

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

TUESDAY
February 16, 2016
10:00 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. TOUR OF THE EASTLAKE GREENS 30 MILLION GALLON RESERVOIR [624-3 RESERVOIR] AND THE 980-2 PUMP STATION (WATTON)
4. NULLIFY THE AUTHORIZATION TO ISSUE A PURCHASE ORDER TO ORANGE COAST DODGE AND APPROVE THE ISSUANCE OF A PURCHASE ORDER TO MIRAMAR FORD IN THE AMOUNT OF \$116,002 FOR THE PURCHASE OF ONE (1) REPLACEMENT CLASS 4 UTILITY TRUCK (MARTINEZ) [5 minutes]
5. APPROVE A CONTRACT FOR FINANCIAL ADVISOR, BOND COUNSEL AND DISCLOSURE COUNSEL SERVICES FOR THE ADVANCED REFUNDING OF THE 2007 CERTIFICATES OF PARTICIPATION FOR AN AMOUNT NOT-TO-EXCEED \$52,500 FOR FINANCIAL ADVISOR SERVICES AND \$55,000 FOR COMBINED BOND COUNSEL AND DISCLOSURE COUNSEL SERVICES (BELL) [5 minutes]
6. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Mitch Thompson, Chair
Jose Lopez

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

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

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

Certification of Posting

I certify that on February 12, 2016 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on February 12, 2016.

_____/s/ Susan Cruz, District Secretary_____

Agenda Item 4



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 2, 2016
	Jose Martinez	PROJECT:	DIV. NO. All
SUBMITTED BY:	Asst. Chief Water Operations		
	<input checked="" type="checkbox"/> Pedro Porras, Chief Water Operations		
APPROVED BY:	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager		
	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	To Nullify the Authorization To Purchase One (1) Replacement Class 4 Utility Truck From Orange Coast Dodge and To Authorize To Purchase One (1) Replacement Class 4 Utility Truck From Miramar Ford		

GENERAL MANAGER'S RECOMMENDATION:

That the Board nullify the authorization to issue a purchase order to Orange Coast Dodge (Orange Coast) granted at the regular meeting of the Board of Directors on February 3, 2016 and authorize the General Manager to issue a purchase order to Miramar Ford in the amount of \$116,002 for the purchase of one (1) replacement Class 4 Utility Truck.

COMMITTEE ACTION:

See Attachment "A."

PURPOSE:

To obtain Board authorization to purchase one (1) replacement Class 4 Utility Truck from the vendor with the lowest responsive quote.

ANALYSIS:

At the regular meeting of the Board of Directors on February 3, 2016, the Board authorized the General Manager to issue a purchase order to Orange Coast in the amount of \$114,542 for the purchase

of one (1) replacement Class 4 Utility Truck (see Attachment "B"). On February 4, 2016, purchasing staff issued a purchase order to Orange Coast at which time they notified staff that they could not honor their proposal as they had failed to follow a requirement of the solicitation to include sales tax and all other fees, therefore, they withdrew their bid. As a result, Miramar Ford, having complied with all the requirements of the solicitation, is the lowest responsive vendor at \$116,002.

Dealer	Bid Price
Miramar Ford	\$116,002
Tuttle Click Ford	\$120,389
Orange Coast Dodge	Withdrawn

Staff is purchasing a 2016 Ford F550 with service body, crane and engine-driven air compressor included for a not-to-exceed amount of \$116,002, which is \$23,998 less than budgeted.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

Projected purchase budget for one (1) Class 4 Utility Truck is \$140,000 based on preliminary research. The purchase of the truck will cost \$116,002 which will be charged against the Vehicle Capital Purchases CIP P2282. The total cost in this account will not exceed budgeted funding.

Based on the evaluation, the CIP P2282 budget is sufficient to complete the budgeted purchase, as outlined in the Staff Report dated February 3, 2016 (see Attachment "C").

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

Expenditure Summary:

Total CIP 2282 Vehicle Replacements FY16 Budget:	\$556,000
Proposed One (1) Class 4 Utility Truck.	(\$116,002)
Approved Vactor Truck Replacement.	(\$402,831)
Proposed Replacement Bed for Unit 184	(\$11,000)
Projected CIP P2286 FY16 Under Budget:	\$26,167

STRATEGIC GOAL:

Operate the system to meet demand twenty-four hours a day, seven days a week.

LEGAL IMPACT:

None.

Attachment "A," Committee Action

Attachment "B," Example of Vehicle to Purchase

Attachment "C," Staff Report dated February 3, 2016



ATTACHMENT A

SUBJECT/PROJECT:	Approval to Purchase one (1) Class 4 Utility Truck
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COMMITTEE ACTION:

The Engineering and Operations Committee reviewed this item at a meeting held on February 16, 2016 and the following comments were made:

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



ATTACHMENT C



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	February 3, 2016
	Jose Martinez	PROJECT:	DIV. NO. All
SUBMITTED BY:	Asst. Chief Water Operations		
	<input checked="" type="checkbox"/> Pedro Porras, Chief Water Operations		
APPROVED BY:	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager		
	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Approval To Purchase One (1) Replacement Class 4 Utility Truck		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to issue a purchase order to Orange Coast Dodge in the amount of \$114,542.00 for the purchase of one (1) replacement Class 4 Utility Truck and declare Unit 154 surplus.

COMMITTEE ACTION: _____

See Attachment "A."

PURPOSE:

To obtain Board authorization to purchase one (1) replacement Class 4 Utility Truck.

ANALYSIS:

Included in the approved FY 2016 budget, as Item 21 under Capital Purchases, is one (1) replacement Class 4 Utility Truck. The purchase is to replace Unit 139, Pump Electrical Utility Service Truck. This unit is utilized for the District's day-to-day maintenance of pump station facilities including but not limited to pumps, motors, air compressors, etc.

Unit 139 is a 2003 Ford F550 truck with 94,891 miles and has a service body, air compressor, and a 15-foot reach 3,200 lb. lifting capacity crane attached. In order to effectively manage the District's fleet, Unit 139 will be rotated into the fleet replacing Unit 154, which belongs to the Meter Maintenance section. Unit 154 is a 2004 Ford F550 with 121,000 miles and has a service body, air compressor, and crane attached. While Unit 139 is one year older, Unit 154 has 27,000 more miles and the attached service body was reused from a previous vehicle. The service body of Unit 154 is in excess of 16-years-old and has a considerable amount of rust and corrosion on the underside of the bed and lower cabinets.

Based on system operation evaluations of work flow history by the Fleet Maintenance Supervisor, Pump Electrical supervision, and management, it is recommended that one (1) new Class 4 Utility Truck be purchased to replace Unit 139. Unit 139 will be rotated into the fleet replacing Unit 154, and Unit 154 will be declared surplus. This action will save the District approximately \$10,000 by eliminating the need to replace a service body on a 12-year-old truck and rotating a lower mileage unit into its position.

In accordance with District policy, bids were solicited for the Class 4 Utility Truck. Three (3) bids were received. Prices received include all applicable fees and taxes and delivery.

Funding for this purchase has been included in CIP P2282, Vehicle Capital Purchases Program.

Dealer	Bid Price
Orange Coast Dodge	\$114,542
Miramar Ford	\$116,002
Tuttle Click Ford	\$120,389

Staff is purchasing a 2016 Dodge Ram 5500 with a service body, crane and air compressor included for a not-to-exceed amount of \$114,542 which is \$25,458 less than budgeted.

FISCAL IMPACT: _____

Projected purchase budget for one (1) Class 4 Utility Truck is \$140,000 based on preliminary research. The purchase of the truck will cost \$114,542 which will be charged against the Vehicle Capital Purchases CIP P2282. The total cost in this account will not exceed budgeted funding.

The total FY16 project budget for the CIP P2282, Vehicle Capital Purchases is \$556,000. Existing expenditures and current encumbrances for the CIP, including the one (1) Class 4 Utility Truck purchased under this request if approved, are \$114,542.00.

Based on the evaluation, the CIP P2282 budget is sufficient to complete the budgeted purchase.

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

Expenditure Summary:

Total CIP 2282 Vehicle Replacements FY16 Budget:	\$556,000
Proposed One (1) Class 4 Utility Truck.	(\$114,542)
Approved Vactor truck replacement.	(\$402,831)
Proposed Replacement bed for Unit 184.	(\$11,000)
Projected CIP P2286 FY16 Under Budget:	\$27,627

STRATEGIC GOAL:

Operate the system to meet demand twenty-four hours a day, seven days a week.

LEGAL IMPACT: _____

None.

General Manager

Attachment "A," Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	Approval to Purchase one (1) Class 4 Utility Truck
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on January 20, 2016 and the following comments were made:

- Staff is requesting that the Board authorize a purchase order to Orange Coast Dodge in the amount of \$114,542 for the purchase of one (1) replacement Class 4 Utility Truck and declare Unit 154 as surplus.
- The Class 4 Utility Truck was included in the approved FY 2016 budget as Item 21 under Capital Purchases. The Class 4 Utility Truck will replace Unit 139, Pump Electrical Utility Service Truck.
- Staff solicited bids for a Class 4 Utility Truck in accordance with District policy. Three (3) bids were received and Orange Coast Dodge had the lowest responsive bid at \$114,542. The bid is \$25,458 less than budgeted.

Upon completion of the discussion, the committee supported staffs' recommendation and presentation to the full Board on the consent calendar.

Agenda Item 5



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	March 2, 2016
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Rita Bell, Finance Manager		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer		
	<input checked="" type="checkbox"/> German Alvarez, Assistant General Manager		
	<input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Selection of a Financial Advisor, Bond Counsel and Disclosure Counsel		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to contract for a Financial Advisor as well as Bond Counsel and Disclosure Counsel services for the advanced refunding of the 2007 Certificates of Participation (COPS). The amount is not to exceed \$52,500 for the Financial Advisor and \$55,000 for the combined Bond Counsel and Disclosure Counsel services.

COMMITTEE ACTION:

See Attachment A.

PURPOSE:

The District has an opportunity to refinance the 2007 COPS and potentially save the rate payers \$170,000 annually based on recent changes in market interest rates. Approval of this recommendation authorizes the General Manager to hire a Financial Advisor and Bond and Disclosure Counsel who are necessary to move forward with this refinancing.

ANALYSIS:

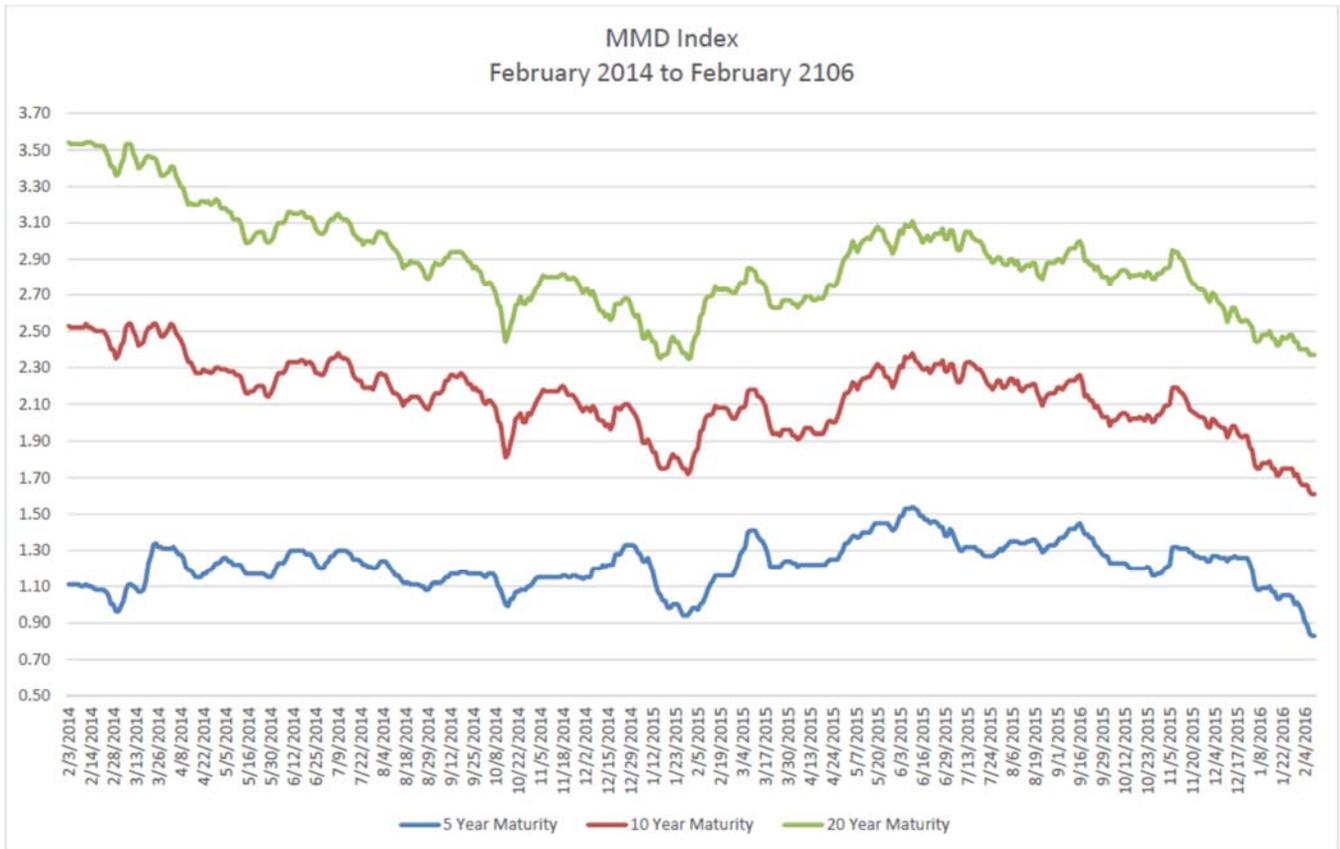
The District is pursuing the option to refinance its 2007 COPS which currently has approximately \$33MM outstanding. The refinancing is estimated to produce an annual savings of \$170,000, net of cost of issuance. This represents an 8% savings which meets the District's Debt Policy which suggests a minimum of 5% savings at the beginning of the process to ensure a 3% savings at the closing.

This past November staff reviewed all options of debt restructuring with the District's financial advisor. At that time, only one option had the ability to lower the rate impact, however, the cost savings was not significant and therefore the savings would not comply with the District's Debt Policy.

Since that time the market conditions have changed. In the past 30 days interest rates have dropped 40 basis points, as a result of the economic crisis in China, the drop in oil prices, and people pulling their money out of the equity market to invest in a safer debt market. Below is the analysis of how the annual savings has increased due to the reduction in interest rates.

			<u>Sensitivity</u>	
	<u>October 2015</u>	<u>January 2016</u>	<u>25 bp</u> <u>Increase</u>	<u>50 bp</u> <u>Increase</u>
Refunding Bonds Yield	3.36%	2.80%	3.05%	3.30%
2007 Bond Interest Rate	4.28%	4.28%	4.28%	4.28%
NPV Savings	609,035	2,950,481	2,042,698	1,174,206
NPV Savings %	1.75%	8.49%	5.87%	3.38%
Total \$ Savings	572,637	3,778,646	2,658,878	1,556,823
Annual Savings	27,268	179,936	126,613	74,134
Escrow Cost	37,407,534	36,765,482	36,765,482	36,765,482

The chart below depicts the two year MMA AAA Median index which is the only municipal benchmark created directly by the leading institutions of the municipal market and is the most consistent benchmark for daily municipal yield change. This index is the most similar index to model how the AA municipal bonds trade. The chart shows the drop in rates between October 2015 and January 2016.



The savings associated with a refinancing is subject to market fluctuations of the interest rate, referred to as interest rate risk. Interest rate risk is the potential that the estimated savings could diminish should interest rates increase prior to completing a refinancing. If rates decrease, the savings would be greater. The decrease of the current interest rate, which has generated the potential \$170,000 savings annually, occurred within the last 30 days. The current low interest rates will likely result in more debt being issued which will fill the lack of supply. Therefore, the longer the refinance process takes, the more debt will be supplied to the market, and the greater the risk that the interest rates will increase, resulting in a reduction of the potential savings.

Staff has obtained three quotes for a Financial Advisor, as shown in the table below, and recommends hiring Harrell & Company to perform the financial advisory services at a cost not to exceed \$52,500.

Harrell & Company	\$52,500
KNN Finance	\$55,000
Bartle Wells Associates	\$70,000

Additionally, staff has obtained three quotes, as presented in the table below, for combined Bond and Disclosure Counsel that also includes a review of the Official Statement. Staff is recommending the District hire Stradling Yocca Carlson & Rauth for Bond and Disclosure Counsel at a cost not to exceed \$55,000.

Stradling Yocca Carlson & Rauth	\$55,000
Quint & Thimmig, L.L.P.	\$65,000
Fulbright& Jaworski L.L.P.	\$78,900

Both Harrell & Company as Financial Advisor and Stradling Yocca Carlson & Rauth as Bond and Disclosure Counsel have served in these roles for the District’s six prior financings. More recently, both firms served on the 2013 COPS refinancing which went smoothly, maintaining a high level of performance. In addition to excellent past service, it has proven to be cost effective to have consistent representation for debt issues, as reflected in the quotes received for this refinancing.

Time is of the essence and staff is attempting to move quickly to refinance the bonds in order to maximize the savings with the current favorable market conditions. Staff believes that maintaining consistency with these experienced and highly qualified firms will help staff achieve the desirable fast-paced schedule.

Staff is requesting that the Board authorize the General Manager to contract for the Financial Advisor and Bond and Disclosure Counsel services for the amounts mentioned above.

Staff plans on returning to the Board in April with the documents and the resolution needed to authorize the bond refinancing, assuming market conditions remain favorable. With this approval bonds will be sold in mid-April and will close in mid-May.

FISCAL IMPACT: Joe Beachem, Chief Financial Officer

All fees for the refinancing have been included in the calculation of the overall estimated savings of \$170,000 per year for a total estimated savings of \$3,400,000.

STRATEGIC GOAL:

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

LEGAL IMPACT:

None.

Attachments:

Attachment A - Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	Selection of a Financial Advisor, Bond Counsel and Disclosure Counsel
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee recommend that the Board authorize the General Manager to contract for a Financial Advisor as well as Bond Counsel and Disclosure Counsel services for the advanced refunding of the 2007 Certificates of Participation (COPS). The amount is not to exceed \$52,500 for the Financial Advisor and \$55,000 for the combined Bond Counsel and Disclosure Counsel services.

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.