

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

2554 SWEETWATER SPRINGS BOULEVARD  
SPRING VALLEY, CALIFORNIA  
BOARDROOM

**WEDNESDAY**  
**January 18, 2012**  
**12:00 P.M.**

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

**AGENDA**

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

**DISCUSSION ITEMS**

3. APPROVE THE ISSUANCE OF A PURCHASE ORDER TO HAWTHORN POWER SYSTEMS IN THE AMOUNT OF \$54,036.63 FOR THE PURCHASE OF TWO (2) EMERGENCY STAND-BY GEN-SETS FOR THE 1090-1 PUMP STATION AND THE OPERATIONS WAREHOUSE (ANDERSON) [5 minutes]
4. ADOPT RESOLUTION NO. 4192 SUPPORTING THE SAN DIEGO COUNTY WATER AUTHORITY'S LAWSUIT AGAINST THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (WATTON) [5 minutes]
5. APPROVE THE 2012 OTAY WATER DISTRICT LEGISLATIVE PROGRAM (BUELNA) [5 minutes]
6. APPROVE THE SELECTION OF UNION BANK FOR BANKING SERVICES (CUDLIP) [5 minutes]
7. ADJOURNMENT

BOARD MEMBERS ATTENDING:  
Jaime Bonilla, Chair  
David Gonzalez

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.

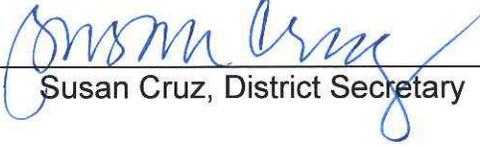
The Agenda, and any attachments containing written information, are available at the District's website at [www.otaywater.gov](http://www.otaywater.gov). Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

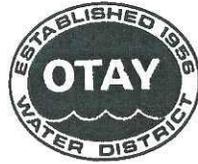
#### Certification of Posting

I certify that on January 13, 2012 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on January 13, 2012.

  
\_\_\_\_\_  
Susan Cruz, District Secretary

# AGENDA ITEM 3



## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 1, 2012
SUBMITTED BY:	Frank Anderson, Utility Services Manager <i>F.A.</i>	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Pedro Porras, Chief, Water Operations <i>[Signature]</i>		
APPROVED BY: (Asst. GM):	Manny Magaña, Assistant General Manager, Engineering & Operations		
SUBJECT:	Approval to Purchase Replacement Emergency Stand By Gen-Sets		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board authorizes the General Manager to issue a purchase order to Hawthorn Power Systems in the amount of \$54,036.63 for the purchase of two (2) emergency stand-by gen-sets for the 1090-1 Pump Station and Operations Warehouse.

### COMMITTEE ACTION: \_\_\_\_\_

See Attachment "A".

### PURPOSE:

To obtain Board authorization to purchase emergency stand-by gen-sets for the 1090-1 Pump Station and Operations Warehouse.

### ANALYSIS:

CIP P2366-"APCD Engine Replacements and Retrofits," provides funding for the repair, retrofit or replacement of District assets in order to comply with APCD air standard requirements. One (1) existing portable District gen-set is scheduled for replacement with a fixed unit due to its age, APCD restrictions on portable back-up generators, and Diesel engine exhaust displacement.

The second gen-set is being purchased to retrofit the Operations Warehouse with permanent back-up power to circumvent external connections to existing portable back-up generators. Currently, there is no emergency power at the Operations Warehouse. This building houses the emergency reponse supplies, office staffing for Meter Maintenance, Recycled Water Operators, Pump/Electric, Buildings and Grounds and also supplies power to the District's fuel pumps.

Based on system operation evaluations of work and District needs by Fleet supervision and management, it is recommended that two (2) new gen-sets be purchased; one (1) to replace an older gen-set unit and evaluate it for alternate uses and/or declared surplus and another new unit to be installed in the warehouse to improve any emergency response.

It should be noted that the existing portable gen-set is 13 years old. Its replacement would also reduce the District's fuel, maintenance and repair costs. These purchases will also noticeably reduce the District's Diesel emissions output as the new gen-sets are Tier 3 which complies with APCD Diesel emissions standards for new gen-sets.

In accordance with District policy, bids were solicited for the new gen-sets. Three (3) bids were received for each gen-set. Prices received include all applicable fees and taxes and delivery.

**944-1 81 Kw Gen-Set**

Dealer	Gen-Set Bid	Bid Price
Hawthorn Power Systems	Cummins Diesel Gen-Set	\$26,500.04
Bay City Electric	Cummins Diesel Gen-Set	\$27,536.00
Cummins Cal Pacific LLC.	Cummins Diesel Gen-Set	\$29,543.97

**1090-1 100 Kw Gen-Set**

Dealer	Gen-Set Bid	Bid Price
Hawthorn Power Systems	Cummins Diesel Gen-Set	\$27,536.59
Bay City Electric	Cummins Diesel Gen-Set	\$28,616.25
Cummins Cal Pacific LLC.	Cummins Diesel Gen-Set	\$32,599.76

**FISCAL IMPACT:**



The purchase of these gen-sets will cost \$54,036.63 which will be charged against the "APCD Engine Replacements and Retrofits"-CIP 2366. These gen-sets are budgeted for FY-2012 purchase.

The total FY12 project budget for the CIP p2366 APCD Engine Replacements and Retrofits is \$295,000. Existing expenditures

and current encumbrances for the CIP, including the gen-set purchased under this request if approved, are \$275,418.66.

Based on the Utility Service Manager's evaluation, the CIP 2366 budget is sufficient to complete the budgeted purchase.

The Finance Department has determined that 100% of the funds are available from the replacement fund.

Expenditure Summary:

FY12 APCD Engine Replacement CIP 2366 Budget:	\$295,000
FY12 Expenditures and Encumbrances to Date: APCD compliance replacements for existing fleet and equipment.	\$221,382.03
Proposed Emergency Stand By Gen-Set Purchase:	\$54,036.63
Total Expenditures and Encumbrances:	\$275,418.66
Projected Balance of APCD Engine Replacement FY12 CIP 2366 Budget:	\$19,581.34

**STRATEGIC GOAL:**

Implementation of the APCD engine compliance program per schedule.

**LEGAL IMPACT:** \_\_\_\_\_

None.

  
\_\_\_\_\_  
General Manager

Attachment "A", Committee Action



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Approval to Purchase Emergency Stand By Gen-Set
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**COMMITTEE ACTION:**

The Engineering/Operations and Water Resources Committee met on January 24, 2012 and supported staffs' 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.

# Quality Assurance Approval Sheet

Subject: Approval to purchase two (2) Emergency Gen-Sets

Project No.: P2366

Document Description: Staff report for the February 1<sup>st</sup>, 2012 Board Meeting.

Author:  Date: 12-27-11  
Signature

FRANK ANDERSON  
Printed Name

QA Reviewer:  Date: 1-10-12  
Signature

DOUG RADOELS  
Printed Name

Manager:  Date: 1-10-12  
Signature

FRANK ANDERSON  
Printed Name

The above signatures attest that the attached document has been reviewed and to the best of their ability, the signers verify that it meets the District quality standard by clearly and concisely conveying the intended information; being grammatically correct and free of formatting and typographical errors; accurately presenting calculated values and numerical references; and being internally consistent, legible and uniform in its presentation style.



# AGENDA ITEM 4

## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 1, 2012
SUBMITTED BY:	Mark Watton, General Manager	W.O./G.F. NO:	DIV. NO.
SUBJECT:	Adopt Resolution No. 4192 Supporting the San Diego County Water Authority's Lawsuit Against the Metropolitan Water District of Southern California		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board consider adopting Resolution No. 4192 supporting the San Diego County Water Authority's Lawsuit against the Metropolitan Water District of Southern California.

### COMMITTEE ACTION: \_\_\_\_\_

Please see Attachment A.

### PURPOSE:

To present for the the board's consideration Resolution No. 4192 supporting the San Diego County Water Authority's Lawsuit against the Metropolitan Water District of Southern California.

### ANALYSIS:

The San Diego County Water Authority (CWA) purchases nearly 50 percent of the region's water supply from the Metropolitan Water District of Southern California (MWD) and pays MWD a transportation charge to transport another 25 percent of the region's water supply that the CWA obtained through a water transfer agreement with the Imperial Irrigation District (IID) and by lining the All American and Coachella canals.

Since 2006, MWD has approved water rate increases totaling 75 percent. CWA audited MWD's water rate structure and determined that MWD misallocates the vast majority of its own water supply costs to the water transportation rates charged to the CWA to transport the IID and canal lining supplies, resulting in an overcharge of \$31 million to CWA ratepayers in 2011 and illegal subsidies to each of the 25 other member agencies of MWD. These over charges are estimated to reach as much as \$230 million annually by the 2021, and amount as much as \$2.1 billion over 45 years.

On June 11, 2011 CWA filed a lawsuit against MWD, challenging MWD's 2011 and 2012 water rates, which is currently pending in the San Francisco Superior Court. On October 27, 2011, CWA successfully amended its lawsuit to assert additional claims against MWD alleging that MWD took additional unfair and punitive actions that negatively impacts the CWA and San Diego County ratepayers. CWA and its member agencies require MWD board policies which make water available at an affordable cost, that fairly and lawfully apportions costs among its rate categories and among the MWD member agencies. As such, staff is recommending that the Otay Water District Board of Directors adopt Resolution No. 4192 supporting CWA's lawsuit against MWD.

**FISCAL IMPACT:** \_\_\_\_\_

None at this time.

**STRATEGIC GOAL:**

The adoption of Resolution No. 4192 support the District's strategic goal of providing water services at reasonable rates.

**LEGAL IMPACT:** \_\_\_\_\_

None.

  
\_\_\_\_\_  
General Manager

Attachments:

Attachment A: Committee Action  
Resolution No. 4192



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Adopt Resolution No. 4192 Supporting the San Diego County Water Authority's Lawsuit Against the Metropolitan Water District of Southern California
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### COMMITTEE ACTION:

The Finance, Administration and Communications Committee reviewed this item at a meeting held on January 18, 2012 and supported presentation to the full board.

### 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.

RESOLUTION NO. 4192

A RESOLUTION OF  
THE BOARD OF DIRECTORS OF THE  
OTAY WATER DISTRICT  
SUPPORTING THE SAN DIEGO COUNTY WATER  
AUTHORITY'S LAWSUIT AGAINST THE METROPOLITAN  
WATER DISTRICT OF SOUTHERN CALIFORNIA

WHEREAS, San Diego County's \$186 billion economy and 3.1 million people depend upon the San Diego County Water Authority for approximately 75 percent of all water used in the region; and

WHEREAS, the Water Authority purchases nearly 50 percent of the region's water supply from the Metropolitan Water District of Southern California (MWD) and pays MWD a transportation charge to transport another 25 percent of the region's water supply the Water Authority obtained through water conservation achieved through a historic water transfer agreement with the Imperial Irrigation District and by lining the All American & Coachella canals; and

WHEREAS, MWD has approved water rate increases totaling 75% since 2006; and

WHEREAS, MWD's water rate structure misallocates the vast majority of its own water supply costs to the water transportation rates charged to the Water Authority to transport the IID and canal lining supplies, resulting in an overcharge of \$31 million to San Diego County Ratepayers in 2011 and illegal subsidies to each of the 25 other member agencies of MWD; and

WHEREAS, these overcharges are estimated to reach as much as \$230 million annually by the year 2021, and amount to as much as \$2.1 billion over 45 years; and

WHEREAS, on June 11, 2010, the San Diego County Water Authority filed a lawsuit against MWD, challenging MWD's 2011 and 2012 water rates, which is currently pending in the San Francisco Superior Court as Case No. CPF-10-510830; and

WHEREAS, on October 27, 2011, the Water Authority successfully amended its lawsuit to assert additional claims against MWD alleging that MWD took additional unfair and punitive actions that negatively impact the Water Authority and San Diego County ratepayers; and

WHEREAS, the Otay Water District and Water Authority require MWD board policies that make water available at an affordable cost, fairly and lawfully apportioned among its rate categories and among the member agencies of MWD;

NOW, THEREFORE, BE IT RESOLVED, that the Otay Water District supports the San Diego County Water Authority's lawsuit and the Water Authority's ongoing efforts to secure a reliable water supply and transportation rates from MWD at affordable, lawful and equitable prices.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting held this 1<sup>st</sup> day of February 2012 by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_

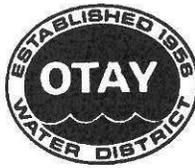
President

ATTEST:

\_\_\_\_\_

Secretary

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# AGENDA ITEM 5

## STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 1, 2012
SUBMITTED BY:	Armando Buelna <i>AB</i> Communications Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:			
SUBJECT:	2012 Legislative Program Guidelines		

### GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors adopt the 2012 Otay Water District Legislative Program.

### PURPOSE:

To provide direction to staff in the formulation of the District's response to legislative initiatives on issues affecting the District during the 2012 legislative session.

### COMMITTEE ACTION:

See Attachment A

### BACKGROUND

Each legislative session, representatives to the California Legislature sponsor some 2,000 or more bills or significant resolutions. While many fail to make it out of their house of origin, many of these bills become law and can affect special districts in substantive ways. The same is true with each session of the House of Representatives or the U.S. Senate.

Legislative programs establish guidelines and policy direction that can be used by staff in monitoring legislative activity, and facilitate actions that can be taken quickly in response to proposed bills.

The principles provided in the Legislative Program are meant to serve as guidelines for staff and legislative advocates in formulating a consistent District response to legislative initiatives. This is particularly helpful in dealing with time sensitive matters such as last minute amendments should calls or letters to legislators be needed. Sensitive or controversial

policy matters will be brought to the full Board of Directors for deliberation and direction.

**FISCAL IMPACT:**



None.

**LEGAL IMPACT:**

\_\_\_\_\_

None.



\_\_\_\_\_  
**General Manager**

**Attachments:**

- A - *Committee Action Report*
- B - *2012 Otay Water District Legislative Program*
- C - *2012 Otay Water District Legislative Program Redline*

## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	2012 Legislative Program Guidelines
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### COMMITTEE ACTION:

### NOTE :

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

## **Otay Water District 2012 Legislative Program**

Legislative Policy Guidelines

Effective Date: \_\_/\_\_/\_\_\_\_

### **Legislative Policy Guidelines**

The Otay Water Legislative Policy Guidelines for the 2012 Legislative Session includes the following:

#### **Water Services**

Support efforts to:

- a. Provides for a comprehensive state water plan that balances California's competing water needs and results in a reliable supply of high-quality water for the San Diego region.
- b. Finalize and Implement the Bay Delta Conservation Plan to address Bay-Delta environmental and water quality issues.
- c. Support "Around-the-Delta" or other alternatives as ways to improve water quality or water transport and reduce the possibility of levee failure.
- d. Finalize long-term Delta planning work and ongoing studies of new water storage facilities, and support efforts to promote additional surface and underground water storage infrastructure to ensure water availability and quality.
- e. Improve the existing Sacramento-San Joaquin River Delta water conveyance system to study the impact of Global Climate Change and its potential to impact the snow pack, sea level and salinity in the Delta, the possibility of reduced precipitation or more severe storms.
- f. Resolve conflicts between urban and rural water users, water management and the environment in the Bay-Delta.
- g. Provide financial support to projects designed to mitigate the potential negative impacts of Global Climate Change on water supply reliability.
- h. Promote the coordination and integration of local, state and federal climate change policies and practices to the greatest extent feasible.
- i. Provide ongoing federal and state funding for the California Bay-Delta, and those which focus attention to Delta financing, affordability, commitments to pay, and the demand for Bay-Delta Water.
- j. Support ongoing implementation of the Quantitative Settlement Agreement.
- k. Provide reliable water supplies to meet California's short and long-term needs.
- l. Provide conveyance and storage facilities that are cost effective, improve the reliability and quality of San Diego region's water supplies as well as the Bay-Delta region.
- m. Equitably allocates costs of the Bay-Delta solution to all those benefiting from improvements.
- n. Support agriculture to urban water transfers.
- o. Promote desalination pilot studies and projects.
- p. Reduce restrictions on recycled water usage or promote consistent regulation of recycled water projects to reduce impediments to the increased use of recycled water

## Otay Water District 2012 Legislative Program

- q. Reduce restrictions on injecting recycled water into basins where there is no direct potable use.
- r. Provide financial incentives for recharge of groundwater aquifers using recycled water.
- s. Encourage feasibility studies of water resource initiatives.
- t. Increase funding for infrastructure and grant programs for construction, modernization or expansion of water, wastewater treatment, reclamation facilities and sewer systems including water recycling, groundwater recovery and recharge, surface water development projects and seawater desalination.
- u. Mandate uniform or similar regulations and procedures by state agencies in the processing and administering of grants and programs.
- v. Streamline grant application procedures.
- w. Improve the existing Sacramento-San Joaquin River Delta water conveyance system to increase flexibility and enhance water supply, water quality, levee stability and environmental protection.
- x. Evaluate long-term threats to the Delta levee and conveyance system and pursue actions to reduce risks to the state's water supply and the environment.
- y. Promote or assist voluntary water transfers between willing buyers and willing sellers and move those transactions through without delay.
- z. Streamline the permitting and approval process for implementing transfers.
- aa. Establish reasonable statewide approaches to sewer reporting standards.
- bb. Provide the State Water Project with more flexibility to operate their systems to maximize water deliveries while avoiding unacceptable impacts to third parties, habitat or the environment.
- cc. Fast-track design, permits and construction for pilot projects in the Sacramento-San Joaquin Delta to create barriers to keep fish away from Delta water pumps, improve water quality and supply reliability.

### Oppose efforts to:

- a. Make urban water supplies less reliable or substantially increase the cost of imported water without also improving the reliability and/or quality of the water.
- b. Create unrealistic or costly water testing protocol.
- c. Create unrealistic or costly to obtain water quality standards for potable water, recycled water or storm water runoff.
- d. Restrict use of recycled water for groundwater recharge.
- e. Disproportionately apportion costs of water.
- f. Establish new water or recycled water fees solely to recover State costs without also providing some benefit.
- g. Create undo hurtles for seawater desalination projects.
- h. Create regulatory schemes that alter or limit the existing authority to reuse and recycle water.
- i. Create unreasonable or confusing sewer reporting standards.
- j. Create administrative or other barriers to sales between willing buyers and willing sellers that delay water transfers.

## Otay Water District 2012 Legislative Program

- k. Create a broad-based user fee that does not support a specific program activity; any fee must provide a clear nexus to the benefit the fee would provide.
- l. Require additional reviews or approvals of Delta conveyance options beyond those provided by SBX7-1 (2009).

### Financial

#### *Support efforts to:*

- a. Require the federal government and State of California to reimburse special districts for all mandated costs or regulatory actions.
- b. Give special districts the discretion to cease performance of unfunded mandates.
- c. Provide for fiscal reform to enhance the equity, reliability, and certainty of special district funding.
- d. Provide incentives for local agencies to work cooperatively, share costs or resources.
- e. Provide for the stable, equitable and reliable allocation of property taxes.
- f. Continue to reform workers compensation.
- g. Authorize financing of water quality, water security, and water supply infrastructure improvement programs.
- h. Promote competition in insurance underwriting for public agencies.
- i. Establish spending caps on State of California overhead when administering voter approved grant and disbursement programs.
- j. Require disbursement decisions in a manner appropriate to the service in question.
- k. Encourage funding infrastructure programs that are currently in place and that have been proven effective.
- l. Produce tangible results, such as water supply reliability or water quality improvement.
- m. Provide financial incentives for energy projects that increase reliability, diversity, and reduce green house gasses.

#### *Oppose efforts to:*

- a. Impose new, unfunded state mandates on local agencies and their customers.
- b. Undermine Proposition 1A - Protection of Local Government Revenues – and the comprehensive reform approved by voters in 2004.
- c. Reallocate special district reserves in an effort to balance the state budget.
- d. Reallocate special district revenues or reserves to fund infrastructure improvements or other activities in cities or counties.
- e. Usurp special district funds, reserves, or other state actions that force special districts to raise rates, fees or charges.
- f. Complicate existing conservation-based rate structures.
- g. Establish funding mechanisms that put undue burdens on local agencies or make local agencies *de facto* tax collectors for the state.
- h. Complicate compliance with SB 610 and SB 221.
- i. Adversely affect the cost of electricity.

# Otay Water District 2012 Legislative Program

## Governance/Local Autonomy

### *Support efforts to:*

- a. Expand local autonomy in governing special district affairs.
- b. Promote comprehensive long-range planning.
- c. Assist local agencies in the logical and efficient extension of services and facilities to promote efficiency and avoid duplication of services.
- d. Streamline the Municipal Service Review Process or set limits on how long services reviews can take or cost.
- e. Establish clear and reasonable guidelines for appropriate community sponsorship activities.
- f. Reaffirm the existing “all-in” financial structure, or protect the San Diego County Water Authority voting structure based on population.

### *Oppose efforts to:*

- a. Assume the state legislature is better able to make local decisions that affect special district governance.
- b. Create one-size-fits-all approaches to special district reform.
- c. Unfairly target one group of local elected officials.
- d. Usurp local control from special districts regarding decisions involving local special district finance, operations or governance.
- e. Limit the board of directors’ ability to govern the district.
- f. Create unfunded local government mandates.
- g. Create costly, unnecessary or duplicative oversight roles for the state government of special district affairs.
- h. Create new oversight roles or responsibility for monitoring Special District affairs.
- i. Change the San Diego County Water Authority Act regarding voting structure, unless it is based on population.
- j. Shift the liability to the public entity and relieve private entities of reasonable due diligence in their review of plans and specifications for errors, omissions and other issues.
- k. Place a significant and unreasonable burden on public agencies, resulting in increased cost for public works construction or their operation.
- l. Impairs the ability of water districts to acquire property or property interests required for essential capital improvement projects.
- m. Increases the cost of property and right-of-way acquisition, or restricts the use of rights of way.

## Conservation

### *Support efforts to:*

- a. Provide funding for water conservation programs.
- b. Encourage the installation of water conserving fixtures in new and existing buildings.
- c. Promote the environmental benefits of water conservation.

## **Otay Water District 2012 Legislative Program**

- d. Enhance efforts to promote water awareness and conservation.
- e. Offer incentives for landscape water efficiency devices such as ET controllers and soil moisture sensors.
- f. Develop landscape retrofit incentive programs and/or irrigation retrofit incentive programs.
- g. Permit local agencies adopting stricter ordinances requiring water wise landscaping for commercial and residential development.
- h. Create tax credits for citizens or developers who install water wise landscapes.
- i. Create tax credits for citizens who purchase high efficiency clothes washers, dual flush and high-efficiency toilets and irrigation controllers above the state standards.
- j. Expand community-based conservation and education programs.
- k. Develop incentives for developers to install water wise landscape in new construction.
- l. Encourage large state users to conserve water by implementing water efficient technologies in all facilities both new and retrofit.
- m. Create higher incentives for solar power.
- n. Encourage large state water users to conserve water outdoors.
- o. Educate all Californians on the importance of water, and the need to conserve, manage, and plan for the future needs.

### *Oppose efforts to:*

- a. Weaken federal or state water efficiency standards.

### **Safety, Security and Information Technology**

#### *Support efforts to:*

- a. Provide funding for information security upgrades to include integrated alarms, access/egress, and surveillance technology.
- b. Provide incentives for utilities and other local agencies to work cooperatively, share costs or resources.
- c. Provide funding for communication enhancements, wireless communications, GIS or other technological enhancements.
- d. Encourage or promote compatible software systems.
- e. Fund infrastructure and facility security improvements that include facility roadway access, remote gate access and physical security upgrades.
- f. Protect state, local and regional drinking water systems from terrorist attack or deliberate acts of destruction, contamination or degradation.
- g. Provide funds to support training or joint training exercises to include contingency funding for emergencies and emergency preparedness.
- h. Equitably allocate security funding based on need, threats and/or population.
- i. Encourage or promote compatible communication systems.
- j. Encourage and promote funding of Department of Homeland Security Risk Mitigation programs.

## **Otay Water District 2012 Legislative Program**

- k. Recognizes water agencies as emergency responders to damage and challenges caused by wildfires, earthquakes, and other natural disasters, as well as terrorist and other criminal activities that threaten water operations, facilities and supplies.

### *Oppose efforts that:*

- a. Create unnecessary, costly, or duplicative security mandates.

### **Optimize District Effectiveness**

#### *Support efforts to:*

- a. Continue to reform Workers Compensation.
- b. Give utilities the ability to avoid critical peak energy pricing or negotiate energy contracts that save ratepayers money.
- c. Develop reasonable Air Pollution Control District engine permitting requirements.
- d. Reimburse or reduce local government mandates.
- e. Allow public agencies to continue offering defined benefit plans.
- f. Result in predictable costs and benefits for employees and taxpayers.
- g. Eliminate abuses.
- h. Retain local control of pension systems.
- i. Be constitutional, federally legal and technically possible.

#### *Oppose efforts to:*

- a. Restrict the use of, or reallocate, district property tax revenues to the detriment of special districts.
- b. Create unrealistic ergonomic protocol.
- c. Micromanage special district operations.
- d. Balance the state budget by allowing regulatory agencies to increase permitting fees.
- e. Tax dependent benefits.

### **Bi-National Initiatives**

#### *Support efforts to:*

- a. Promote and finance cross-border infrastructure development such as water pipelines, desalination plants or water treatment facilities.
- b. Develop cooperative and collaborative solutions to cross-border issues.
- c. Develop and enhance understanding of the interdependence of communities on both sides of the border with the goal of improved cross-border cooperation.

#### *Oppose efforts to:*

- a. Usurp local control over the financing and construction of water supply and infrastructure projects in the San Diego/Baja California region.

## Otay Water District 2012 Legislative Program

### Water Bonds

#### *Support efforts to:*

- a) Provide an equitable share of funding to San Diego County, with major funding categories being divided by county and funded on a per-capita basis to ensure bond proceeds are distributed throughout the state in proportion to taxpayers' payments on the bonds.
- b) Focus on statewide priorities, including construction of an approved method of conveyance of water through or around the Delta that provides water supply reliability to the Delta water uses, promotion of greater regional and local self-sufficiency, surface storage and promotion of water use efficiency.
- c) Provides for the state's share of funding for Bay-Delta conveyance projects.
- d) Provides fund for water infrastructure that resolves conflicts in the state's water system and provides long-term benefits to water supply, reliability, water quality and ecosystem restoration.
- e) Give primary consideration to funding priorities established by local and regional entities through their IRWM planning process.
- f) Ensures that the application process for funding is not unnecessarily burdensome and costly, with an emphasis on streamlining the process.

#### *Oppose efforts that:*

- a) Do not provide an equitable share of funding to San Diego County, based on the San Diego County taxpayers' proportional contribution to repayment of the bond.
- b) Do not provide funding for infrastructure that resolves statewide or regional conflicts of water supplies.
- c) Do not provide funding that result in net increases in real water supply and water supply reliability.

## Otay Water District 2012 Legislative Program

Legislative Policy Guidelines

Effective Date: \_\_/\_\_/\_\_\_\_

### Legislative Policy Guidelines

The Otay Water Legislative Policy Guidelines for the 2012 Legislative Session includes the following:

### Water Services

Support efforts to:

- a. ~~Develop and adopt~~Provides for a comprehensive state water plan that balances California's competing water needs and results in a reliable supply of high-quality water for the San Diego region.
- b. Finalize and Implement the Bay Delta Conservation Plan to address Bay-Delta environmental and water quality issues.
- c. Support "Around-the-Delta" or other alternatives as ~~a way~~s to improve water quality or water transport and reduce the possibility of levee failure.
- d. Finalize long-term Delta planning work and ongoing studies of new water storage facilities, and support efforts to promote additional surface and underground water storage infrastructure to ensure water availability and quality.
- e. Improve the existing Sacramento-San Joaquin River Delta water conveyance system to study the impact of Global Climate Change and its potential to impact the snow pack, sea level and s, salinity in the Delta, the possibility of reduced precipitation or more severe storms.
- f. Resolve conflicts between urban and rural water users, water management and the environment in the Bay-Delta.
- g. Provide financial support to projects designed to mitigate the potential negative impacts of Global Climate Change on water supply reliability.
- g-h. Promote the coordination and integration of local, state and federal climate change policies and practices to the greatest extent feasible.
- h-i. Provide ongoing federal and state funding for the California Bay-Delta, and those which focus attention to Delta financing, affordability, commitments to pay, and the demand for Bay-Delta Water.-
- i-j. Support ongoing implementation of the Quantitative Settlement Agreement.
- j-k. Provide reliable water supplies to meet California's short and long-term needs.
- k-l. Provide conveyance and storage facilities that are cost effective, improve the reliability and quality of San Diego region's water supplies as well as the Bay-Delta region.
- l-m. Equitably allocates costs of the Bay-Delta solution to all those benefiting from improvements.
- m-n. Support agriculture to urban water transfers.
- n-o. Promote desalination pilot studies and projects.
- e-p. Reduce restrictions on recycled water usage or promote consistent regulation of recycled water projects to reduce impediments to the increased use of recycled water.-

## Otay Water District 2012 Legislative Program

- ~~p-q.~~ Reduce restrictions on injecting recycled water into basins where there is no direct potable use.
- ~~q-r.~~ Provide financial incentives for recharge of groundwater aquifers using recycled water.
- ~~r-s.~~ Encourage feasibility studies of water resource initiatives.
- ~~s-t.~~ Increase funding for infrastructure and grant programs for construction, modernization or expansion of water, wastewater treatment, reclamation facilities and sewer systems including water recycling, groundwater recovery and recharge, surface water development projects and seawater desalination.
- ~~t-u.~~ Mandate uniform or similar regulations and procedures by state agencies in the processing and administering of grants and programs.
- ~~u-v.~~ Streamline grant application procedures.
- ~~v.~~ ~~Limit the availability, or prohibit the installation, of water softening appliances that discharge brine to the sewer systems feeding treatment plants that produce recycled water.~~
- w. Improve the existing Sacramento-San Joaquin River Delta water conveyance system to increase flexibility and enhance water supply, water quality, levee stability and environmental protection.
- x. Evaluate long-term threats to the Delta levee and conveyance system and pursue actions to reduce risks to the state's water supply and the environment.
- ~~y.~~ Promote or assist voluntary water transfers between willing buyers and willing sellers and move those transactions through without delay.
- ~~y-z.~~ ~~Streamline the permitting and approval process for implementing transfers.~~
- ~~z-aa.~~ Establish reasonable statewide approaches to sewer reporting standards.
- ~~aa-bb.~~ Provide the State Water Project with more flexibility to operate their systems to maximize water deliveries while avoiding unacceptable impacts to third parties, habitat or the environment.
- ~~bb-cc.~~ Fast-track design, permits and construction for pilot projects in the Sacramento-San Joaquin Delta to create barriers to keep fish away from Delta water pumps, improve water quality and supply reliability.

### Oppose efforts to:

- a. Make urban water supplies less reliable or substantially increase the cost of imported water without also improving the reliability and/or quality of the water.
- b. Create unrealistic or costly water testing protocol.
- c. Create unrealistic or costly to obtain water quality standards for potable water, recycled water or storm water runoff.
- d. Restrict use of recycled water for groundwater recharge.
- e. Disproportionately apportion costs of water.
- f. Establish new water or recycled water fees solely to recover State costs without also providing some benefit.
- g. Create undo hurdles for seawater desalination projects.
- h. Create regulatory schemes that alter or limit the existing authority to reuse and recycle water.
- i. Create unreasonable or confusing sewer reporting standards.

## Otay Water District 2012 Legislative Program

- j. Create administrative or other barriers to sales between willing buyers and willing sellers that delay water transfers.
- k. Create a broad-based user fee that does not support a specific program activity; any fee must provide a clear nexus to the benefit the fee would provide.
- l. Require additional reviews or approvals of Delta conveyance options beyond those provided by SBX7-1 (2009).

### Financial

#### *Support efforts to:*

- a. Require the federal government and State of California to reimburse special districts for all mandated costs or regulatory actions.
- b. Give special districts the discretion to cease performance of unfunded mandates.
- c. Provide for fiscal reform to enhance the equity, reliability, and certainty of special district funding.
- d. Provide incentives for local agencies to work cooperatively, share costs or resources.
- e. Provide for the stable, equitable and reliable allocation of property taxes.
- f. Continue to reform workers compensation.
- g. Authorize financing of water quality, water security, and water supply infrastructure improvement programs.
- h. Promote competition in insurance underwriting for public agencies.
- i. Establish spending caps on State of California overhead when administering voter approved grant and disbursement programs.
- j. Require disbursement decisions in a manner appropriate to the service in question.
- k. Encourage funding infrastructure programs that are currently in place and that have been proven effective.
- l. Produce tangible results, such as water supply reliability or water quality improvement.
- m. Provide financial incentives for energy projects that increase reliability, diversity, and reduce green house gasses.

#### *Oppose efforts to:*

- a. Impose new, unfunded state mandates on local agencies and their customers.
- b. Undermine Proposition 1A - Protection of Local Government Revenues – and the comprehensive reform approved by voters in 2004.
- c. Reallocate special district reserves in an effort to balance the state budget.
- d. Reallocate special district revenues or reserves to fund infrastructure improvements or other activities in cities or counties.
- e. Usurp special district funds, reserves, or other state actions that force special districts to raise rates, fees or charges.
- f. Complicate existing conservation-based rate structures.
- g. Establish funding mechanisms that put undue burdens on local agencies or make local agencies *de facto* tax collectors for the state.
- h. Complicate compliance with SB 610 and SB 221.
- i. ~~Adversly~~Adversely affect the cost of electricity.

# Otay Water District 2012 Legislative Program

## Governance/Local Autonomy

### *Support efforts to:*

- a. Expand local autonomy in governing special district affairs.
- b. Promote comprehensive long-range planning.
- c. Assist local agencies in the logical and efficient extension of services and facilities to promote efficiency and avoid duplication of services.
- d. Streamline the Municipal Service Review Process or set limits on how long services reviews can take or cost.
- e. Establish clear and reasonable guidelines for appropriate community sponsorship activities.
- f. Reaffirm the existing “all-in” financial structure, or protect the San Diego County Water Authority voting structure based on population.

### *Oppose efforts to:*

- a. Assume the state legislature is better able to make local decisions that affect special district governance.
- b. Create one-size-fits-all approaches to special district reform.
- c. Unfairly target one group of local elected officials.
- d. Usurp local control from special districts regarding decisions involving local special district finance, operations or governance.
- e. Limit the board of directors’ ability to govern the district.
- f. Create unfunded local government mandates.
- g. Create costly, unnecessary or duplicative oversight roles for the state government of special district affairs.
- h. Create new oversight roles or responsibility for monitoring Special District affairs.
- i. Change the San Diego County Water Authority Act regarding voting structure, unless it is based on population.
- j. Shift the liability to the public entity and relieve private entities of reasonable due diligence in their review of plans and specifications for errors, omissions and other issues.
- k. Place a significant and unreasonable burden on public agencies, resulting in increased cost for public works construction or their operation.
- l. Impairs the ability of water districts to acquire property or property interests required for essential capital improvement projects.
- l.
- m. Increases the cost of property and right-of-way acquisition, or restricts the use of rights of way.

# Otay Water District 2012 Legislative Program

## Conservation

### *Support efforts to:*

- a. Provide funding for water conservation programs.
- b. Encourage the installation of water conserving fixtures in new and existing buildings.
- c. Promote the environmental benefits of water conservation.
- d. Enhance efforts to promote water awareness and conservation.
- e. Offer incentives for landscape water efficiency devices such as ET controllers and soil moisture sensors.
- f. Develop landscape retrofit incentive programs and/or irrigation retrofit incentive programs.
- g. Permit local agencies adopting stricter ordinances requiring water wise landscaping for commercial and residential development.
- h. Create tax credits for citizens or developers who install water wise landscapes.
- i. Create tax credits for citizens who purchase high efficiency clothes washers, dual flush and high-efficiency toilets and irrigation controllers above the state standards.
- j. Expand community-based conservation and education programs.
- k. Develop incentives for developers to install water wise landscape in new construction.
- l. Encourage large state users to conserve water by implementing water efficient technologies in all facilities both new and retrofit.
- m. Create higher incentives for solar power.
- n. Encourage large state water users to conserve water outdoors.
- o. Educate all Californians on the importance of water, and the need to conserve, manage, and plan for the future needs.

### *Oppose efforts to:*

- a. Weaken federal or state water efficiency standards.

## Safety, Security and Information Technology

### *Support efforts to:*

- a. Provide funding for information security upgrades to include integrated alarms, access/egress, and surveillance technology.
- b. Provide incentives for utilities and other local agencies to work cooperatively, share costs or resources.
- c. Provide funding for communication enhancements, wireless communications, GIS or other technological enhancements.
- d. Encourage or promote compatible software systems.
- e. Fund infrastructure and facility security improvements that include facility roadway access, remote gate access and physical security upgrades.
- f. Protect state, local and regional drinking water systems from terrorist attack or deliberate acts of destruction, contamination or degradation.
- g. Provide funds to support training or joint training exercises to include contingency funding for emergencies and emergency preparedness.

## Otay Water District 2012 Legislative Program

- h. Equitably allocate security funding based on need, threats and/or population.
- i. Encourage or promote compatible communication systems.
- j. Encourage and promote funding of Department of Homeland Security Risk Mitigation programs.
- j.k. Recognizes water agencies as emergency responders to damage and challenges caused by wildfires, earthquakes, and other natural disasters, as well as terrorist and other criminal activities that threaten water operations, facilities and supplies.

### *Oppose efforts that:*

- a. Create unnecessary, costly, or duplicative security mandates.

### **Optimize District Effectiveness**

#### *Support efforts to:*

- a. Continue to reform Workers Compensation.
- b. Give utilities the ability to avoid critical peak energy pricing or negotiate energy contracts that save ratepayers money.
- c. Develop reasonable Air Pollution Control District engine permitting requirements.
- d. Reimburse or reduce local government mandates.
- e. Allow public agencies to continue offering defined benefit plans.
- f. Result in predictable costs and benefits for employees and taxpayers.
- g. Eliminate abuses.
- h. Retain local control of pension systems.
- i. Be constitutional, federally legal and technically possible.

#### *Oppose efforts to:*

- a. Restrict the use of, or reallocate, district property tax revenues to the detriment of special districts.
- b. Create unrealistic ergonomic protocol.
- c. Micromanage special district operations.
- d. Balance the state budget by allowing regulatory agencies to increase permitting fees.
- e. Tax dependent benefits.

### **Bi-National Initiatives**

#### *Support efforts to:*

- a. Promote and finance cross-border infrastructure development such as water pipelines, desalination plants or water treatment facilities.
- b. Develop cooperative and collaborative solutions to cross-border issues.
- c. Develop and enhance understanding of the interdependence of communities on both sides of the border with the goal of improved cross-border cooperation.

#### *Oppose efforts to:*

- a. Usurp local control over the financing and construction of water supply and infrastructure projects in the San Diego/Baja California region.

## Otay Water District 2012 Legislative Program

### Water Bonds

#### Support efforts to:

- a) Provide an equitable share of funding to San Diego County, with major funding categories being divided by county and funded on a per-capita basis to ensure bond proceeds are distributed throughout the state in proportion to taxpayers' payments on the bonds.
- b) Focus on statewide priorities, including construction of an approved method of conveyance of water through or around the Delta that provides water supply reliability to the Delta water uses, promotion of greater regional and local self-sufficiency, surface storage and promotion of water use efficiency.
- c) Provides for the state's share of funding for Bay-Delta conveyance projects.
- d) Provides fund for water infrastructure that resolves conflicts in the state's water system and provides long-term benefits to water supply, reliability, water quality and ecosystem restoration.
- e) Give primary consideration to funding priorities established by local and regional entities through their IRWM planning process.
- f) Ensures that the application process for funding is not unnecessarily burdensome and costly, with an emphasis on streamlining the process.

#### Oppose efforts that:

- a) Do not provide an equitable share of funding to San Diego County, based on the San Diego County taxpayers' proportional contribution to repayment of the bond.
- b) Do not provide funding for infrastructure that resolves statewide or regional conflicts of water supplies.
- c) Do not result in net increases in real water supply or water supply reliability.



## STAFF REPORT

TYPE MEETING: Regular Board	MEETING DATE: February 1, 2012
SUBMITTED BY: James Cudlip, Finance Manager	W.O./G.F. NO:                      DIV. NO. All
APPROVED BY: Joseph R. Beachem, Chief Financial Officer (Chief)	
APPROVED BY: German Alvarez, Assistant General Manager, Finance and (Asst. GM): Administration	
SUBJECT: Approve the Selection of Union Bank for Banking Services	

**GENERAL MANAGER'S RECOMMENDATION:**

That the Board authorize the General Manager to continue contracting with Union Bank for banking services. This contract allows the District to continue using Union Bank for banking services until either party chooses to terminate the business relationship.

**COMMITTEE ACTION:** \_\_\_\_\_

See Attachment A.

**BACKGROUND:**

In January 2006, the Board approved Union Bank of California (now Union Bank) to become the District's primary provider of banking services. Subsequently, in March 2008 and again in February 2010, staff completed a review of banking services and fees and, in each case, recommended continuing with Union Bank. Based on the Board's direction after the last review, staff issued a Request for Proposal (RFP) for Banking Services in November 2011 to fully survey the current banking services financial market and establish an updated contract for the District's ongoing business concerns. Staff will continue to review the banking services contract on a bi-annual basis, to validate that the District is receiving the best available financial services at a competitive price.

**ANALYSIS:**

**Business Priority**

Banking services collectively comprise one of the most critical factors in maintaining the District's financial stability, both from a customer standpoint of receiving payments for water and sewer services provided, and from a business perspective dealing

with vendors and commercial markets for products received and financing as required. Because of this business sensitivity, the review of proposals received included both a qualitative evaluation of each institution and the services requested, and a quantitative evaluation of the overall projected costs.

**Selection Process**

The District sent an RFP to seven of the largest federal banks doing business in the San Diego area, and received responses from the following six institutions:

- Bank of America
- Bank of the West
- JPMorgan Chase Bank
- Union Bank
- U.S. Bank
- Wells Fargo Bank

A three person panel jointly reviewed and rated the proposals. The proposals included the following tabs:

- Letter of Transmittal
- Tab A - Table of Contents
- Tab B - Summary Sheet
- Tab C - Conceptual Plan
- Tab D - Account Reconciliation
- Tab E - Account Analysis Report
- Tab F - On-Line Reporting
- Tab G - Wire Transfer Deposits
- Tab H - Wire Transfer Payments
- Tab I - Availability of Funds
- Tab J - Payroll Services
- Tab K - Interest on Sweep Account Balances
- Tab L - Tax Payments
- Tab M - Check Fraud
- Tab N - Daylight Overdraft Protection
- Tab O - Deposit Services
- Tab P - Other Services
- Tab Q - References
- Tab R - Certification of Proposals
- Tab S - Proposer's Insurance
- Tab T - Services Not Available

Each tab was reviewed and rated. Some of the tab ratings were given a greater weight than others based on the relevance to District's business processes and financial needs. Due to the business sensitivity of these services, as discussed earlier,

this part of the score was given a weight of 2/3 (66.67%) of the overall score.

All of the banks were directed to provide 5-years of fixed pricing, based on the mix and average volume of services currently utilized by the District. Proposed pricing was reviewed and total costs for all services were then ranked from lowest to highest and given a weight of 1/3 (33.33%) of the overall score.

A summary of the evaluations and overall ranking of the proposals is provided in Attachment B.

### **Conclusion**

Based on the overall evaluation and scoring, staff recommends continuing with Union Bank. All of the banks responding are capable of providing the financial services requested. The individual rankings of the institutions were extremely competitive both qualitatively and quantitatively. The following factors placed Union Bank over the other banks:

- 1) Union Bank received the highest overall ranking.
- 2) Union Bank has had an excellent track record of service with the District.
- 3) There are no additional costs or increased staff hours due to transitioning to a new financial institution.
- 4) As a result of this competitive process, the District will save approximately \$17,000 per year in service fees.
- 5) The District also anticipates additional interest earnings of \$4,800 per year due to the more aggressive rates being offered by the bank.

### **Ongoing Services**

In accordance with prior directives of the Board, the District will continue to review and validate, on a bi-annual basis, that Union Bank's financial services fully meet the demands of the District and continue to be competitively priced.

### **FISCAL IMPACT:**



Current bank fees are approximately \$107,000 per year, and are fully budgeted for fiscal year 2012. Renewing the contract with Union Bank is expected to save the District approximately

\$17,000 in banking fees and add \$4,800 in interest revenue annually, while maintaining the excellent quality of financial services on an on-going basis.

**STRATEGIC OUTLOOK:**

The District ensures its continued financial health through long-term financial planning, formalized financial policies, enhanced budget controls, fair pricing, debt planning, and improved financial reporting.

**LEGAL IMPACT:** \_\_\_\_\_

None.

  
\_\_\_\_\_  
General Manager

Attachments:

- A) Committee Action Form
- B) Bank Proposal Evaluation



## ATTACHMENT A

<b>SUBJECT/PROJECT:</b>	Approve the Selection of Union Bank for Banking Services
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### COMMITTEE ACTION:

The Finance, Administration, and Communications Committee on January 18, 2012, recommended that the Board authorize the General Manager to continue contracting with Union Bank for banking services. This contract allows the District to continue using Union Bank for banking services until either party chooses to terminate the business relationship.

### 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

Bank Proposal Evaluation

	Overall
Union Bank	93%
US Bank	88%
Bank of the West	86%
J.P. Morgan	77%
Wells Fargo	71%
Bank of America	70%

Weight 2/3	Qualitative	Percentage	Place
Union Bank	415	90%	1
US Bank	403	88%	2
Wells Fargo	389	84%	3
J.P. Morgan	370	80%	4
Bank of the West	366	79%	5
Bank of America	359	78%	6

Weight 1/3	Projected 5- Year Cost	Percentage	Place
Bank of the West	\$ 387,375	100%	1
Union Bank	\$ 397,305	97%	2
US Bank	\$ 428,050	89%	3
J.P. Morgan	\$ 505,368	70%	4
Bank of America	\$ 569,807	53%	5
Wells Fargo	\$ 600,224	45%	6

Panel:

Joe Beachem

Jim Cudlip

Steve Dobrawa