

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT AND
OTAY SERVICE CORPORATION
March 7, 2007**

1. The meeting was called to order by President Croucher at 3:31 p.m.

2. ROLL CALL

Directors Present: Breitfelder, Croucher, Lopez and Robak

Directors Absent: Bonilla

Staff Present: General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Water Operations Manny Magana, General Counsel Yuri Calderon, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Operations Pedro Porras, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. 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

No one wished to be heard.

5. APPROVAL OF AGENDA

A motion was made by Director Breitfelder, seconded by Director Robak and carried with the following vote:

Ayes:	Directors Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	Bonilla

to approve the agenda with an amendment to move agenda item 7a, PRESENTATION OF BOARD OF DIRECTORS' EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2007, to the Consent Calendar.

CONSENT CALENDAR

6. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

A motion was made by Director Robak, seconded by Director Breitfelder and carried with the following vote:

Ayes:	Directors Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	Bonilla

to approve the following consent calendar items.

- a) APPROVE AMENDMENT NO. 2 TO THE AGREEMENT WITH TMO CA/NV, LLC, d/b/a T-MOBILE SUCCESSOR TO PACIFIC BELL WIRELESS, FOR AN EXISTING FACILITY AT OTAY'S PATZIG RESERVOIR SITE
- b) APPROVE THE AMENDMENTS TO THE COOPERATIVE AGREEMENT CREATING THE INTERAGENCY WATER TASK FORCE
- c) APPROVE CHANGE ORDER NO. 3 TO THE EXISTING CONTRACT WITH ORTIZ CORPORATION FOR CONSTRUCTION OF THE 30-INCH RECYCLED WATER PIPELINE PROJECT IN THE AMOUNT OF \$53,969.01
- d) APPROVE CHANGE ORDER NO. 6 TO THE EXISTING CONTRACT WITH TC CONSTRUCTION COMPANY FOR CONSTRUCTION OF THE 450-1 RECYCLED WATER RESERVOIR AND THE 680-1 RECYCLED WATER PUMP STATION PROJECT IN THE AMOUNT OF \$167,743
- e) AWARD OF AS-NEEDED ENGINEERING DESIGN SERVICES CONTRACT FOR FISCAL YEARS 06-07 AND 07-08 TO LEE & RO., INC. FOR AN AMOUNT NOT TO EXCEED \$175,000
- f) AWARD OF A PROFESSIONAL STRUCTURAL ENGINEERING AND ARCHITECTURAL SERVICES CONTRACT FOR THE 1485-1 PUMP STATION REPLACEMENT TO SWE IN THE AMOUNT OF \$54,765
- g) AWARD A PROFESSIONAL SERVICES AGREEMENT FOR AS-NEEDED ELECTRICAL SERVICES WITH THE ENGINEERING PARTNERS, INC. FOR AN AMOUNT NOT TO EXCEED \$100,000 DURING FISCAL YEARS 06-07 AND 07-08
- h) APPROVE A SETTLEMENT AGREEMENT AND REIMBURSEMENT WITH THE EASTLAKE COMPANY AND THE CITY OF CHULA VISTA

FOR CAPITAL IMPROVEMENT WATER FACILITIES ASSOCIATED
WITH THE 680-1 RESERVOIR AT SUNSETE VIEW PARK

- i) PRESENTATION OF BOARD OF DIRECTORS' EXPENSES FOR THE
2ND QUARTER OF FISCAL YEAR 2007

INFORMATION / ACTION ITEMS

7. ENGINEERING AND WATER OPERATIONS

- a) REPORT ON THE STATUS OF THE FISCAL YEAR 2007 CAPITAL
IMPROVEMENT PROGRAM

Engineering Manager Ron Ripperger presented a report on the status of the District's Capital Improvement Program (CIP) for the second quarter of fiscal year (FY) 2007. He indicated that staff prepared a six-year rolling CIP which contains information about the budget, allocations of funds, project costs, location of projects, description of projects, justifications for each project and project schedules. The approved CIP budget for FY 2007 consists of 91 projects that total \$37.1 million. These projects are broken down into four main categories: capital facilities projects totaling \$28.1 million; replacement / renewal projects totaling \$3.9 million; capital purchases totaling \$1.7 million; and \$3.4 in developer reimbursements.

The overall expenditures through the second quarter of FY 07 totaled approximately \$14.9 million, which is 80% of the target expenditures through the second quarter. The number of construction change orders is still very low at minus 0.97%.

He noted total expenditures to date for Capital Facilities projects are \$71,945,000; Replacement/Renewal is \$4,149,000; Capital Purchases is \$11,833,000; and Developer Reimbursements is \$3,656,000. He also presented a map which highlights the status and location of major projects currently under construction. There are two projects in the planning phase, seven projects in the design phase, and five projects in the construction phase. (See attached presentation for details.)

Engineering Manager Ripperger also provided an update on the District's flagship CIP projects under construction. The 450-1 Reservoir and 680-1 Pump Station are expected to be complete in the spring of 2007. He highlighted various projects that were completed such as the road vaults and the final tie-in on the Olympic Parkway pipeline. He pointed out the meter shop remodel and indicated that it was upgraded to provide meter shop staff with a larger working area.

He indicated the status and progress for the following major projects: (1) the 30-inch Recycled Water Pipeline Project is basically complete; (2) the 450-1

Recycled Reservoir and 680-1 Recycled Pump Station is expected to be completed in April 2007; (3) negotiations continue in the acquisition of at least 30 MGD and up to 50 MGD from the City of San Diego's Water Treatment Plant; (4) the Notice to Proceed was issued in January 2007 for the 640-1 and 640-2 Reservoir Project; and (5) the 36-inch pipeline from FCF No. 14 to the Regulatory Site will supplement the north district from Helix's connection at Third and Lexington Streets. Staff recently met with consultants to finalize the alignment of the 30-pipeline. (See attached PowerPoint Presentation for details.)

Engineering Manager Ripperger also presented a chart listing the status of consultant contracts. This chart lists the consultant along with information regarding the original contract amount, dollar amount in change orders, revised contract amount, the percentage of the contract that is completed and the estimated completion date of the project.

Director Croucher commended staff for the low percentage of change orders for these projects of minus 0.97%. He indicated that the Industry change order average is 5 to 12 percent.

b) UPDATE ON THE PROPOSED REGIONAL TRAINING FACILITY
(JUYBARI)

Senior Civil Engineer, Hossein Juybari, indicated that this item is to update the Board on the status of the proposed regional training facility. In 2006, General Manager Mark Watton and San Miguel Consolidated Fire Protection Fire Chief Augie Ghio had several discussions regarding the creation of a Regional Training Facility which can be utilized by both agencies as well as San Diego Gas & Electric for personnel training purposes.

It was proposed that Otay would lease a 2.5 acre parcel located at Otay's 70-acre Regulatory site at 11880 Campo Road in Spring Valley to San Miguel Fire. San Miguel then would build the training facility. The training facility will be comprised of separate training areas to include confined space training, trench and shoring training, and a fire department training facility (burn building). The facility would consist of a 3,000 square foot office building, four or five-story training tower with a two-story residential/commercial structure, fire rescue helicopter training, and trench and confined space rescue areas.

San Miguel Consolidated Fire Protection Fire Chief Augie Ghio indicated that this facility would be a multi-use facility. The facility will have office space and full-time trainers will be on site. The plans include security cameras and fencing and a four to five story burn training tower. He indicated that one of the elements missing in the region is a dedicated high-rise training and multi-agency training facility. He noted that the facility will be a clean burn building which will burn propane rather than Class A combustibles. There will be no smoke and all water will be captured by a water recovery system so that it doesn't flow through the storm drains or sewer system.

The facility will include confined rescue, trench rescue training, vehicle extrication and all other required fire department training.

He indicated that San Miguel Fire has two major sources of funding for the design and construction of the Regional Training Facility project. San Miguel Fire received a \$700,000 grant in April 2006 from the SB 288 Indian Gaming Grants and a \$2.5 million commitment from a separate tribe associated with mitigation funds. It was also noted that San Miguel Fire will maintain the site and will be the lead agency in the construction of the facility. A Joint Use Agreement will be drawn up and signed by San Miguel Fire, Otay Water District and San Diego Gas & Electric for use of the facilities.

There was discussion regarding acquiring an easement to allow access to the training facility. Staff indicated that an easement was granted to the District from the Wesleyan Church. However, there will need to be some renegotiations to include the Regional Training Facility as a "use" area and allow the construction and maintenance of the new access road. Staff also met with Mr. Jack Phillips of the Valle de Oro Planning Group in order to seek approval from the community planning group for the facility. The planning group was concerned about the size of the structures and if the structures would aesthetically conform to other buildings in the community.

President Croucher indicated that this was an informational item to keep the Board up-to-date regarding the training facility. No action is required by the Board.

8. ADMINISTRATION AND FINANCE

a) UPDATE ON THE BOND SALE

Chief Financial Officer Joe Beachem indicated that staff received the results from the bond insurance pricing bids. He explained that in the bond market, if the District is able to purchase insurance, it is effectively purchasing an AAA rating and will be able to sell bonds at a lower interest rate. He stated that the District has purchased insurance and it's definitely cost effective.

He stated that the bond sale opened on February 21, 2007 and the District expects to receive the funds this afternoon, March 7, 2007. He also reviewed the bond insurance bid. He stated that the District received five bids and accepted the bid from Ambac Insurance for an estimated cost of \$173,161. The District's upgraded AA- rating saved the District \$100,000 in insurance cost. It is estimated that the District will save approximately \$1.5 million in interest expense on this bond issue and the next two bond issues combined.

9. GENERAL MANAGER

a) REVIEW OF THE FINDINGS OF THE 2006 RESIDENTIAL CUSTOMER OPINION AND AWARENESS AND 2006 CUSTOMER SERVICES SATISFACTION SURVEYS CONDUCTED BY REA & PARKER RESEARCH INC.

Communications Officer Armando Buelna presented the findings of the 2006 Residential Customer Opinion and Awareness and 2006 Customer Services Satisfaction Surveys conducted by Rea & Parker Research, Inc. The District's Strategic Plan calls for performing annual surveys to measure customer perceptions, attitude and knowledge of the District's programs and services. He indicated that this is the second survey conducted with Dr. Lou Rea and Dr. Richard Parker of Rea & Parker.

He stated that the 2006 survey is more complex than the 2005 survey. The 2006 survey was administered as two separate surveys: a General Survey designed to gauge overall customer satisfaction, perception and awareness of District programs and activities; and a Customer Satisfaction Survey which consisted of only customers who have had contact with the District's call center in the past six months. The General Survey included questions which focused on customers' perception regarding the District's sewer services and recycled water.

Dr. Lou Rea indicated he would present the findings of the Customer Satisfaction and Awareness Survey which is the more general survey of the two. Rea & Parker surveyed 313 respondents which were randomly selected from the customer base. He indicated that the margin of error is plus or minus 5.5% with a 95% level of competence. Seventy-five of the respondents receive water and sewer services from the District and 238 sampled from the general customer base were water only customers.

Otay's customers demonstrate a high level of overall satisfaction and confidence with the District as their water service provider with 94% being very confident. District customers felt that water rates have increased more than sewer rates over the past 12 months.

There was discussion regarding customer use of the District's website compared to other agencies. It was noted that 21 percent of the respondents have visited the District's website and most respondents gave it a "good" rating.

The survey indicated that over 90% of the District's respondents had a moderate to high interest in water conservation. It was noted that Otay's customers would be motivated to make landscaping changes with financial incentives, whereas, CWA respondents would be motivated by an increase in the ease of maintaining their landscapes. Nearly 50% of the respondents have heard about or have visited the Water Conservation Garden and of those who have visited, 50% have made changes to their landscaping practices as a result of the visit.

Respondents were also asked about purchasing and using weather based controllers. Only 29 percent of the respondents said they would likely purchase a weather base controller with 52 percent responding that they would not because of the cost. There was an interest in purchasing a controller if there was a financial incentive such as a rebate of \$125 because the cost of a controller is about \$325.

With regard to recycled water, it was noted that there was a lack of knowledge among respondents with regard to the composition of wastewater/recycled water. About one third of customers know that sewer water is wastewater to be used for recycling. However, 40 percent think that storm drain-off is wastewater to be used for recycling. Of the respondents, those who think storm drain runoff is wastewater are less in favor of it being used for recycling to replenish recreational lakes. Those who do not know that sewer water is wastewater are more in favor of its recycled use for drinking than those who do know. A follow-up question was asked of those respondents who opposed using recycled water for drinking: If secondary treatment were to take place in terms of recycled water, chlorination or other advanced techniques, and you learned for example that California standards were the most strict in the nation with regard to recycled water and drinking, would you consider it for drinking purposes? Forty-seven percent of respondents changed their opinion in favor of recycled to drinking.

President Croucher inquired if the District's Strategic Plan is tied to the outcome of the survey. Communications Officer Buelna indicated that the numbers are in-line with goals and objectives of the Strategic Plan.

Director Robak pointed out that customers believe the sewer rates had increased more than water rates and, in fact, this is true. He also inquired as to why customers did not recall receiving the conservation messages. Communications Officer Buelna indicated that the 2006 survey was administered in late November and early December so the timing might have been a factor because people are generally more focused on water conservation in the summertime rather than fall and winter. The survey that was performed last year was administered in late August and early September when the District usually includes more conservation messages in billing inserts.

Dr. Richard Parker of Rea and Parker Research presented the second half of the survey regarding Customer Service callers. He pointed out that in a 2003 survey Rea & Parker performed for the San Diego County Water Authority, respondents were asked "which utility was the best value" and water was rated very high in the responses. He indicated that from a list of 4300 customers who had called customer service over the past six months, 208 participants were randomly selected which left a margin of error of about 6½% for the group surveyed.

He indicated that about 18 percent of all customers surveyed had contacted the District's customer service department at least once in the past six months. Among those who called customer service, a large proportion was Latino, the

majority were renters who were younger and have been customers of the District for less time. This information is consistent with the demographics of Latinos. However, they were also slightly more educated than the general pool of customers surveyed.

Overall customer service satisfaction is very high. He indicated that customers made on the average, 1.8 calls to resolve their issue with 71% having their problem resolved after one call and another 16% requiring three calls to achieve a resolution. Thirteen percent of the customers surveyed stated they made four calls without their issues being resolved.

Overall, satisfaction from customers surveyed was high with a 10% increase in the “excellent” rating and a corresponding decrease in the “good” rating. He noted that satisfaction with particular customer service features, such as, professionalism of the service representative, the courtesy demonstrated by the service representative and the ability to reach a service representative ranked as “very satisfied.” In addition, with the “somewhat satisfied” percentage of customers, the District has an 80 to 85% overall rating with those features. Dr. Parker also indicated that customers were quite satisfied with the knowledge and expertise of the customer service representatives assisting them.

Director Breitfelder inquired if the respondents were asked about recycled water and their level of knowledge. Dr. Parker indicated that they must be careful not to bias the answers by providing the customer with too much information.

Dr. Parker indicated that most of the customer service calls were because of billing issues. Overall, respondents had a high level of satisfaction with customer services with 51% providing an “excellent” rating and 33% providing a “good” rating.

With regard to bill payment, he indicated that respondents prefer paying their water bill by check. It was indicated that in the Finance and Administration Committee meeting, there was a request that the next survey include questions concerning the ease of using the District’s on-line bill pay system. Some customers surveyed indicated they enjoy coming in to pay their bill because they like the face-to-face interaction.

Dr. Parker indicated that 54 percent of respondents were “very satisfied” with the ease of understanding their water bill and 43 percent are “satisfied” with the accuracy of their water bill and 34 percent are “somewhat” satisfied of the accuracy of their bill.

General Manager Watton asked how the percentage of Otay’s unsatisfied customers compares with other surveys for other cities or agencies. Dr. Parker indicated that other surveys reveal 10 to 16 percent of customers are “unsatisfied” with their utility services. Overall, Otay’s customers are satisfied and the responses were very favorable.

Dr. Parker indicated that 16 percent of respondents have utilized the Interactive Voice Response (IVR) system. Eighty-one percent have found it useful and 48 percent indicated that their questions were resolved by the IVR feature.

Fifty-six percent of respondents polled stated they were "very satisfied" with the District's web service while 32 percent indicated they were "somewhat satisfied."

Director Robak inquired as to the "unresolved" calls and how many calls it took the customer to reach a resolution. Dr. Parker indicated that he will provide the data and can add the information as a supplemental report to the survey.

10. BOARD INFORMATION / ACTION ITEMS

a) DISCUSSION OF 2007 BOARD MEETING CALENDAR

There were no changes to the board calendar as presented.

REPORTS

11. GENERAL MANAGER'S REPORT

a) UPDATE ON THE 30" RECYCLED WATER PIPELINE PROJECT (SEE ATTACHMENT "A")

General Manager Mark Watton indicated that the 36-inch East County Regional Treated Water Improvement Program Pipeline Project is progressing and is on schedule.

He indicated with regard to the 30-inch Recycled Water Pipeline, the District has received a temporary order allowing the blending of the City of San Diego's South Bay Water Reclamation Plant water into the District's recycled water system. The Regional Water Quality Control Board is scheduled to meet in April 2007 to take formal action.

Mr. Watton also indicated that the 36-inch La Presa Transmission Main pipeline is extremely important to the north District. He stated that the pipeline was shutdown for maintenance and repair. Engineering Manager Ripperger indicated that three main items of work on the pipeline during the shutdown:

- Inspection/repair (Schiff Assoc. and OWD)
- OWD rehab of pumpouts & air vacuums
- The Pointe's tee cut-ins

He noted the detailed repairs that needed to be performed by the District's Operations staff and the lessons staff learned from the shutdown. The project was originally scheduled for completion in November 2007. However, due to various projects and CWA shutdowns and permitting, the completion date was moved to January 2007. He indicated that a surprise recognition luncheon was organized for all employees involved in the project and the employees were very appreciative of the recognition.

General Manager Watton commented that the Integrated Water Resources Plan (IRP) is moving along very well and will be brought to the Board in April or May.

Mr. Watton also noted that the District received the large agency 2006 Water Agency of the Year Award from the San Diego County Water Works Group for its proactive recycled water programs.

12. SAN DIEGO COUNTY WATER AUTHORITY REPORT

President Croucher indicated that CWA directors are working through issues with regard to the All American Canal lining matter and that MWD rates have been kept to a minimum increase. He stated that CWA chairwoman Steiner is successfully making a direction change in terms of working more as a team at CWA. He stated that General Manager Watton has also been successful in influencing the direction at CWA. He shared that CWA will be placing a hold on two water conservation positions that would have an impact on CWA's budget of \$240,000/year. He stated that the positions will be discussed by CWA's Conservation Ad Hoc Committee with regard to insuring that CWA would be investing in people rather than projects. The goals of the positions would be to move focus from "indoor" to "outdoor" water conservation. He noted that desalination is still a topic of discussion with regard to location, quantity and diversification. He lastly encouraged Directors to let him know if they would have an interest in attending any of the MWD tours.

General Manager Watton further shared with regard to the All American Canal that they have been working to foster relationships with their counterparts in Mexico and it has been useful in facilitating meetings with high level individuals from Mexico. The meeting will have some important impacts to policy on the Federal level for comity between our two nations. He stated that discussions could lead to savings of \$150 million to CWA's CIP and, in turn, would save Otay monies as well.

13. DIRECTORS' REPORTS/REQUESTS

Director Lopez indicated that he is proud of the District and the award received for the Agency of the Year. He commended staff for their hard work.

Director Breitfelder indicated that he had attended the Association of California Water Agency (ACWA) conference in Washington, D.C. He reported that he met

with various representatives from California regarding regional water issues. He indicated that there seems to be a lack of communication on the regional, state and the west coast in terms of the Congressional subcommittee regarding water issues in California and the west. Though there is recognition that water is a national problem, the mentality east of the Mississippi River is still seen as a “western” issue.

Director Robak indicated that he had discussed the CIP presentation with the General Manager and requested that he receive the information further in advance of the Board meeting in order to allow sufficient time to review it.

He indicated that it was a very nice surprise for Otay to receive the award at the WaterReuse Conference. He noted that there was discussion at the award dinner ways in which recycled water can be utilized and in Redwood City they have been discussing utilizing recycled water for clothes washing and another city was utilizing it in swimming pools. He indicated that he has been thinking about utilizing recycled water for firefighting. Statute does not allow potable and recycled water to be mixed therefore, it would require a separate fire hose. The board asked staff to research the possibility of providing recycled water to hydrants. Director Robak also suggested that maybe Otay could get more involved with the WaterReuse group and possibly hosting one of the local chapter monthly meetings at the Water Conservation Garden.

14. PRESIDENT’S REPORT

President Croucher indicated that he attended the WaterReuse meeting and that it was a pleasure to have the opportunity to interact with staff and the district’s vendors. He noted that he had asked Director Breifelder to attend the ACWA legislative conference and that he would be asking directors to attend future such conference along with staff. He encouraged Directors to contact him if there are other conferences that they would have an interest in attending as well.

RECESS TO CLOSED SESSION

15. CLOSED SESSION

The board recessed into closed session at 5:43 p.m. to discuss the following matters:

- a) POTENTIAL LITIGATION (GOVERNMENT CODE §54956.9)
 - (i) OTAY WATER DISTRICT v. NORTHROP GRUMMAN
 - (ii) ATOMIC INVESTMENTS v. OTAY WATER DISTRICT

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

(i) DONNA BARTLETT-MAY, et al. v. OTAY WATER DISTRICT

RETURN TO OPEN SESSION

16. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened at 6.02 p.m. General Counsel Calderon indicated that the Board took no reportable actions in closed session.

General Counsel Calderon asked that Board make a motion on the Atomic Investments matter.

A motion was made by Director Robak, seconded by Director Breitfelder and carried with the following vote:

Ayes:	Directors Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	Bonilla

to approve the Settlement Agreement with Atomic Investments as presented in closed session.

17. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 6:03 p.m.

President

ATTEST:

District Secretary