OTAY WATER DISTRICT
ENGINEERING, OPERATIONS & WATER RESOURCES COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
Board Room

Monday
February 22, 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. APPROVE THE ADOPTION OF THE MITIGATED NEGATIVE DECLARATION FOR THE RANCHO DEL REY GROUNDWATER WELL PROJECT [COBURN-BOYD] (5 minutes)

4. AWARD A PROFESSIONAL AS-NEEDED CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES CONTRACT TO VALLEY CONSTRUCTION MANAGEMENT FOR AN AMOUNT NOT-TO-EXCEED $175,000 [KAY] (5 minutes)

5. APPROVE A PROFESSIONAL SERVICES CONTRACT FOR CONSTRUCTION MANAGEMENT SERVICES TO RBF FOR THE OTAY MESA RECYCLED WATER SUPPLY LINK PROJECT IN AN AMOUNT NOT-TO-EXCEED $708,560 [KAY] (5 minutes)

6. CAPITAL IMPROVEMENT PROGRAM UPDATE REPORT FOR THE SECOND QUARTER OF FISCAL YEAR 2010 [RIPPERGER] (10 minutes)

INFORMATIONAL ITEM

7. 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 / BANUELOS) [10 minutes]

8. ADJOURNMENT

BOARD MEMBERS ATTENDING:
Jose Lopez, Chair
Gary Croucher

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 that 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 19, 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 19, 2010.

Susan Cruz, District Secretary

AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Lisa Coburn-Boyd LCB Environmental Compliance Specialist Ron Ripperger Engineering Manager	PROJECT:	P2434-001101 DIV. NO. 2
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst. GM)	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Adoption of a Mitigated Negative Declaration for the Rancho del Rey Groundwater Well Project		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) approves the adoption of a Mitigated Negative Declaration (MND) for the Rancho del Rey Groundwater Well Project (see Exhibit A for project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board authorization for approval of a Mitigated Negative Declaration for the Rancho del Rey Groundwater Well Project.

ANALYSIS:

The project is the installation and operation of a potable water well and the construction of a water-treatment facility on an approximately 0.2-acre property owned by the District in the Rancho del Rey neighborhood in the City of Chula Vista. A non-operating water well is currently located on the site; installation of the new well will be accomplished by drilling a new borehole at some other

location on the property. The existing well will remain and be used for monitoring or testing purposes. The new well will be drilled to a depth of approximately 860-feet, will be approximately 18-inches in diameter and will be constructed of steel well casing and screening materials.

The onsite water treatment facility will be located in a structure located in the southeast corner of the site. It will feature a water storage tank, chemical treatment tanks, pumps, a fuel vault, and an electrical generator. The treatment facility will feature architecture and materials that mirror the appearance and character of the existing structures in the vicinity of the site.

ICF International (formerly Jones & Stokes) was issued a Task Order to prepare the Initial Study and MND for the project under their As-Needed Environmental Services contract with the District. Based on the findings of these documents, and with proper mitigation measures taken as outlined in the draft MND (see Attachment B), the project will not have a significant effect on the environment. The Initial Study and Draft MND were submitted for a 20-day review period on January 28, 2010. The findings and mitigation measures will be finalized and the final MND will be available after the public review period is complete and any changes are made based on comments received during this period.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

This project supports the District Strategic Goal of designing and constructing new infrastructure to satisfy current and future water needs for potable, recycled, and wastewater services.

LEGAL IMPACT:

No legal impact is anticipated. However, in compliance with the California Environmental Quality Act process, the Final MND will have the normal 30-day legal challenge period once the Notice of Determination (NOD) is recorded with the County of San Diego. The NOD will be recorded within five (5) working days after Board adoption of the MND.

General Manager

P:\WORKING\CIP P2434\Planning\Environmental\BD 03-03-10, Staff Report, RDR Well MND Adoption, LCB-RR.doc

LC-B/RR:jf

Attachments: Attachment A
Attachment B
Exhibit A

QA/QC Approved:

NAME: _____ DATE: 2/5/10

ATTACHMENT A

SUBJECT/PROJECT: P2434-001101	Adoption of a Mitigated Negative Declaration for the Rancho del Rey Groundwater Well Project

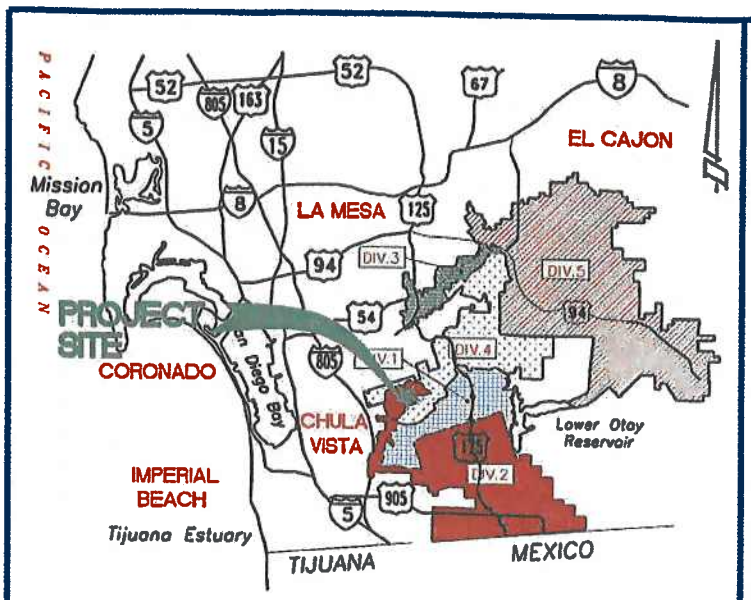
COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 22, 2010. The Committee supported Staff's recommendation.

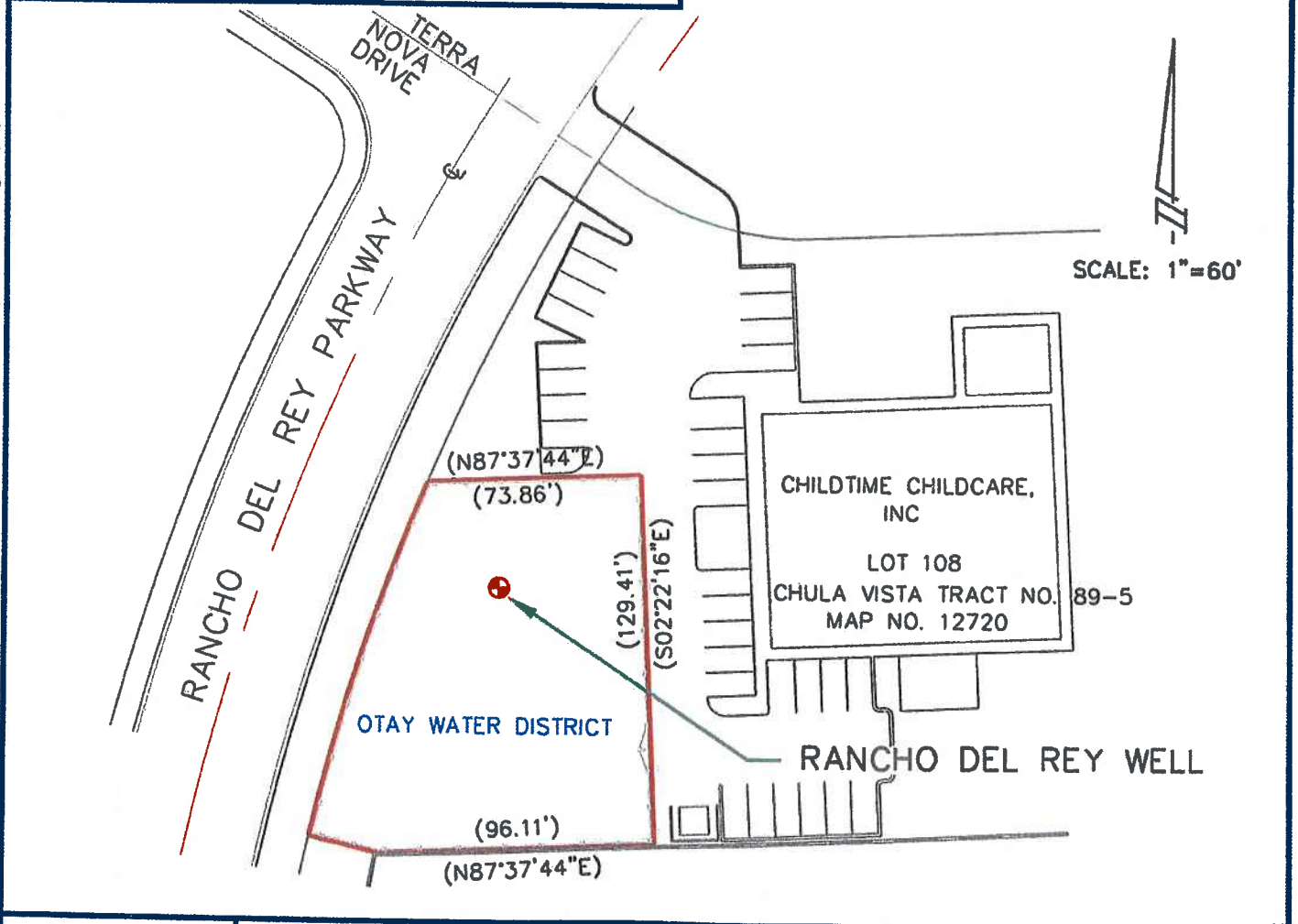
NOTE:

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



VICINITY MAP



OTAY WATER DISTRICT

RANCHO DEL WAY PARKWAY, CHULA VISTA, CA

RANCHO DEL REY GROUND WATER DEVELOPMENT

CIP P2434

EXHIBIT A

P:\WORKING\CIP P2434\Graphics\Exhibits-Figures\Staff Report - Well Development - Property Site Plan.dwg 2/3/2010 2:27:54 PM PST

Mitigated Negative Declaration for the Otay Water District Rancho del Rey Groundwater Well

The Otay Water District (District) has reviewed the project described below to determine whether it could have a significant effect on the environment as a result of project completion. "Significant effect on the environment" means a substantial, or potentially substantial, adverse change in any of the physical conditions within the area affected by the project, including land, air, water, minerals, flora, fauna, ambient noise, and objects of historic or aesthetic significance.

Name of Project: Rancho del Rey Groundwater Well

Project Description: The project entails installation and operation of a potable water well and observation well, and construction and operation of a water-treatment facility on an approximately 0.2-acre property owned by the District. A non-operating water well is currently located on the site; installation of the new well would either entail removing the existing well casing and enlarging the well's borehole diameter, or drilling a new borehole at some other location on the property and abandoning the existing well.

Project Location and Assessor's Parcel Number: The project would be located on an approximately 0.20-acre site located southeast of the intersection of Rancho del Rey Parkway and Terra Nova Drive, in the community of Rancho del Rey, City of Chula Vista, California. The APN for the site is 59338240.

Mailing Address and Phone Number of Applicant Contact Person:

Otay Water District
Attn: Lisa Coburn-Boyd
2554 Sweetwater Springs Boulevard
Spring Valley, CA 91978-2004
(619) 670-2219
Lisa.Coburn-Boyd@otaywater.gov

Authority to Prepare a Mitigated Negative Declaration

As provided in the California Environmental Quality Act (CEQA) Section 15070 (Title 14 – California Code of Regulations), a Mitigated Negative Declaration (MND) may be prepared for a project subject to CEQA when an initial study has identified potentially significant effects on the environment, but when revisions to the project have been made so that no significant effect on the environment will result from project implementation. The District is the lead agency and is responsible for the planning, construction and operation of the well and treatment facility. Based on the findings of the initial study/environmental checklist form that was prepared for this project and attached hereto, the District has determined that an MND is the appropriate means of presenting the CEQA-compliant environmental review of the project.

Findings

The District finds the project described above will not have a significant effect on the environment in that the attached initial study identifies one or more potentially significant effects on the environment for which the project applicant, before public release of this Draft Mitigated Negative Declaration, has made or agrees to incorporate measures that clearly mitigate the effects to a less-than-significant level. The District further finds that, with incorporation of these measures, there is no substantial evidence that this project may have a significant effect on the environment. The mitigation measures that will be incorporated into the project are listed below.

Impacts and Mitigation Measures

***Aesthetics:* Exterior lighting required during construction may be visible from adjacent residences on a temporary basis.**

> **Mitigation Measure 1: Prepare a Community Awareness Program for Project Construction.** In consultation with representatives of the City of Chula Vista, the District will prepare and maintain a program to enhance community awareness of project construction issues, including noise, vibration, nighttime noise, and nighttime lighting. At least two weeks prior to the initiation of project construction, information packets will be prepared and mailed to all residences within a 1,500-foot radius of project construction. The information packets will include information on the purpose of the project, the estimated construction schedule, and the types of machinery to be used on the site. The packet will also identify the name and phone number of a District representative who will serve as a project liaison to the community. The project liaison will be available to respond to community concerns regarding noise, vibration, and light; provide additional explanation of the extent and duration of the issues of concern; and work to resolve these issues to the greatest extent possible.

***Biological Resources:* Trees and other ornamental vegetation in the vicinity of the site could provide suitable nesting habitat for raptors and other birds protected by the Federal Migratory Bird Treaty Act, and project construction could result in direct and indirect impacts on nesting birds.**

> **Mitigation Measure 2a: Avoid Impacts on Vegetation During the Nesting Bird Season.** In order to avoid all potential impacts on nesting migratory birds and raptors, construction activities involving the removal of vegetation shall be restricted during the breeding season for migratory birds/raptors (approximately January 15 through August 31).

If construction activities are proposed within the identified breeding season, Mitigation Measure 2b would be employed.

> **Mitigation Measure 2b: Preconstruction Nesting Bird Surveys.** If construction activities involving the removal of vegetation occur between January 15 and August 31, a

preconstruction nesting bird survey shall be conducted (within three days prior to construction activities) by a qualified biologist to determine if active nests are present within or adjacent to the project site in order to avoid the nesting activities of breeding birds/raptors. If nesting activities within 200 feet of the proposed work area are not detected, construction activities would be allowed to proceed. If nesting activities are confirmed within this radius, construction activities shall be delayed within an appropriate buffer from the active nest until the young birds have fledged and left the nest or until the nest is no longer active as determined by a qualified biologist. The size of the appropriate buffer shall be determined by a qualified biologist, but shall be at least 25 feet.

Cultural and Peleontological Resources: Well drilling has the potential to disturb previously unidentified paleontological resources or unique geologic features beneath the surface of the site.

Mitigation Measure 3: Halt Work if Paleontological Resources or Unique Geologic Features Are Encountered. If paleontological resources or unique geologic features are discovered by the project geologists during drilling, the drilling work will be halted immediately and the San Diego Museum of Natural History (Natural History Museum) will be contacted. In consultation with the Natural History Museum and the project geologist, the District will determine the proper steps for documenting, removing, or otherwise managing the resources or features.

Hydrology and Water Quality: The project entails discharge of brine into the San Diego Metropolitan Wastewater Department sewer system that may exceed wastewater treatment requirements.

Mitigation Measure 4: Comply with Industrial User Discharge Permit Requirements. The District will obtain an Industrial User Discharge Permit from San Diego Metropolitan Wastewater Department and will comply with all limitations and requirements stated therein with respect to the discharge salt content, quantity, or other aspects.

Noise: Project construction would result in a temporary increase in ambient noise that would be received by adjacent receptors.

Mitigation Measure 1: Prepare a Community Awareness Program for Project Construction (see description above)

Transportation/Traffic: The project would construct a driveway along a curved street with little site visibility.

Mitigation Measure 5: Provide Ample Signage and Safe Design of Project Driveway. The District will coordinate with the City Department of Public Works, Engineering

Division to ensure that the project driveway is designed to meet all relevant City code and features adequate signage to the satisfaction of the Department of Public Works.

Public Review of the Mitigated Negative Declaration

Before February 16, 2010, any person may:

(1) Review the MND; and

(2) Submit written comments regarding the information, analysis, and mitigation measures in the MND. Written comments should be directed to the contact person listed above.

Name: Lisa Coburn-Boyd

Title: Environmental Compliance Specialist

Signed: Lisa Coburn-Boyd

Circulated on: January 28, 2010

Adopted on: _____

Initial Study/Environmental Checklist

1. **Project Title:** Rancho del Rey Groundwater Well
2. **Lead Agency Name and Address:** Otay Water District
   2554 Sweetwater Springs Boulevard
   Spring Valley, CA 91978-2004
3. **Contact Person and Phone Number:** Lisa Coburn-Boyd,
   Environmental Compliance Specialist
   (619) 670-2219
4. **Project Location:** The project site consists of an approximately 0.20-acre site owned by the District and located southeast of the intersection of Rancho del Rey Parkway and Terra Nova Drive, in the community of Rancho del Rey, City of Chula Vista, California. The site's regional location is shown in Figure 1, and an aerial of the site is shown in Figure 2.
5. **Project Sponsor's Name and Address:** Otay Water District
   2554 Sweetwater Springs Boulevard
   Spring Valley, California 91978-2004
6. **General Plan Designation:** Chula Vista: Public and Quasi-Public
7. **Zoning:** Chula Vista: Public and Quasi-Public
8. **Description of Project:**

The project entails installation and operation of a potable water well and nested piezometer groundwater well (referred to as an "observation well" throughout this document) and a related water-treatment facility on an approximately 0.2-acre property owned by Otay Water District (District). A non-operating water well is currently located on the site; installation of the new well would be accomplished by drilling a new borehole at some other location on the property. The existing well would likely remain and be used for monitoring or testing purposes. The new well would be drilled to a depth of approximately 860 feet, would be 18 inches in diameter (enlarged from the existing 12-inch diameter), and would be constructed of stainless steel well casing and screening materials.

After drilling the well, the District would test the well to assess the feasibility of operating the well for the intended purpose. If the testing indicates that the water is not suitable for treatment and usage as potable water, the treatment facility would not be constructed. For purposes of environmental review pursuant to CEQA, the District assumes that the well will be suitable and the treatment facility would be constructed. The facility would feature an approximately 70,000-gallon water-storage tank, three chemical treatment tanks (a hypochlorite tank, caustic tank, and sulfuric acid tank), a cleaning tank, a neutralization tank, pumps, a fuel vault, and an electrical generator. The well head would be located outside the treatment facility, and all treatment-related facilities would be housed inside an approximately 3,600-square-foot, 15-foot-high structure located in the southeast corner of the site. The treatment facility would be equipped with automatic indoor fire-suppression sprinklers to minimize the potential for structure fire. Underground plumbing and electrical connections between the well head and the treatment facility would be installed. The treatment facility would feature architecture and materials to mirror the appearance and character of the residential and institutional structures in the vicinity of the site.

New connections to existing water and sewer facilities in Rancho del Rey Parkway would be installed as part of the project. Two new connections to a District water main would be installed, including one inlet for blending well water with potable water currently running through the system, and one outlet for distribution of well-produced and blended water into the system. A new

connection to the City's sewer system in Rancho del Rey Parkway would also be installed, enabling discharge of byproduct (brine) from the water treatment facility's reverse osmosis process. This discharge would be conveyed through the City's sewer mains and into the City of San Diego Metropolitan Sewerage System (Metropolitan Sewer) for treatment. This discharge to the Metropolitan Sewer would rely on the District's capacity in the system rather than the City's. Power and telephone lines connecting the treatment facility to existing facilities in Rancho del Rey Parkway would also be installed as part of the project.

A new vehicle access would be constructed off Rancho del Rey Parkway, consisting of a concrete driveway and a locked gate. Approximately 3,000 square feet of the site surrounding the treatment facility would be paved with asphalt for parking and circulation for plant employees, chemical-delivery trucks, and other equipment. The site would be designed to convey storm water to the City's system, and would conform to City specifications for storm water facilities. A 6- to 8-foot-high concrete block wall would be constructed around the northern and eastern perimeter of the project site. A concrete block wall is currently located along the site's southern boundary; this wall would not be affected by project construction, and would remain after project completion. A decorative fence would be constructed on the site's western perimeter. Landscaping would be planted around the perimeter of the site as a visual buffer to the site and the proposed walls.

Preliminary analysis of the well's production indicates that the well is anticipated to yield approximately 400 gallons per minute, equating to 645.2 acre feet per year, and is anticipated to have a lifespan of 20–30 years, based on preliminary estimates. The project would draw water from a deep, confined alluvial groundwater aquifer known as the San Diego Formation, which underlies a large portion of southwestern San Diego County.

The treatment facility is anticipated to employ one part-time worker, working approximately 20 hours per week to perform regular operational, maintenance, and oversight duties. Chemical deliveries to the site would occur approximately twice monthly.

Permanent lighting on the site would consist only of security lighting, which would be low level, downward facing, and limited the extent necessary to provide adequate security for the treatment facility, similar in scale to that which exists on the adjacent daycare center.

Project Construction

Project construction would entail site clearing, trenching, grading, drilling the observation well and new water well; paving; erecting the treatment facility structure and perimeter walls; and installing the components of the treatment facility.

Well drilling and well casing installation would be conducted by a truck-mounted hydraulic drill rig. The drill rig will be enclosed at all times by a 10-foot high noise wall placed approximately 20 feet from the rig. Other heavy equipment to be used during the well construction period would include one fork lift, one front loader, and hauling trucks. The drilling work would last for a six-week duration, with work conducted from 7 a.m. to 7 p.m., Monday through Friday. Installation of the well casing would be conducted over two, two-day periods of 24-hour work. These short periods of 24-hour work are required during casing installation because halting the installation of the casings would risk having the walls of the well shaft close, which would require re-drilling. The noisiest aspects of the casing installation, which include moving the casing parts and opening/closing roll-off bins, would be limited to occurring during daylight hours, to the greatest extent possible. Construction lighting would be required on the site during nighttime work, but would be shielded by the presence of the noise wall enclosing the drilling operation.

During drilling, groundwater would be pumped out, separated from the dirt and mud, and pumped back into the ground. During the testing phase, groundwater would be pumped out and discharged to the local sewer system to the extent possible, as described above for project operations.

Construction of the treatment facility would occur an undetermined amount of time after the well drilling, following an investigative testing phase in which the District will assess the feasibility of operating the well for the intended purpose. Site grading, paving, trenching, pipeline installation, and construction of the treatment facility would occur between 8:00 a.m. and 4:00 p.m., Monday through Friday. Installation of water, sewer, telephone, and electric lines from the proposed water

treatment facility to connections in Rancho del Rey Parkway would require trenching. Most of this would occur on site, but some off-site trenching would be required within the roadway. Only a small part of the road would be affected, and the project would not require full closure of Rancho del Rey Parkway. The District would prepare a traffic plan indicating the timing of in-road construction and specifying measures to control traffic during the construction, including alerts to drivers of the construction

Construction-related equipment and materials storage and worker parking would mostly be accommodated in an onsite staging area, though it is possible that a small area adjacent to the site would be required for materials staging. The number of construction workers on site would range from 4 to 12, depending on the phase of construction, with the largest number working during treatment-plant construction.

9. **Surrounding Land Uses and Setting:**

The project site is located in a developed area in the central portion of the City characterized by a mixture of single-family residential and open space uses, with some institutional uses in the vicinity of the project site, including a child daycare facility immediately east of the site and a church farther to the east. The site is bordered on the west by Rancho del Rey Parkway (buffered by an approximately 10-foot-wide landscaped area), on the north and east by an asphalt parking lot associated with the adjacent daycare facility, and on the south by single-family residences. Figure 2 shows the site and surrounding uses.

The project site is a 0.2-acre, irregularly shaped parcel that is entirely disturbed and covered in non-native grass (turf). The site is currently accessed via the paved parking lot associated with the adjacent daycare center. The site sits on a graded terrace that separates the site from the adjacent residences to the south. A decorative wooden fence is located on the site's southern boundary to separate the site from the residential development. The existing groundwater well is located in the north-central portion of the site. This well is 865 feet deep with a submersible pump and a 5-foot-tall, 2-foot diameter aboveground well head. It was installed in 1991 to supply dust-control water used during nearby residential construction. Use of the well was discontinued in 1994, after which the District purchased the property but never reinstated the onsite well.

10. **Other Public Agencies Whose Approval is Required:**

- City of Chula Vista: Encroachment Permit, Wastewater Disposal Permit
- County of San Diego Department of Environmental Health: Water Well Permit
- San Diego Metropolitan Wastewater District: Industrial User Discharge Permit

Environmental Factors Potentially Affected

The environmental factors checked below would potentially be affected by this project (i.e., the project would involve at least one impact that is a "Potentially Significant Impact"), as indicated by the checklist on the following pages.

- ☐ Aesthetics
- ☐ Biological Resources
- ☐ Hazards and Hazardous Materials
- ☐ Mineral Resources
- ☐ Public Services
- ☐ Utilities/Service Systems
- ☐ Agricultural Resources
- ☐ Cultural Resources
- ☐ Hydrology/Water Quality
- ☐ Noise
- ☐ Recreation
- ☐ Mandatory Findings of Significance
- ☐ Air Quality
- ☐ Geology/Soils
- ☐ Land Use/Planning
- ☐ Population/Housing
- ☐ Transportation/Traffic

Determination

On the basis of this initial evaluation:

- ☐ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ☒ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions to the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ☐ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ☐ I find that the proposed project MAY have an impact on the environment that is "potentially significant" or "potentially significant unless mitigated" but at least one effect (1) has been adequately analyzed in an earlier document pursuant to applicable legal standards and (2) has been addressed by mitigation measures based on the earlier analysis, as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ☐ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier ENVIRONMENTAL IMPACT REPORT or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier ENVIRONMENTAL IMPACT REPORT or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the project, nothing further is required.

Lisa Coburn-Boyd
Signature

1/28/10
Date

Lisa Coburn-Boyd
Printed Name

Otay Water District
For

Evaluation of Environmental Impacts

1. A brief explanation is required for all answers except "No Impact" answers that are adequately supported by the information sources a lead agency cites in the parentheses following each question. A "No Impact" answer is adequately supported if the referenced information sources show that the impact simply does not apply to projects like the one involved (e.g., the project falls outside a fault rupture zone). A "No Impact" answer should be explained if it is based on project-specific factors as well as general standards (e.g., the project will not expose sensitive receptors to pollutants, based on a project-specific screening analysis).
2. All answers must take account of the whole action involved, including offsite as well as onsite, cumulative as well as project-level, indirect as well as direct, and construction as well as operational impacts.
3. Once the lead agency has determined that a particular physical impact may occur, the checklist answers must indicate whether the impact is potentially significant, less than significant with mitigation, or less than significant. "Potentially Significant Impact" is appropriate if there is substantial evidence that an effect may be significant. If there are one or more "Potentially Significant Impact" entries when the determination is made, an Environmental Impact Report (EIR) is required.
4. "Negative Declaration: Less than Significant with Mitigation Incorporated" applies when the incorporation of mitigation measures has reduced an effect from a "Potentially Significant Impact" to a "Less-than-Significant Impact". The lead agency must describe the mitigation measures and briefly explain how they reduce the effect to a less-than-significant level. (Mitigation measures from Section XVII, "Earlier Analyses", may be cross-referenced.)
5. Earlier analyses may be used if, pursuant to tiering, program EIR, or other CEQA process, an effect has been adequately analyzed in an earlier EIR or negative declaration [Section 15063(c)(3)(D)]. In this case, a brief discussion should identify the following:
   a. Earlier Analysis Used. Identify and state where earlier analyses are available for review.
   b. Impacts Adequately Addressed. Identify which effects from the above checklist were within the scope of and adequately analyzed in an earlier document pursuant to applicable legal standards and state whether such effects were addressed by mitigation measures based on the earlier analysis.
   c. Mitigation Measures. For effects that are "Less than Significant with Mitigation Incorporated," describe the mitigation measures that were incorporated or refined from the earlier document and the extent to which they address site-specific conditions for the project.
6. Lead agencies are encouraged to incorporate into the checklist references to information sources for potential impacts (e.g., general plans, zoning ordinances). Reference to a previously prepared or outside document should, when appropriate, include a reference to the page or pages where the statement is substantiated.
7. Supporting Information Sources: A source list should be attached, and other sources used or individuals contacted should be cited in the discussion.
8. This is only a suggested form, and lead agencies are free to use different formats; however, lead agencies should normally address the questions from this checklist that are relevant to a project's environmental effects in whatever format is selected.

I. Aesthetics	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Have a substantial adverse effect on a scenic vista?	☐	☐	☒	☐
b. Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings along a scenic highway?	☐	☐	☐	☒
c. Substantially degrade the existing visual character or quality of the site and its surroundings?	☐	☐	☒	☐
d. Create a new source of substantial light or glare that would adversely affect daytime or nighttime views in the area?	☐	☒	☐	☐

a. Have a substantial adverse effect on a scenic vista?

Less-than-Significant Impact. As shown in Figure 3, the project site consists of an approximately 0.20-acre disturbed, fenced area surrounded by commercial and residential development. The project includes the installation of wells and the construction of an associated treatment facility, which would be housed in a structure measuring approximately 15 feet high and located within the existing fenced site that houses the existing well. Construction of the proposed facilities would represent an extension of the visual character of the area, which includes the well site and the existing childcare facility and associated parking lot. The perimeter of the 0.20-acre site currently contains ornamental landscaping, and the project would also include landscaping around the perimeter of the site, which would serve to screen the site from the adjacent childcare facility and from motorists on Rancho del Rey Parkway. As a result, construction of the project would result in a less-than-significant impact to the visual character of the surrounding area.

b. Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings along a scenic highway?

No Impact. There are no scenic highways within the vicinity of the project site. Therefore, the project would not substantially damage scenic resources along a scenic highway. Additionally, there are no other scenic resources on the site. Therefore, there would be no impact.

c. Substantially degrade the existing visual character or quality of the site and its surroundings?

Less-than-Significant Impact. See 1.a above. The project is located on a disturbed parcel of land owned by the District that contains an existing well. Construction of the project would involve the presence of equipment and earth disturbance on a temporary basis. This activity would be visible from the adjacent daycare facility, but would primarily be screened from view by existing vegetation surrounding the project site. Activity would not be directly visible from adjacent residences due to topographic changes because the project site is at a higher elevation than the nearby residences. Therefore, the project's temporary construction impact would be less than significant. Permanent

features on the site include an approximately 15-foot-high structure to house the treatment facility and a concrete-block wall surrounding the site. The structure would be designed to be consistent with the existing structures in the area and would represent an extension of the visual character of the existing uses within and surrounding the project site. Landscaping currently surrounds the 0.20-acre project site, and the project would also include landscaping around the perimeter of the site. As a result, implementation of the project would result in a less-than-significant impact to the visual character of the area surrounding the project site.

d. Create a new source of substantial light or glare that would adversely affect daytime or nighttime views in the area?

Less-than-Significant with Mitigation Incorporated. The project site is located in a previously developed area with existing sources of light and glare. Interior and exterior lighting would be required for security and operational purposes during both construction and operation of the project. Construction lighting would be required during night work activities, which are estimated to occur until 7:00 p.m. nightly for approximately six weeks and around the clock for two periods of one or two nights during the casing installation. This lighting mostly be contained by the noise attenuation system built around the well-installation area and would be downward directed and shielded, but may be partially visible from adjacent residences on a temporary basis during construction. The mitigation measure listed below would reduce this impact by fostering community understanding of the project construction process and providing a project liaison to field complaints from the community and provide resolution to these complaints to the greatest extent feasible.

Mitigation Measure 1: Prepare a Community Awareness Program for Project Construction.

In consultation with representatives of the City of Chula Vista, the District will prepare and maintain a program to enhance community awareness of project construction issues, including noise, vibration, nighttime noise, and nighttime lighting. At least two weeks prior to the initiation of project construction, information packets will be prepared and mailed to all residences within a 1,500-foot radius of project construction. The information packets will include information on the purpose of the project, the estimated construction schedule, and the types of machinery to be used on the site. The packet will also identify the name and phone number of a District representative who will serve as a project liaison to the community. The project liaison will be available to respond to community concerns regarding noise, vibration, and light; provide additional explanation of the extent and duration of the issues of concern; and work to resolve these issues to the greatest extent possible.

Operational lighting associated with the project would be low level, downward facing, and limited to the extent necessary to provide adequate security for the treatment facility. Lighting within the City is regulated by the City's Municipal Code. Construction and operational lighting associated with the project would be designed to minimize spill light in accordance with Section 17.28.020 the City's Municipal Code, which requires shielding for onsite lighting. Shielding the lights would focus light on site to avoid spillover onto neighboring properties, while only using lighting necessary for safety and security purposes. In addition, the project will comply with Section 19.66.100 of the City's Municipal Code, which regulates direct and sky-reflected glare from floodlights and high-temperature processes such as combustion or welding. The project would not entail combustion- or welding-related lighting, and any security floodlights would be downward facing and shielded, as described above. Finally, project lighting would be similar in

scale to that which exists on the adjacent daycare center. As a result, the project would not adversely affect daytime or nighttime views in the area by creating a significant new source of light and glare. Impacts would be less than significant.

II. Agricultural Resources	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
In determining whether impacts on agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Department of Conservation. Would the project:				
a. Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	☐	☐	☐	☒
b. Conflict with existing zoning for agricultural use or conflict with a Williamson Act contract?	☐	☐	☐	☒
c. Involve other changes in the existing environment that, due to their location or nature, could result in conversion of Farmland to non-agricultural use?	☐	☐	☐	☒

a. Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?

No Impact. The project would be located on land that is entirely disturbed and covered in turf and features scattered ornamental landscaping. According to the San Diego County Important Farmland Map (CDC 2006), the project site is designated as Urban and Built-Up Lands under the Farmland Mapping and Monitoring Program (FMMP); therefore, the proposed site does not contain any designated Prime Farmland, Unique Farmland, or Farmland of Statewide Importance. Thus, no Prime, Unique, or Farmland of Statewide Importance would be converted to non-agricultural use as a result of the project.

b. Conflict with existing zoning for agricultural use or conflict with a Williamson Act contract?

No Impact. See 2.a above. The project site and adjacent areas are not designated with agricultural zoning, and the project would not conflict with existing zoning for agricultural use since it would be located on land that is currently disturbed and designated as Urban and Built-Up Lands under the FMMP. According to the San Diego County Williamson Act Lands Map, the project site is designated as Built-up Lands under the Williamson Act (CDC 2008). Thus, no Williamson Act contracts exist for the site. In addition, no agricultural lands are located in the project vicinity. Therefore, implementation of the project would not conflict with existing agricultural zoning or Williamson Act contracts. No impact would occur.

c. Involve other changes in the existing environment that, due to their location or nature, could result in conversion of Farmland to non-agricultural use?

No Impact. See 2.a and 2.b above. There are no agricultural land uses located within or adjacent to the project site. The project would not involve any other changes to the existing environment that could result in the conversion of Farmland to non-agricultural use. Therefore, no impact to Farmland would result from implementation of the project.

III. Air Quality	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
When available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:				
a. Conflict with or obstruct implementation of the applicable air quality plan?	☐	☐	☒	☐
b. Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	☐	☐	☒	☐
c. Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is a nonattainment area for an applicable federal or state ambient air quality standard (including releasing emissions that exceed quantitative thresholds for ozone precursors)?	☐	☐	☒	☐
d. Expose sensitive receptors to substantial pollutant concentrations?	☐	☐	☒	☐
e. Create objectionable odors affecting a substantial number of people?	☐	☐	☒	

a. Conflict with or obstruct implementation of the applicable air quality plan?

Less-than-Significant Impact. The project site is located in the San Diego Air Basin (SDAB), which is contiguous with San Diego County. The San Diego Air Pollution Control District (SDAPCD) is required, pursuant to the federal and state Clean Air Acts, to reduce emissions of criteria pollutants for which the Basin is in nonattainment. The SDAB is currently classified as a nonattainment area for the federal ozone (8-hour O_3) standard and a maintenance area for the federal carbon monoxide (CO) standard. In addition, the SDAB is classified as a serious nonattainment area for state ozone (O_3) and a nonattainment area for the state particulate matter less than 2.5 microns (PM2.5) and particulate matter less than 10 microns (PM10) standards (SDAPCD 2008).

All areas designated as nonattainment are required to prepare plans showing how the area would meet the state and federal air quality standards by its attainment dates. The San Diego Regional Air Quality Strategy (RAQS) is the region's plan for improving air quality in the region. It addresses the state and federal requirements and demonstrates attainment with ambient air quality standards.

The applicable air quality plans within the SDAB rely on information from California Air Resources Board (CARB) and the San Diego Association of Governments, including projected growth in the county, which is based in part on local general plans. Therefore, projects that propose development that is consistent with the land use designations and growth anticipated by the general plan would be consistent with applicable air quality plans. As described in response 9.b, the project would be consistent with the City of Chula Vista's General Plan Quasi-Public land use designation since it would construct and operate a well and water treatment facility intended to serve the public's

demand for water resources. The project does not feature any long-term aspects that would be substantial pollutant emission sources. Project-related traffic generation is limited to vehicle trips from one part-time employee and truck trips from bi-monthly chemical deliveries. This small amount of vehicle activity would not be a considerable source of air pollutant emissions. Therefore, construction of the proposed project would be consistent with the general plan and operation would not conflict with any local air quality plan or result in violation of air quality standards. This impact is considered less than significant.

The project entails temporary construction activity, including well drilling, clearing, trenching, grading, paving, erecting the treatment facility structure and perimeter walls, and installing the components of the treatment facility. The primary construction-related pollutant in terms of the SDAB air quality plan is PM10. Grading and construction activities would be subject to SDAPCD rules and regulations, including Rule 50 (Visible Emissions), Rule 51 (Nuisance), and Rule 55 (Fugitive Dust Control) (SDAPCD 2009). The principal source of PM10 emissions would be fugitive dust from earthmoving activities and vehicle travel on unpaved and paved surfaces. The requirements of Rules 50, 51, and 55 can be met by the implementation of standard construction best management practices (BMPs) for dust control. The standard construction measures utilized by the District during recent construction projects that will be included as part of the project include:

- dust prevention to eliminate amounts of dust that could damage property, cultivated vegetation, or domestic animals, or cause a nuisance to persons living in or occupying buildings in the vicinity of the site;
- measures to enclose, cover, water (as needed), or apply non-toxic soil binders according to manufacturer's specifications on material piles (i.e., gravel, sand, dirt) with a silt content of 5% or greater; and
- the application of water or non-toxic soil stabilizers to maintain adequate dust control for active or inactive construction areas.

The construction and grading activities for the project would also be required to adhere to these dust control measures, and would thereby be in adherence with applicable SDAPCD rules and regulations.

b. Violate any air quality standard or contribute substantially to an existing or projected air quality violation?

Less-than-Significant Impact. See response to 3a. A discussion of the project's potential construction-period air quality impacts is provided below.

<u>Construction Impacts</u>

Construction of the Rancho del Rey Groundwater Well would result in emissions as a result of ground disturbance, off-road construction vehicle exhaust, emissions from employee and delivery travel, and as a result of off-gasing from paving activities. Emissions would vary from day to day, depending on the level of activity, the specific type of construction activity occurring, and, for fugitive dust, prevailing weather conditions. The project's construction emissions were estimated and compared to SDAPCD air quality impact analysis (AQIA) trigger levels, as shown in SDAPCD Rule 20.2. An adverse impact on air quality would result if the emission levels from the project were to exceed any of the AQIA trigger levels. As shown in Table 2, project construction is not anticipated to exceed any AQIA trigger levels.

Emissions were calculated using the URBEMIS2007 emissions model. A detailed project construction schedule and inventory of construction equipment that would be used for the project's drilling phase was provided by the client. URBEMIS defaults were used to estimate schedule and inventory of equipment for the remaining phases of project construction. The assumed construction schedule, hours of construction per day, and types of construction equipment for each phase of construction is presented in Table 1 below. For purposes of analysis, it was assumed that project construction would occur in seven separate phases. Drilling the production well would occur first, followed by installation of the casings for the production well. Next, the observation well would be drilled and then cased. For modeling input purposes, it was assumed that building construction, trenching for utilities, and asphalt paving would take place simultaneously after completion of the drilling and installation, though the treatment-plant-related construction would actually occur an undetermined amount of time after the well is drilled, following an investigative testing phase.

Table 1. Assumed Construction Inputs

Construction Phase	Start Date	End Date	Hours Per Day	Equipment Assumptions
Well Drilling, water well (15 work days) [1]	2/1/2010	2/19/2010	12	drill, compressor, backhoe, generator, light, tractor
Well Casing, water well (2 days) [1]	2/22/2010	2/23/2010	24	drill (casing), compressor, backhoe, generator, light, tractor
Well Drilling, observation well (15 work days) [1]	2/24/2010	3/16/2010	12	drill, compressor, backhoe, generator, light, tractor
Well Casing, observation well (2 days) [1]	3/17/2010	3/18/2010	24	drill (casing), compressor, backhoe, generator, light, tractor
Building Construction (18 work days) [2]	3/19/2010	4/13/2010	8	forklift, backhoe, compressor, generator
Trenching for Utilities (18 work days) [2]	3/19/2010	4/13/2010	8	excavator, crusher, loader, backhoe, trencher, welder
Paving (7 work days) [2]	4/6/2010	4/14/2010	8	4 cement/mortar mixers, paver, roller, backhoe

[1] Construction equipment, horsepower, and hours of operation for well drilling and well casing were provided by the client's drilling contractor (personal communication with Bill Stuckey, WDC Exploration & Wells, January 2010).
[2] Building construction, trenching, and paving were based on URBEMIS default construction assumptions.

As shown in Table 2, construction of the project would be below applicable SDAPCD thresholds for criteria pollutants. Construction of the project would not result in an impact on air quality in that emissions would not exceed SDAPCD applicable air quality standards or contribute to existing air quality violations.

Table 2. Estimated Construction Emissions

Construction Phase	Pounds per day						Metric Tons per year
	ROG	NO_X	CO	SO_X	PM10	PM2.5	CO_2e
Well Drilling, water well (15 days)	8.72	76.99	38.18	<1	8.4	4.88	60.5
Well Casing, water well (2 days)	14.36	143.91	59.44	<1	10.61	6.91	16.9
Well Drilling, observation well (15 days)	8.72	76.99	38.18	<1	8.4	4.88	60.5
Well Casing, observation well (2 days)	14.36	143.91	59.44	<1	10.61	6.91	16.9
Building Construction (18 days) [2]	3.36	35.45	12.99	<1	1.55	1.42	31.1
Trenching for Utilities (18 days) [2]	3.91	26.29	16.44	<1	1.7	1.56	20.9
Paving (7 days) [2]	2.04	12.11	8.86	<1	1.05	0.96	3.9
Maximum Emissions	**14.36**	**143.91**	**59.44**	**<1**	**10.61**	**6.91**	**210.7**
SDAPCD Significance Threshold	*75*	*250*	*550*	*250*	*100*	*55*	-
Exceed Threshold?	***No***	***No***	***No***	***No***	***No***	***No***	***N/A***

ROG = reactive organic gas.
CO = carbon monoxide.
PM10 = particulate matter equal to or less than 10 microns.
CO_2e = carbon dioxide equivalent
NO_X = oxides of nitrogen.
SO_X = sulfur oxides.
PM2.5 = particulate matter less than 2.5 microns.
Note: URBEMIS emission output sheets and GHG calculation worksheets are provided in Appendix A.

Operational Impacts

Operation of the project would result in minimal emissions as a result of vehicle trips from one part-time employee and bi-monthly chemical delivery trucks. Onsite use of electricity for the groundwater well, lights, and ancillary equipment would be provided by a connection to the local electrical grid. Therefore, operational emissions are expected to be minimal and are not anticipated to exceed SDAPCD thresholds. Operation of the project would not result in an impact on air quality and emissions would not exceed applicable air quality standards or contribute to existing air quality violations.

Greenhouse Gas Emissions

Project construction would result in greenhouse gas (GHG) emissions as a result of off-road diesel equipment exhaust and emissions from employee and material delivery travel. The primary emissions occur as carbon dioxide (CO2) from gasoline and diesel combustion, with more limited vehicle tailpipe emissions of nitrous oxide and methane as well as other GHG emissions related to vehicle cooling systems. Construction period CO2 emissions were obtained from the URBEMIS2007 model, and construction period methane (CH4) and nitrous oxide (N2O) emissions were calculated based on the methodology found in the Climate Registry General Reporting Protocol, Version 3.1, for construction diesel-fuel emission estimates (California Climate Action Registry 2009). GHG emissions were presented as CO2equivalent (CO2e) using the methodology for calculating CO2e found in the Climate Registry General Reporting Protocol, Version 3.1 (California Climate Action

Registry 2009). As shown in Table 2, project construction would result in approximately 211 metric tons of CO2e over the entire construction period. The relative quantity of project-related GHG emissions during short-term construction is negligible in comparison to statewide and worldwide daily emissions. The project's amount of emissions, without considering other cumulative global emissions, would be insufficient to cause substantial climate change directly. Thus, project emissions in isolation are considered less than significant. However, climate change is a global cumulative impact, and thus the proper context for analysis of this issue is not a project's emissions in isolation, but rather as a contribution to cumulative GHG emissions, which is discussed in the response to 3.c below.

Because quantitative GHG guidelines, including thresholds, have not been developed by the SDAPCD, these emissions are provided for information purposes only.

c. Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is a nonattainment area for an applicable federal or state ambient air quality standard (including releasing emissions that exceed quantitative thresholds for ozone precursors)?

Less-Than-Significant Impact. See response to 3a and 3b. Cumulative construction impacts on nearby receptors may occur if the project is constructed at the same time as other development projects in the area, thereby exposing sensitive receptors to cumulative emission concentrations (See response 3.d below). However, it is anticipated that with the incorporation of the standard SDAPCD dust control measures, the contribution of the project to cumulative impacts related to PM10 and PM2.5 emissions would be less than significant.

Operation of the project would not contribute to any significant cumulative impacts related to non-attainment status for ozone, PM10, or PM2.5. The proposed facilities would involve one part-time worker and bi-monthly truck trips for chemical deliveries. In addition, as shown in response 3.a, the project is consistent with applicable air quality management plan because it proposes a land use consistent with the local general plan.

Construction and operation of the proposed project would not result in significant impacts related to climate change and greenhouse gas emissions. Construction of the project would short-term in nature and the net-increase in emissions that would result from construction would be negligible when compared to state and worldwide emissions. In term of operations, water imported from other parts of the state and/or region require the use of energy, and GHG emissions associated with water supply result from the indirect consumption of electricity to pump water throughout the state and region. The purpose of this project is to provide potable water supply to nearby residents and businesses which may reduce the need for water from other parts of the state and/or region. Therefore, it can be assumed that long-term operation of the project would result in a reduction in indirect energy consumption, thereby reducing the amount of GHG emissions related to water supply. As a result the project would result in a less than significant contribution to cumulative conditions related to climate change and GHG emissions.

d. Expose sensitive receptors to substantial pollutant concentrations?

Less-Than-Significant Impact. See response to 3a and 3b. Construction of the project could potentially expose sensitive receptors to pollution concentrations as on-road vehicles and off-road construction equipment operate on the project site for approximately 2 months. Diesel engines (including construction equipment) emit toxic air contaminants (TACs), which are known to

increase the risk of developing cancer and have acute and chronic health risks in the case of excessive human exposure. Of particular importance is diesel particulate matter (DPM), which is identified by the California Air Resources Board (CARB) as a toxic air contaminant and is a known carcinogen (CARB 1998). Due to the temporary operation of diesel engines in proximity to sensitive receptors, including the daycare facility east of the site and residences surrounding the site, the project's TAC emissions were quantified and incorporated into a health-risk analysis for project construction. For TACs including DPM that can cause cancer, a unit risk factor can be developed to evaluate cancer risk. For non-cancer health risks, a similar factor called a Hazard Index (HI) is used to evaluate risk. The HI is calculated by summing the hazard quotients for substances that affect the same target organ or organ system (e.g., respiratory system). The hazard quotient is the ratio of potential exposure to the substance and the level at which no adverse health effects are expected. An increased cancer risk of 1 in one million is considered potentially significant while an increased cancer risk of 10 in one million is considered significant. An HI of less than one indicates no adverse health effects are expected from exposure, while an HI greater than one indicates adverse health effects are possible.

Potential sources of DPM include exhaust emissions from on-road vehicles, off-road vehicles (such as trucks, loaders, backhoes, and excavators), and portable equipment (such as compressors, drills, and generators). The DPM of greatest health concern are those in the categories of fine (PM10) and ultra-fine (PM2.5). These fine and ultra-fine particles are respirable, which means that they can avoid many of the human respiratory system defense mechanisms and enter deeply into the lungs. Therefore, and as discussed below, the use of diesel-powered engines for project construction could expose nearby sensitive receptors to substantial pollutant concentrations, potentially resulting in adverse health effects.

The nearest sensitive land uses to the project area are a daycare facility to the immediate east of the project site as well as residences to the north, west, and south. Therefore, a health risk screening analysis was conducted using the EPA's SCREEN3 dispersion model to determine if elevated health risks would result from construction activities at these locations in the vicinity of the project area. The screening analysis assumes that sensitive receptors are exposed to the approximately 2 months (59 days) of construction exhaust for 9 hours per day, which is the assumed total daily operating hours for the daycare facility, the nearest receptor. Receptors were placed at distances ranging from zero to 4,920 feet (1,500 meters) away from construction activities. These sensitive receptor locations were selected for the screening analysis to represent the locations where sensitive receptors at the daycare facility and nearby residences could be exposed to the maximum levels of DPM from construction equipment activities. This analysis considers the total construction DPM emissions that would be emitted at the project site over the length of the construction period. The DPM screening analysis results are presented in Table 3.

Table 3. Summary of Potential Health Risk from Project Construction DPM Emissions at the Daycare Facility

Estimated Health Impact for Receptors Adjacent to Construction Activities	Cancer Risk (per 1,000,000)	Chronic Hazard Index
Maximum health impact (154 feet from construction activities)	0.2	0.98
10 feet from construction activities	0.08	0.3
25 feet from construction activities	0.11	0.5
65 feet from construction activities	0.2	0.7
100 feet from construction activities	0.2	0.9
250 feet from construction activities	0.2	0.7
500 feet from construction activities	0.07	0.3
SDAPCD Significance Threshold	*10*	*1*

Note: SCREEN3 model outputs and health risk calculations are provided in Appendix A.

Table 3 summarizes the modeled project-generated construction-related health risk (potential cancer and chronic health risks) from DPM at various distances from construction activities. The doorstep of the daycare facility is approximately 25 feet from the edge of construction activities, while the parking areas and playgrounds range from 10 feet to 250 feet away from construction activities. The nearest residence south of the project area is approximately 35 feet away. This worst-case analysis assumes the nearest receptors (at the daycare facility) are directly downwind of construction activities with little to no elevation difference between the source and the receptor. The highest DPM concentrations and health risks occur between 3 to 250 feet from construction activities and reduce significantly beyond 250 feet. The maximum health impact would occur at approximately 154 feet from construction activities. This distance represents the middle of the daycare facility property as well as the distance to nearby residences. However, as shown in Table 3, construction-related DPM emissions would not exceed SDAPCD thresholds for increased cancer risk and chronic hazard index. DPM emissions would represent a minimal impact to receptors at both the daycare facility and nearby residences. Therefore, the project's construction would not expose sensitive receptors to substantial pollutant concentrations, and the construction impact would be less than significant.

Beyond the construction phase, the project would not result in considerable pollutant emissions because operation would entail operations would only include a part-time employee and bi-monthly material deliveries. Therefore, the project's operational phase would not expose sensitive receptors to substantial pollutant concentrations, and the operational impact would be less than significant.

e. Create objectionable odors affecting a substantial number of people?

Less-Than-Significant Impact. Project-related odor emission would be limited to the construction period, where emissions from the construction equipment may be evident in the immediately surrounding area on a temporary basis. Potential sources that may emit odors during construction activities include asphalt paving. In addition, material deliveries from heavy-duty truck trips could create an occasional "whiff" of diesel exhaust for nearby receptors along roadways. These odors would not affect a substantial number of people, as the scale of construction is small, the frequency of permanent trips is very low, and the potentially affected area is limited due to the localized evidence of these odors. In terms of operations, there would be no permanent impacts because the

water treatment processing would be conducted in an enclosed area. Therefore, the project's odor impact would be less than significant.

IV. Biological Resources	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special-status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☒	☐	☐
b. Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☒
c. Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marshes, vernal pools, coastal wetlands, etc.) through direct removal, filling, hydrological interruption, or other means?	☐	☐	☐	☒
d. Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	☐	☐	☒	☐
e. Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	☐	☐	☒	☐
f. Conflict with the provisions of an adopted habitat conservation plan, natural community conservation plan, or other approved local, regional, or state habitat conservation plan?	☐	☐	☒	☐

a. Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special-status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?

Less than Significant with Mitigation Incorporated. ICF Jones & Stokes staff conducted a site visit on June 11, 2009, to determine existing biological resources conditions on the site and to analyze potential effects of the project on sensitive biological resources. The project site consists of an existing disturbed, fenced area that supports bare ground and some scattered non-native species and is surrounded by developed areas and some associated ornamental landscaping. The project footprint would be limited to the existing disturbed/fenced area and some of the surrounding

ornamental plantings. The project site and immediately surrounding areas do not provide suitable habitat for listed species. However, the project site is near open space areas and, as a result, onsite and adjacent ornamental plantings, including pine trees, could provide suitable nesting habitat for raptors and other birds protected by the Federal Migratory Bird Treaty Act (MBTA). The MBTA, enacted in 1918, is a federal statute whose purpose is to prohibit the kill or transport of native migratory birds, or any part, nest, or egg of any such bird unless allowed by another regulation adopted in accordance with the MBTA. Direct impacts (through loss of habitat) and indirect impacts (through increased noise and dust during construction) on nesting birds/raptors resulting from implementation of the project would be considered significant. Implementation of either Mitigation Measure 2a or Mitigation Measure 2b would reduce this impact to less than significant.

Mitigation Measure 2a: Avoid Impacts on Vegetation During the Nesting Bird Season.

In order to avoid all potential impacts on nesting migratory birds and raptors, construction activities involving the removal of vegetation shall be restricted during the breeding season for migratory birds/raptors (approximately January 15 through August 31).

If construction activities are proposed within the identified breeding season, Mitigation Measure 2b would be employed.

Mitigation Measure 2b: Preconstruction Nesting Bird Surveys.

If construction activities involving the removal of vegetation occur between January 15 and August 31, a preconstruction nesting bird survey shall be conducted (within three days prior to construction activities) by a qualified biologist to determine if active nests are present within or adjacent to the project site in order to avoid the nesting activities of breeding birds/raptors. If nesting activities within 200 feet of the proposed work area are not detected, construction activities would be allowed to proceed. If nesting activities are confirmed within this radius, construction activities shall be delayed within an appropriate buffer from the active nest until the young birds have fledged and left the nest or until the nest is no longer active as determined by a qualified biologist. The size of the appropriate buffer shall be determined by a qualified biologist, but shall be at least 25 feet.

b. Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?

No Impact. The project site consists of an existing disturbed area surrounded by development and associated ornamental landscaping. No riparian habitat or other sensitive natural community is located within or adjacent to the project site. Therefore, no impacts to riparian habitats or other sensitive natural communities would occur as a result of the project.

c. Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marshes, vernal pools, coastal wetlands, etc.) through direct removal, filling, hydrological interruption, or other means?

No Impact. The project site consists of an existing disturbed area surrounded by development. No jurisdictional wetlands or waterways occur within or immediately adjacent to the project site. Therefore, the project would not have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act. No impacts would occur.

d. Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?

Less than Significant Impact. See 4.a above. Construction and operation of the project would not interfere with the movement of any native resident or migratory fish or impede the use of native wildlife nursery sites because no waterways with the ability to support fish exist on the site and no native wildlife nursery sites occur in the project area. The project site consists of a disturbed area surrounded by commercial and residential development and associated ornamental landscaping. Removal of ornamental landscaping could disturb potentially suitable nesting habitat for birds/raptors, as described above in 4.a, but the scattered ornamental plantings and roadside vegetation in the project area do not serve as a wildlife corridor because they do not link areas of native habitat. Therefore, impacts to wildlife movement from the project would be less than significant.

e. Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?

Less than Significant Impact. The project site is located within the City of Chula Vista's Multiple Species Conservation Program (MSCP) Subarea. The project site is within an area mapped as "Development Area" and within a "Major Projects Boundaries" area. Therefore, the project would not conflict with the City's MSCP Subarea Plan. Impacts would be less than significant.

f. Conflict with the provisions of an adopted habitat conservation plan, natural community conservation plan, or other approved local, regional, or state habitat conservation plan?

Less than Significant Impact. See 4.e above. The project would be consistent with provisions identified in the City's MSCP. Impacts would be less than significant.

V. Cultural Resources	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Cause a substantial adverse change in the significance of a historical resource as defined in Section 15064.5?	☐	☐	☐	☒
b. Cause a substantial adverse change in the significance of an archaeological resource pursuant to Section 15064.5?	☐	☐	☐	☒
c. Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	☐	☒	☐	☐
d. Disturb any human remains, including those interred outside of formal cemeteries?	☐	☐	☐	☒

a. Cause a substantial adverse change in the significance of a historical resource as defined in Section 15064.5?

No Impact. The site is a previously disturbed and graded parcel that is part of a residential and public facilities master development that occurred in the 1990s. No historical resources are located within or immediately adjacent to the project site. Therefore, the project would not cause a substantial adverse change in the significance of a historic resource.

b. Cause a substantial adverse change in the significance of an archaeological resource pursuant to Section 15064.5?

No Impact. The site is a previously disturbed and graded parcel and, therefore, is not likely to contain subsurface archaeological resources. Therefore, there would be no impact.

c. Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?

Less Than Significant with Mitigation Incorporated. The presence or absence of paleontological resources or unique geologic features beneath the surface of the site cannot be determined. The well-drilling aspect of the project has a very low potential to disturb any resources or features that may be present due to the limited scope of the ground disturbance (i.e., an 18-inch well shaft). Because the absence of these resources and features cannot be confirmed, this is a significant impact, and mitigation is identified below that would reduce this impact to a less-than-significant level. As a standard practice of well drilling, one or more qualified geologists would be present during the project-related drilling for geologic monitoring and testing purposes. As part of their regular monitoring process, these geologists would be checking the earth material that is displaced by the drilling and would be vigilant of unusual circumstances such as the presence of paleontological resources or unique geologic features. The following mitigation would be implemented on the project to ensure that the project would not substantially destroy any such resources or features.

Mitigation Measure 3: Halt Work if Paleontological Resources or Unique Geologic Features Are Encountered.

If paleontological resources or unique geologic features are discovered by the project geologists during drilling, the drilling work will be halted immediately and the San Diego Museum of Natural History (Natural History Museum) will be contacted. In consultation with the Natural History Museum and the project geologist, the District will determine the proper steps for documenting, removing, or otherwise managing the resources or features.

d. Disturb any human remains, including those interred outside of formal cemeteries?

No Impact. Please see 5.b above.

VI. Geology and Soils	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
1. Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	☐	☐	☒	☐
2. Strong seismic groundshaking?	☐	☐	☒	☐
3. Seismic-related ground failure, including liquefaction?	☐	☐	☐	☒
4. Landslides?	☐	☐	☐	☒
b. Result in substantial soil erosion or the loss of topsoil?	☐	☐	☒	☐
c. Be located on a geologic unit or soil that is unstable or that would become unstable as a result of the project and potentially result in an onsite or offsite landslide, lateral spreading, subsidence, liquefaction, or collapse?	☐	☐	☒	☐
d. Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?	☐	☐	☒	☐
e. Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems in areas where sewers are not available for the disposal of wastewater?	☐	☐	☐	☒

a. Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:

1. Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map or based on other substantial evidence of a known fault?

Less-than-Significant Impact. The Alquist-Priolo Earthquake Fault zoning Map shows the nearest fault from this system, the Point Loma Earthquake Fault Zone, located approximately 6 miles west of the site. The project would not be subject to rupture along this fault. Figure 9-7 of the Chula Vista General Plan shows potentially active traces of the La Nacion fault approximately 0.5 miles east of the site. The greatest magnitude earthquake expected on the La Nacion fault is estimated to be 6.0. The project would not experience ground rupture from a quake along this fault system, but may be

subject to strong seismic ground shaking, as discussed below. The rupture-related impact would be less than significant.

2. Strong seismic ground shaking?

Less-than-Significant Impact. As with most areas throughout southern California, the project site would be subject to strong ground shaking in the event of a major earthquake along a nearby fault. Adverse affects on construction due to ground shaking are routinely addressed by standard measures set forth in the Uniform Building Code. As described above in the response to 6.a.1, the project is approximately 0.5 miles east of potentially active traces of the La Nacion fault system, which is estimated as producing up to a 6.0 earthquake. This could produce ground shaking on the site, but not to the extent that would be out of the ordinary and that could not be dealt with by implementing standard UBC measures. The "Geology and Soils Information Report" prepared for the project by Southern California Soils & Testing, Inc. (Appendix B of this MND) includes seismic design recommendations in accordance with the 2007 California Building Code, which would be incorporated into the site. Therefore, this impact would be less than significant.

3. Seismic-related ground failure, including liquefaction?

No Impact. Figure 9-7 of the Chula Vista General Plan identifies areas within the City that are subject to hazards due to liquefaction. The project site is not shown as a liquefaction hazard area on this map. Furthermore, the Geology and Soils Information Report (Appendix B) did not identify the potential for liquefaction to occur on the site. Therefore, there would be no impact.

4. Landslides?

No Impact. Figure 9-7 of the Chula Vista General Plan identifies areas within the City that are subject to hazards due to landslides. The project site is not shown as a landslide hazard area on this map. Therefore, there would be no impact.

b. Result in substantial soil erosion or the loss of topsoil?

Less-than-Significant Impact. The project site is situated on approximately 0.20 acres of level terrain that has been previously graded and disturbed and is surrounded by developed areas. The project would entail a minor amount of grading on the project site that, due to the limited size of the site and the limited scope of grading, would not result in substantial soil erosion or loss of topsoil. Therefore, this impact would be less than significant.

c. Be located on a geologic unit or soil that is unstable or that would become unstable as a result of the project and potentially result in an onsite or offsite landslide, lateral spreading, subsidence, liquefaction, or collapse?

Less-than-Significant Impact. The project would withdraw approximately 645 acre-feet per year of groundwater from the San Diego Formation, a deep, confined alluvial aquifer. The total storage capacity of the San Diego Formation has been estimated to approach or exceed 2 million acre feet (SDCWA 1997, SDCWA 2003).

In 1996, the San Diego County Water Authority formed the San Diego Formation Task Force to assess issues associated with groundwater supply development from the San Diego Formation. To avoid water quality impacts associated with seawater intrusion and to avoid subsidence impacts, the San Diego Formation Task Force concluded that groundwater production from the San Diego Formation may be limited to approximately 40,000 to 90,000 acre-feet per year (SDCWA 2003).

Current and proposed pumping from the middle portion of the San Diego Formation is projected to be significantly below this threshold. Sweetwater Authority is the only entity currently pumping water from the San Diego Formation aquifer in the general project area. Sweetwater Authority's total pumping from the San Diego Formation is currently approximately 6,000 acre-feet per year (Sweetwater Authority 2009). Ultimate Sweetwater Authority groundwater pumping from the San Diego Formation is projected at approximately 11,000 acre-feet per year (Sweetwater Authority 2009).

Sweetwater Authority has developed an Interim Groundwater Management Plan (2001) that, in part, establishes a goal of maintaining long-term groundwater levels in the San Diego Formation aquifer. By maintaining long-term static groundwater levels, the interim plan seeks to ensure that San Diego Formation pumping does not lead to such adverse effects such as seawater intrusion or subsidence (Sweetwater Authority 2001).

Land subsidence or geologic instability could occur when a confined groundwater aquifer is excessively pumped to the point where groundwater aquifer piezometric heads (groundwater aquifer pressures) are significantly reduced. The projected groundwater pumping rate (645 acre-feet per year) is a tiny fraction of 1% of the total San Diego Formation groundwater storage. Total ultimate groundwater pumping from the middle portion of the San Diego Formation (existing Sweetwater Authority pumping, proposed ultimate Sweetwater Authority pumping, and the proposed Otay Water District project) would also represent a small fraction of the San Diego Formation groundwater storage. Because the proposed project involves small groundwater pumping volumes compared to the available aquifer storage, the project (by itself or in combination with other regional groundwater pumping projects) would not result in significant changes in groundwater piezometric heads. As a result, the project is not projected to not result in geologic instability or discernible subsidence, and these impacts would be less than significant.

d. Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?

Less-than-Significant Impact. The Geology and Soils Report prepared for the project (Appendix B) indicated that the site is on land that may partially be expansive, but concludes that the site is capable of supporting a light structure, such as the proposed treatment plant. The report includes recommended specifications for constructing foundations on the site, and these recommendations would be incorporated into the site design. Therefore, this impact would be less than significant.

e. Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems in areas where sewers are not available for the disposal of wastewater?

No Impact. The project does not propose the use of septic tanks or alternative wastewater disposal systems; therefore, no impacts would occur.

VII. Hazards and Hazardous Materials	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?	☐	☐	☒	☐
b. Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	☐	☐	☒	☐
c. Emit hazardous emissions or involve handling hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	☐	☐	☒	☐
d. Be located on a site that is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?	☐	☐	☐	☒
e. Be located within an airport land use plan area or, where such a plan has not been adopted, be within two miles of a public airport or public use airport, and result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
f. Be located within the vicinity of a private airstrip and result in a safety hazard for people residing or working in the project area?	☐	☐	☐	☒
g. Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	☐	☐	☒	☐
h. Expose people or structures to a significant risk of loss, injury, or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?	☐	☐	☒	☐

a. Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?

Less-than-Significant Impact. Like nearly all construction projects, project equipment would use diesel fuel and other common petroleum-based products, but not in quantities that would be considered beyond that of any standard construction project and not of the quantities that would present any danger to the public. All materials would be transported and used in accordance with standard practices. Therefore, these construction-related impacts would be less than significant.

Ongoing operation of the treatment facility would entail transport, storage, and usage of chemicals, including hypochlorite, caustic soda, and sulfuric acid. Transport of these chemicals would occur via bi-monthly truck deliveries. Transport of these materials is regulated by the California Health and Safety Code, and project-related transport would comply with all mandatory regulations to ensure prevention of hazardous conditions. Once on the site, these materials would be stored in double-walled tanks and bins constructed for the specific purpose of properly containing the chemicals and preventing spills or leaks. No chlorine gas would be used on the site. The District has set forth standard and mandatory safety procedures for the delivery, storage, and use of hypochlorite in HMS 101.21, "Sodium and Calcium Hypochlorite Safety Procedure," which lays out safe work practices to protect employees and container, delivery, and disposal procedures to protect the environment and other people who may be in proximity to these chemicals.

Additionally, the site would be required to prepare a Hazardous Materials Business Plan, in accordance with California Health and Safety Code Section 6.95 and County Department of Environmental Health (DEH) regulations. These mandatory plans document procedures for use and storage of these materials, precautions to prevent spills, and response procedures in case of a spill so as to prevent substantial risk to human health or the environment. The project-related plan must be submitted to DEH and approved prior to operation of the project, and must be reviewed and revised annually for recertification with DEH. Mandatory preparation of and ongoing compliance with this plan and adherence to HMS 101.21 would ensure that the project's impacts due to the project-related presence of hazardous materials would be less than significant.

b. Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?

Less-than-Significant Impact. See response to 7.a, above.

c. Emit hazardous emissions or involve handling hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?

Less-than-Significant Impact. The project is located adjacent to (within 0.25-mile of) a daycare facility. The project does not entail the routine emission of hazardous substances. As described in 7.a, above, the project would use and store chemicals necessary to treat the groundwater before adding it to the potable water system, but these chemicals will be properly and securely stored within the enclosed treatment facility, in accordance with the Hazardous Materials Business Plan that will be prepared for the site. Therefore, the on-site chemicals would not pose a significant hazard to the adjacent daycare facility, and this impact would be less than significant.

d. Be located on a site that is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?

No Impact. A review of the EnviroStar database of hazardous materials sites pursuant to Government Code Section 65962.5 maintained by the California Department of Toxic Substances Control (http://www.dtsc.ca.gov/SiteCleanup/Cortese_List.cfm) shows that the project site is not included in this listing. Therefore, there would be no impact.

e. Be located within an airport land use plan area or, where such a plan has not been adopted, be within two miles of a public airport or public use airport, and result in a safety hazard for people residing or working in the project area?

No Impact. The project site is not located within 2 miles of an airport land use plan, public airport, or public use airport; therefore, no impacts would occur.

f. Be located within the vicinity of a private airstrip and result in a safety hazard for people residing or working in the project area?

No Impact. The project site is not located within the vicinity of a private airstrip; thus, no impacts would occur.

g. Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?

Less-than-Significant Impact. The project would not result in road closures or otherwise physically obstruct any roads or access points. The project would result in a very minor amount of construction traffic and a lesser amount of permanent operational traffic, which would likely access the site via I-805, H Street, Del Rey Boulevard, and Rancho del Rey Parkway. This small amount of project-related traffic would not be substantial enough to interfere with emergency response or evacuation. Therefore, this impact would be less than significant.

h. Expose people or structures to a significant risk of loss, injury, or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?

Less-than-Significant Impact. The project is located in the vicinity of wildland canyons but is buffered by development on all sides. Therefore, the project would not have the potential for causing a wildland fire. The project features a very small structure and minimal human presence on the site on an ongoing basis, and therefore would not expose a significant amount of structures or people to wildland fires that may occur in nearby canyons. Therefore, this impact is less than significant.

VIII. Hydrology and Water Quality	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Violate any water quality standards or waste discharge requirements?	☐	☒	☐	☐
b. Substantially deplete groundwater supplies or interfere substantially with groundwater recharge, resulting in a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level that would not support existing land uses or planned uses for which permits have been granted)?	☐	☐	☒	☐
c. Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner that would result in substantial erosion or siltation onsite or offsite?	☐	☐	☒	☐
d. Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner that would result in flooding onsite or offsite?	☐	☐	☒	☐
e. Create or contribute runoff water that would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	☐	☐	☒	☐
f. Otherwise substantially degrade water quality?	☐	☐	☒	☐
g. Place housing within a 100-year flood hazard area, as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?	☐	☐	☐	☒
h. Place within a 100-year flood hazard area structures that would impede or redirect floodflows?	☐	☐	☐	☒
i. Expose people or structures to a significant risk of loss, injury, or death involving flooding, including flooding as a result of the failure of a levee or dam?	☐	☐	☐	☒
j. Contribute to inundation by seiche, tsunami, or mudflow?	☐	☐	☐	☒

a. Violate any water quality standards or waste discharge requirements?

Less-than-Significant Impact with Mitigation Incorporated. Project construction is small-scale and not located adjacent to any natural water bodies. Runoff from the project site does enter the City's storm drain system, specifically gutters along Rancho del Rey Parkway. Project construction would entail a minor amount of stormwater discharge that, due to the nature of construction, has the potential to include sediment and pollutants associated with the construction process. Project construction will comply with the City of Chula Vista's Development Storm Water Manual, which spells out compliance with the City's requirements for projects to comply with their National Pollutant Discharge Elimination System (NPDES) permit and Standard Urban Storm Water Mitigation Plan. The project would be required to prepare and implement a project-specific Stormwater Pollution Prevention Plan (SWPPP), which includes a site map and a description of proposed construction activities, demonstration of compliance with relevant local ordinances and regulations, and description of BMPs that would be implemented to prevent soil erosion and discharge of other construction-related pollutants that could contaminate nearby water resources. Permittees are further required to ensure that BMPs are correctly implemented and effective in controlling the discharge of stormwater-related pollutants. Adherence to these mandatory criteria would ensure that project construction would have a less-than-significant impact with respect to water quality standards and waste discharge requirements.

Project operation entails discharge of brine from the water treatment facility into the City's sewer system, and ultimately into the Metropolitan Sewer system for treatment and disposal. Unchecked discharge from this source could result in a significant impact on waste discharge requirements maintained by the San Diego Metropolitan Wastewater Department. However, the project requires an Industrial User Discharge Permit from that agency, and the permit may place limits on the salt content or quantity of discharge to minimize the project's environmental impacts. Permit specifics cannot be determined at this time, but compliance with all requirements set forth in the permit would ensure that this impact would be less than significant.

Mitigation Measure 4: Comply with Industrial User Discharge Permit Requirements.

The District will obtain an Industrial User Discharge Permit from San Diego Metropolitan Wastewater Department and will comply with all limitations and requirements stated therein with respect to the discharge salt content, quantity, or other aspects.

b. Substantially deplete groundwater supplies or interfere substantially with groundwater recharge, resulting in a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level that would not support existing land uses or planned uses for which permits have been granted)?

Less-than-Significant Impact. The project would entail drawing groundwater from the San Diego Formation, a deep, confined, alluvial groundwater aquifer that underlies a large portion of southwestern San Diego County. The San Diego Formation underlies a large portion of southwestern San Diego County. Based on recent information developed as part of the San Diego County Water Authority San Diego Formation Task Force, the San Diego Formation is believed to be at least 1,000 feet thick in an area that extends from the International Border to Mission Bay, approximately 2 miles inland from the La Naçion and Rose Canyon Fault Zones (Huntley et al. 1996, SDCWA 1997, SDCWA 2003). The western extent of the San Diego Formation is not well defined, but it is believed to extend to and under San Diego Bay (Huntley et al. 1996, SDCWA 2003).

The total storage capacity of the San Diego Formation has been estimated to approach or exceed 2 million acre feet (SDCWA 1997, SDCWA 2003). While the groundwater storage volume within the

San Diego Formation is large, usable storage within the aquifer may be limited by water quality or hydrogeologic factors. To prevent the potential for inducing land subsidence and/or seawater intrusion, the San Diego Formation Task Force estimates that the total water supply development potential of the San Diego Formation is approximately 40,000 to 90,000 acre-feet per year (SDCWA 2003). Within the middle portions of the aquifer (e.g. mid-bay and Otay River area), the annual production potential of the San Diego Formation may approach 35,000 acre-feet per year (SDCWA 2003).

Only a limited number of existing wells withdraw from this aquifer due to its depth and the salinity levels. Sweetwater Authority operates several wells that largely (or in part) derive supply from the San Diego Formation. For decades, Sweetwater Authority's National City well field has historically produced approximately 1,500 to 2,500 acre-feet per year of supply (Sweetwater Authority 2009). In 1999, Sweetwater Authority implemented additional groundwater pumping from San Diego Formation wells to feed the Sweetwater Authority Richard A. Reynolds Groundwater Desalination Facility. Since this time, Sweetwater Authority groundwater pumping to the desalination facility has ranged from approximately 2,000 to 4,400 acre-feet per year (Sweetwater Authority 2009). Sweetwater Authority is proposing to expand the capacity of its desalination facility to a production capacity of approximately 8 million gallons per day. With this proposed expansion, Sweetwater Authority estimates that its total groundwater pumping from the San Diego Formation may ultimately reach approximately 11,000 acre-feet per year.

The project may extract approximately 645 acre-feet or greater per year. This minor pumping volume would represent a tiny fraction of the potential storage volume of the San Diego Formation. The proposed pumping capacity would also represent a small percentage of the estimated groundwater production capacity of the San Diego Formation. Further, the projected 645 acre-feet per year production would represent less than 6% of the total ultimate pumping proposed by Sweetwater Authority. Because of the limited amount of project-related groundwater extraction and the separation distance between the project and Sweetwater Authority's San Diego Formation wells, the project would have a negligible effect on groundwater production in other wells and would have no effect on the water service capabilities of the Sweetwater Authority. Therefore, this impact would be less than significant.

c. Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner that would result in substantial erosion or siltation onsite or offsite?

Less-than-Significant Impact. The project site is a small, irregularly shaped parcel that is entirely disturbed and covered in turf and ornamental vegetation. The site has relatively level terrain and is not located on a major drainage system. The project would increase the site's impervious surface area by constructing an approximately 3,600 square-foot building and paving approximately 3,000 square feet of the site surrounding the treatment facility with asphalt to accommodate parking and circulation for plant employees, chemical-delivery trucks, and other equipment. Construction period impacts that may result in on- or offsite erosion or siltation would be minimized to less-than-significant levels by the implementation of BMPs set forth in the SWPPP (see 8.a above). Operational impacts related to siltation or erosion would be minimized to less-than-significant levels by the development and use of standard stormwater drainage features. Additionally, no waterways flow through the project site so the alteration of a stream or river would not occur. Therefore, the project would not substantially alter the existing drainage pattern of the project area,

including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on or off site. Impacts would be less than significant.

d. Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner that would result in flooding onsite or offsite?

Less-than-Significant Impact. See 8.a and 8.c above. Although the project would increase the site's impervious surface area, implementation of standard stormwater drainage features would be sufficient to handle the increase in stormwater runoff and would not result in flooding on or off site. Therefore, impacts would be less than significant.

e. Create or contribute runoff water that would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?

Less-than-Significant Impact. See 8.a and 8.c above.

f. Otherwise substantially degrade water quality?

Less-than-Significant Impact. See 8.a and 8.c above.

g. Place housing within a 100-year flood hazard area, as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?

No Impact. The project consists of the construction/development of a well and associated treatment facility and does not propose the construction of any housing. Therefore, no impact associated with the placement of housing within a 100-year flood hazard area would occur.

h. Place within a 100-year flood hazard area structures that would impede or redirect floodflows?

No Impact. The project site is mapped as being outside of the 100-year and 500-year floodplain (FEMA 1997). Thus, no impact would occur.

i. Expose people or structures to a significant risk of loss, injury, or death involving flooding, including flooding as a result of the failure of a levee or dam?

No Impact. As discussed above, the project area is not located in an area that is prone to flooding events. The project would not expose people or structures to a significant risk of loss, injury, or death involving flooding, including flooding as a result of the failure of a levee or dam because there are no levees or dams located in the project vicinity. No impact would occur.

j. Contribute to inundation by seiche, tsunami, or mudflow?

No Impact. The project site is located approximately 6 miles east of the Pacific Ocean. The closest body of water is the Sweetwater River, located approximately 1 mile northwest of the project site. No impacts associated with inundation by seiche, tsunami, or mudflow would occur.

IX. Land Use and Planning	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Physically divide an established community?	☐	☐	☐	☒
b. Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to, a general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	☐	☐	☒	☐
c. Conflict with any applicable habitat conservation plan or natural community conservation plan?	☐	☐	☐	☒

a. Physically divide and established community?

No Impact. The project is located on a small, fenced site that is not connected to the surrounding community. Therefore, the project would not divide an established community.

b. Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to, a general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?

Less-than-Significant Impact. The project site has the General Plan land use designation Public & Quasi-Public (P-Q), as defined by the Land Use Element of the City's General Plan. The P-Q designation for the site depicts the possible location of future public facilities. The project would be consistent with the site's P-Q designation since it would construct and operate a well and water treatment facility intended to serve the public's demand for water resources. The project site has the P-Q—Public/Quasi-Public zone designation, as defined by the City's Zoning Ordinance. Permitted uses in the P-Q zone include agricultural uses, including grazing and livestock raising; water reservoirs; and public parks. Uses that are conditionally permitted in the P-Q zone include utility substations and unclassified uses, which would be consistent with the well and water treatment facility proposed by the project. The Because the project does not conflict with the General Plan or the Zoning Ordinance, impacts would be less than significant.

c. Conflict with any applicable habitat conservation plan or natural community conservation plan?

No Impact. The project site is located within the City of Chula Vista's MSCP Subarea. The project site is within an area mapped as "Development Area" and within a "Major Projects Boundaries" area. The project would occur on a disturbed graded site and would not result in direct or indirect impacts to sensitive biological resources. The project would not conflict with the City's MSCP Subarea Plan. Impacts would be less than significant.

X. Mineral Resources	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?	☐	☐	☐	☒
b. Result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan, or other land use plan?	☐	☐	☐	☒

a. Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?

No Impact. Figure 9-4 of the Chula Vista General Plan shows the project site as not being within an Aggregate Resource Area. Therefore, the site does not contain known mineral resources, and there would be no impact.

b. Result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan, or other land use plan?

No Impact. See 10.a above.

XI. Noise	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Expose persons to or generate noise levels in excess of standards established in a local general plan or noise ordinance or applicable standards of other agencies?	☐	☐	☐	☒
b. Expose persons to or generate excessive groundborne vibration or groundborne noise levels?	☐	☐	☒	☐
c. Result in a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☐	☒	☐
d. Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	☐	☒	☐	☐
e. Be located within an airport land use plan area, or, where such a plan has not been adopted, within two miles of a public airport or public use airport and expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒
f. Be located in the vicinity of a private airstrip and expose people residing or working in the project area to excessive noise levels?	☐	☐	☐	☒

a. Expose persons to or generate noise levels in excess of standards established in a local general plan or noise ordinance or applicable standards of other agencies?

No Impact. Chapter 19.68 of the Chula Vista Municipal Code (Noise Ordinance) establishes rules regarding noise in the city limits. The District is an independent agency that is not subject to the Noise Ordinance, and does not operate under its own adopted noise ordinance. Furthermore, Section 19.68.060 of the Noise Ordinance exempts construction activities from complying with the decibel-level standards set forth in the Noise Ordinance. Therefore, the project would not generate noise levels exceeding applicable noise standards, and there would be no impact. (Additional discussion of the noise generated by the project is provided below in the response to 11.d.)

b. Expose persons to or generate excessive ground-borne vibration or ground-borne noise levels?

Less-than-Significant Impact. The project would not generate ground-borne noise. The well-drilling and construction aspects of the project may generate a very small amount of ground-borne vibration, but not of the level that is likely to be perceptible to off-site receptors or cause building damage. Therefore, this impact is less than significant.

c. Result in a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?

Less-than-Significant Impact. The project would not result in a permanent increase in ambient noise. Permanent features of the project-related treatment facility would be encased inside a building, which would prevent any treatment-equipment noise from being heard from neighboring residences and the daycare center. Permanent project-related traffic is limited to approximately one vehicle trip per day for the onsite operator and approximately one bi-monthly delivery trip. This increase in traffic would not increase the ambient noise perceived by residences in the project area. As a result, this impact would be less than significant. Construction noise is temporary, and is addressed below in the response to 11.d.

d. Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?

Less-than-Significant Impact with Mitigation Incorporated. Project construction would entail an increase in ambient noise emitted from the project site and received by surrounding residences and the daycare center. Construction noise sources would include operation of the drill rig engine, which would likely run throughout the construction day (7 a.m. to 7 p.m.) Monday through Friday for two estimated three-week periods; well pipe installation, which would be limited to two 1–2 day period, including overnight work; trenching and installation of the onsite utility lines, which would occur within the stated daytime construction hours; and construction of the treatment facility structure, which would also occur within the stated daytime construction hours. Well drilling and well pipe installation—the noisiest aspects of project construction—would be contained on all sides day and night by a noise curtain, which would reduce the noise perceived off site. However, these and other aspects of construction noise would be received by adjacent receptors throughout the project, including the daycare center and church east of the site (daytime only, as these facilities does not operate during the night) and by adjacent residences. As referenced in the discussion of 11.b above, Mitigation Measure 1 has been incorporated into the project to increase community understanding of the project and to provide a project liaison to receive, respond to, and resolve noise complaints to the greatest extent possible. This mitigation measure would reduce this impact to a less-than-significant level.

e. Be located within an airport land use plan area, or, where such a plan has not been adopted, within two miles of a public airport or public use airport and expose people residing or working in the project area to excessive noise levels?

No Impact. The project site is not located within an airport land use plan or within 2 miles of an airport land use plan, public airport, or public use airport; therefore, no impacts would occur.

f. Be located in the vicinity of a private airstrip and expose people residing or working in the project area to excessive noise levels?

No Impact. There are no private airstrips located in the project vicinity, so no one residing or working in the project area would be exposed to excessive noise levels. No impact would occur.

XII. Population and Housing	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Induce substantial population growth in an area, either directly (e.g., by proposing new homes and businesses) or indirectly (e.g., through extension of roads or other infrastructure)?	☐	☐	☒	☐
b. Displace a substantial number of existing housing units, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒
c. Displace a substantial number of people, necessitating the construction of replacement housing elsewhere?	☐	☐	☐	☒

a. Induce substantial population growth in an area, either directly (e.g., by proposing new homes and businesses) or indirectly (e.g., through extension of roads or other infrastructure)?

Less-Than-Significant Impact. The project would increase the amount of potable water available to existing and future planned District customers. The purpose of the project is to reduce District reliance on expensive imported water to serve these customers, and the project is not intended to expand the District's service area or increase its customer base above that which is currently planned. Therefore, the project would not indirectly induce population growth, and this impact would be less than significant.

b. Displace a substantial number of existing housing units, necessitating the construction of replacement housing elsewhere?

No Impact. There are no housing units located on the project site, and the project would not entail any removal of housing units. Therefore, there would be no impact.

c. Displace a substantial number of people, necessitating the construction of replacement housing elsewhere?

No Impact. No people reside on site, and the project would not otherwise displace people. Therefore, there would be no impact.

XIII. Public Services	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities or a need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times, or other performance objectives for any of the following public services:				
Fire protection?	☐	☐	☒	☐
Police protection?	☐	☐	☐	☒
Schools?	☐	☐	☐	☒
Parks?	☐	☐	☐	☒
Other public facilities?	☐	☐	☐	☒

a. Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities or a need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times, or other performance objectives for any of the following public services:

Fire protection?

Less-Than-Significant Impact. Fire protection service for the site is provided by the Chula Vista Fire Department (CVFD) Fire Station 4, which is located at 850 Paseo Ranchero. Emergency response times for the project area are currently timed at less than 7 minutes. The project would neither increase response times nor necessitate additional firefighters for the project area because it would be limited to the installation and operation of an existing potable water well and construction of a water-treatment facility in a previously developed area. The water-treatment facility would consist of a small structure in a developed area that would not present a considerable new fire risk such that existing response times or performance objectives services would be affected. The site is anticipated to employ one part-time worker, working approximately 20 hours per week to perform regular operational, maintenance, and oversight duties. In addition, chemical deliveries would occur on a bi-monthly basis. Therefore, human presence at the site would be limited and the increased need for emergency response would be negligible. The project would not result in a considerable demand on fire-protection services resulting in the requirement for new or altered fire-protection services, and this impact would be less than significant.

Police protection?

No Impact. See above. Police protection for the site is provided by the Chula Vista Police Department. Priority 1 emergency response times for the project area are currently timed at 4 minutes and 19 seconds, and Priority 2 emergency response times for the area are timed at 9 minutes and 18 seconds. As described above, implementation of the project would install a small permanent building in a developed area and would not result in a substantial increase in onsite human occupation. The project would not create any security concerns necessitating additional police patrol. Therefore, the project would not increase the demand for or impact response times to police protection services. No impacts would occur.

Schools?

No Impact. The project would not generate a demand for public school services. No impacts would occur.

Parks?

No Impact. The project would not increase residential or occupational population; therefore, there would be no project-related demand on parks, and there would be no impact.

Other public facilities?

No Impact. No other public facilities would be affected by the project. No impact would occur.

XIV. Recreation	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?	☐	☐	☐	☒
b. Include recreational facilities or require the construction or expansion of recreational facilities that might have an adverse physical effect on the environment?	☐	☐	☐	☒

a. Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?

No Impact. The project would not increase the use of existing neighborhood parks, regional parks, or other recreational facilities; thus, substantial physical deterioration of these facilities would not occur or be accelerated. No impact would occur.

b. Include recreational facilities or require the construction or expansion of recreational facilities that might have an adverse physical effect on the environment?

No Impact. The project does not include the construction of new recreational facilities or the expansion of existing recreational facilities. The construction or expansion of recreational facilities would not be required. No impact would occur.

XV. Transportation/Traffic	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Cause an increase in traffic that is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in the number of vehicle trips, the volume-to-capacity ratio on roads, or congestion at intersections)?	☐	☐	☒	☐
b. Cause, either individually or cumulatively, exceedance of a level-of-service standard established by the county congestion management agency for designated roads or highways?	☐	☐	☒	☐
c. Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?	☐	☐	☐	☒
d. Substantially increase hazards because of a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?	☐	☒	☐	☐
e. Result in inadequate emergency access?	☐	☐	☐	☒
f. Result in inadequate parking capacity?	☐	☐	☐	☒
g. Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)?	☐	☐	☐	☒

a. Cause an increase in traffic that is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in the number of vehicle trips, the volume-to-capacity ratio on roads, or congestion at intersections)?

Less-than-Significant Impact. The project would not generate a considerable amount of traffic during the temporary construction period or during ongoing operation. Construction traffic would likely access the site via the I-805 H Street exit, Del Rey Boulevard, and Rancho del Rey Parkway. Because of the small size of the proposed facilities, the small scale of project-related grading, and the limited equipment required for well drilling, construction would require a very limited amount of materials and workers and, accordingly, would not entail much material or equipment delivery or worker traffic. Therefore, construction traffic would not result in a substantial increase in volume-to-capacity ratio on local roads or a substantial increase in intersection congestion. Ongoing project operation and facility maintenance would entail one part-time employee on a regular basis and bi-monthly chemical delivery visits. Therefore, the project would generate an average of fewer than one trip per day on an ongoing basis. This would not result in a substantial increase in volume-to-capacity ratio on local roads or a substantial increase in intersection congestion. This impact would be less than significant.

b. Cause, either individually or cumulatively, exceedance of a level-of-service standard established by the county congestion management agency for designated roads or highways?

Less-than-Significant Impact. See the response to 15.a above. The project would not generate traffic of a great enough volume to affect level-of-service standards, and this would be a less-than-significant impact.

c. Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?

No Impact. The project is not located near an airport and does not feature any components that would in any way affect air traffic. Therefore, there would be no impact.

d. Substantially increase hazards because of a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?

Less-than-Significant Impact with Mitigation Incorporated. The project entails constructing a new driveway to access the project site from Rancho del Rey Parkway. This driveway would be approximately 150 feet south of Terra Nova Drive and the driveway to the adjacent daycare center. The access would be gated and only available to authorized District personnel. As explained above in the response to 15.a, the project would generate a very minor amount of traffic during construction and on a permanent basis, limiting the amount of trips into and out of this driveway. However, the driveway would be located on a curve and near another intersection along Rancho del Rey Parkway, and would have the potential to result in conflicts between project-related vehicles and other vehicles travelling Rancho del Rey Parkway. Proper design and signage of the driveway would ensure safe conditions at this location, and this has been incorporated into mitigation explained below.

> **Mitigation Measure 5: Provide Ample Signage and Safe Design of Project Driveway.**
>
> The District will coordinate with the City Department of Public Works, Engineering Division to ensure that the project driveway is designed to meet all relevant City code and features adequate signage to the satisfaction of the Department of Public Works.

Implementation of this measure would ensure that safe conditions would be maintained in the vicinity of the project, and would reduce this traffic-hazards impact to a less-than-significant level.

e. Result in inadequate emergency access?

No Impact. The project would not block existing roads, generate a substantial amount of traffic on existing roads, or otherwise obstruct existing emergency access. Therefore, there would be no impact on emergency access.

f. Result in inadequate parking capacity?

No Impact. Worker parking would be accommodated at an onsite construction staging area and would not utilize any offsite parking lots or street-parking areas. Permanent parking demand of the facility would entail space for one part-time worker and for chemical delivery and maintenance trucks, which would be fully accommodated on site. Therefore, the project would not result in no impact with respect to parking.

g. Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)?

No Impact. Transit service to the general project area is provided by the San Diego Metropolitan Transit Service (MTS). The project is not located along an MTS route. Rancho del Rey Parkway contains bike lanes, but the project would not remove or obstruct these bike lanes either during construction or operation. The project would not remove or adversely affect bike racks or any other alternative transportation facilities. Therefore, there would be no impact.

XVI. Utilities and Service Systems	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
Would the project:				
a. Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	☐	☒	☐	☐
b. Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	☐	☐	☒	☐
c. Require or result in the construction of new stormwater drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	☐	☐	☒	☐
d. Have sufficient water supplies available to serve the project from existing entitlements and resources, or would new or expanded entitlements be needed?	☐	☐	☐	☒
e. Result in a determination by the wastewater treatment provider that serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	☐	☐	☒	☐
f. Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?	☐	☐	☒	☐
g. Comply with federal, state, and local statutes and regulations related to solid waste?	☐	☐	☐	☒

a. Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?

Less-than-Significant Impact with Mitigation Incorporated. Project construction is small in scale and not located adjacent to any natural water bodies. Runoff from the project site does enter the City's storm drain system, specifically gutters along Rancho del Rey Parkway. Project construction would entail a minor amount of stormwater discharge that, due to the nature of construction, has the potential to include sediment and pollutants associated with the construction process. Project construction will comply with the City of Chula Vista's Development Storm Water Manual, which spells out compliance with the City's NPDES permit and Standard Urban Storm Water Mitigation Plan. The project would be required to prepare and implement a project-specific SWPPP to demonstrate compliance with relevant local ordinances and regulations, and describes BMPs that would be implemented to prevent soil erosion and discharge of other construction-related pollutants that could contaminate nearby water resources. Permittees are further required to ensure that BMPs are correctly implemented and effective in controlling the discharge of

stormwater-related pollutants. Adherence to these mandatory criteria would ensure that project construction would have a less-than-significant impact with respect to water quality standards and waste discharge requirements.

Project operation entails discharge of brine from the water treatment facility into the City's sewer system, and ultimately into the Metropolitan Sewer system for treatment in the Point Loma Wastewater Treatment Plant and ultimate disposal in the Pacific Ocean. The Point Loma facility uses a chemical process to treat sewage before discharge. Unchecked discharge from this source could result in a significant impact on waste discharge requirements maintained by the San Diego Metropolitan Wastewater Department. However, the project requires an Industrial User Discharge Permit from that agency, and the permit may place limits on the salt content or quantity of discharge to minimize the project's environmental impacts. Permit specifics cannot be determined at this time, but compliance with all requirements set forth in the permit would ensure that this impact would be less than significant.

Mitigation Measure 4: Comply with Industrial User Discharge Permit Requirements.

The District will obtain an Industrial User Discharge Permit from San Diego Metropolitan Wastewater Department and will comply with all limitations and requirements stated therein with respect to the discharge salt content, quantity, or other aspects.

b. Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

Less-than-Significant Impact. The project entails installing new connections to the District's existing water conveyance system and the City's sewer conveyance system. The project would receive potable water from the existing system to mix with the well-related groundwater, but this usage would not be great enough to require the expansion or construction of water-treatment facilities. As explained above in the discussion of 16.a, the project would discharge wastewater into the City system for conveyance to the Metropolitan Sewer treatment system. This would require a permit from the San Diego Metropolitan Wastewater Department, but the volume of discharge would not be of a volume that would require expansion of the existing treatment facilities because the existing Point Loma Wastewater Treatment Plant has adequate capacity to handle project-related volume. Therefore, this impact would be less than significant.

c. Require or result in the construction of new stormwater drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

Less-than-Significant Impact. The project would entail paving a portion of the site and installing onsite storm water drainage facilities that would connect to the City system via a gutter drain in Rancho del Rey Parkway. The increased amount of stormwater flow from the site would not be of the scale that would require expansion of existing City facilities. Therefore, this impact would be less than significant.

d. Have sufficient water supplies available to serve the project from existing entitlements and resources, or would new or expanded entitlements be needed?

No Impact. The project would entail using existing District water supplies to allow blending of water treated on site with potable water currently running through the system. The project would not consume water; therefore, no impact would occur.

e. Result in a determination by the wastewater treatment provider that serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments?

Less-than-Significant Impact. See the responses to 16.a and 16.b above. The project would discharge wastewater into the City system for conveyance to Metropolitan Sewer's Point Loma Wastewater Treatment Plant. The plant has adequate capacity to handle project-related volume. Additionally, the District has an agreement with Metropolitan Sewer whereby they pay for a certain amount of discharge into the system, and there is adequate capacity in the District's agreed-upon volume. Therefore, this impact would be less than significant.

f. Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?

Less-than-Significant Impact. The project would not generate solid waste on an ongoing basis. Closure of the existing well, if it occurs, may require disposal of a small amount of material, likely in the Otay Landfill. The small amount of project-related solid waste would not be of a scale that would affect the landfill. Therefore, this impact would be less than significant.

g. Comply with federal, state, and local statutes and regulations related to solid waste?

No Impact. Project construction and operation would not entail any features that would preclude compliance with solid waste regulations. No impact would occur.

XVII. Mandatory Findings of Significance	Potentially Significant Impact	Less-than-Significant with Mitigation Incorporated	Less-than-Significant Impact	No Impact
a. Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, substantially reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory?	☐	☐	☒	☐
b. Does the project have impacts that are individually limited but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)	☐	☐	☒	☐
c. Does the project have environmental effects that will cause substantial adverse effects on human beings, either directly or indirectly?	☐	☐	☒	☐

a. Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, substantially reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory?

Less-than-Significant Impact. Discussion of the project's impacts with respect to a full range of environmental issue areas is provided above. The project would not result in any impacts on the environment, fish/wildlife habitat, or fish/wildlife/plant species that are not discussed above in Section 4. The project would not result in any impacts on the cultural resources that are not discussed above in Section 5. These impacts are less than significant.

b. Does the project have impacts that are individually limited but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)

Less-than-Significant Impact. The project site is located in a developed area that is not planned to support additional development. There are three cumulative projects listed on the City's website—the the Eastlake III Senior Housing Project (Draft EIR in April 2006); the High Tech High University Park project (MND in November 2007); and the Target project (MND in March 2009). The first two of these projects are located more than 5 miles east of the project site, and the third project is located more than 3 miles west of the project site; due to the distance between the project site and

the cumulative project sites, these projects would not combine to create any cumulative construction-phase or operational impacts. The Eastlake III and High Tech High projects are within the service area of the Otay Water District, and the project-related increase in availability of potable water would improve the water service to these cumulative projects. The Target project is in the service area of the Sweetwater Authority, and the project would have no cumulative effect on providing water to the Target project.

c. Does the project have environmental effects that will cause substantial adverse effects on human beings, either directly or indirectly?

Less-than-Significant Impact. The project's human-health impacts have been fully evaluated and discussed above, including impacts related to air quality, hazards, and noise. A significant impact with respect to temporary increases in ambient noise was identified, and mitigation is provided that reduces this impact to a less-than-significant level, but this impact is community-nuisance related, rather than human-health related. Project construction would not produce noise received off site that would be physically hazardous to people's hearing; therefore, this impact is not a substantial adverse effect on human beings.

XVIII. Earlier Analysis

This initial study does not rely on earlier analyses.

References

California Air Resources Board. 1998. Proposed Identification of Diesel Exhaust as a Toxic Air Contaminant. Available: <http://www.arb.ca.gov/regact/diesltac/diesltac.htm>.

California Climate Action Registry. 2009. California Climate Action Registry General Reporting Protocol: Reporting Entity-Wide Greenhouse Gas Emissions, Version 3.1. Los Angeles, CA. January.

California Department of Conservation. 2006. *San Diego County Important Farmland Map 2006.* Available: <ftp://ftp.consrv.ca.gov/pub/dlrp/FMMP/pdf/2006/sdg06_west.pdf>. Accessed: October, 2009.

_____. 2008. *San Diego County Williamson Act Lands 2008.* Available: <ftp://ftp.consrv.ca.gov/pub/dlrp/wa/Map%20and%20PDF/San%20Diego/SanDeigoWA_08_09.pdf>. Accessed: October 2009.

City of Chula Vista. 2009. Growth Management Oversight Commission 2009 Annual Report.

_____. 2005. City of Chula Vista General Plan.

_____. 2004. Chula Vista Municipal Code, Chapter 19.

_____. 2008. Chula Vista Development Storm Water Manual.

_____. Chula Vista Fire Department Website. Available: <http://www.chulavistaca.gov/City_Services/Public_Safety/Fire_Department/Stations/default.asp>. Accessed October 2009.

Huntley, David, Shaun Biehler, and C. Monte Marshall. *Distribution and Hydrogeologic Properties of the San Diego Formation, Southwestern San Diego County.* San Diego Formation Task Force Report of Investigation. 1996.

Otay Water District. 2009. Health Safety Manual Section 101.21: Sodium and Calcium Hypochlorite Safety Procedure.

San Diego Air Pollution Control District (SDAPCD). 2008. Fact Sheet: Attainment Status. Available: <http://www.sdapcd.org/info/facts/attain.pdf>. Accessed: January 2010.

———. 2009. Rules & Regulations. Available: http://www.sdapcd.org/rules/ rules/randr.html. Accessed: January 2010.

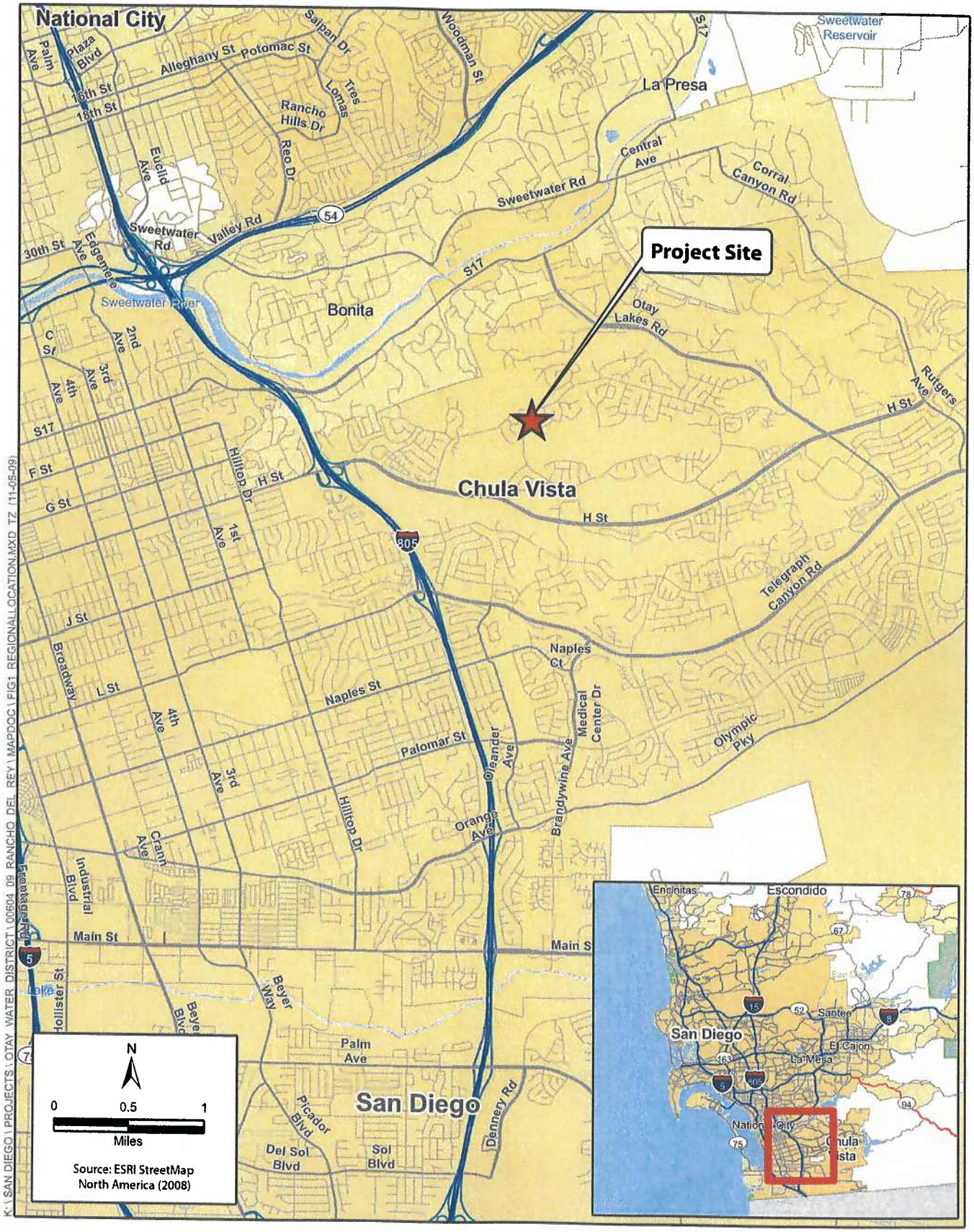
San Diego County Water Authority. *San Diego County Water Authority Groundwater Report.* 1997.

San Diego County Water Authority (SDCWA). *San Diego Formation Aquifer Storage and Recovery Study, Phase I.* 2003.

Sweetwater Authority. 2001. *Interim Groundwater Management Plan.*

Sweetwater Authority. *Water Supply Assessment.* 2009.

Welch, Michael R., Ph.D., P.E. Consulting Engineer. San Diego, CA. January 13, 2010—telephone conversation with Alex Hardy, ICF International.



ICF Jones & Stokes
an ICF International Company

Figure 1
Regional Location

K:\SAN DIEGO\PROJECTS\OTAY WATER DISTRICT\00604 09 RANCHO DEL REY\MAPDOC\FIG2 PROJECTSITE.MXD TZ (11-05-09)

ICF Jones & Stokes
an ICF International Company

Figure 2
Project Site

Appendix A
Air Quality Data

1/20/2010 2:07:12 PM

Urbemis 2007 Version 9.2.4

Combined Summer Emissions Reports (Pounds/Day)

File Name: G:\San Diego\10_Staff\Air Quality Staff\OWD_rancho del rey\Urbemis runs\Construction.urb924

Project Name: OWD Rancho del Rey

Project Location: South Coast AQMD

On-Road Vehicle Emissions Based on: Version : Emfac2007 V2.3 Nov 1 2006

Off-Road Vehicle Emissions Based on: OFFROAD2007

Summary Report:

CONSTRUCTION EMISSION ESTIMATES

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2
2010 TOTALS (lbs/day unmitigated)	14.36	143.91	59.44	0.00	4.01	6.60	10.61	0.84	6.07	6.91	18,429.42
2010 TOTALS (lbs/day mitigated)	14.36	143.91	59.44	0.00	4.01	6.60	8.40	0.84	6.07	6.27	18,429.42

Construction Unmitigated Detail Report:

CONSTRUCTION EMISSION ESTIMATES Summer Pounds Per Day, Unmitigated

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2

1/20/2010 2:07:12 PM

Time Slice 2/1/2010-2/19/2010 Active Days: 15	8.72	76.99	38.18	0.00	**4.01**	4.39	8.40	**0.84**	4.04	4.88	8,809.17
Mass Grading 02/01/2010-02/19/2010	8.72	76.99	38.18	0.00	4.01	4.39	8.40	0.84	4.04	4.88	8,809.17
Mass Grading Dust	0.00	0.00	0.00	0.00	4.00	0.00	4.00	0.84	0.00	0.84	0.00
Mass Grading Off Road Diesel	8.68	76.90	36.61	0.00	0.00	4.38	4.38	0.00	4.03	4.03	8,622.57
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59
Time Slice 2/22/2010-2/23/2010 Active Days: 2	**14.36**	**143.91**	**59.44**	0.00	**4.01**	**6.60**	**10.61**	**0.84**	**6.07**	**6.91**	**18,429.42**
Mass Grading 02/22/2010-02/23/2010	14.36	143.91	59.44	0.00	4.01	6.60	10.61	0.84	6.07	6.91	18,429.42
Mass Grading Dust	0.00	0.00	0.00	0.00	4.00	0.00	4.00	0.84	0.00	0.84	0.00
Mass Grading Off Road Diesel	14.31	143.81	57.86	0.00	0.00	6.60	6.60	0.00	6.07	6.07	18,242.82
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59
Time Slice 2/24/2010-3/10/2010 Active Days: 11	7.27	61.74	29.44	0.00	0.01	3.24	3.25	0.00	2.98	2.98	6,297.41
Building 02/24/2010-03/21/2010	3.36	35.45	12.99	0.00	0.00	1.55	1.55	0.00	1.42	1.42	3,771.95
Building Off Road Diesel	3.34	35.25	12.68	0.00	0.00	1.54	1.54	0.00	1.42	1.42	3,716.31
Building Vendor Trips	0.02	0.20	0.14	0.00	0.00	0.01	0.01	0.00	0.01	0.01	34.74
Building Worker Trips	0.01	0.01	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.90
Trenching 02/24/2010-03/21/2010	3.91	26.29	16.44	0.00	0.01	1.69	1.70	0.00	1.56	1.56	2,525.46
Trenching Off Road Diesel	3.86	26.20	14.87	0.00	0.00	1.69	1.69	0.00	1.55	1.55	2,338.87
Trenching Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59

1/20/2010 2:07:12 PM

Time Slice 3/11/2010-3/19/2010 Active Days: 7	9.32	73.86	38.30	**0.00**	0.02	4.28	4.30	0.01	3.93	3.94	7,509.54
Asphalt 03/11/2010-03/21/2010	2.04	12.11	8.86	0.00	0.01	1.04	1.05	0.00	0.95	0.96	1,212.13
Paving Off-Gas	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paving Off Road Diesel	1.95	11.89	6.98	0.00	0.00	1.03	1.03	0.00	0.94	0.94	979.23
Paving On Road Diesel	0.01	0.11	0.04	0.00	0.00	0.00	0.01	0.00	0.00	0.00	15.21
Paving Worker Trips	0.06	0.11	1.83	0.00	0.01	0.01	0.02	0.00	0.00	0.01	217.69
Building 02/24/2010-03/21/2010	3.36	35.45	12.99	0.00	0.00	1.55	1.55	0.00	1.42	1.42	3,771.95
Building Off Road Diesel	3.34	35.25	12.68	0.00	0.00	1.54	1.54	0.00	1.42	1.42	3,716.31
Building Vendor Trips	0.02	0.20	0.14	0.00	0.00	0.01	0.01	0.00	0.01	0.01	34.74
Building Worker Trips	0.01	0.01	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.90
Trenching 02/24/2010-03/21/2010	3.91	26.29	16.44	0.00	0.01	1.69	1.70	0.00	1.56	1.56	2,525.46
Trenching Off Road Diesel	3.86	26.20	14.87	0.00	0.00	1.69	1.69	0.00	1.55	1.55	2,338.87
Trenching Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59

Phase Assumptions

Phase: Mass Grading 2/1/2010 - 2/19/2010 - Well drilling

Total Acres Disturbed: 0

Maximum Daily Acreage Disturbed: 0.2

Fugitive Dust Level of Detail: Default

20 lbs per acre-day

On Road Truck Travel (VMT): 0

Off-Road Equipment:

1 Air Compressors (350 hp) operating at a 0.65 load factor for 12 hours per day

1 Bore/Drill Rigs (500 hp) operating at a 0.2 load factor for 12 hours per day

1 Generator Sets (325 hp) operating at a 0.62 load factor for 12 hours per day

1 Signal Boards (10 hp) operating at a 0.8 load factor for 12 hours per day

1/20/2010 2:07:12 PM

1 Skid Steer Loaders (500 hp) operating at a 0.7 load factor for 12 hours per day

1 Tractors/Loaders/Backhoes (85 hp) operating at a 0.88 load factor for 12 hours per day

Phase: Mass Grading 2/22/2010 - 2/23/2010 - Well pulling pipe

Total Acres Disturbed: 0

Maximum Daily Acreage Disturbed: 0.2

Fugitive Dust Level of Detail: Default

20 lbs per acre-day

On Road Truck Travel (VMT): 0

Off-Road Equipment:

1 Air Compressors (350 hp) operating at a 0.65 load factor for 24 hours per day

1 Bore/Drill Rigs (500 hp) operating at a 0.6 load factor for 24 hours per day

1 Generator Sets (325 hp) operating at a 0.62 load factor for 24 hours per day

1 Signal Boards (10 hp) operating at a 0.8 load factor for 24 hours per day

1 Skid Steer Loaders (500 hp) operating at a 0.7 load factor for 12 hours per day

1 Tractors/Loaders/Backhoes (85 hp) operating at a 0.88 load factor for 12 hours per day

Phase: Trenching 2/24/2010 - 3/21/2010 - Trenching for Utilities

Off-Road Equipment:

1 Crushing/Processing Equip (142 hp) operating at a 0.78 load factor for 8 hours per day

1 Excavators (168 hp) operating at a 0.57 load factor for 8 hours per day

1 Rubber Tired Loaders (164 hp) operating at a 0.54 load factor for 8 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 0 hours per day

1 Trenchers (63 hp) operating at a 0.75 load factor for 8 hours per day

1 Welders (45 hp) operating at a 0.45 load factor for 8 hours per day

Phase: Paving 3/11/2010 - 3/21/2010 - paving

Acres to be Paved: 0.07

Off-Road Equipment:

4 Cement and Mortar Mixers (10 hp) operating at a 0.56 load factor for 6 hours per day

1/20/2010 2:07:12 PM

1 Pavers (100 hp) operating at a 0.62 load factor for 7 hours per day

1 Rollers (95 hp) operating at a 0.56 load factor for 7 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 7 hours per day

Phase: Building Construction 2/24/2010 - 3/21/2010 - Building Construction

Off-Road Equipment:

1 Air Compressors (106 hp) operating at a 0.48 load factor for 8 hours per day

1 Forklifts (145 hp) operating at a 0.3 load factor for 8 hours per day

1 Generator Sets (549 hp) operating at a 0.74 load factor for 8 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 8 hours per day

Construction Mitigated Detail Report:

CONSTRUCTION EMISSION ESTIMATES Summer Pounds Per Day, Mitigated

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2
Time Slice 2/1/2010-2/19/2010 Active Days: 15	8.72	76.99	38.18	0.00	**4.01**	4.39	8.40	**0.84**	4.04	4.88	8,809.17
Mass Grading 02/01/2010-02/19/2010	8.72	76.99	38.18	0.00	4.01	4.39	8.40	0.84	4.04	4.88	8,809.17
Mass Grading Dust	0.00	0.00	0.00	0.00	4.00	0.00	4.00	0.84	0.00	0.84	0.00
Mass Grading Off Road Diesel	8.68	76.90	36.61	0.00	0.00	4.38	4.38	0.00	4.03	4.03	8,622.57
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59

1/20/2010 2:07:12 PM

Time Slice 2/22/2010-2/23/2010 Active Days: 2	**14.36**	**143.91**	**59.44**	0.00	0.92	**6.60**	7.52	0.19	**6.07**	6.27	**18,429.42**
Mass Grading 02/22/2010-02/23/2010	14.36	143.91	59.44	0.00	0.92	6.60	7.52	0.19	6.07	6.27	18,429.42
Mass Grading Dust	0.00	0.00	0.00	0.00	0.91	0.00	0.91	0.19	0.00	0.19	0.00
Mass Grading Off Road Diesel	14.31	143.81	57.86	0.00	0.00	6.60	6.60	0.00	6.07	6.07	18,242.82
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59
Time Slice 2/24/2010-3/10/2010 Active Days: 11	7.27	61.74	29.44	0.00	0.01	3.24	3.25	0.00	2.98	2.98	6,297.41
Building 02/24/2010-03/21/2010	3.36	35.45	12.99	0.00	0.00	1.55	1.55	0.00	1.42	1.42	3,771.95
Building Off Road Diesel	3.34	35.25	12.68	0.00	0.00	1.54	1.54	0.00	1.42	1.42	3,716.31
Building Vendor Trips	0.02	0.20	0.14	0.00	0.00	0.01	0.01	0.00	0.01	0.01	34.74
Building Worker Trips	0.01	0.01	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.90
Trenching 02/24/2010-03/21/2010	3.91	26.29	16.44	0.00	0.01	1.69	1.70	0.00	1.56	1.56	2,525.46
Trenching Off Road Diesel	3.86	26.20	14.87	0.00	0.00	1.69	1.69	0.00	1.55	1.55	2,338.87
Trenching Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59

1/20/2010 2:07:12 PM

Time Slice 3/11/2010-3/19/2010 Active Days: 7	9.32	73.86	38.30	0.00	0.02	4.28	4.30	0.01	3.93	3.94	7,509.54
Asphalt 03/11/2010-03/21/2010	2.04	12.11	8.86	0.00	0.01	1.04	1.05	0.00	0.95	0.96	1,212.13
Paving Off-Gas	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paving Off Road Diesel	1.95	11.89	6.98	0.00	0.00	1.03	1.03	0.00	0.94	0.94	979.23
Paving On Road Diesel	0.01	0.11	0.04	0.00	0.00	0.00	0.01	0.00	0.00	0.00	15.21
Paving Worker Trips	0.06	0.11	1.83	0.00	0.01	0.01	0.02	0.00	0.00	0.01	217.69
Building 02/24/2010-03/21/2010	3.36	35.45	12.99	0.00	0.00	1.55	1.55	0.00	1.42	1.42	3,771.95
Building Off Road Diesel	3.34	35.25	12.68	0.00	0.00	1.54	1.54	0.00	1.42	1.42	3,716.31
Building Vendor Trips	0.02	0.20	0.14	0.00	0.00	0.01	0.01	0.00	0.01	0.01	34.74
Building Worker Trips	0.01	0.01	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.90
Trenching 02/24/2010-03/21/2010	3.91	26.29	16.44	0.00	0.01	1.69	1.70	0.00	1.56	1.56	2,525.46
Trenching Off Road Diesel	3.86	26.20	14.87	0.00	0.00	1.69	1.69	0.00	1.55	1.55	2,338.87
Trenching Worker Trips	0.05	0.09	1.57	0.00	0.01	0.01	0.01	0.00	0.00	0.01	186.59

Construction Related Mitigation Measures

The following mitigation measures apply to Phase: Mass Grading 2/22/2010 - 2/23/2010 - Well pulling pipe

For Soil Stablizing Measures, the Apply soil stabilizers to inactive areas mitigation reduces emissions by:

PM10: 84% PM25: 84%

For Soil Stablizing Measures, the Replace ground cover in disturbed areas quickly mitigation reduces emissions by:

PM10: 5% PM25: 5%

For Soil Stablizing Measures, the Water exposed surfaces 2x daily watering mitigation reduces emissions by:

PM10: 55% PM25: 55%

For Soil Stablizing Measures, the Equipment loading/unloading mitigation reduces emissions by:

PM10: 69% PM25: 69%

1/20/2010 2:07:03 PM

Urbemis 2007 Version 9.2.4

Combined Annual Emissions Reports (Tons/Year)

File Name: G:\San Diego\10_Staff\Air Quality Staff\OWD_rancho del rey\Urbemis runs\Construction.urb924

Project Name: OWD Rancho del Rey

Project Location: South Coast AQMD

On-Road Vehicle Emissions Based on: Version : Emfac2007 V2.3 Nov 1 2006

Off-Road Vehicle Emissions Based on: OFFROAD2007

Summary Report:

CONSTRUCTION EMISSION ESTIMATES

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2
2010 TOTALS (tons/year unmitigated)	0.15	1.32	0.64	0.00	0.03	0.07	0.11	0.01	0.07	0.07	145.42
2010 TOTALS (tons/year mitigated)	0.15	1.32	0.64	0.00	0.03	0.07	0.10	0.01	0.07	0.07	145.42
Percent Reduction	0.00	0.00	0.00	0.00	9.04	0.00	2.90	9.00	0.00	0.88	0.00

Construction Unmitigated Detail Report:

CONSTRUCTION EMISSION ESTIMATES Annual Tons Per Year, Unmitigated

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2
2010	0.15	1.32	0.64	0.00	0.03	0.07	0.11	0.01	0.07	0.07	145.42

1/20/2010 2:07:03 PM

Mass Grading 02/01/2010-02/19/2010	0.07	0.58	0.29	0.00	0.03	0.03	0.06	0.01	0.03	0.04	66.07
Mass Grading Dust	0.00	0.00	0.00	0.00	0.03	0.00	0.03	0.01	0.00	0.01	0.00
Mass Grading Off Road Diesel	0.07	0.58	0.27	0.00	0.00	0.03	0.03	0.00	0.03	0.03	64.67
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.40
Mass Grading 02/22/2010-02/23/2010	0.01	0.14	0.06	0.00	0.00	0.01	0.01	0.00	0.01	0.01	18.43
Mass Grading Dust	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Off Road Diesel	0.01	0.14	0.06	0.00	0.00	0.01	0.01	0.00	0.01	0.01	18.24
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Building 02/24/2010-03/21/2010	0.03	0.32	0.12	0.00	0.00	0.01	0.01	0.00	0.01	0.01	33.95
Building Off Road Diesel	0.03	0.32	0.11	0.00	0.00	0.01	0.01	0.00	0.01	0.01	33.45
Building Vendor Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31
Building Worker Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Trenching 02/24/2010-03/21/2010	0.04	0.24	0.15	0.00	0.00	0.02	0.02	0.00	0.01	0.01	22.73
Trenching Off Road Diesel	0.03	0.24	0.13	0.00	0.00	0.02	0.02	0.00	0.01	0.01	21.05
Trenching Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.68
Asphalt 03/11/2010-03/21/2010	0.01	0.04	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.24
Paving Off-Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paving Off Road Diesel	0.01	0.04	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.43
Paving On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
Paving Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.76

1/20/2010 2:07:03 PM

Phase Assumptions

Phase: Mass Grading 2/1/2010 - 2/19/2010 - Well drilling

Total Acres Disturbed: 0

Maximum Daily Acreage Disturbed: 0.2

Fugitive Dust Level of Detail: Default

20 lbs per acre-day

On Road Truck Travel (VMT): 0

Off-Road Equipment:

1 Air Compressors (350 hp) operating at a 0.65 load factor for 12 hours per day

1 Bore/Drill Rigs (500 hp) operating at a 0.2 load factor for 12 hours per day

1 Generator Sets (325 hp) operating at a 0.62 load factor for 12 hours per day

1 Signal Boards (10 hp) operating at a 0.8 load factor for 12 hours per day

1 Skid Steer Loaders (500 hp) operating at a 0.7 load factor for 12 hours per day

1 Tractors/Loaders/Backhoes (85 hp) operating at a 0.88 load factor for 12 hours per day

Phase: Mass Grading 2/22/2010 - 2/23/2010 - Well pulling pipe

Total Acres Disturbed: 0

Maximum Daily Acreage Disturbed: 0.2

Fugitive Dust Level of Detail: Default

20 lbs per acre-day

On Road Truck Travel (VMT): 0

Off-Road Equipment:

1 Air Compressors (350 hp) operating at a 0.65 load factor for 24 hours per day

1 Bore/Drill Rigs (500 hp) operating at a 0.6 load factor for 24 hours per day

1 Generator Sets (325 hp) operating at a 0.62 load factor for 24 hours per day

1 Signal Boards (10 hp) operating at a 0.8 load factor for 24 hours per day

1 Skid Steer Loaders (500 hp) operating at a 0.7 load factor for 12 hours per day

1 Tractors/Loaders/Backhoes (85 hp) operating at a 0.88 load factor for 12 hours per day

1/20/2010 2:07:04 PM

Phase: Trenching 2/24/2010 - 3/21/2010 - Trenching for Utilities

Off-Road Equipment:

1 Crushing/Processing Equip (142 hp) operating at a 0.78 load factor for 8 hours per day

1 Excavators (168 hp) operating at a 0.57 load factor for 8 hours per day

1 Rubber Tired Loaders (164 hp) operating at a 0.54 load factor for 8 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 0 hours per day

1 Trenchers (63 hp) operating at a 0.75 load factor for 8 hours per day

1 Welders (45 hp) operating at a 0.45 load factor for 8 hours per day

Phase: Paving 3/11/2010 - 3/21/2010 - paving

Acres to be Paved: 0.07

Off-Road Equipment:

4 Cement and Mortar Mixers (10 hp) operating at a 0.56 load factor for 6 hours per day

1 Pavers (100 hp) operating at a 0.62 load factor for 7 hours per day

1 Rollers (95 hp) operating at a 0.56 load factor for 7 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 7 hours per day

Phase: Building Construction 2/24/2010 - 3/21/2010 - Building Construction

Off-Road Equipment:

1 Air Compressors (106 hp) operating at a 0.48 load factor for 8 hours per day

1 Forklifts (145 hp) operating at a 0.3 load factor for 8 hours per day

1 Generator Sets (549 hp) operating at a 0.74 load factor for 8 hours per day

1 Tractors/Loaders/Backhoes (108 hp) operating at a 0.55 load factor for 8 hours per day

Construction Mitigated Detail Report:

CONSTRUCTION EMISSION ESTIMATES Annual Tons Per Year, Mitigated

	ROG	NOx	CO	SO2	PM10 Dust	PM10 Exhaust	PM10	PM2.5 Dust	PM2.5 Exhaust	PM2.5	CO2

1/20/2010 2:07:04 PM

2010	0.15	1.32	0.64	0.00	0.03	0.07	0.10	0.01	0.07	0.07	145.42
Mass Grading 02/01/2010-02/19/2010	0.07	0.58	0.29	0.00	0.03	0.03	0.06	0.01	0.03	0.04	66.07
Mass Grading Dust	0.00	0.00	0.00	0.00	0.03	0.00	0.03	0.01	0.00	0.01	0.00
Mass Grading Off Road Diesel	0.07	0.58	0.27	0.00	0.00	0.03	0.03	0.00	0.03	0.03	64.67
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.40
Mass Grading 02/22/2010-02/23/2010	0.01	0.14	0.06	0.00	0.00	0.01	0.01	0.00	0.01	0.01	18.43
Mass Grading Dust	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Off Road Diesel	0.01	0.14	0.06	0.00	0.00	0.01	0.01	0.00	0.01	0.01	18.24
Mass Grading On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mass Grading Worker Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Building 02/24/2010-03/21/2010	0.03	0.32	0.12	0.00	0.00	0.01	0.01	0.00	0.01	0.01	33.95
Building Off Road Diesel	0.03	0.32	0.11	0.00	0.00	0.01	0.01	0.00	0.01	0.01	33.45
Building Vendor Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31
Building Worker Trips	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Trenching 02/24/2010-03/21/2010	0.04	0.24	0.15	0.00	0.00	0.02	0.02	0.00	0.01	0.01	22.73
Trenching Off Road Diesel	0.03	0.24	0.13	0.00	0.00	0.02	0.02	0.00	0.01	0.01	21.05
Trenching Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.68
Asphalt 03/11/2010-03/21/2010	0.01	0.04	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.24
Paving Off-Gas	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paving Off Road Diesel	0.01	0.04	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.43
Paving On Road Diesel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05
Paving Worker Trips	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.76

1/20/2010 2:07:04 PM

Construction Related Mitigation Measures

The following mitigation measures apply to Phase: Mass Grading 2/22/2010 - 2/23/2010 - Well pulling pipe

For Soil Stablizing Measures, the Apply soil stabilizers to inactive areas mitigation reduces emissions by:

PM10: 84% PM25: 84%

For Soil Stablizing Measures, the Replace ground cover in disturbed areas quickly mitigation reduces emissions by:

PM10: 5% PM25: 5%

For Soil Stablizing Measures, the Water exposed surfaces 2x daily watering mitigation reduces emissions by:

PM10: 55% PM25: 55%

For Soil Stablizing Measures, the Equipment loading/unloading mitigation reduces emissions by:

PM10: 69% PM25: 69%

OWD Rancho del Rey Construction GHG Calculations

0.000453592

Construction Phase	CO2 lbs/day (from URBEMIS)		CO2 lbs total		CO2 MT/yr		days of construction
	Off Road Emissions	on-road emissions	Off Road Emissions	on-road emissions	Off Road Emissions	on-road emissions	
Well Drilling	8,622.6	186.6	129,338.6	2,798.9	58.7	1.3	15
Well Casing	18,242.8	186.6	36,485.6	373.2	16.5	0.2	2
Building Construction	3,716.3	55.6	66,893.6	1,001.5	30.3	0.5	18
Trenching for Utilities	2,338.9	186.6	42,099.7	3,358.6	19.1	1.5	18
Paving	979.2	232.9	6,854.6	1,630.3	3.1	0.7	7
total	*33,899.8*	*848.3*	*281,672.0*	*9,162.5*	*127.8*	*4.2*	

Input Emissions

Construction Phase	Off Road Emissions			On road Emissions and Worker Trips		
	CO2 (metric tons/yr)	CH4 (metric tons/yr)	N2O (metric tons/yr)	CO2 (metric tons/yr)	Other (metric tons/yr)	CO2e (metric tons/yr)
Well Drilling	58.7	0.003352	0.001503	1.3	0.066818	60.5
Well Casing	16.5	0.000946	0.000424	0.2	0.008909	16.9
Building Construction	30.3	0.001734	0.000777	0.5	0.023910	31.1
Trenching for Utilities	19.1	0.001091	0.000489	1.5	0.080181	20.9
Paving	3.1	0.000178	0.000080	0.7	0.038921	3.9
Total Construction Emissions	***127.8***	***0.007301***	***0.003273***	***4.2***	***0.218738***	***133.3***
						3.3

Sources: URBEMIS 2007; CCAR 2009.

Diesel Fuel	CO2	CH4	N2O	
kg CO2/gal diesel	10.15	0.00058	0.00026	
g/gal diesel construction equip		0.58	0.26	Table C.6, GRP
ratio	1	5.71429E-05	2.561986-05	

Source: CH4 and N2O from Construction

Gasoline Fuel	CO2	CH4	N2O	
kg CO2/gal diesel	8.81	0.0014	0.0001	Table C.9, GRP
ratio	1	0.00015891	1.13507E-05	

tons/metric ton	Percent other GHGs (on road)	GAS	CH4	N2O
0.90718474	5.00%	GWP	21	310

01/21/10
16:12:49

*** SCREEN3 MODEL RUN ***
*** VERSION DATED 96043 ***

owd

SIMPLE TERRAIN INPUTS:

SOURCE TYPE	=	AREA
EMISSION RATE (G/(S-M**2))	=	.709456E-05
SOURCE HEIGHT (M)	=	3.5000
LENGTH OF LARGER SIDE (M)	=	28.4500
LENGTH OF SMALLER SIDE (M)	=	28.4500
RECEPTOR HEIGHT (M)	=	.0000
URBAN/RURAL OPTION	=	URBAN

THE REGULATORY (DEFAULT) MIXING HEIGHT OPTION WAS SELECTED.
THE REGULATORY (DEFAULT) ANEMOMETER HEIGHT OF 10.0 METERS WAS ENTERED.

MODEL ESTIMATES DIRECTION TO MAX CONCENTRATION

BUOY. FLUX = .000 M**4/S**3; MOM. FLUX = .000 M**4/S**2.

*** FULL METEOROLOGY ***

****
*** SCREEN AUTOMATED DISTANCES ***
****

*** TERRAIN HEIGHT OF 0. M ABOVE STACK BASE USED FOR FOLLOWING DISTANCES ***

DIST (M)	CONC (UG/M**3)	STAB	U10M (M/S)	USTK (M/S)	MIX HT (M)	PLUME HT (M)	MAX DIR (DEG)
1.	9.129	1	1.0	1.0	320.0	3.50	45.
100.	16.20	5	1.0	1.0	10000.0	3.50	45.
200.	5.572	5	1.0	1.0	10000.0	3.50	43.
300.	2.803	5	1.0	1.0	10000.0	3.50	42.
400.	1.718	5	1.0	1.0	10000.0	3.50	44.
500.	1.180	5	1.0	1.0	10000.0	3.50	32.
600.	.8726	5	1.0	1.0	10000.0	3.50	39.
700.	.6792	5	1.0	1.0	10000.0	3.50	2.
800.	.5482	5	1.0	1.0	10000.0	3.50	4.
900.	.4549	5	1.0	1.0	10000.0	3.50	21.
1000.	.3859	5	1.0	1.0	10000.0	3.50	24.
1100.	.3333	5	1.0	1.0	10000.0	3.50	32.
1200.	.2920	5	1.0	1.0	10000.0	3.50	29.
1300.	.2589	5	1.0	1.0	10000.0	3.50	13.
1400.	.2319	5	1.0	1.0	10000.0	3.50	9.
1500.	.2096	5	1.0	1.0	10000.0	3.50	5.

MAXIMUM 1-HR CONCENTRATION AT OR BEYOND 1. M:

47.	30.25	5	1.0	1.0	10000.0	3.50	45.

****
*** SCREEN DISCRETE DISTANCES ***
****

*** TERRAIN HEIGHT OF 0. M ABOVE STACK BASE USED FOR FOLLOWING DISTANCES ***

DIST (M)	CONC (UG/M**3)	STAB	U10M (M/S)	USTK (M/S)	MIX HT (M)	PLUME HT (M)	MAX DIR (DEG)
3.	10.64	1	1.0	1.0	320.0	3.50	44.
8.	13.94	3	1.0	1.0	320.0	3.50	45.
20.	22.43	3	1.0	1.0	320.0	3.50	45.
30.	28.30	4	1.0	1.0	320.0	3.50	45.
76.	22.45	5	1.0	1.0	10000.0	3.50	45.
152.	8.690	5	1.0	1.0	10000.0	3.50	45.

****
*** SUMMARY OF SCREEN MODEL RESULTS ***
****

CALCULATION PROCEDURE	MAX CONC (UG/M**3)	DIST TO MAX (M)	TERRAIN HT (M)
SIMPLE TERRAIN	30.25	47.	0.

****
** REMEMBER TO INCLUDE BACKGROUND CONCENTRATIONS **
****

OWD Rancho del Rey Daycare HRA Heath Risk Inputs and Calculations

0.375 9 hrs/24 hrs

*assume all PM10 exhaust is DPM

*assumption is that emissions are constant over the acres disturbed

	Emission Calcs
0.02625	Urbemis PM tons/yr (x) children at site 9hrs/day
907184.7	grams/ton
3600	seconds/hour
24	hours/day
1.00	percent of day
48	days/yr
0.005742091	grams/second

	Area Calcs
0.2	Max area disturbed (acres)
4046.825	meters2/acre
809.365	meters2
28.44934094	meters x meters

Screen 3 assumptions
0m receptor height
3.5 m stack height
use discrete distances as well as array from 0 to 1500 m
urban setting

	SCREEN3 Emission Rate
7.09456E-06	grams/second*meter2

0.3048

ft	m	SCREEN3 Distances	
10	3.048	receptor 1	* middle of daycare facility/playground
25	7.62	receptor 2	* daycare parking area
65	19.812	receptor 3	* daycare doorstep
100	30.48	receptor 4	* daycare parking area
250	76.2	receptor 5	* daycare playground
500	152.4	receptor 6	* corner to corner playground
154.199	47	highest concentration	* residences

0.3048 **Daycare Center**

Highest Concentration (47 ft)

	HRA Calcs		
30.3	SCREEN3 1-hour concentration (micrograms/meter3)		
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4	
3.03E+00	SCREEN3 annual concentration (micrograms/meter3)		
8.46E-08	Calculated dose (mg/kg-day)		
0.1	Cancer risk (per million)		
0.61	Hazard Index	4.23E-07	
5	Chronic Inhallation REL (micrograms/meter3)		
48	days of construction		
0.375	hours at daycare center (% of day)		
18	Exposure frequency (EF)	days/year	*# of construction days*
0.131506849	Exposure duration (ED)	Years	*# of days/365*
25550	Averaging time (AT)	days	
302	Daily breathing rate (DBR)	L/kg body weight	
1	Inhalation absorption factor (A)	None	
1.00E-03	Micrograms to milligrams conversion	1 microgram	
1.00E-03	liters to cubic meters conversion	liters	
1.1	Cancer potency factor	mg/kg-day	
1.00E+06	risk per million people	None	

10 feet (3m)

	HRA Calcs	
10.7	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
1.07E+00	SCREEN3 24-hour concentration (micrograms/meter3)	
2.99E-08	Calculated dose (mg/kg-day)	
0.03	Cancer risk (per million)	
0.2	Hazard Index	

25 feet (7.6m)

	HRA Calcs	
14.0	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
1.40E+00	SCREEN3 24-hour concentration (micrograms/meter3)	
3.90E-08	Calculated dose (mg/kg-day)	
0.04	Cancer risk (per million)	
0.3	Hazard Index	

65 feet (19.8m)

	HRA Calcs	
22.4	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
2.24E+00	SCREEN3 24-hour concentration (micrograms/meter3)	
6.28E-08	Calculated dose (mg/kg-day)	
0.1	Cancer risk (per million)	
0.4	Hazard Index	

100 feet (30.48m)

	HRA Calcs	
28.3	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
2.83E+00	SCREEN3 24-hour concentration (micrograms/meter3)	
7.92E-08	Calculated dose (mg/kg-day)	
0.1	Cancer risk (per million)	
0.6	Hazard Index	

250 feet (76.2m)

	HRA Calcs	
22.5	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
2.25E+00	SCREEN3 24-hour concentration (micrograms/meter3)	
6.28E-08	Calculated dose (mg/kg-day)	
0.1	Cancer risk (per million)	
0.4	Hazard Index	

500 feet (152.4m)

	HRA Calcs	
8.7	SCREEN3 1-hour concentration (micrograms/meter3)	
0.1	1-hour --> annual conversion	From June 2007 BAAQMD PERMIT MODELING GUIDANCE, pg. 4
8.69E-01	SCREEN3 24-hour concentration (micrograms/meter3)	
2.43E-08	Calculated dose (mg/kg-day)	
0.03	Cancer risk (per million)	
0.2	Hazard Index	

Appendix B

Geology and Soils Report

SOUTHERN CALIFORNIA SOIL & TESTING, INC.

San Diego Office

PHONE (619) 280-4321
TOLL FREE (877) 215-4321
FAX (619) 280-4717

P.O. Box 600627
San Diego, CA 92160-0627
6280 Riverdale Street
San Diego, CA 92120
www.scst.com

Indio Office

PHONE (760) 775-5983
TOLL FREE (877) 215-4321
FAX (760) 775-8362

83-740 Citrus Avenue
Suite G
Indio, CA 92201-3438
www.scst.com

January 20, 2010

Project # 1011001
Report # 1

Lisa Coburn-Boyd
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2004

Subject: REPORT
GEOLGOY AND SOILS INFORMATION
RANCHO DEL REY WELL SITE
CHULA VISTA, CALIFORNIA
OTAY WATER DISTRICT

Dear Ms. Lisa Coburn-Boyd:

INTRODUCTION

In accordance with your request, Southern California Soil & Testing developed geology and soils information for the new well and future small water treatment system at the existing Rancho Del Rey well site in Chula Vista, California. The site is located on the southeast corner of the intersection of Terra Nova Drive and Rancho Del Rey Parkway. The location is shown on Figure 1.

The scope of work consisted of:

- Notifying Underground Service Alert to locate underground utilities in the area.
- Drilling 1 exploratory test boring 20 feet deep at the location shown on Figure 1 to develop information on shallow soil conditions.
- Logging the boring and obtaining samples of the materials encountered for examination and laboratory testing. The log of the test boring is on Figure I-2.
- Performing laboratory tests to evaluate pertinent engineering properties. Results of a direct shear test on a relatively undisturbed sample are on Figure II-1. Representative grain size distributions are shown on Figure II-2.

- Reviewing available logs of the existing well to evaluate subsurface conditions at greater depths.
- Preparing a final letter report summarizing the results of the field and laboratory program.

SURFACE AND SUBSURFACE CONDITIONS

The surface of the site is relatively flat, with a few sparse weeds. Otay Formation is exposed on the ground surface and continued to the maximum depth explored, 19.5 feet. Formational materials consist of dense clayey sandstone in the upper 10 feet; hard claystone between a depth of 10 feet and a depth of 14 feet; and dense clayey sandstone below this depth. No groundwater was encountered in the test boring.

CONCLUSIONS

The site is underlain by dense and hard sandstone and claystone of the Otay Formation. The formational materials will provide good support for relatively light structures with foundations at shallow depths below the bottom of the structure. The formational materials also will provide good support for new fills. Settlements are expected to be small. Portions of the formational materials can be expansive and recommendations for minimizing the effects of expansive soils on structures are contained in the following section.

RECOMMENDATIONS

Earthwork

Existing vegetation and debris should be stripped and removed from the site. Near surface soils containing organic materials can be stockpiled for later use in landscaping. The depth of stripping is expected to be three to four inches.

Where structures will be supported at or near existing grades, the upper soils should be excavated to a depth of at least three feet below planned footing bottom grades. Existing materials should be excavated to a depth of at least two feet below subgrade beneath slabs-on-grade. The excavated materials and the surface exposed by excavation should be checked by the geotechnical engineer to evaluate their expansion potential and suitability for use as compacted fill.

The surface exposed by excavation should be scarified to a depth of 8 inches, moisture conditioned to approximately 2 to 4 percentage points above optimum moisture content and compacted to at least 90% relative compaction based on the ASTM D 1557 laboratory test method. All references to relative compaction and optimum moisture content in this report are based on this test method. The geotechnical engineer should observe materials exposed during earthwork and evaluate whether they are suitable based on the observed expansion potential.

Fill and Backfill Placement and Compaction

Generally, the excavated soil will be suitable for use as new compacted fill and backfill except for expansive materials as determined by the geotechnical engineer. Fill and backfill should be placed in lifts 8 inches or less in loose thickness, moisture conditioned to approximately 2 to 4 percentage points above optimum moisture content and compacted to at least 90% relative compaction.

Imported Soil

Imported fill should consist of predominately granular soils free of organic material and rocks greater than 6 inches in maximum dimension. Imported soils should have an Expansion Index of 20 or less. Imported soils should be inspected and, if appropriate, tested by SCS&T prior to transport to the site.

Surface Drainage

Final surface grades around the improvements should be designed to collect and direct surface water away from the structures and toward appropriate drainage facilities. The ground around the structures should be graded so that surface water flows rapidly away from the structures without ponding. In general, we recommend that the ground adjacent to the structures slope away at a gradient of at least 2%. Densely vegetated areas where runoff can be impaired should have a minimum gradient of at least 5% within the first 5 feet from the structure.

Drainage patterns established at the time of fine grading should be maintained throughout the life of the structures. Site irrigation should be limited to the minimum necessary to sustain landscape growth. Should excessive irrigation, impaired drainage, or unusually high rainfall occur, saturated zones of perched groundwater can develop.

Seismic Design

The site coefficients and adjusted maximum considered earthquake spectral response acceleration parameters in accordance with the 2007 California Building Code are presented below:

Site Coordinates: Latitude 32° 33' 43"
Longitude 117° 01' 58"
Site Class: D
Site Coefficient F_a = 1.078
Site Coefficient F_v = 1.622
Spectral Response Acceleration at Short Periods S_s = 1.055
Spectral Response Acceleration at 1-Second Period S_1 = 0.389
$S_{MS}=F_aS_s=1.137$

$S_{M1}=F_vS_1=0.631$
$S_{DS}=2/3^* S_{MS}=0.758$
$S_{D1}=2/3^* S_{M1}=0.421$

Structure Foundation Design

New structures can be supported on spread footings with bottom levels in the formational materials if the bottom level of the structure is more than 5 feet below the lowest adjacent outside final grade, or in new compacted fill. Footings should have bottom levels at a minimum depth of 18 inches below the lowest adjacent finished grade. A minimum width of 12 inches is recommended for continuous footings for single story structures and 15 inches for 2-story structures. Isolated footings should be at least 24 inches wide. A bearing capacity of 3000 pounds per square foot (psf) can be used. This value can be increased by ⅓ when considering the total of all loads, including wind or seismic forces.

Lateral loads will be resisted by friction between the bottoms of footings and passive pressure on the faces of footings and other structural elements below grade. A friction factor of 0.35 can be used. Passive pressure can be computed using a lateral pressure value of 350 psf per foot of depth below the ground surface. The upper 1 foot of soil should not be relied on for passive support unless the ground is covered with pavements or slabs.

Total footing settlements are expected to be less than ½ inch. Differential settlements between adjacent footings, and between the middle and ends of continuous footings, are expected to be less than ½ inch. Settlement should occur rapidly and be essentially complete shortly after construction is complete.

Concrete Slabs-on-Grade

Concrete slabs-on-grade should have a thickness of at least 5 inches and be reinforced with at least No. 4 reinforcing bars placed at 12 inches on-center each way. Slab reinforcement should be placed approximately at mid-height of the slab and extend at least 6 inches down into the footings.

Slabs-on-grade should be underlain by a 4-inch thick blanket of clean, poorly graded, coarse sand or crushed rock. A moisture vapor retarder/barrier should be placed beneath slabs where floor coverings will be installed. Typically, plastic is used as a vapor retardant. If plastic is used, a minimum 10-mil is recommended. The plastic should comply with ASTM E 1745. Plastic installation should comply with ASTM E 1643.

Current construction practice typically includes placement of a two-inch thick sand cushion between the bottom of the concrete slab and the moisture vapor retarder/barrier. This cushion can provide some protection to the vapor retarder/barrier during construction, and may assist in reducing the potential for edge curling in the slab during curing. However, the sand layer also provides a source of moisture vapor to the underside of the slab that can increase the

time required to reduce moisture vapor emissions to limits acceptable for the type of floor covering placed on top of the slab. The floor covering manufacturer should be contacted to determine the volume of moisture vapor allowable and any treatment needed to reduce moisture vapor emissions to acceptable limits for the particular type of floor covering installed.

Temporary Excavations

Temporary excavations should not be steeper than ¾:1 in the formational materials. Steeper slopes will require shoring. SCS&T can provide recommendations for temporary shoring if needed.

The contractor's Competent Person should inspect slopes twice daily while they are exposed. Any raveling, sloughing, or evidence for instability should be brought to the attention of the engineer. Personnel should not be allowed access in front of the slope until the observed condition is evaluated and mitigated if necessary.

Retaining Walls

Retaining wall foundations should be designed in accordance with the recommendations above for structure foundation design. The active soil pressure for the design of unrestrained earth retaining structures with level backfills can be taken as equivalent to the pressure of a fluid weighing 40 pounds per cubic foot (pcf). Walls that are restrained against movement at the top should be designed for at-rest pressures. The at-rest pressure can be taken as equivalent to the pressure of a fluid weighing 65 pcf.

A granular and drained backfill condition has been assumed. If any surcharge loads are anticipated, SCS&T should be contacted for the appropriate increase in lateral pressure. Retaining walls should be provided with backdrains. A typical wall backdrain detail is shown on Figure 2.

Seismic Earth Pressure

Seismic earth pressure can be computed using an inverted triangular distribution with a maximum pressure at the top equal to 18H pounds per square foot (with H being the height of the retained earth in feet). This pressure is in addition to the un-factored static design wall load. The allowable passive pressure and bearing capacity can be increased by ⅓ for determining the stability of the wall.

Backfill

All backfill soils should be compacted to at least 90% relative compaction at 2 to 4 percentage points above optimum. Expansive or clayey soils should not be used for backfill material. The wall should not be backfilled until the grout has reached an adequate strength.

CLOSURE

In the performance of our professional services, we comply with that level of care and skill ordinarily exercised by members of our profession currently practicing under similar conditions and in the same locality. Subsurface conditions can vary from those encountered at the boring locations, and our data, interpretations, and recommendations are based solely on the information obtained by us. We will be responsible for those data, interpretations, and recommendations, but will not be responsible for interpretations by others of the information developed. Our services consist of professional consultation and observation only, and no warranty of any kind whatsoever, express or implied, is made or intended in connection with the work performed or to be performed by us, or by our proposal for consulting or other services, or by our furnishing of oral or written reports or findings.

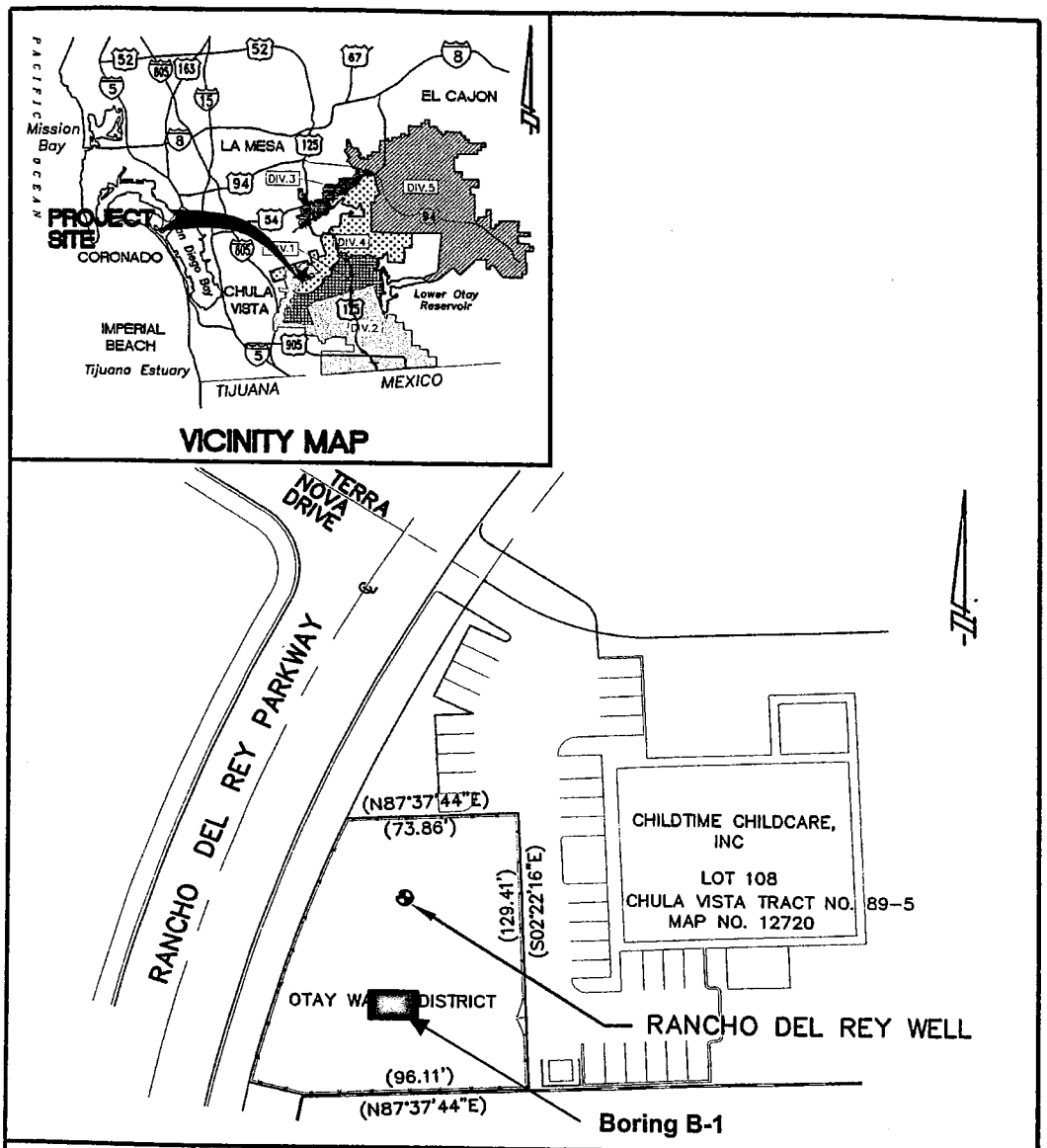
If you have any questions, please call me at (619) 280-4321.

Respectfully submitted,
SOUTHERN CALIFORNIA SOIL AND TESTING, INC.

James J. Stone, RGE 808
Principal Geotechnical Engineer

JJS:js
(1) Addressee

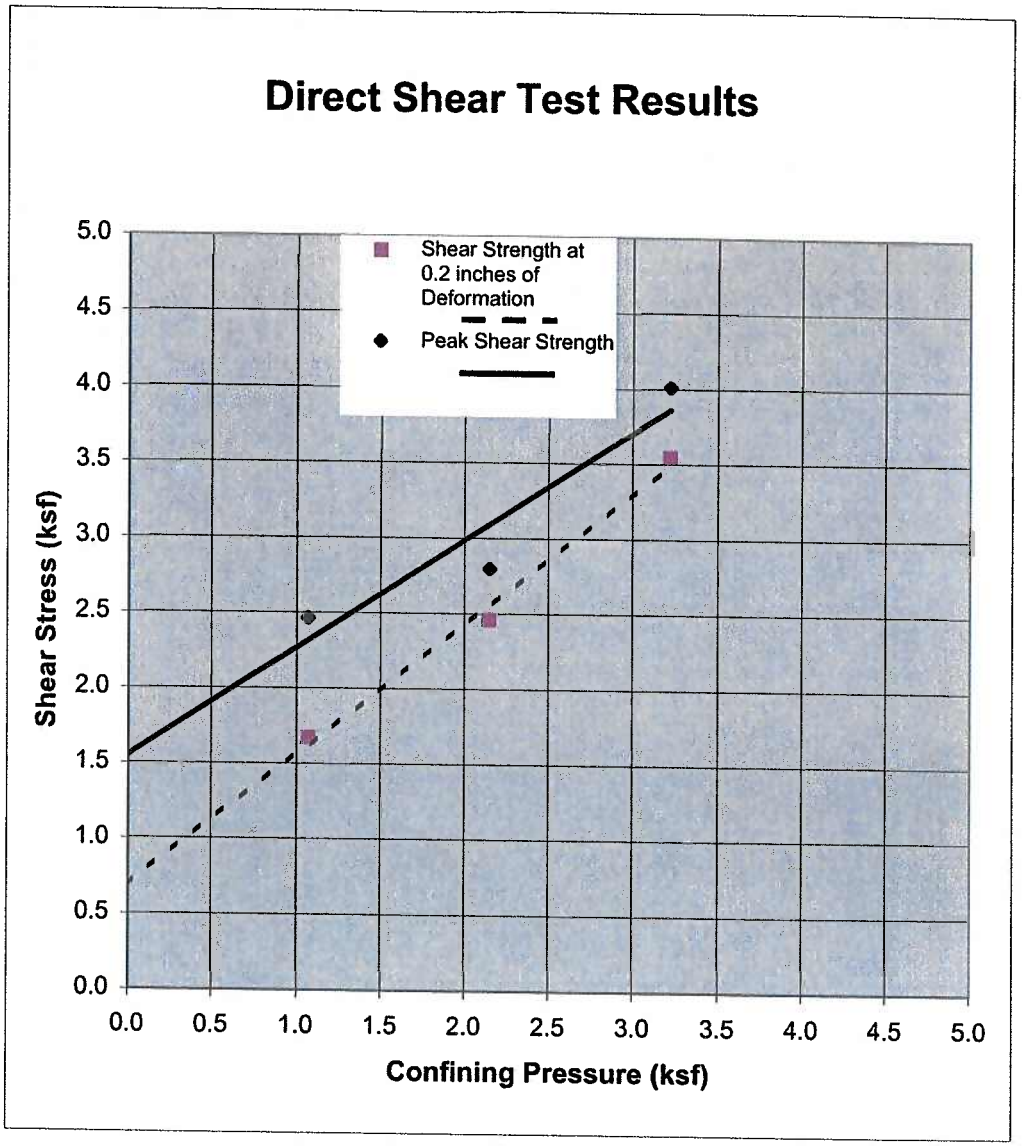
Attachments:
Figure 1 – Boring Location
Figure 2 – Backdrain
Figures I-1 and I-2: - Unified Soil Classification System and Boring Log
Figures II-1 and II-2 – Laboratory Test Results



OTAY WATER DISTRICT
RANCHO DEL WAY PARKWAY, CHULA VISTA, CA
RANCHO DEL REY GROUND WATER DEVELOPMENT
CIP P2434

EXHIBIT A

SOUTHERN CALIFORNIA SOIL & TESTING, INC.	RANCHO DEL REY WELL SITE	
	BY: JJS	DATE: 1/21/2010
	JOB NUMBER: 1011001-1	FIGURE: 1

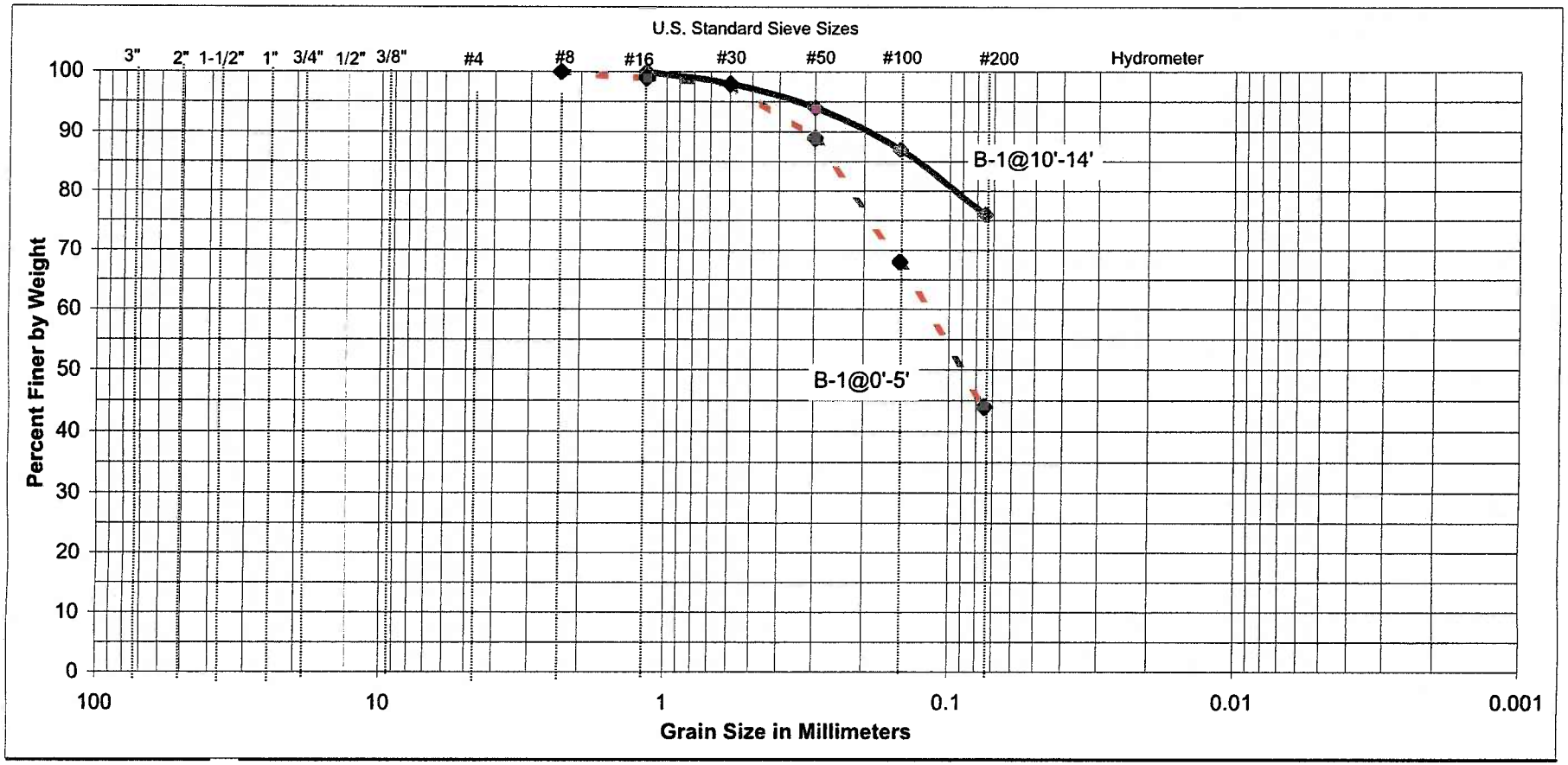


SAMPLE	DESCRIPTION	ANGLE OF INTERNAL FRICTION	COHESION INTERCEPT (PSF)
TP-2@8-10'	UNDISTURBED		
Peak		36	1550
Shear Strength at		41	690
0.2 inches of Deformation			

SOUTHERN CALIFORNIA SOIL & TESTING

RANCHO DEL REY WELL SITE

BY:	JJS	DATE:	1/21/2010
JOB NUMBER:	1011001-1	FIGURE II -	1



COARSE	FINE	COARSE	MEDIUM	FINE	SILT AND CLAY
GRAVEL		SAND			

SAMPLE
TEST PIT NO.:
SAMPLE DEPTH:

DESCRIPTION:

SAND EQUIVALENT

SOUTHERN CALIFORNIA SOIL & TESTING, INC.

RANCHO DEL REY WELL SITE

BY:	JJS	DATE:	1/21/2010
JOB NUMBER:	1011001-1	FIGURE:	II-2

LOG OF EXPLORATORY BORING NUMBER B-1

Date Excavated: 1/13/2010
Equipment: 6" hollow stem auger
Surface Elevation (ft): N/A

Logged by: AKN
Project Manager: JS
Depth to Water (ft): N/A

DEPTH (ft)	USCS	SUMMARY OF SUBSURFACE CONDITIONS	SAMPLES: UNDISTURBED	SAMPLES: BULK	PENETRATION (blows/ ft. of drive)	MOISTURE (%)	DRY UNIT WT. (pcf)	LABORATORY TESTS
		OTAY FORMATION (To) - Light brownish gray, moist, dense to very dense, medium-grained, massive, CLAYEY SANDSTONE. Disturbed upper 18 inches.						
2								SA
4			CAL		50/5"	15.87	112	DS
6								
8								
10		Medium maroon gray, moist, hard, waxy, CLAYSTONE.	CAL		71			
12								SA
14	SC	Medium maroon gray, moist, dense to very dense, medium-grained, massive, CLAYEY SANDSTONE.	CAL		50/6"			
16								
18		Becomes light gray at 18 feet.						
20			CAL		50/5"			

SUBSURFACE EXPLORATION LEGEND

UNIFIED SOIL CLASSIFICATION CHART

SOIL DESCRIPTION		GROUP SYMBOL	TYPICAL NAMES
I. COARSE GRAINED, more than 50% of material is larger than No. 200 sieve size.			
GRAVELS More than half of coarse fraction is larger than No. 4 sieve size but smaller than 3".	CLEAN GRAVELS	GW	Well graded gravels, gravel-sand mixtures, little or no fines
		GP	Poorly graded gravels, gravel sand mixtures, little or no fines.
	GRAVELS WITH FINES (Appreciable amount of fines)	GM	Silty gravels, poorly graded gravel-sand-silt mixtures.
		GC	Clayey gravels, poorly graded gravel-sand-clay mixtures.
SANDS More than half of coarse fraction is smaller than No. 4 sieve size.	CLEAN SANDS	SW	Well graded sand, gravelly sands, little or no fines.
		SP	Poorly graded sands, gravelly sands, little or no fines.
	SANDS WITH FINES (Appreciable amount of fines)	SM	Silty sands, poorly graded sand and silty mixtures.
		SC	Clayey sands, poorly graded sand and clay mixtures.
II. FINE GRAINED, more than 50% of material is smaller than No. 200 sieve size.			
	SILTS AND CLAYS (Liquid Limit less than 50)	ML	Inorganic silts and very fine sands, rock flour, sandy silt or clayey-silt-sand mixtures with slight plasticity.
		CL	Inorganic clays of low to medium plasticity, gravelly clays, sandy clays, silty clays, lean clays.
		OL	Organic silts and organic silty clays of low plasticity.
	SILTS AND CLAYS (Liquid Limit greater than 50)	MH	Inorganic silts, micaceous or diatomaceous fine sandy or silty soils, elastic silts.
		CH	Inorganic clays of high plasticity, fat clays.
		OH	Organic clays of medium to high plasticity.
III. HIGHLY ORGANIC SOILS		PT	Peat and other highly organic soils.

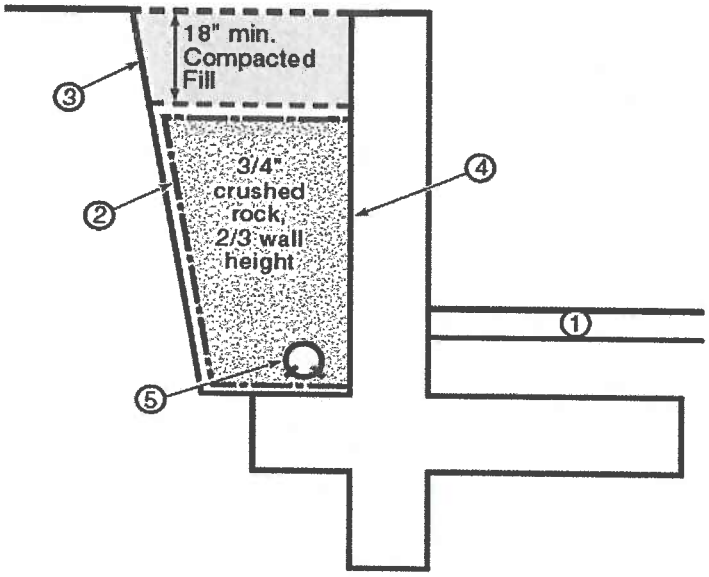
FIELD SAMPLE SYMBOLS

- ⊠ - Bulk Sample
- CAL - Modified California penetration test sampler
- CK - Undisturbed chunk sample
- MS - Maximum Size of Particle
- ∫∫ - Water seepage at time of excavation or as indicated
- SPT - Standard penetration test sampler
- ST - Shelby Tube
- ▽ - Water level at time of excavation or as indicated

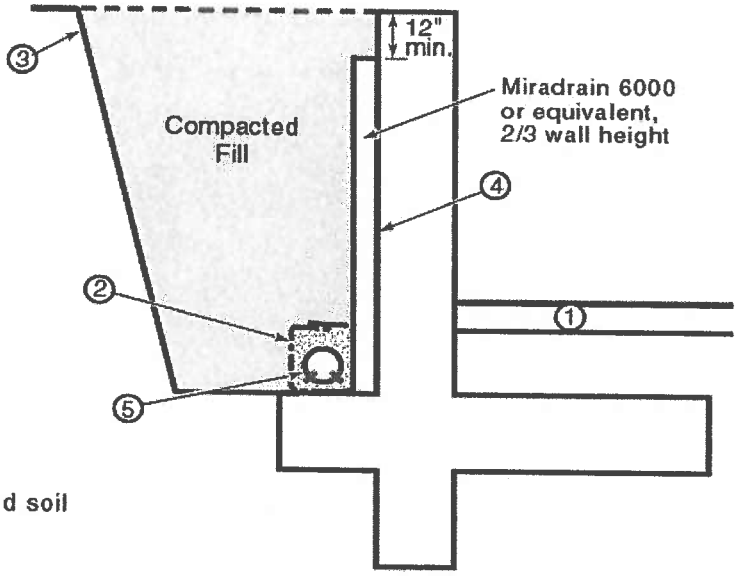
LABORATORY TEST SYMBOLS

- AL - Atterberg Limits
- CON - Consolidation
- COR - Corrosivity Test
  - Sulfate
  - Chloride
  - pH and Resistivity
- DS - Direct Shear
- EI - Expansion Index
- MAX - Maximum Density
- RV - R Value
- SA - Sieve Analysis
- UC - Unconfined Compression

SOUTHERN CALIFORNIA SOIL & TESTING, INC.	RANCHO DEL REY WELL SITE			
	By:	AKN	Date:	1/21/2010
	Job Number:	1011001P-1	Figure:	I-1



Typical Retaining Wall Backdrain Detail



① Floor Slab

② Filter Fabric between rock and soil

③ Backcut

④ Waterproof back of wall following architect's specifications

⑤ 4" minimum perforated pipe, SDR35 or equivalent, holes down, 1% fall to outlet, top of pipe below top of slab, encased in 3/4" crushed rock. Provide 3 cubic feet per linear foot crushed rock minimum. Crushed rock to be surrounded by filter fabric (Mirafi 140N or equivalent), with 6" minimum overlap.
Provide solid outlet pipe at suitable location.

SOUTHERN CALIFORNIA SOIL & TESTING, INC.	RANCHO DEL REY WELL SITE		
	BY: JJS	DATE:	1/21/2010
	JOB NUMBER: 1011001-1	PLATE NO.:	2

AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Daniel Kay Associate Civil Engineer Ron Ripperger Engineering Manager	PROJECT/ SUBPROJECT:	N/A DIV. NO. ALL
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of As-Needed Construction Management and Inspection Services Contract to Valley Construction Management for Fiscal Years 2010, 2011, and 2012		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) awards a professional As-Needed Construction Management and Inspection Services contract to Valley Construction Management (Valley) and to authorize the General Manager to execute an agreement with Valley in an amount not-to-exceed $175,000.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To obtain Board authorization for the General Manager to enter into a professional As-Needed Construction Management and Inspection Services agreement with Valley in an amount-not-exceed $175,000 for Fiscal Years 2010, 2011, and 2012. (The contract ends on June 30, 2012).

ANALYSIS:

The District will require professional construction management (CM) and inspection services from an engineering consultant on an as-needed basis to support the District's Capital Improvement Program

CIP). The As-Needed CM and inspection services contract will provide the District with the ability to obtain consulting services in a timely and efficient manner and on an as-needed basis. The District will require the expertise of an engineering consultant to augment Staff for CM and inspection of several projects that will begin construction in Fiscal Year 2010. Existing Staff will provide CM and inspection where possible, but will require additional expertise to inspect reservoir coating, welding, and other disciplines on a continuous basis.

The District incurs expenses in requesting, reviewing, and ranking proposals, checking references, and preparing staff reports for Committee and Board approval. Having consultants prepare proposals for several Requests for Proposals versus just one becomes expensive and these costs are passed on to the District. For this reason, the District began using similar contracts for as-needed environmental consulting services, as-needed geotechnical services, and as-needed design services to help eliminate the preparation costs.

The District will issue task orders to Valley for specific projects during the contract period. The Consultant will then prepare a detailed scope of work, schedule, and cost estimate for each task order assigned under the contract. Upon written task order authorization from the District, the Consultant shall then proceed with the project, as described in the Scope of Work.

The CIP projects that are estimated to require CM and inspection services for Fiscal Years 2010, 2011, and 2012 are listed below:

CIP	DESCRIPTION	ESTIMATED COST
P2488	Del Dio Road Helix & Otay Interconnection	$15,000
P2489	Gillespie Drive Helix & Otay Interconnection	$15,000
P2490	1296-1 Reservoir Int./Ext. Coating & Upgrades	$20,000
P2492	1296-2 Reservoir Int./Ext. Coating & Upgrades	$20,000
S2019	Avocado Blvd. 8-Inch Sewer Replacement	$40,000
S2020	Calavo Dr. 8-Inch Sewer Replacement	$25,000
S2021	Jamacha Rd. 8-Inch Sewer Replacement	$15,000
S2022	Hidden Mesa Dr. 8-Inch Sewer Replacement	$15,000
	TOTAL:	**$165,000**

The various scopes of work for the above projects, including CM and inspection, are estimated from preliminary information and past projects. Therefore, Staff believes that a $175,000 cap on the As-Needed CM and inspection services contract is adequate. The additional $10,000 budget will be used for other related miscellaneous inspection tasks and contingencies.

This As-Needed CM and inspection services contract does not commit the District to any expenditure until a task order is approved to perform work on a CIP Project. The District does not guarantee work to the consultant, nor does the District guarantee to the consultant that it will expend all of the funds authorized by the contract on professional services.

The District solicited As-Needed CM and inspection services from engineering consultant firms by placing an advertisement on the District's website and with various other publications including the San Diego Union Tribune and San Diego Daily Transcript.

Thirty (30) firms submitted a letter of interest and a statement of qualifications. The Request for Proposal (RFP) for As-Needed CM and inspection services was sent to all thirty (30) firms resulting in eleven (11) proposals received on January 8, 2010. They are as follows:

- PBS&J
- Valley CM
- Professional Service Industries (PSI)
- Parsons Brinkerhoff (PB)
- URS
- Dudek
- Malcom Pirnie
- Kaufman Consultation
- J.T. Kruer & Company
- Nolte Associates
- Richard Brady Associates

The nineteen (19) firms that chose not to propose are Red Zone; RBF; Southern California Soil & Testing; Christian Wheeler; Consolidated Building System Inc.; MTGL; Lee & Ro; KDG Development and Construction Consulting; JAS Consultants; Harris & Associates; Entech Consulting Group; G Force; Butier; Aecom; Gafcon Inc.; HDR; CPM Partners; R.W. Beck; and Ninyo and Moore.

In accordance with the District's Policy 21, Staff evaluated and scored all written proposals. Valley received the highest score for their services based on their experience, understanding of the scope, and their proposed method to accomplish the work. Valley was the most qualified consultant with the best overall proposal. A summary of the complete evaluation is shown in Attachment B.

The District has worked with Valley on the previous As-Needed Construction Management contract for Fiscal Years 2008-2009. Valley provided excellent service to the District and staff worked well with

Valley. Therefore, staff recommends Valley for the As-Needed Construction Management Services contract for Fiscal Years 2010, 2011, and 2012.

FISCAL IMPACT:

The funds for this contract will be expended from the following CIP projects: P2488, P2489, P2490, P2492, S2019, S2020, S2021, and S2022. The fees for professional services requested herein are available in the authorized CIP project budgets. This contract is for professional services based on the District's need and schedule, and expenditures will not be made until a task order is approved by the District for the consultant's professional services on a specific CIP project.

Based on a review of the financial budget, the Project Manager has determined that the budget will be sufficient to support the professional services required for the specific CIP projects previously noted.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

General Manager

P:\WORKING\As Needed Services\Construction Management\As Needed CM & Inspection Svcs FY10, FY11, FY12\Staff Report\BD 3-03-10, As-Needed Construction Management and Inspection Services.doc

DK/RR:jf

Attachments: Attachment A
Attachment B

QA/QC Approved:

NAME: Lisa Coburn-Boyd DATE: 2-5-10

ATTACHMENT A

SUBJECT/PROJECT:	Award of As-Needed Construction Management and Inspection Services Contract to Valley Construction Management for Fiscal Years 2010, 2011, and 2012
N/A	

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 22, 2010. The Committee supported 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

SUMMARY OF PROPOSAL RANKINGS BY PANEL MEMBERS

Professional As-Needed Construction Management and Inspection Services

		WRITTEN							
		Qualifications of Staff	Understanding of scope, schedule, resources	Soundness and Viability of Proposed Project Plan	Composite Hourly Rate[1]	Consultant's commitment to DBE	TOTAL SCORE	AVERAGE SCORE	References
SCORE		20	20	25	35	Y/N	100		Pass/Fail
PBS&J	*Rick Acuna*	19	18	22	35	Y	94	90	
	Bob Kennedy	17	17	21	35		90		
	Brandon DiPietro	15	10	12	35		72		
	Steve Dobrawa	20	20	21	35		96		
	Daniel Kay	19	19	23	35		96		
Valley CM	*Rick Acuna*	17	18	21	33	Y	89	93	PASS
	Bob Kennedy	19	19	24	33		95		
	Brandon DiPietro	16	19	23	33		91		
	Steve Dobrawa	20	20	23	33		96		
	Daniel Kay	19	19	24	33		95		
PSI	*Rick Acuna*	16	17	20	25	Y	78	74	
	Bob Kennedy	13	15	19	25		72		
	Brandon DiPietro	16	11	15	25		67		
	Steve Dobrawa	20	20	23	25		88		
	Daniel Kay	13	13	15	25		66		
Parsons Brinkerhoff	*Rick Acuna*	19	19	22	29	Y	89	86	
	Bob Kennedy	17	17	22	29		85		
	Brandon DiPietro	14	13	18	29		74		
	Steve Dobrawa	20	20	21	29		90		
	Daniel Kay	18	19	24	29		90		
URS	*Rick Acuna*	20	19	22	33	Y	94	87	
	Bob Kennedy	14	15	20	33		82		
	Brandon DiPietro	14	11	13	33		71		
	Steve Dobrawa	20	20	25	33		98		
	Daniel Kay	18	18	23	33		92		
Dudek	*Rick Acuna*	19	20	20	32	Y	91	89	
	Bob Kennedy	18	17	21	32		88		
	Brandon DiPietro	16	13	16	32		77		
	Steve Dobrawa	20	20	24	32		96		
	Daniel Kay	19	18	23	32		92		
Malcom Pirnie	*Rick Acuna*	18	17	22	31	Y	88	85	
	Bob Kennedy	15	17	21	31		84		
	Brandon DiPietro	13	12	13	31		69		
	Steve Dobrawa	20	20	22	31		93		
	Daniel Kay	19	18	23	31		91		
Kaufman Consultation	*Rick Acuna*	15	15	17	33	Y	80	81	
	Bob Kennedy	13	15	19	33		80		
	Brandon DiPietro	13	12	9	33		67		
	Steve Dobrawa	19	20	20	33		92		
	Daniel Kay	16	17	20	33		86		

		WRITTEN							References
		Qualifications of Staff	Understanding of scope, schedule, resources	Soundness and Viability of Proposed Project Plan	Composite Hourly Rate[1]	Consultant's commitment to DBE	TOTAL SCORE	AVERAGE SCORE	
SCORE		20	20	25	35	Y/N	100		Pass/Fail
J.T. Kruer & Company	*Rick Acuna*	16	16	20	33	Y	85	85	
	Bob Kennedy	14	15	20	33		82		
	Brandon DiPietro	15	13	13	33		74		
	Steve Dobrawa	19	20	21	33		93		
	Daniel Kay	17	18	24	33		92		
Nolte Associates	*Rick Acuna*	18	18	23	31	Y	90	88	
	Bob Kennedy	14	15	20	31		80		
	Brandon DiPietro	15	15	20	31		81		
	Steve Dobrawa	20	20	25	31		96		
	Daniel Kay	18	19	24	31		92		
Richard Brady Associates	*Rick Acuna*	18	19	23	25	Y	85	80	
	Bob Kennedy	14	15	20	25		74		
	Brandon DiPietro	15	13	16	25		69		
	Steve Dobrawa	20	20	23	25		88		
	Daniel Kay	17	18	23	25		83		

*1. Hourly Rate Calculation Formula = 35 - (Consultant Rate - Min. Rate)*10 / (Max. Rate - Min. Rate)*

PM Signature: _____

QC: _____

Engineering Manager: _____

ATTACHMENT B (Cont.)

Professional As-Needed Construction Management and Inspection Services Fee Evaluation

Design	PBS&J	Valley CM	PSI	Parsons Brinkerhoff	URS	Dudek	Malcom Pirnie	Kaufman Consultation	J.T. Kruer & Company	Nolte Associates	Richard Brady Associates
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Principal Construction Manager	$ 135.00	$ 145.00	$ 190.00	$ 171.81	$ 150.00	$ 150.00	$ 175.00	$ 160.00	$ 175.00	$ 160.00	$ 190.00
Project Construction Manager	$ 100.00	$ 145.00	$ 180.00	$ 146.81	$ 125.00	$ 130.00	$ 150.00	$ 115.00	$ 125.00	$ 150.00	$ 180.00
Field Inspector	$ 100.00	$ 110.00	$ 140.00	$ 111.04	$ 99.00	$ 100.00	$ 100.00	$ 95.00	$ 95.00	$ 130.00	$ 140.00
Speicalty Inspector	$ 75.00	$ 100.00	$ 140.00	$ 111.04	$ 97.00	$ 100.00	$ 125.00	$ 105.00	$ 95.00	$ 85.00	$ 140.00
Administrative/Clerical	$ 75.00	$ 45.00	$ 94.97	$ 94.97	$ 60.00	$ 75.00	$ 50.00	$ 60.00	$ 45.00	$ 72.00	$ 85.00
Total:	**$ 485.00**	**$ 545.00**	**$ 744.97**	**$ 635.67**	**$ 531.00**	**$ 555.00**	**$ 600.00**	**$ 535.00**	**$ 535.00**	**$ 597.00**	**$ 735.00**
Score:	**35.0**	**32.7**	**25.0**	**29.2**	**33.2**	**32.3**	**30.6**	**33.1**	**33.1**	**30.7**	**25.4**

Score = 35 - (Total Rate - Min Rate)*10
(Max Rate - Min Rate)

Notes:

1. The score for proposed fee is weighted between the minimum and maximum fees with a minimum of 17.5 points for the highest fee and a maximum of 35 points for the lowest fee.

PM Signature: _____

QC: _____

Engineering Manager: _____

AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Daniel Kay DK Associate Engineer Ron Ripperger Engineering Manager	PROJECT/ SUBPROJECT:	R2058-001103 DIV. NO. 1,2 R2077-001103 R2087-001103
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst. GM):	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Award of a Construction Management Services Contract for the Otay Mesa Recycled Water Supply Link Project to RBF Consulting		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) awards a professional services contract to RBF Consulting (RBF), for providing professional construction management services for the Otay Mesa Recycled Water Supply Link (Supply Link) project and to authorize the General Manager to execute an agreement with RBF in a not-to-exceed amount of $708,560 (see Exhibits A, B, and C for project locations).

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To obtain Board Authorization for the General Manager to enter into a Construction Management Agreement with RBF. The contract amount is not-to-exceed $708,560 for providing Construction Management Services for the Supply Link project.

ANALYSIS:

The Supply Link is primarily a transmission pipeline that will provide recycled water to the Otay Mesa area. The Supply Link consists of constructing approximately 3.5 miles of 24-inch steel pipe, 3 miles of 16-Inch PVC pipe, 900 linear feet of 8-Inch PVC pipe, and a pressure reducing station.

The Supply Link is currently being designed in-house by staff. The design is 60% complete and staff is currently working towards 90% design. The design is anticipated to be completed in March 2010 with construction award in May 2010. The Supply Link is critical, in providing recycled water to the Otay Mesa.

As part of the process to improve the design, staff's goal is to engage the services of a Construction Manager (CM) during the 90% design phase of the project. Utilizing the services of a CM during the design process will allow fresh input regarding constructability and provide an opportunity for the design staff to include these new ideas into the final design. Consistent with the District's practice, a CM firm is used on larger projects that have a variety of complex construction activities. The CM augments District staff and provides the fulltime inspection and monitoring that is required.

In accordance with Board Policy No. 21, staff solicited professional construction management services from engineering consulting firms by placing an advertisement on the District's website and with various publications including the Union Tribune and San Diego Daily Transcript.

The Pre-Proposal Meeting for the project was held on December 16, 2009. Thirty-five (35) people from various consulting groups attended the meeting. Twenty-nine (29) firms submitted a letter of interest and a statement of qualifications. The Request for Proposal was sent to all twenty-nine (29) construction management and engineering firms resulting in the following eleven (11) proposals received on January 8, 2010:

- Civiltec
- Butier
- Parsons Brinkerhoff
- RBF
- URS
- MWH Constructors
- Harris & Associates
- Dudek

- J.T. Kruer & Company
- Vanir Construction Management
- Richard Brady & Associates

The remaining eighteen (18) firms that chose not to propose are Red Zone, Valley CM, Southern California Soils & Testing, Christian Wheeler, MTGL, PBS&J, Lee & Ro, KDG Development and Construction Consulting, JAS Consultants, G-Force, Aecom, HDR, Pacifica Services, Kaufman Consultation, R.W. Beck, Professional Service Industries, Malcom Pirnie, and Ninyo and Moore.

A District review panel evaluated the written proposals and selected the following firms for a formal interview:

CONSULTING FIRMS	PROPOSED FEE
Civiltec	$327,057
URS	$406,518
RBF	$708,560
Harris & Associates	$772,076
MWH	$831,693

The Engineer's Estimate is $750,000.

The interview selection panel was comprised of four (4) staff members and one (1) outside member from the City of Coronado (Scott Huth). The oral interviews were conducted on January 26, 2010. After conducting the interviews, the panel completed the consultant ranking process and concluded that RBF was the most qualified consultant and provided the best overall value. A summary of the complete evaluation is shown in Attachment B.

The range in the proposed fees was due primarily to the approach presented by each consultant. Their proposed method to accomplish the work was a direct reflection on their approach to the major scope items presented in the RFP. The major scope items were constructability review, inspection, construction management, and public outreach. Each discipline is clearly identified in the RFP, however some consultants chose to consolidate these disciplines. This consolidation approach resulted in lower fees. The interview panel discussed this approach and determined that it could overload an individual and create inefficiencies within the project delivery. These inefficiencies would result in extra costs throughout the project. The engineer's estimate was determined based on an approach where one or two individuals are assigned a specific discipline. The consultants who presented this approach were within the engineer's estimate. The higher fees were generally due to higher hourly rates,

a higher number of hours for upper level positions, and higher overhead expenses.

RBF's proposal and interview demonstrated that they will provide the proper resources needed to complete each discipline in the scope of work. After a fee negotiation meeting was held with RBF on January 28, 2010, staff was satisfied with their proposed fee and no changes were made.

This project is very similar to the 30-Inch Recycled Pipeline project and the 36-Inch Jamacha Road Pipeline project in which RBF was the CM for both projects. The 30-Inch Recycled Pipeline project was very successful while the 36-Inch Jamacha Road project is on-going and progressing well. RBF was also the CM on the District's 640 Reservoir project which was a very successful project as well. Additional reference checks also verified that RBF is a highly rated consultant.

FISCAL IMPACT:

Funding for the overall project comes from three CIP projects, R2058-Airway Road, R2077-Alta Road, and R2087-Wueste Road.

The total budget for CIP R2058, as approved in the FY 2010 budget is $3,000,000. Total expenditures, plus outstanding commitments and forecast is $1,081,235. See Attachment C for budget detail.

The total budget for CIP R2077, as approved in the FY 2010 budget is $4,100,000. Total expenditures, plus outstanding commitments and forecast, is $878,844. See Attachment D for budget detail.

The total budget for CIP R2087, as approved in the FY 2010 budget is $4,500,000. Total expenditures, plus outstanding commitments and forecast, is $902,657. See Attachment E for budget detail.

Based on a review of the financial budgets, the Project Manager has determined that each budget is sufficient to support the project.

For the three CIPs, the Finance Department has determined that 100% of the funding is available from the Expansion Fund.

STRATEGIC GOAL:

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

Goals No. 1 - Community and Governance, and No. 5 - Potable Water, by maintaining proactive and productive relationships with the project stakeholders and by guaranteeing that the District will provide for current and future water needs.

LEGAL IMPACT:

None.

General Manager

P:\WORKING\CIP R2087\Staff Reports\Construction Management\BD 03-03-10, Recycled Supply Link CM Award, (DK-RR)v2.doc

DK/RR:jf

Attachments
- Attachment A
- Attachment B
- Attachment C
- Attachment D
- Attachment E
- Exhibit A
- Exhibit B
- Exhibit C

QA/QC Approved: NAME: Lisa Coburn-Boyd DATE: 2/11/10

ATTACHMENT A

SUBJECT/PROJECT:	
R2058-001103 R2077-001103 R2087-001103	Award of a Construction Management Services Contract for the Otay Mesa Recycled Water Supply Link Project to RBF Consulting

COMMITTEE ACTION:

The Engineering, Operations, and Water Resources Committee reviewed this item at a meeting held on February 22, 2010. The Committee supported 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

SUMMARY OF PROPOSAL RANKINGS BY PANEL MEMBERS

		WRITTEN							ORAL*						
		Qualifications of Staff	Understanding of scope, schedule, resources	Soundness and Viability of Proposed Project Plan	Proposed Fee	Consultant's commitment to DBE	SUBTOTAL	AVERAGE SUBTOTAL SCORE	Additional creativity, insight to issues	Strength of project manager	Presentation, communication skills	Quality of response to questions	TOTAL SCORE	AVERAGE SCORE	References
SCORE		20	20	25	35	Y/N	100		15	15	10	10	150 *		Pass/Fail
Civiltec	Ron Ripperger	14	14	15	35	Y	78	79	8	8	7	7	108	108	
	Scott Huth	15	16	16	35		82		8	8	3	5	106		
	Jake Vaclavek	13	13	12	35		73		10	8	7	8	106		
	David Charles	16	15	20	35		86		9	8	7	6	116		
	Daniel Kay	12	12	16	35		75		10	10	5	5	105		
Butier	Ron Ripperger	16	18	16	25	Y	75	71					75	71	
	Scott Huth	15	16	16	25		72						72		
	Jake Vaclavek	15	12	12	25		64						64		
	David Charles	16	15	19	25		75						75		
	Daniel Kay	15	15	16	25		71						71		
Parsons Brinkerhoff	Ron Ripperger	16	16	16	14	Y	62	65					62	65	
	Scott Huth	17	18	22	14		71						71		
	Jake Vaclavek	16	13	16	14		59						59		
	David Charles	17	16	20	14		67						67		
	Daniel Kay	17	17	20	14		68						68		
RBF	Ron Ripperger	19	19	18	23	Y	79	80	13	14	9	9	124	125	Pass
	Scott Huth	19	18	22	23		82		13	14	9	10	128		
	Jake Vaclavek	17	17	17	23		74		15	15	9	9	122		
	David Charles	18	18	22	23		81		12	13	9	8	123		
	Daniel Kay	19	19	22	23		83		14	14	9	9	129		
URS	Ron Ripperger	13	15	15	32	Y	75	75	12	12	7	7	113	113	
	Scott Huth	16	16	15	32		79		11	12	7	8	117		
	Jake Vaclavek	13	12	12	32		69		13	12	6	8	111		
	David Charles	16	15	19	32		82		8	10	6	5	111		
	Daniel Kay	13	12	15	32		72		12	13	8	8	113		
MWH	Ron Ripperger	19	19	18	19	Y	75	75	12	13	8	8	116	117	
	Scott Huth	17	18	21	19		75		12	12	6	8	113		
	Jake Vaclavek	17	17	18	19		71		14	13	9	8	115		
	David Charles	17	17	22	19		75		12	12	8	8	115		
	Daniel Kay	19	19	23	19		80		13	14	9	9	125		
Harris & Associates	Ron Ripperger	16	18	16	21	Y	71	74	12	8	8	7	106	108	
	Scott Huth	17	18	22	21		78		10	10	6	6	110		
	Jake Vaclavek	15	16	16	21		68		12	9	5	7	101		
	David Charles	17	17	20	21		75		10	10	7	6	108		
	Daniel Kay	17	18	21	21		77		12	11	8	8	116		
Dudek**	Ron Ripperger	15	15	15	-	Y	45	46					45	46	
	Scott Huth	16	16	17	-		49						49		
	Jake Vaclavek	17	13	12	-		42						42		
	David Charles	16	16	19	-		51						51		
	Daniel Kay	15	13	14	-		42						42		
J.T.Kruer & Company	Ron Ripperger	16	14	14	27	Y	71	70					71	70	
	Scott Huth	12	12	13	27		64						64		
	Jake Vaclavek	12	12	12	27		63						63		
	David Charles	17	17	19	27		80						80		
	Daniel Kay	15	15	15	27		72						72		
Vanir Construction Management	Ron Ripperger	16	16	16	16	Y	64	62					64	62	
	Scott Huth	12	12	14	16		54						54		
	Jake Vaclavek	13	13	15	16		57						57		
	David Charles	17	16	19	16		68						68		
	Daniel Kay	17	16	18	16		67						67		
Richard Brady & Associates	Ron Ripperger	15	16	16	17	Y	64	61					64	61	
	Scott Huth	13	12	13	17		55						55		
	Jake Vaclavek	12	12	12	17		53						53		
	David Charles	17	17	20	17		71						71		
	Daniel Kay	16	12	15	17		60						60		

*Oral Interviews are for projects over $200,000.

** Dudek did not submit a fee, therefore their score is zero (0)

See Next Sheet for Fee Evaluation

PM Signature: _____

QC: _____

Engineering Manager: Ron Ripperger

ATTACHMENT B (CONT.)

FEE EVALUATION

Firm	Civiltec	Butier	Parsons Brinkerhoff	RBF	URS	MWH	Harris & Associates	Dudek**	J.T.Kruer & Company	Vanir Construction Management	Richard Brady & Associates
Proposed Fee	$327,057	$645,961	$1,027,021	$708,560	$406,518	$831,693	$772,076	?	$586,911	$949,849	$905,319
Score	**35**	**25**	**14**	**23**	**32**	**19**	**21**	**0**	**27**	**16**	**17**

*Dudek Scored Zero (0) because they did not submit a fee

Proposed Fee Scoring Chart		
% Higher	**Score**	**Amount**
Lowest Fee	35	$327,057
0-10%	34	$ 359,762.15
11-20%	33	$ 392,467.80
21-30%	32	$ 425,173.45
31-40%	31	$ 457,879.10
41-50%	30	$ 490,584.75
51-60%	29	$ 523,290.40
61-70%	28	$ 555,996.05
71-80%	27	$ 588,701.70
81-90%	26	$ 621,407.35
91-100%	25	$ 654,113.00
101-110%	24	$ 686,818.65
111-120%	23	$ 719,524.30
121-130%	22	$ 752,229.95
131-140%	21	$ 784,935.60
141-150%	20	$ 817,641.25
151-160%	19	$ 850,346.90
161-170%	18	$ 883,052.55
171-180%	17	$ 915,758.20
151-160%	16	$ 981,169.50
161-170%	15	$ 1,013,875.15
171-180%	14	$ 1,046,580.80

PM Signature: _____

QC: _____

Engineering Manager: Ron Tippergn

ATTACHMENT C

SUBJECT/PROJECT:	
R2058-001103 R2077-001103 R2087-001103	Award of a Construction Management Services Contract for the Otay Mesa Recycled Water Supply Link Project to RBF Consulting

Otay Water District
R2058-RecPL - 16-Inch, 860 Zone, Airway Road - Otay Mesa/Alta

Date Updated: February 1, 2010

Budget 3,000,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor/Comments*
WO 30088					
Reimbursement	123,911	123,911		123,911	ORIX OTAY LLC
Total WO 30088	123,911	123,911	-	123,911	
Planning					
Addl subprojects					
Labor	57,825	57,825	-	57,825	
Business Meetings	17	17	-	17	PETTY CASH CUSTODIAN
Professional Legal Fees	343	343	-	343	GARCIA CALDERON & RUIZ LLP
Consultant Contracts	111,645	44,491	67,154	111,645	JONES & STOKES ASSOCIATES
	10,127	10,127	-	10,127	LEE & RO INC
Total Planning	179,957	112,803	67,154	179,957	
Design					
Labor	300,000	155,515	144,485	300,000	
Consultant Contracts	30,450	30,450	-	30,450	HDR ENGINEERING INC
	10,500	10,500	-	10,500	SAN-LO AERIAL SURVEYS
	11,842	11,842	-	11,842	SOUTHERN CALIFORNIA SOIL
	350	350	-	350	MWH CONSTRUCTORS INC
Service Contracts	2,000	2,000	-	2,000	FIRST AMERICAN TITLE INS CO
	14,790	3,100	11,690	14,790	SAN-LO AERIAL SURVEYS
	138	138	-	138	UNION TRIBUNE PUBLISHING CO
Office Supplies	32	32	-	32	US BANK CORPORATE PAYMENT
Total Design	370,102	213,927	156,175	370,102	
Construction					
Labor	736	736		736	
Consultant Contracts	193,173	193,173	-	193,173	J GARY BURKE CORPORATION
Construction Management	203,357	-	203,357	203,357	RBF CONSULTING
Acceptance/Closeout	10,000	-	10,000	10,000	
Total Construction	407,266	193,909	203,357	397,266	
Grand Total	**1,081,235**	**644,550**	**436,686**	**1,081,235**	

QA/QC Approved:

Name: Lisa Cohrn-Boyd Date: 2-5-10

ATTACHMENT D

SUBJECT/PROJECT:	
R2058-001103 R2077-001103 R2087-001103	Award of a Construction Management Services Contract for the Otay Mesa Recycled Water Supply Link Project to RBF Consulting

Otay Water District
R2077-RecPL-24-Inch, 860 Zone, Alta Road - Alta Gate/Airway

Date Updated: February 1, 2010

Budget 4,100,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor/Comments*
WO 30017					
Closed to Fixed Assets	20,651	20,651		20,651	
Total WO 30088	20,651	20,651	-	20,651	
Planning					
Labor	48,776	48,776	-	48,776	
Professional Legal Fees	697	697	-	697	GARCIA CALDERON & RUIZ LLP
Consultant Contracts	55,956	23,560	32,396	55,956	JONES & STOKES ASSOCIATES
	38,003	38,003	-	38,003	LEE & RO INC
Total Planning	143,432	111,036	32,396	143,432	
Design					
Labor	400,000	212,744	187,256	400,000	
Mileage Reimbursement	21	21	-	21	PETTY CASH CUSTODIAN
Other Agency Fees	6	6	-	6	PETTY CASH CUSTODIAN
Consultant Contracts	8,925	8,925	-	8,925	HDR ENGINEERING INC
	8,000	8,000	-	8,000	SAN-LO AERIAL SURVEYS
	640	640	-	640	SWINERTON MANAGEMENT
	20,002	20,002	-	20,002	SOUTHERN CALIFORNIA SOIL
Service Contracts	1,800	1,800	-	1,800	SAN-LO AERIAL SURVEYS
	138	138	-	138	UNION TRIBUNE PUBLISHING CO
Office Supplies	64	64	-	64	PETTY CASH CUSTODIAN
Total Design	439,596	252,340	187,256	439,596	
Construction					
Labor	1,726	1,726	-	1,726	
Consultant Contracts	21,808	21,808	-	21,808	JC HEDEN AND ASSOCIATES INC
	700	700	-	700	HDR ENGINEERING INC
Service Contracts	21	21	-	21	SAN DIEGO DAILY TRANSCRIPT
Construction Management	240,910	-	240,910	240,910	RBF CONSULTING
Acceptance/Closeout	10,000	-	10,000	10,000	
Total Construction	275,165	24,255	250,910	275,165	
Grand Total	**878,844**	**408,282**	**470,563**	**878,844**	

QA/QC Approved:

Name: Lisa Colvin-Baya Date: 2-5-10

ATTACHMENT E

SUBJECT/PROJECT:	
R2058-001103 R2077-001103 R2087-001103	Award of a Construction Management Services Contract for the Otay Mesa Recycled Water Supply Link Project to RBF Consulting

Otay Water District

R2087-RecPL - 20-Inch 944 Zone, Wueste Road - Olympic/Otay WTP

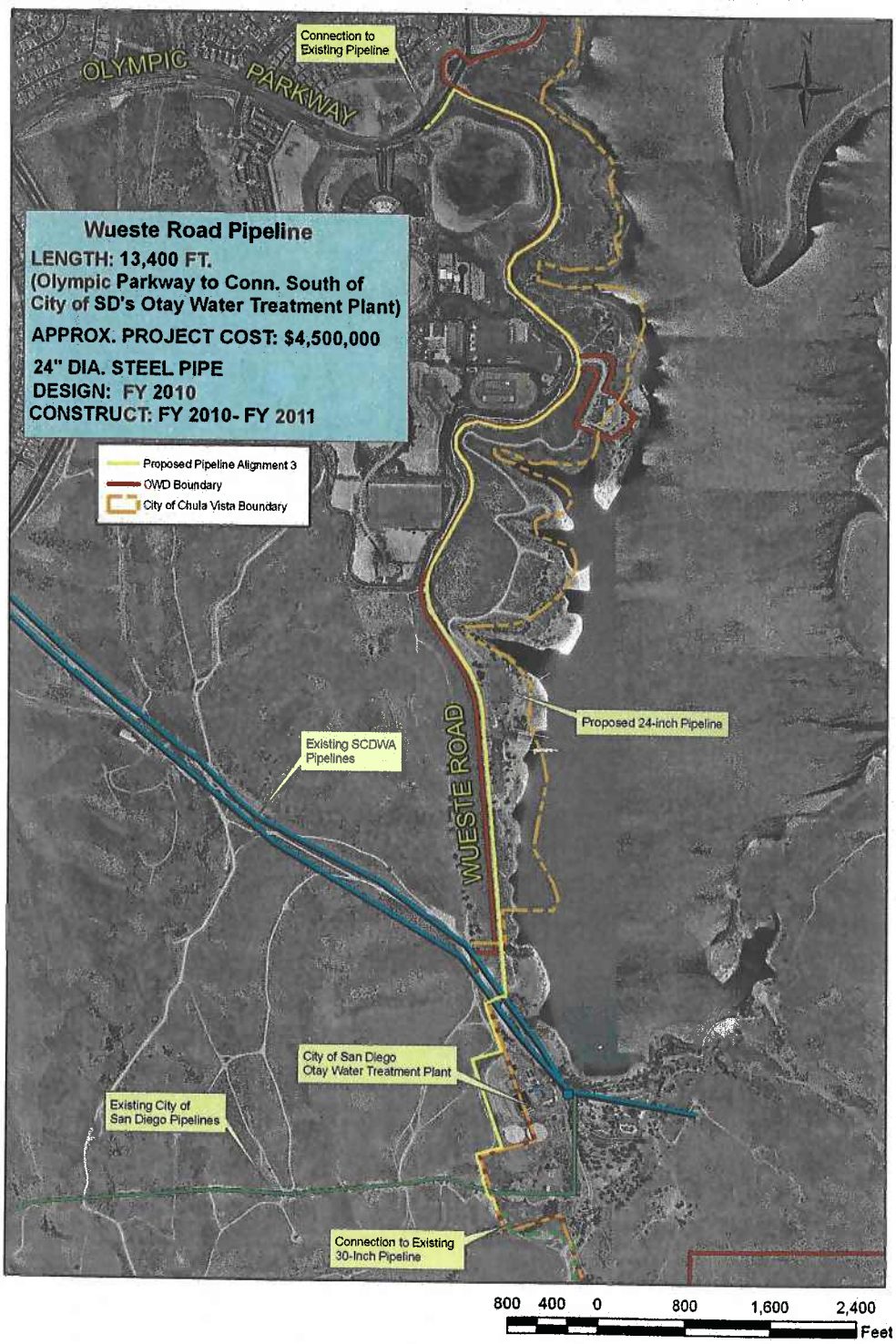
Date Updated: February 1, 2010

Budget 4,500,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor/Comments*
Planning					
Labor	43,103	43,103		43,103	
Consultant Contracts	60,970	41,163	19,807	60,970	JONES & STOKES ASSOCIATES
	11,100	11,100	-	11,100	HARRIS & ASSOCIATES INC
	47,846	47,846	-	47,846	LEE & RO INC
Service Contracts	234	234	-	234	UNION TRIBUNE PUBLISHING CO
	60	60	-	60	SAN DIEGO DAILY TRANSCRIPT
Total Planning	163,312	143,506	19,807	163,312	
Design					
Labor	400,000	240,006	159,994	400,000	
Business Meetings	205	205	-	205	US BANK CORPORATE PAYMENT
Other Agency Fees	4	4	-	4	PETTY CASH CUSTODIAN
Consultant Contracts	5,000	-	5,000	5,000	CPM PARTNERS INC
	7,870	7,870	-	7,870	MORENO AERIAL PHOTO
	5,000	2,581	2,419	5,000	WRA & ASSOCIATES INC
	11,842	11,842	-	11,842	SOUTHERN CALIFORNIA SOIL
	525	525	-	525	MWH CONSTRUCTORS INC
Service Contracts	2,750	2,750	-	2,750	FIRST AMERICAN TITLE INS CO
	13,750	-	13,750	13,750	KEAGY REAL ESTATE
	138	138	-	138	UNION TRIBUNE PUBLISHING CO
	12	12	-	12	US BANK CORPORATE PAYMENT
	1,600	1,100	500	1,600	CABLE PIPE & LEAK DETECTION
For Ops Only - Contracted Services	5,118	5,118	-	5,118	KIRK PAVING INC
Cameras, Survey Equipment	96	96	-	96	LEWIS & LEWIS ENTERPRISES
Total Design	453,910	272,247	181,663	453,910	
Construction					
Labor	6,078	6,078	-	6,078	
Consultant Contracts	4,960	-	4,960	4,960	RBF CONSULTING
Service Contracts	103	103	-	103	SAN DIEGO DAILY TRANSCRIPT
Accpt/close-out	10,000	-	10,000	10,000	
Construction Management	264,293	103	264,190	264,293	RBF CONSULTING
Total Construction	285,434	6,284	279,150	285,434	
Grand Total	**902,657**	**422,037**	**480,620**	**902,657**	

QA/QC Approved:

Name: Lisa Coburn-Boyd Date: 2-5-10

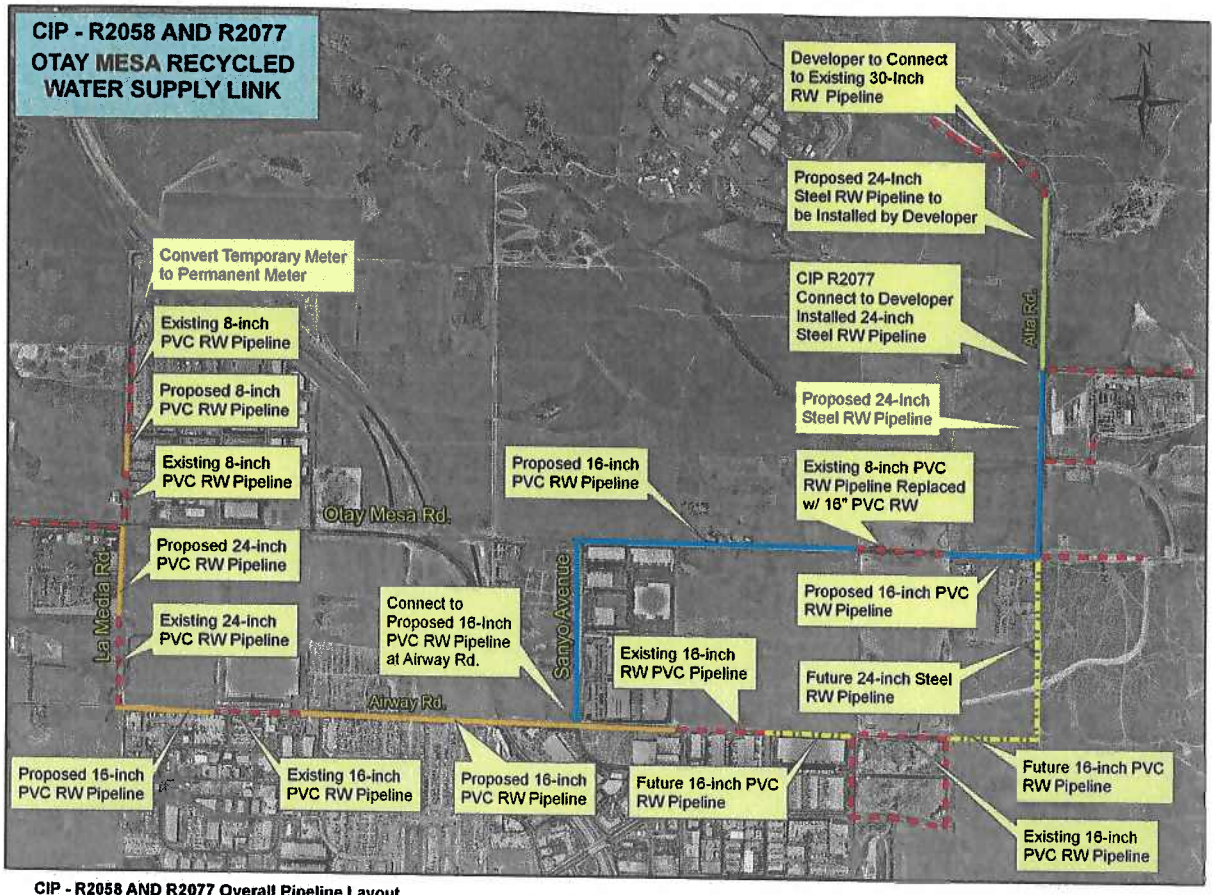
WUESTE ROAD 24" TRANSMISSION MAIN PROJECT



P:\Working\CIP 2087\Graphics\Exhibits-Figures\Wueste Exhibit

Scale: 1"=800'

EXHIBIT A



CIP - R2058 AND R2077 Overall Pipeline Layout
(Revised July 2009)

EXHIBIT 'B'

EXHIBIT B

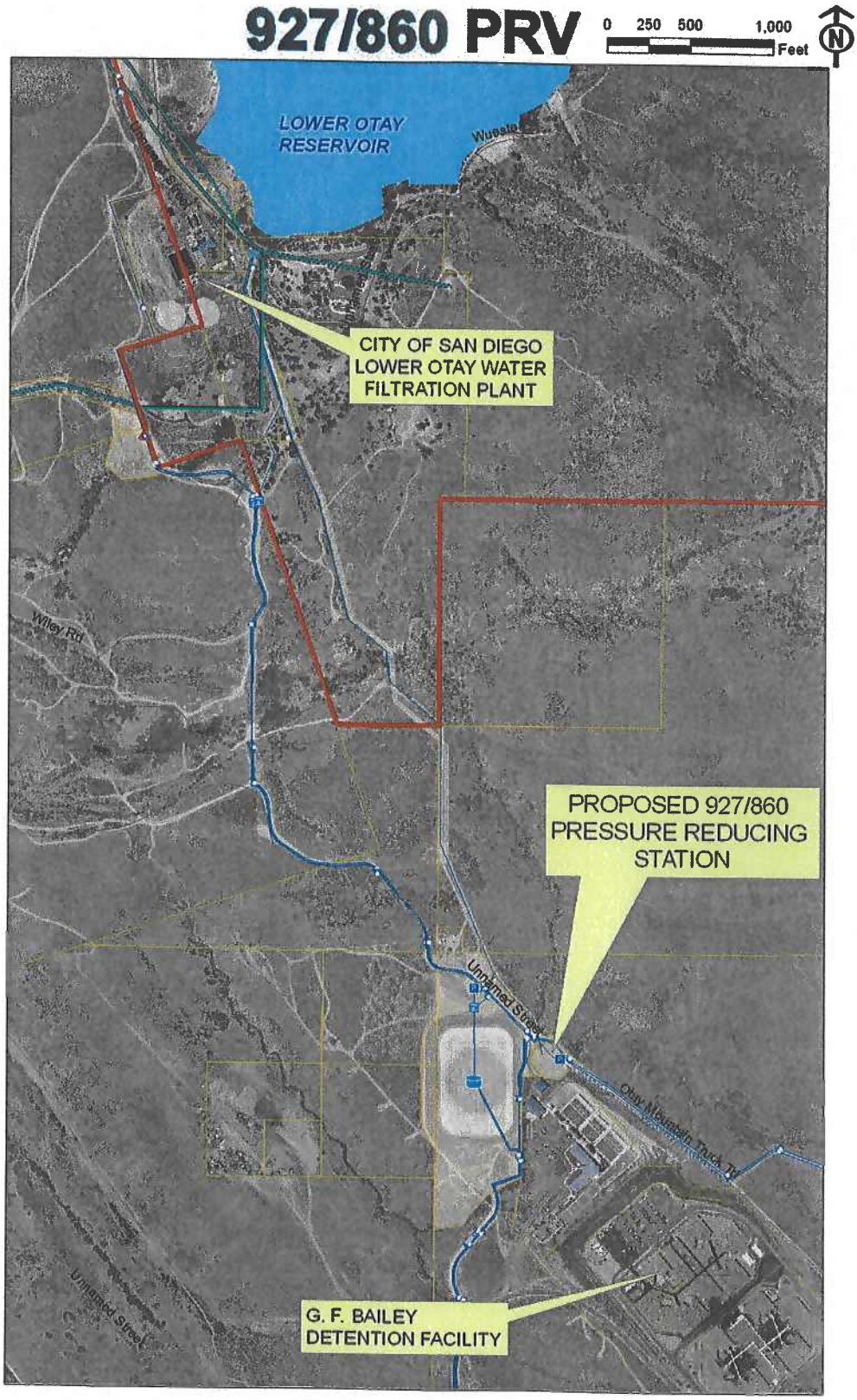

927/860 PRV
0 250 500 1,000
Feet
N
LOWER OTAY RESERVOIR
Wuesta
CITY OF SAN DIEGO LOWER OTAY WATER FILTRATION PLANT
Wiley Rd
PROPOSED 927/860 PRESSURE REDUCING STATION
Unnamed Street
Otay Mountain Truck Tr
Unnamed Street
G. F. BAILEY DETENTION FACILITY

EXHIBIT C

AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 3, 2010
SUBMITTED BY:	Ron Ripperger Engineering Manager	PROJECT:	Various DIV. NO. ALL
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst GM)	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Informational Item - Second Quarter Fiscal Year 2010 Capital Improvement Program Report		

GENERAL MANAGER'S RECOMMENDATION:

That the Otay Water District (District) Board of Directors (Board) accepts the Second Quarter Fiscal Year 2010 Capital Improvement Program (CIP) Report for review and receives a summary via PowerPoint presentation.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To update the Board about the status of all CIP project expenditure highlights, significant issues, progress, and milestones on major projects.

ANALYSIS:

To keep up with growth and to meet our ratepayers' expectations to adequately deliver safe, reliable, cost-effective, and quality water, each year the District Staff prepares a six-year CIP Plan that identifies the District infrastructure needs. The CIP is comprised of four categories consisting of backbone capital facilities, replacement/renewal projects, developer's reimbursement projects, and capital purchases.

The Second Quarter Fiscal Year 2010 update is intended to provide a detailed analysis of progress in completing these projects within the allotted time and budget. Expenditures through the Second Quarter totaled approximately $12.1 million. Approximately 32% of the Fiscal Year 2010 expenditure budget was spent.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

The CIP supports the District's Mission statement, "To provide the best quality of water and wastewater service to the customers of the Otay Water District, in a professional, effective, and efficient manner," and the District's Strategic Goal, in planning for infrastructure and supply to meet current and future potable water demands.

LEGAL IMPACT:

None.

General Manager

P:\CIP\CIP Quarterly Reports\2010\Q2 FY2010\Staff Reports\BD 03-03-10, Second Quarter FY 2010 CIP Report, (RR-RP).doc

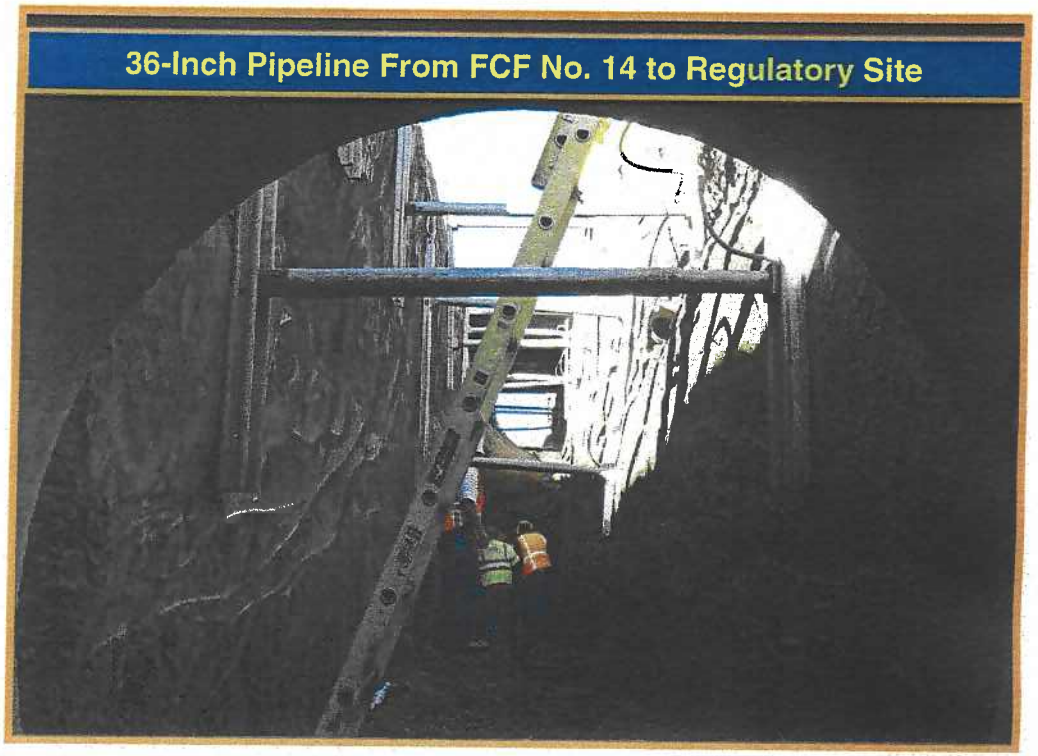
RR/RP:jf

Attachments: Attachment A
Presentation

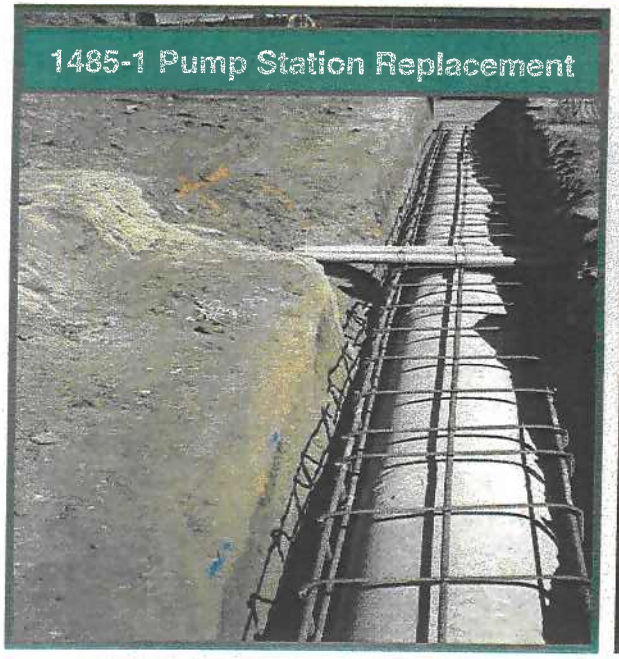
QA/QC Approved:

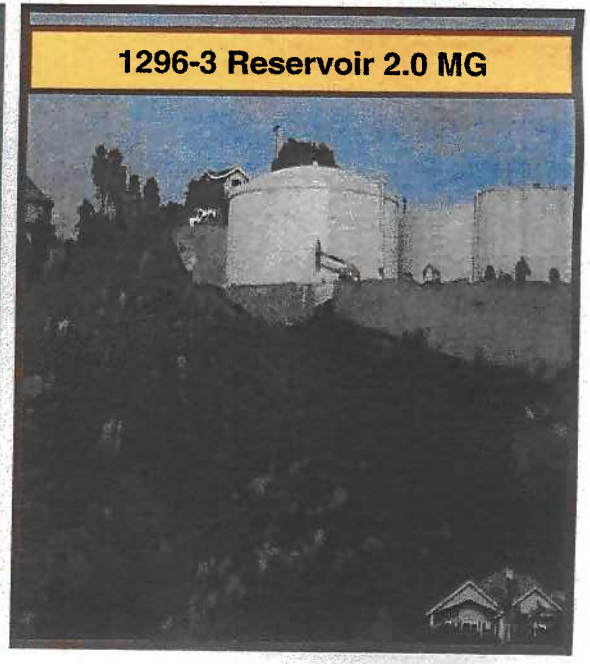
Name: Lisa Colburn-Boyd Date: 2-5-10

CAPITAL IMPROVEMENT PROGRAM



ESTABLISHED 1956 OTAY WATER DISTRICT





Second Quarter

Fiscal Year 2010

(through December 31, 2009)

Background

The approved CIP budget for Fiscal Year 2010 consists of 87 projects that total $37.3 million. These projects are broken down into four categories:

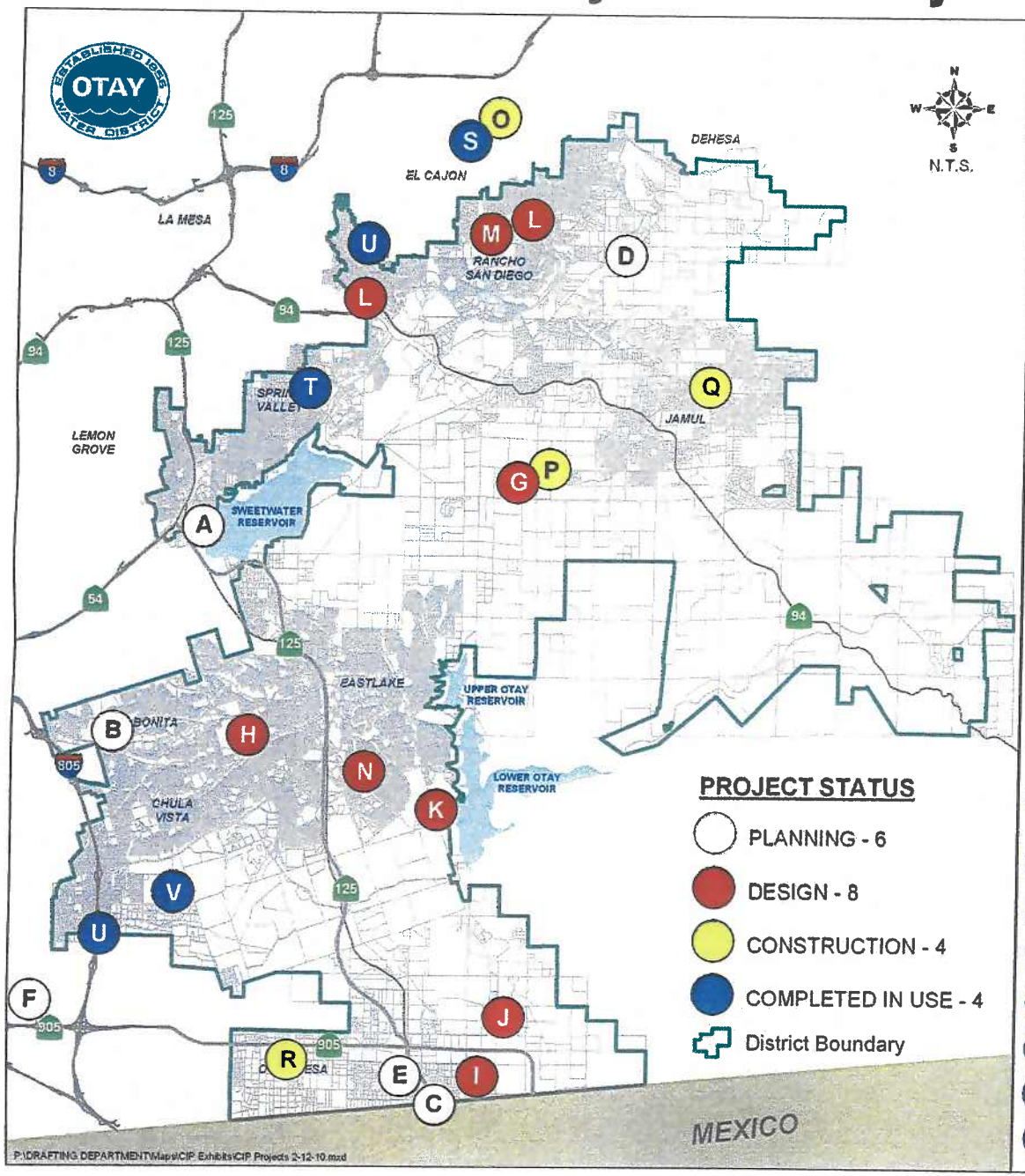
1.	Capital Facilities:	$ 28.73 million
2.	Replacement/Renewal:	$ 6.72 million
3.	Capital Purchases:	$ 1.83 million
4.	Developer Reimbursement:	$ 0.00 million

Overall expenditures through the Second Quarter Fiscal Year 2010 totaled $12.1 million which is 32% of the Fiscal Year 2010 budget.

Fiscal Year 2009 Report
(through December 31, 2009)

CIP CAT	Description	FY 2010 Budget	FY 2010 Expenditures	% FY 2010 Budget Spent	Total Life-to-Date Budget	Total Life-to-Date Expenditures	% Life-to-Date Budget Spent
1	**Capital Facilities**	**$28,728,000**	**$9,384,000**	**33%**	$181,692,000	$55,606,000	31%
2	**Replacement/ Renewal**	**$6,716,000**	**$2,076,000**	**31%**	$37,203,000	$14,451,000	39%
3	**Capital Purchases**	**$1,827,000**	**$617,000**	**34%**	$11,726,000	$5,808,000	50%
4	**Developer Reimbursement**	**$1,000**	**$0**	**0%**	$50,000	$0	0%
	Total:	**$37,272,000**	**$12,077,000**	**32%**	$230,671,000	$75,866,000	33%

Major CIP Projects



MAJOR CIP PROJECTS

- (A) P2010 & P2391 Purdue Water Treatment Plant Pump Station and 36" Pipeline
- (B) P2434 Rancho Del Rey Groundwater Well
- (C) P2451 Rosarito Desalination Facility Conveyance System
- (D) P2481 Middle Sweetwater River Basin Groundwater Well
- (E) P2482 Otay Mesa Lot 7 Groundwater Well
- (F) R2093 MBR City of Chula Vista
- (G) P2490 & P2492 1296-1 & 2 Reservoir Coating
- (H) P2496 Otay Lakes Road Utility Relocations
- (I) R2058 Airway Rd Recycled Water Pipeline
- (J) R2077 Alta Rd Recycled Water Pipeline
- (K) R2087 Wueste Rd Recycled Water Pipeline
- (L) S2019, S2020, S2022 Sewer Main Rehabilitation
- (M) S2021 Jamacha Rd Sewer Main Replacement
- (N) R2091 944-1 Recycled Water PS Upgrade
- (O) P2009 PL-36" SDCWA Otay FCF No. 14 to OWD Regulatory Site
- (P) P2143 Res - 1296-3 Reservoir 2.0 MG
- (Q) P2172 1485-1 Pump Station Replacement
- (R) P2440 SR905 Utility Relocations
- (S) P2009 Otay FCF No. 14 Temporary Connection
- (T) P2191 Res - 850-4 Reservoir 2.2 MG
- (U) P2487 Agency Inter-Connections
- (V) R2092 450-1 Reservoir Disinfection Facility

Flagship CIP Project in Construction

36-Inch Pipeline from FCF No. 14 to Regulatory Site (P2009)

This project was awarded to CCL Contracting in June 2009.
This project consists of construction of approximately 27,300 feet of 36-inch pipeline to upgrade FCF No. 14 to a capacity of 16 million gallons per day.

Flagship CIP Project in Construction

- ***36-Inch Pipeline From FCF No. 14 to Regulatory Site Project:***

Key Component: Approximately 5 miles of 36-inch pipeline for potable water from Otay's FCF No. 14 to the Regulatory Site.

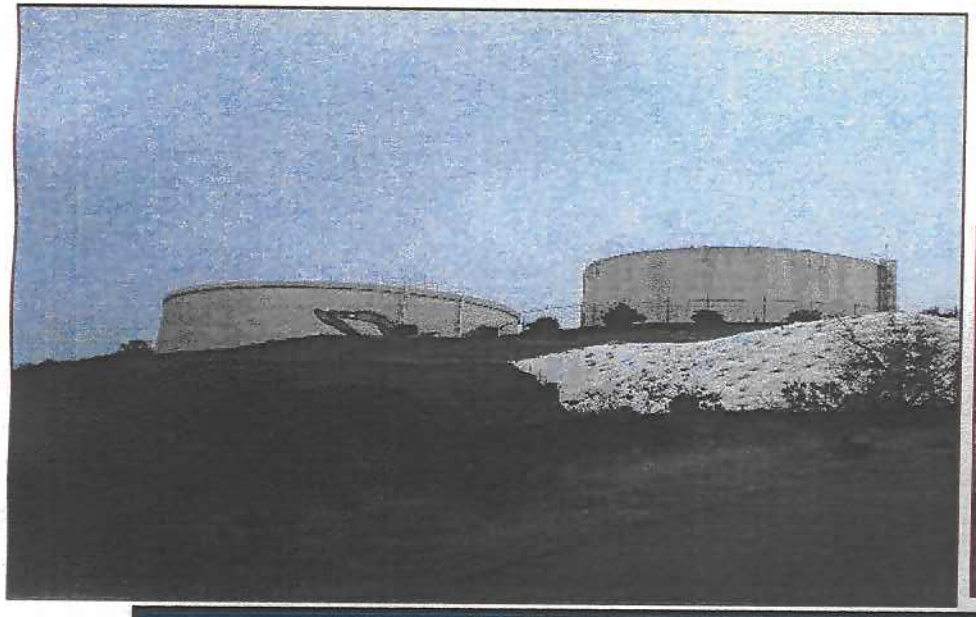
Schedule: A construction contract was awarded to CCL Contracting (CCL) on June 3, 2009. Project completion is anticipated for August 2010.

Cost: The FY 2010 project budget is $15.0 million, of which $4.9 million, or 32% has been spent. The life-to-date project budget is $22.2 million, of which $8.6 million, or 39%, has been spent.

Significant Issues: None.

Highlights: The bore and jack operation within the college property has begun and is progressing well. CCL continues to install 36-inch pipe within Jamacha Road. Tie-ins for the new 8-inch and 12-inch are scheduled for April/May timeframe.

Flagship CIP Project in Construction



1296-3 Reservoir 2.0 MG (P2143)

This project was awarded to Natgun Corporation in February 2009.
This project will provide additional storage in the 1296 Pressure Zone.

Flagship CIP Project in Construction

- ***1296-3 Reservoir 2.0 MG***

Key Component: A new 2.0 MG Concrete Reservoir will provide additional storage in the 1296 Pressure Zone.

Schedule: Notice to Proceed was issued to Natgun Corporation on February 10, 2009. Project is on schedule and is expected to be substantially complete in March 2010.

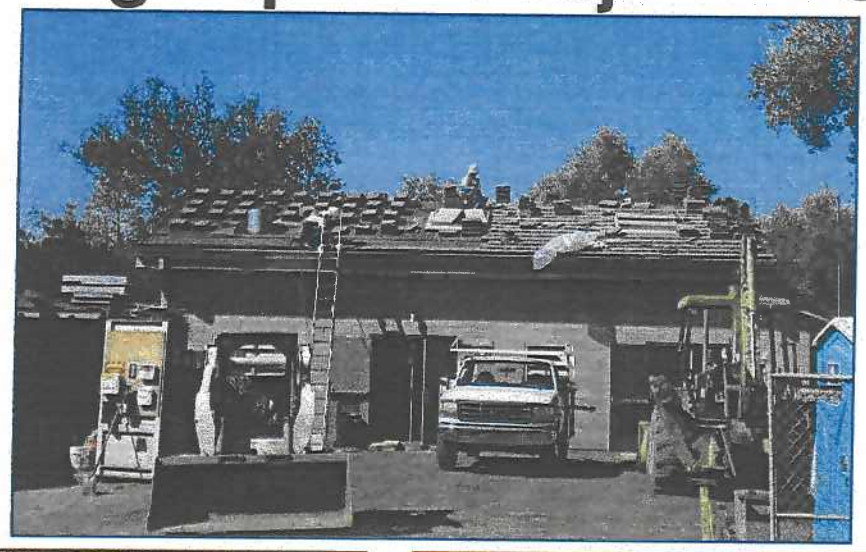
Cost: The FY 2010 project budget is $2.0 million, of which $1.2 million, or 57% has been spent. The life-to-date project budget is $3.6 million, of which $2.9 million, or 78%, has been spent.

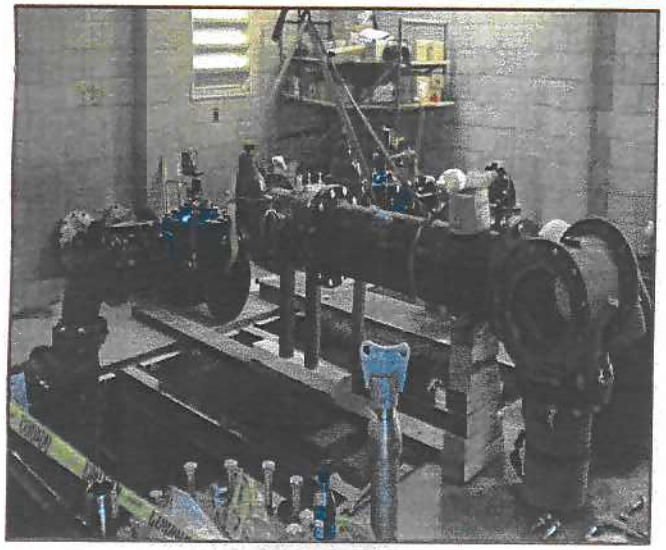
Significant Issues: None.

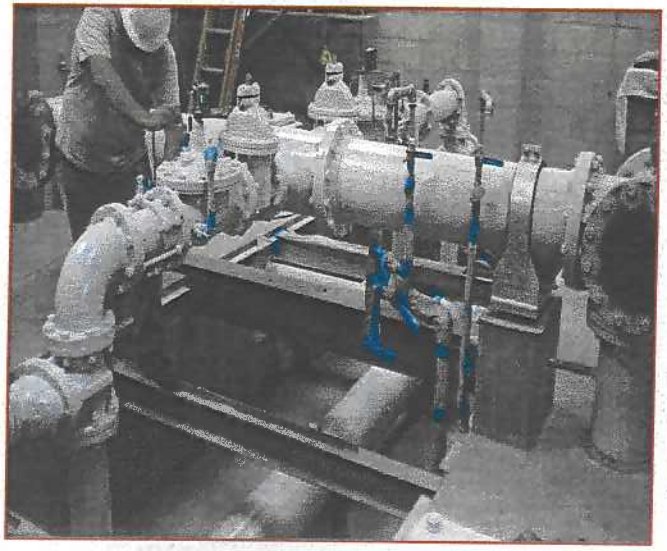
Highlights: The design of this reservoir is a Type III concrete reservoir. The lifecycle cost of building a concrete reservoir is lower than a welded steel reservoir.

A solar power generating system was added to this project which includes a 75 square-foot photovoltaic panel for generating power, which is tied to the SDG&E power grid.

Flagship CIP Project in Construction







1485-1 Pump Station Replacement (P2172)

This project was awarded to SCW Contracting and was started in January 2009.
This project consists of construction of a new pump station to replace the existing pump station and to expand capacity as projected within the Water Resources Master Plan.

Flagship CIP Project in Construction

- ***1485-1 Pump Station Replacement***

Key Component: The existing pump station is near capacity and has reached the end of its useful life. The improved pump station systems and additional capacity are required to meet projected demands of the 1485 and higher pressure zones as projected within the Water Resources Master Plan.

Schedule: Notice to Proceed was issued to SCW Contracting on January 5, 2009. Construction started in January 2009. Project is approximately 72% complete. The project is scheduled for completion in March 2010.

Cost: The FY 2010 project budget is $1.6 million, of which $0.9 million, or 56%, has been spent. The life-to-date project budget is $2.5 million, of which $2.1 million, or 83%, has been spent.

Significant Issues: None.

Highlights: The new pump station will include SCADA equipment and will protect the existing equipment from the elements.

Consultant Contract Status

(through December 31, 2009)

Purchase Order Number	Consultant	CIP No.	Project Title	Original Contract Amount	Total Change Orders	Revised Contract Amount	Approved Payment To Date	% Change Orders	% Expenditures to Date	Date of Signed Contract	End Date of Contract
	PLANNING										
709962	J C HEDEN AND ASSOCIATES INC	Varies	TEMPORARY LABOR SERVICES	$ 150,000.00	$ -	$ 150,000.00	$ 111,118.00	0.0%	74.1%	1/1/2009	7/27/2009 (COMPLETE)
711553	MWH AMERICAS INC.	P2010	NORTH-SOUTH SERVICES AREA INTERTIE STUDY	$ 119,505.00	$ -	$ 119,505.00	$ 28,870.75	0.0%	24.2%	10/22/2009	6/30/2010
707070	PBS&J	P1210	2009 MASTER PLAN UPDATE	$ 499,748.00	$ 46,222.00	$ 545,970.00	$ 544,917.94	9.2%	99.8%	8/7/2007	2/28/2010
	DESIGN										
705134	ENGINEERING PARTNERS INC, THE	P2172	1485-1 PUMP STATION REPLACEMENT	$ 24,120.00	$ -	$ 24,120.00	$ 18,542.50	0.0%	76.9%	11/3/2006	12/31/2009 (COMPLETE)
706951, 711714	ENGINEERING PARTNERS INC, THE	Varies	ELECTRICAL SERVICES	$ 100,000.00	$ -	$ 100,000.00	$ 70,795.00	0.0%	70.8%	3/19/2007	6/30/2011
711649	ENGINEERING PARTNERS INC, THE	Varies	AS-NEEDED ELECTRICAL DESIGN SERVICES	$ 100,000.00	$ -	$ 100,000.00	$ -	0.0%	0.0%	10/7/2009	6/30/2011
711324	HDR	Varies	TEMPORARY LABOR SERVICES	$ 150,000.00	$ -	$ 150,000.00	$ 61,775.00	0.0%	41.2%	8/14/2009	6/30/2010
706174	LEE & RO INC	Varies	AS-NEEDED ENG DESIGN SVCS	$ 175,000.00	$ 15,000.00	$ 190,000.00	$ 190,000.00	8.6%	100.0%	3/29/2007	12/31/2009 (COMPLETE)
709237	LEE & RO INC	P2009	DESIGN OF 36-INCH PIPELINE	$ 580,183.00	$ 61,629.00	$ 641,812.00	$ 600,013.79	10.6%	93.5%	9/11/2008	12/31/2010
711650	LEE & RO INC	Varies	AS-NEEDED ENGINEERING DESIGN SERVICES	$ 175,000.00	$ 24,000.00	$ 199,000.00	$ 59,018.65	13.7%	29.7%	10/8/2009	6/30/2011
711676	MWH AMERICAS INC.	R2096, R2095, S2018	RWCWRF UPGRADE PROJECT	$ 458,813.00	$ -	$ 458,813.00	$ 15,416.31	0.0%	3.4%	10/14/2009	10/14/2011
711657	PBS&J	Varies	HYDRAULIC MODELING SERVICES	$ 45,000.00	$ -	$ 45,000.00	$ 2,706.50	0.0%	6.0%	11/20/2009	6/30/2011
	SAN-LO AERIAL	R2077	20-Inch RecPl - ALTA/OTAY MESA/SANYO	$ 8,000.00	$ -	$ 8,000.00	$ 8,000.00	0.0%	100.0%	6/24/2009	8/5/2009 (COMPLETE)
	SAN-LO AERIAL	R2058	20-Inch RecPl - AIRWAY/LA MEDIA	$ 3,100.00	$ -	$ 3,100.00	$ 3,100.00	0.0%	100.0%	8/17/2009	9/9/2009 (COMPLETE)
711680	SCHIFF & ASSOCIATES	Varies	PROFESSIONAL CORROSION SERVICES	$ 250,000.00	$ -	$ 250,000.00	$ -	0.0%	0.0%	11/20/2009	6/30/2011
705883, 706619	SOUTHERN CALIFORNIA SOIL	Varies	ON-CALL GEOTECHNICAL SERVICES	$ 150,000.00	$ -	$ 150,000.00	$ 144,721.37	0.0%	96.5%	12/6/2006	1/31/2011
711655	SOUTHERN CALIFORNIA SOIL	Varies	AS-NEEDED GEOTECHNICAL SERVICES	$ 175,000.00	$ -	$ 175,000.00	$ 4,101.57	0.0%	2.3%	10/7/2009	6/30/2011
	CONSTRUCTION SERVICES										
710093	MWH CONSTRUCTORS INC	Varies	TEMPORARY LABOR SERVICES	$ 150,000.00	$ 130,000.00	$ 280,000.00	$ 148,225.00	86.7%	52.9%	1/1/2009	6/30/2010
707935	RBF CONSULTING	P2009	36-INCH PIPELINE	$ 1,088,785.00	$ -	$ 1,088,785.00	$ 656,578.75	0.0%	60.3%	1/28/2008	3/1/2010
708005, 711043	VALLEY CONSTRUCTION MANAGEMENT	Varies	AS-NEEDED CONSTRUCTION MANAGEMENT SVCS	$ 175,000.00	$ 23,897.50	$ 198,897.50	$ 168,187.50	13.7%	84.6%	1/16/2008	6/30/2010
	ENVIRONMENTAL										
703828, 708897	BRG CONSULTING INC	P2143	1296-3 RESERVOIR ENV SVCS	$ 125,000.00	$ -	$ 125,000.00	$ 108,380.29	0.0%	86.7%	4/11/2006	6/30/2010
707071, 709114, 710920	JONES & STOKES ASSOCIATES	Varies	PROFESSIONAL ON-CALL ENVIRONMENTAL SVCS	$ 300,000.00	$ 25,000.00	$ 325,000.00	$ 275,924.63	8.3%	84.9%	7/13/2007	6/30/2010
709963	JONES & STOKES ASSOCIATES	P1253	SAN MIGUEL HABITAT MANAGEMENT AREA	$ 987,807.00	$ -	$ 987,807.00	$ 227,400.83	0.0%	23.0%	2/3/2009	12/31/2011
710733	JONES & STOKES ASSOCIATES	R2058/ R2077/ R2087	OTAY MESA RECYCLED WATER SUPPLY LINK PIPELINES	$ 213,087.00	$ -	$ 213,087.00	$ 71,239.98	0.0%	33.4%	5/1/2009	6/30/2010
708348	RECON	P1253	PREPARATION OF THE SUBAREA PLAN	$ 270,853.00	$ -	$ 270,853.00	$ 50,310.11	0.0%	18.6%	3/28/2008	3/28/2011
	WATER RESOURCES										
710906	AECOM	P2481	MIDDLE SWEETWATER RIVER BASIN GROUNDWATER WELL PILOT PROJECT	$ 1,065,037.00	$ -	$ 1,065,037.00	$ 82,941.63	0.0%	7.8%	5/21/2009	5/31/2011
708381	CAMP DRESSER & McKEE INC	P2451	BI-NATIONAL DESALINATION FEASIBILITY STUDY	$ 94,552.00	$ 18,005.00	$ 112,557.00	$ 92,548.34	19.0%	82.2%	3/19/2008	6/30/2010
710471	MICHAEL R. WELCH	P2481	ENGINEERING PLANNING SVCS.	$ 40,000.00	$ -	$ 40,000.00	$ 11,340.00	0.0%	28.4%	3/25/2009	3/25/2010
707939	WESTIN ENGINEERING INC	P1210	ASSET MANAGEMENT PLAN	$ 194,280.00	$ 140,000.00	$ 334,280.00	$ 201,365.01	72.1%	60.2%	1/29/2008	6/30/2010
	PUBLIC SERVICES										
707178, 710211	AECOM USA INC	P1438	PLAN CHECKS & INSPECTION SERVICE	$ 300,000.00	$ -	$ 300,000.00	$ 217,108.81	0.0%	72.4%	9/4/2007	3/7/2010
707604, 711287	AECOM USA INC	P1438	AS-NEEDED PLAN CHECK SERVICES	$ 150,000.00	$ -	$ 150,000.00	$ 43,829.64	0.0%	29.2%	11/13/2007	9/30/2010
			Totals:	$ 8,317,870.00	$ 483,753.50	$ 8,801,623.50	$ 4,218,477.90	5.8%			

QA/QC Approved:

Name: Bl Wy

Date: 2/16/'10

Construction Contract Status

(through December 31, 2009)

CIP NO.	PROJECT TITLE	CONSTRUCTION CONTRACTOR	ORIGINAL CONTRACT AMOUNT	TOTAL CHANGE ORDERS	REVISED CONTRACT AMOUNT	TOTAL EARNED TO DATE	% OF CHANGE ORDERS *	% PROJECT COMPLETE	EST. COMP. DATE
P2191	850-4 Reservoir	Spiess Const Co	$2,566,300	($250,778)	$2,315,522	$2,315,513	-9.77%	100%	Complete
R2081	20-Inch Lane Avenue Conversion	ARB	$660,256	$79,907	$740,163	$740,163	12.10%	100%	Complete
P2422	Interagency Water Meter Connection	Jose Pereira Eng	$129,542	$32,753	$162,295	$162,295	25.28%	100%	Complete
R2092	450-1 Reservoir Disinfection Facility	NEWest Const	$342,865	$59,483	$402,348	$402,348	17.35%	100%	Complete
P2143	1296-3 Reservoir 2.0 MG Water Storage Facility	Natgun Corp	$2,373,220	$5,373	$2,378,593	$1,818,706	0.23%	76%	March 2010
P2172	1485-1 Pump Station Replacement	SCW	$1,530,000	$26,690	$1,556,690	$526,325	1.74%	34%	March 2010
P2009/ P2038	Jamacha Rd. 36-Inch Pipeline & 12-Inch Pipeline Replacement	CCL Contracting	$16,189,243	$0	$16,189,243	$0	0.00%	0%	August 2010
P2009	Otay FCF No. 14 Temporary Reconnection	TC Construction	$14,000	$0	$14,000	$0	0.00%	0%	Complete
	TOTALS:		*$23,805,426*	*($46,572)*	*$23,758,854*	*$5,965,350*	-0.20%		

QA/QC Approved:

NAME: [signature]

DATE: 2/16/'10

Expenditures

(through December 31, 2009)

($000)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09 FY 2010 Budget	Expenses	Expense to Budget %	LIFE-TO-DATE Budget	Balance	Comments
	CAPITAL FACILITY PROJECTS							
P2009	PL - 36-Inch, SDCWA Otay FCF No. 14 to Regulatory Site	Ripperger	$ 15,000	$ 4,859	32%	$ 22,200	$ 13,576	Project under construction.
P2010	PL - 24-Inch, Sweetwater Authority Perdue WTP to 36-Inch Main	Peasley	135	59	44%	4,000	3,917	Staff received a proposal from MWH Americas to accomplish the scope of work for development alternatives and to prepare cost estimates for South District to North District connection and potential supply from the SWA Perdue WTP. The Board approved of a professional services agreement in October 2009.
P2038	PL - 12-Inch, 978 Zone, Jamacha, Hidden Mesa, and Chase Upsize and Replacements	Kay	1,100	912	83%	2,500	384	Project under construction
P2040	Res - 1655-1 Reservoir 0.5 MG	Ripperger	1	-	0%	2,055	1,577	Project completed.
P2143	Res - 1296-3 Reservoir 2 MG	Kay	2,000	1,148	57%	3,640	790	Project under construction
P2172	PS - 1485-1 Pump Station Replacement	Kay	1,550	861	56%	2,475	411	Project under construction
P2181	PL - 30-Inch, 1296 Zone, Proctor Valley Road - Proctor Valley PS/Millar Ranch	Peasley	100	-	0%	4,200	4,200	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2185	Res - 640-1 Reservoir 20.0 MG	Ripperger	550	15	3%	28,750	635	Pump station modifications to begin after P2009 is complete.
P2191	Res - 850-4 Reservoir 2.2 MG	Kay	435	196	45%	3,435	97	Project complete
P2203	PL - 36-Inch, 1296 Zone, Proctor Valley Road - Millar Ranch/Pioneer	Peasley	120	-	0%	1,500	1,500	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2204	PL - 24-Inch, 1296 Zone, Pioneer Way - Proctor Valley/1296 Reservoirs	Peasley	100	-	0%	2,000	2,000	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2318	PL - 20-Inch, 657 Zone, Summit Cross-Tie and 36-Inch Main Connections	Kennedy	1	-	0%	600	530	Project to start design next FY.
P2387	PL - 12-Inch, 832 Zone, Steele Canyon Road - Via Caliente/Campo	Kay	15	1	7%	440	8	Project complete
P2391	PS - Perdue WTP Pump Station (5 MGD)	Peasley	200	9	5%	5,200	5,191	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2430	PL - 30-Inch, 980 Zone, Proctor Valley Road - PB Bndy/Proctor Valley PS	Peasley	150	-	0%	5,200	5,200	This CIP project is a part of the scope of work being accomplished under CIP Project No. P2010.
P2434	Rancho Del Rey Groundwater Well Development	Peasley	1,450	59	4%	3,650	2,488	Staff received three proposals from consultants to accomplish the scope of work for development of a groundwater well at the Rancho del Rey Well site. Staff plans to request Board approval of a professional services agreement in January 2010.
P2450	Otay River Groundwater Well Demineralization Project	Peasley	20	2	10%	11,030	11,023	Pending the outcome of the joint SWA/Otay study (CIP Number P2467) and environmental review, the planning work may begin to occur in about 2 to 3 years.

Expenditures
(Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09 FY 2010 Budget	Expenses	Expense to Budget %	LIFE-TO-DATE Budget	Balance	Comments
	CAPITAL FACILITY PROJECTS							
P2451	Rosarito Desalination Facility Conveyance System	Peasley	500	75	15%	30,000	29,753	CDM completed the revision of the feasibility study which includes three technical memorandums on the Rosarito Desal concept. A final draft scope of work for a request for proposal for a preliminary design report and environmental documentation has been prepared.
P2465	Regulatory Site Material Storage Bins	Kay	10	2	20%	310	11	Project complete
P2466	Regional Training Facility	Coburn-Boyd	90	35	39%	252	60	Environmental compliance in progress, project will be completed in FY10.
P2467	San Diego Formation Groundwater Feasibility Study	Peasley	600	1	0%	1,800	1,189	This project is jointly funded by SWA and Otay. The SDCWA awarded a LISA grant to SWA to fund up to 50% of the cost of the effort. Monitoring wells in the Otay River have been completed by USGS. Data gathering on well information within the San Diego Formation continues. Otay River participation agreement between SWA and Otay has been approved.
P2471	850/657 PRS at La Presa Pump Station	Kennedy	80	16	20%	310	265	Project design is at 90&
P2472	Water Supply Feasibility Studies	Peasley	150	-	0%	175	153	This project is for water supply feasibility study efforts. MWH completed the preparation of a brief study including cost estimates for supply from the SWA Perdue WTP and the North District to South District Interconnection.
P2473	PS - 711-1 Pump Station Improvement	Kennedy	325	-	0%	425	422	Project to start design next FY
P2474	Fuel Storage Covers and Containment	Kennedy	100	1	1%	125	109	PDR complete.
P2475	Pump Station Fire Hydrant Installations	Kennedy	40	3	8%	50	40	PDR complete.
P2481	Middle Sweetwater River Basin Groundwater Well System	Peasley	1,000	104	10%	8,000	7,818	Groundwater development planning efforts continue on the Middle Sweetwater River Basin Groundwater Well Pilot Project including preparation of a draft community outreach plan and analysis of imported water supplied into the basin. Meetings with SWA are planned to come to an agreement on the quantity of imported water contributed to the groundwater supply.
P2482	Otay Mesa Lot 7 Groundwater Well System	Peasley	150	-	0%	3,200	3,200	Groundwater development planning efforts continue on the Otay Mesa Lot 7 Well with preparation of CEQA documentation.

Expenditures
(Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09 FY 2010 Budget	Expenses	Expense to Budget %	LIFE-TO-DATE Budget	Balance	Comments
	CAPITAL FACILITY PROJECTS							
P2487	Sir Francis Helix and Otay Valley Cal American Agency Interconnections	Kay	200	110	55%	250	1	Project complete
P2488	Del Rio Road Helix and Otay Agency Interconnection	Kay	25	13	52%	150	137	Project in design
P2489	Gillespie Drive Helix and Otay Agency Interconnection	Kay	25	4	16%	150	146	Project in design
P2497	Solar Power Feasibility Study	Kennedy	50	1	2%	150	128	PDR complete
P2498	Brine Disposal Pipeline Otay River Demineralization Plant to South Bay Outfall	Peasley	5	-	0%	5,600	5,600	The City of Chula Vista and Otay WD have developed a final scope of work, RFP, and a participation agreement to focus on the treatment facility and related requirements. The brine line is a part of that study effort (CIP Number R2093).
R2048	RecPL - Otay Mesa Distribution Pipelines and Conversions	Ripperger	150	6	4%	2,000	1,985	In planning.
R2053	RWCWRF - R.O. Building Remodel and Office Furniture	Kay	15	-	0%	590	21	Project complete
R2058	RecPL - 16-Inch, 860 Zone, Airway Road - Otay Mesa/Alta	Kennedy	350	182	52%	3,000	2,415	Project in design
R2077	RecPL - 24-Inch, 860 Zone, Alta Road - Alta Gate/Airway	Kennedy	295	178	60%	4,100	3,726	Project in design
R2081	RecPL - 20-Inch, 944 Zone, Lane Avenue - Proctor Valley/Pond No. 1	Kay	70	-	0%	1,210	52	Project complete
R2087	RecPL - 20-Inch, 944 Zone, Wueste Road - Olympic/Otay WTP	Kennedy	350	210	60%	4,500	4,118	Project in design
R2088	RecPL - 20-Inch, 860 Zone, County Jail - Roll Reservoir/860-1 Reservoir	Kennedy	5	-	0%	3,500	3,444	Project is in planning stage. Design to start in FY 2011.
R2089	North District Recycled Water Regulatory Compliance	Coburn-Boyd	20	-	0%	220	20	Project is complete, will not use additional budgeted amount this FY.
R2091	RecPS - 944-1 Pump Station Upgrade	Kennedy	500	71	14%	550	424	PDR complete.
R2092	Dis - 450-1 Reservoir Disinfection Facility	Kay	70	131	187%	830	114	Project under construction
R2093	MBR City of Chula Vista	Peasley	50	21	42%	5,000	4,971	The City of Chula Vista City counsel and the Otay WD Board of Directors have approved the MBR participation agreement to focus on the treatment facility and related requirements. The City of Chula Vista and Otay WD staff have interviewed and selected RMC to accomplish the scope of work which should start early in 2010.
R2094	Potable Irrigation Meters to Recycled Water Conversions	Kennedy	500	72	14%	2,000	1,928	Project to start design next FY.
R2097	RWCWRF - Salt Creek Live Stream Discharge	Coburn-Boyd	26	-	0%	320	287	Project will start in second half of FY.
S2018	RWCWRF - Secondary Process Automation	Coburn-Boyd	50	27	54%	50	23	Cost increase due to change in scope of work after budget approval; budget will be adjusted next fiscal year to cover increased scope.
	Total Capital Facility Projects	Total:	28,728	9,384	33%	181,692	126,086	

Expenditures
(Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09 FY 2010 Budget	Expenses	Expense to Budget %	LIFE-TO-DATE Budget	Balance	Comments
	REPLACEMENT/RENEWAL PROJECTS							
P2356	PL - 12-Inch, 803 Zone, Jamul Drive Permastran Pipeline Replacement	Kay	15	3	20%	765	12	Project complete
P2366	APCD Engine Replacements and Retrofits	Rahders	180	2	1%	2,834	1,185	Anticipating 100% expenditure pending CARB approval of current device being tested for use in on-road fleet.
P2382	Safety and Security Improvements	Munoz	70	87	124%	1,539	308	This CIP was under budgeted for the scope of work that was needed for this fiscal year.
P2416	SR-125 Utility Relocations	Kennedy	40	45	113%	900	(11)	Reimbursement is in pre-litigation.
P2440	I-905 Utility Relocations	Ripperger	200	65	33%	3,016	1,554	Caltrans driven.
P2453	SR-11 Utility Relocations	Kennedy	75	-	0%	500	497	Caltrans is in the preliminary design and will not select an option until later this year.
P2456	Air and Vacuum Valve Upgrades	Acuna	500	258	52%	2,624	856	We will use forecasted budget.
P2458	AMR Manual Meter Replacement	Keeran	1,400	1,125	80%	10,447	6,626	This project is on track.
P2477	Res - 624-1 Reservoir Cover Replacement	Kennedy	325	20	6%	450	423	Expect $50K to be spent this FY to repair the existing cover. Testing completed this year indicates the full replacement can be delayed a couple years.
P2483	PS - 870-1Pump Motor and Switch Gear Replacement	Anderson	130	2	2%	130	128	Has not begun yet.
P2484	Large Water Meter Replacement Program	Keeran	135	27	20%	535	508	Activity starting, expenses to follow soon.
P2485	SCADA Communication System and Software Replacement	Stalker	265	67	25%	915	848	Project ongoing.
P2486	Asset Management Plan Condition Assessment and Data Acquisition	Stevens	300	28	9%	800	772	Staff is continuing to meet.
P2490	1296-1 Reservoir Interior/Exterior Coating and Upgrades	Kay	340	22	6%	350	328	Project in design
P2491	850-3 Reservoir Exterior Coating	Kay	290	-	0%	300	300	Delayed for P2490/P2492
P2492	1296-2 Reservoir Interior/Exterior Coating and Upgrades	Kay	30	13	43%	600	587	Project in design
P2493	624-2 Reservoir Interior Coating and Upgrades	Kay	30	-	0%	950	950	Delayed for P2490/P2492
P2494	Multiple Species Conservation Plan	Coburn-Boyd	141	53	38%	226	173	Project ongoing.
P2495	San Miguel Habitat Management/Mitigation Area	Coburn-Boyd	225	75	33%	1,000	925	Project ongoing.
P2496	Otay Lakes Road Utility Relocations	Ripperger	75	15	20%	100	85	Project in design
R2086	RWCWRF Force Main AirVac Replacements and Road Improvements	Kay	40	3	8%	1,325	23	Project complete
R2095	RWCWRF - Filter Storage Reservoir Cover Replacement	Ripperger	75	1	1%	75	74	Consultant contract awarded to MWH.
R2096	RWCWRF - Blower System Rehabilitation/Replacement	Kennedy	800	33	4%	1,000	967	Consultant contract awarded to MWH.
S2012	SVSD Outfall and RSD Replacement and OM Reimbursement	Peasley	300	1	0%	3,030	2,532	The expenditures are typically billed by SVSD and paid within the fourth quarter of the fiscal year.
S2015	Calavo Lift Station Replacement	Kay	10	-	0%	560	1	Project complete
S2019	Avocado Boulevard 8-Inch Sewer Main Improvement	Kay	600	85	14%	1,632	1,547	Project in design
S2020	Calavo Drive 8-Inch Sewer Main Replacement	Kay	40	15	38%	350	335	Project in design
S2021	Jamacha Road 8-Inch Sewer Main Replacement	Kay	30	17	57%	150	133	Project in design

Expenditures
(Continued)

CIP No.	Description	Project Manager	FISCAL YEAR-TO-DATE, 12/31/09 FY 2010 Budget	Expenses	Expense to Budget %	LIFE-TO-DATE Budget	Balance	Comments
	REPLACEMENT/RENEWAL PROJECTS							
S2022	Hidden Mesa Drive 8-Inch Sewer Main Rehabilitation	Kay	5	8	160%	50	42	Project in design
S2023	Calavo Drive Sewer Main Utility Relocation	Kay	50	6	12%	50	44	Project in design
	Total Replacement/Renewal Projects	Total:	6,716	2,076	31%	37,203	22,752	
	CAPITAL PURCHASE PROJECTS							
P2282	Vehicle Capital Purchases	Rahders	484	1	0%	4,311	2,504	Staff anticipates $410K to be used for Vehicle Replacements in FY10.
P2285	Office Equipment and Furniture Capital Purchases	Dobrawa	40	-	0%	532	121	Purchase of 2 copiers is expected this qrt. $40,000
P2286	Field Equipment Capital Purchases	Rahders	183	4	2%	1,075	410	Staff anticipates $83K to be used for equipment replacements in FY10.
P2443	Information Technology Mobile Services	Jenkins	150	158	105%	1,352	532	Expect to spend 100%
P2461	Records Management System Upgrade	Jenkins	100	-	0%	256	100	Expect to spend 100%
P2469	Information Technology Network and Hardware	Jenkins	300	180	60%	1,900	1,342	Expect to spend 100%
P2470	Application Systems Development and Integration	Jenkins	430	161	37%	1,810	1,269	Expect to spend $510K in FY10
P2478	Administration Building Engine/Generator Set	Anderson	120	108	90%	120	4	Genset installed.
P2479	Operations Yard Property Acquisition	Dobrawa	20	5	25%	370	-	No additional expenses are anticipated during this fiscal year.
	Total Capital Purchase Projects	Total:	1,827	617	34%	11,726	6,282	
	DEVELOPER REIMBURSEMENT PROJECTS							
P2325	PL - 10" to 12" Oversize, 1296 Zone, PB Road - Rolling Hills Hydro PS/PB Bndy	Charles	1	-	0%	50	50	
	Total Developer Reimbursement Projects	Total:	1	-	0%	50	50	
	GRAND TOTAL		$ 37,272	$ 12,077	32%	$ 230,671	$ 155,170	

QA/QC Approved:

Name: Bud Ward **Date:** 2/16/'10

AGENDA ITEM 7

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®† ___

---

* 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

TABLE OF CONTENTS

INTRODUCTION **1**
The District 1
The Authority 1
Security and Sources of Payment 2
Build America Bonds 3
Tax Matters 4
Professional Services 4
Offering of the Bonds 4
Information Concerning this Official Statement 5

THE BONDS **6**
General Provisions 6
Redemption 7
Scheduled Debt Service 10

THE FINANCING PLAN **12**
The 2010 Project 12
Estimated Sources and Uses of Funds 12

OTAY WATER DISTRICT **13**

THE WATER SYSTEM **14**
Existing Facilities 14
Water Supply 15
Capital Improvement Program 25
Water Service 26
Water Charges 27
Taxes 31
Personnel 32
Insurance 33
District Reserves and Investment Policy 34
Outstanding Indebtedness of the District 35
Historical Operating Results 36
Historical Debt Service Coverage 39
Projected Debt Service Coverage 40

SOURCES OF PAYMENT FOR THE BONDS **43**
General 43
Installment Payments 43
Interest Subsidy Payment 45
Rates and Charges 45
Parity Debt 45
Reserve Fund 47

RISK FACTORS **49**
System Demand 49
Increased Operation and Maintenance Costs 49
Additional Obligations Payable from Taxes and Net Revenues 49
Risks Relating to Water Supplies 49
Environmental Regulation 50
Proposition 218 50
Casualty Risk; Earthquakes 50
Early Prepayment Risk 50
Limited Recourse on Default 51
Bankruptcy Risks 51
No Obligation to Tax 51
Change in Law 51
Loss of Tax Exemption 51
Risks Relating to Build America Bonds 52
Secondary Market 52

LEGAL MATTERS **53**
Enforceability of Remedies 53
Approval of Legal Proceedings 53
Tax Matters 53
Litigation 58

CONCLUDING INFORMATION **59**
Ratings on the Bonds 59
Underwriting 59
The Financial Advisor 59
Continuing Disclosure 59
Additional Information 60
References 60
Execution 60

APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B – DISTRICT AUDITED FINANCIAL STATEMENTS

APPENDIX C – ECONOMIC PROFILE FOR THE COUNTY OF SAN DIEGO

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

APPENDIX G - NATIONAL PUBLIC FINANCE GUARANTEE CORPORATE DISCLOSURE

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.

Continued from previous page.

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