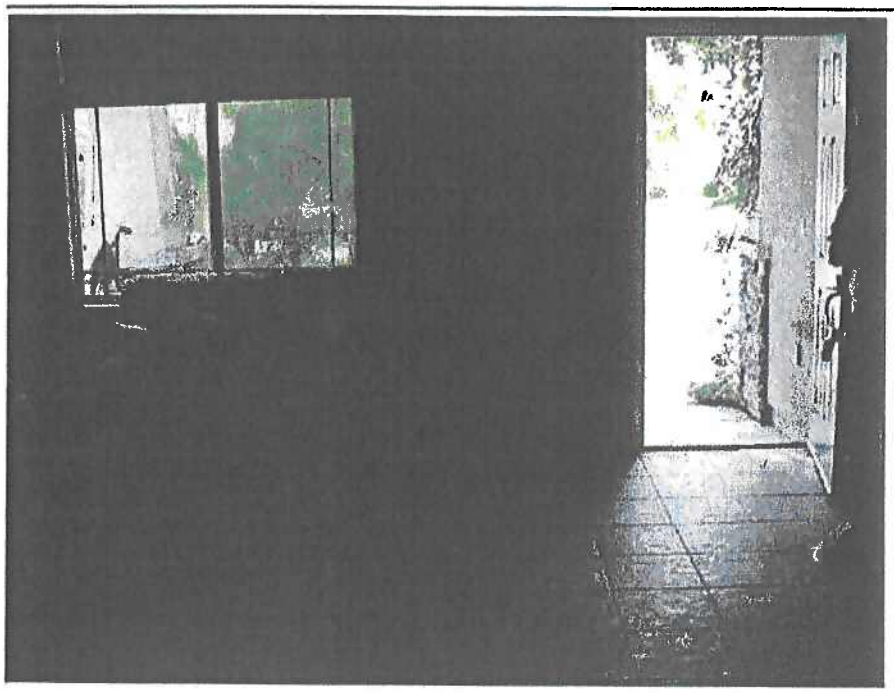


DSC00046
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Living room.

Photo Sheet

Century-National Insurance Company
12200 Sylvan Street
North Hollywood, California 91606
Phone: (818)760-1980 / Fax: (818)760-1554

Insured: Steven & Margo Bule
Claim #: HO771913
Policy #: HC12233141



DSC00047
Date Taken: 10/13/2009
Taken By: BARBARA GILLETTE
Living room.