

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT AND
OTAY SERVICE CORPORATION
April 4, 2007**

1. The meeting was called to order by President Croucher at 3:30 p.m.

2. ROLL CALL

Directors Present: Croucher, Breitfelder, 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 of Information Technology Geoff Stevens, 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. APPROVAL OF AGENDA

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:	Director Bonilla

to approve the agenda.

5. APPROVAL OF MINUTES

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

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

to approve the minutes of the board meeting of February 7, 2007.

6. 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.

CONSENT CALENDAR

7. 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:	Director Bonilla

to approve the following consent calendar item:

- a) APPROVE A PURCHASE ORDER TO EL CAJON FORD IN THE AMOUNT OF \$98,731.26 FOR THE PURCHASE OF THREE HALF-TON FULL-SIZE PICKUP TRUCKS AND THREE HALF-TON COMPACT PICKUP TRUCKS

INFORMATION / ACTION ITEMS

8. ENGINEERING AND WATER OPERATIONS

- a) PRESENTATION OF INTEGRATED WATER RESOURCES PLAN (POSADA)

Chief of Engineering, Rod Posada, introduced Mike Savage, Vice President of Camp, Dresser & McKee, Inc. (CDM). He indicated that CDM prepared the first Integrated Water Resources Plan (IRP) for the District. The goal of the project was to evaluate the District's water supply and plan for diversification in the future.

Mike Savage indicated that this presentation will outline the purpose of the IRP, explain the IRP process, highlight the objectives and priorities of the IRP, identify water supply options and portfolios, report the evaluation results of the IRP, review portfolio screening and the implementation strategy of the IRP. He reviewed the IRP Mission Statement as well as the goals and objectives of the

IRP which is to find the best mix of imported water, local supplies and conservation to meet demands in a cost-effective manner while also incorporating environmental impacts, implementation risk, and other factors.

He addressed the supply needs of the District past and future. In 2005, the District imported 59 percent of its treated water directly from the San Diego County Water Authority (SDCWA). By the year 2010, the District's goal is to increase the recycled water from three percent to 16 percent and decrease the treated imported water it receives from SDCWA to 25 percent. He indicated that even with conservation, water demands will double in the future.

He explained that the IRP is a long-term strategy and shows trade-offs between the different supply options and demand-side options and finding a balance between the two. The IRP provides an opportunity for a fresh look at different supply options and integrating these options into the District's Master Plan.

Mr. Savage indicated that CDM met with District staff in August of last year and discussed planning objectives and performance measures. At that time, over 30 potential supply options were discussed. Since that time, all the different building blocks of options with respect to the District's preferences were used to put together the portfolios in the IRP. These are a combination of options to meet the water supply needs of the District. The water supply options were then run through a systems model called STELLA to more specifically define planning objectives and performance measures. The portfolios that were most valued were then ranked and the final analysis is a preferred strategy for determining the best resources for future water supply for the District. He indicated that the presentation today will focus on the preferred strategy.

He reviewed some of the planning objectives and relative importance as to each. These include:

- Meet or Exceed Water Quality Standards and Guidelines
- Achieve Reliability
- Maintain Affordability
- Increase Flexibility
- Increase Diversity
- Address Environmental and Institutional Constraints

He presented a chart that listed average percentages for the Board alongside average percentages for staff in terms of importance of these objectives. (See attached presentation.)

Mr. Enrique Lopez of CDM explained that when CDM staff met with District staff, over 30 potential water supply options were identified. These options consist of specific projects, programs or agreements that the District can enter into with other agencies. He indicated a few ideas for supply options are additional conversation programs, groundwater, ocean desalination, additional imported

treated water, additional local treatment agreements and additional recycled water from the city of San Diego or Helix Water District or other neighboring water agencies. The supply options were then combined based on objectives for the IRP then these objectives were crafted into final portfolios. The final portfolios consist of water quality, reliability, affordability, baseline, diversity and flexibility. These were further divided by other potential issues such as drought, emergency conditions and minimizing rate impacts.

He reviewed and explained the evaluation results for each portfolio. He indicated that the higher the bar on the charts shown, the worse the performance of the portfolio. The top three concerns were maintaining a diverse water supply, securing reliability during drought and maintaining water quality. Conclusions of the top-scoring portfolios indicate the following are needed to secure future water supplies for the District:

- Additional Conservation
- Central Valley and Land Following Transfers
- Groundwater projects (desalination and conjunctive use)
- 5-10 MGD Ocean Desalination (Poseidon or Sweetwater/City of San Diego's South Bay project)
- Stripping Plant along Spring Valley Trunk Line
- North District Recycled Water Concept
- Mexico Desalination Plant, Rosarito Beach

Other feasible supply options included the top three portfolios are:

- SD17 Agreement with the City of San Diego
- Additional Purchases from South Bay WRP
- North of Delta Transfers

He indicated that in reviewing the implementation plan, at least three areas need to be taken into consideration:

- 1) The feasibility of ocean desalination projects. Currently, there are three desalination projects that are being considered in which Otay could possibly become a partner. These involve southern California agencies, Rosarito Beach in Mexico and Poseidon in Carlsbad, California.
- 2) Development of Local Water Supply. By the year 2015, the District should look at how much of the local water supply has been developed. One of the key issues that the top three portfolios have in common is the amount of water that the District would have control over.
- 3) Feasibility of groundwater conjunctive use projects.

He noted that the implementation plan indicates a low cost path and a higher cost path if things are such that Otay will need to consider the options and implement either the Spring Valley Stripping plant instead of partnering with Poseidon. Those projects have different costs to the District.

General Manger Watton indicated that Otay is one of the first small districts to prepare an IRP. This document will assist staff in exploring options for additional water supplies for the District in the future. The IRP is a process that the District will work with over many years and use as a tool to assist in planning. The IRP can be used along with other planning documents such as the Urban Water Management Plan, the CIP and the Water Master Plan. The document will assist in obtaining grants and loans for the District as it illustrates the objectives and options that the District has in obtaining water supplies for the future.

Director Robak indicated that he reviewed the conclusions for the options and is concerned about the north district option for recycled water. The analysis per acre foot determined that expansion of the Ralph Chapman Treatment Plant would not be cost effective at \$1,036 per acre foot. He asked if it would cost \$1,036 per acre foot to recycle water at the Chapman Plant.

There was detailed discussion regarding the need and cost to buy more capacity from the South Bay Recycled Water Treatment Plant versus the cost to divert water from the Ralph Chapman plant to the north area of the district. The main focus of the IRP is to illustrate how the District can obtain 50 percent of its future water supply from various sources other than purchasing from a wholesaler. However, the calculations per acre foot in the IRP are slightly different because the methodology looks at the 30-year period where water per acre foot is discounted. General Manager Watton explained that currently, the District has six million gallons per day capacity and the study indicates that the additional capacity of 10 million gallons per day can be purchased in the future. There will be an additional one-time capacity charge of \$2.4 million. The infrastructure is in place now to receive additional capacity.

Director Breitfelder inquired about options that were explored but not included in the IRP. Mr. Enrique Lopez responded that some conjunctive use options did not seem feasible. Options that were not included in the IRP were expansion of the Ralph Chapman Plant, the use of raw water from Pipeline No. 3 nor entering into an agreement with Helix Water District to treat more water through the Helix treatment plant. These options did not integrate into the long-term plans of the District. The entire portfolio needs to interact with all the other systems and because the system is complex, some of the options did not assimilate or fit well.

9. ADMINISTRATION AND FINANCE

a) 2nd QUARTER STRATEGIC PLAN UPDATE (STEVENS)

Chief of Information Technology and Strategic Planning, Geoff Stevens, indicated that there are two parts to the strategic plan update. One is to look at the second quarter results, and the other is to review the goals and objectives for the next budget cycle. He suggested that details of the strategic plan be viewed on the Otay website.

Mr. Stevens indicated that this is the mid-point of the three year strategic plan for 2006 – 2008. Staff is about 94.6 percent on track for the objectives of the strategic plan. Growth is seen on the performance measures at 78.5 percent. He indicated that staff is more focused on the objectives of the strategic plan and as a result, the plan is becoming more a part of the culture of the District. The planning process will begin in the fall of this year for the 2009 strategic plan.

Mark Watton explained that all information on the strategic plan is available on the District's Inet and website. He indicated that staff is starting to use the plan as a planning tool for each department. He stated that the "benchmarks" are complex and it is difficult to compare department to department or agency to agency. They would need to be interpreted for each department or each agency's conditions.

- b) APPROVE A PURCHASE ORDER TO AIR TRACK, INC. IN THE AMOUNT OF \$108,000 FOR THE PURCHASE OF GPS RELATED EQUIPMENT FOR THE IMPLEMENTATION OF GPS TECHNOLOGY TO ASSIST IN FIELD OPERATIONS AND A PURCHASE ORDER TO SPRINT/NEXTEL FOR \$32,000 FOR COMMUNICATIONS FEES FOR THE GPS UNITS (STEVENS)

Mr. Watton indicated that this item was reviewed by the Finance, Administration and Communications Committee on March 21, 2007. The committee supported staff's recommendation and wished to have the Board approve this item.

Geoff Stevens indicated that this GPS technology will assist field operators, meter readers and inspectors in their daily operations in the field. He explained that the GPS system is connected through a cell network which allows for location of each fleet vehicle. The system will allow staff to locate vehicles in distress if an operator is in a rural area and will also assist by improving planning, scheduling and communications between field staff and the dispatcher, especially in emergency situations. The system will aid managers in preparing reports and monitoring the speed of District vehicles and provide data to the supervisor as needed.

Three bids were received and Air Trak, Inc. was the lowest bidder at \$108,000 for the purchase of 80 GPS units, mobile data terminals, taxes, and associated implementation items. A monthly communications service fee of approximately \$36 per month will be paid for each GPS unit. Sprint / Nextel will provide this service. The District has a three-year service contract on the maintenance. The installation of the devices is included in the cost.

He indicated that this technology will provide the District considerable savings insofar as decreasing response time to a site. The system can locate the closest District vehicle in the area when a call is received and respond immediately thereby freeing up other operators. Staff will attempt to track the time and money that the District will save by utilizing this system. Complete installation will take approximately two months.

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

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

to approve a purchase order to Air Track, Inc. in the amount of \$108,000 for the purchase of GPS related equipment for the implementation of GPS technology to assist in field operations and a purchase order to Sprint / Nextel for \$32,000 for communications fees for the GPS units.

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

General Manager Watton introduced Ken Simmons, Senior Civil Engineer, who recently joined the District's engineering department.

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

General Manager Watton highlighted some updates on the water pipeline from FCF No. 14 to the Regulatory Site. He indicated that the monthly progress meeting was held regarding the tanks that are being constructed at the Regulatory Site. Staff is now selecting the best alternative alignment for the 36-inch pipeline.

He indicated that staff met with the Valle de Oro Community Planning Group the night before to review some of the issues regarding the alignment of the 36-inch pipeline and how the construction will impact the community. Staff is working

closely with the planning group to ensure the project has as little impact to the community as possible.

He indicated that staff has met with the City of San Diego on the recycled water matter. There is an issue regarding tank capacity. Staff held an Ad Hoc Committee meeting to address this issue. While the tank issued is being addressed, the City did commenced pumping water to the District on March 29, 2007. The equipment is performing as expected and the project is moving ahead as scheduled.

He also shared that SDRMA has refunded some money to the District as a result of the very favorable loss rates pertaining to the District's Workers' Compensation Program.

General Manager Watton indicated that he and Director Robak, along with staff members, attended a groundbreaking ceremony at Valhalla High School on March 15 to commemorate their artificial turf grass installation project. The District contributed \$70,000 toward the project and will be reimbursed \$50,000 through a grant from the Bureau of Reclamation. CWA contributed \$12,500. The total cost of the project is \$1.5 million.

He indicated that the committees have reviewed the District's Strategic Plan presented at today's meeting. He stated that this is one of the first steps in building the budget. The Fiscal Year 2007-2008 budget will be presented to the Board at a special meeting in May.

Staff met with the Finance Committee regarding the pending audit. He distributed some information on audit procedures. One of the principle matters that the Board is responsible for is the audit. The Board members will have an opportunity to meet with the auditors to have any questions they might have answered.

He indicated that a budget workshop will be held to review the budget for FY 2008. Staff is working to calculate the MET and CWA rate changes and how they will impact rate increases to our customers.

The District has completed negotiations with the City of San Diego regarding the Otay SD17 agreement for capacity from the Alvarado Treatment Plant. The agreement is now being reviewed by the City. Staff is working very hard to make this project practical for all parties involved.

The District has a tentative order from the Regional Quality Control Board on the Master Reclamation Permit. This will allow the District to use the recycled water from the South Bay Plant. He commended our Engineering staff in working with the environmental consultants in acquiring this order. Having the tentative order will allow the District to use the water. On April 11, the Regional Board will meet

and staff is anticipating that this tentative order will be adopted and converted to a permanent permit.

Director Robak inquired if this permit includes the South Bay Treatment Plant and the renewal of the Ralph Chapman facility. General Manager Watton responded that it did and will include the renewal and blending of the water. It is a complicated permit but staff has been able to acquire the order. The permit is permanent but will need to be reviewed every 10 years.

General Manager Watton indicated that the District is working to remain in compliance with APCD regulations. An inspection was held on March 8, 2007 at the 1200 Alta Road Pump Station. The inspection went very well and there were no violations. He stated, however, that the increasing regulations are onerous and it is becoming very difficult to avoid violations. The District has a lot of stationary equipment and large heavy trucks which fall under the APCD regulations. It is becoming more of a specialty for staff to keep up with maintaining the equipment to meet APCD regulations.

He handed out information from the auditor and stated that if the Board members have any questions, to please feel free to let him (General Manager Watton) know.

He also handed out an article from an Urban Land publication discussing golf course redevelopment and had highlighted some quotes from Mr. Wil Gustafson, Salt Creek Golf Course (formerly Auld Golf Course), regarding golf course redevelopment.

General Manager Watton shared articles regarding a Superior Court Judge in Alameda County and his ruling on halting the state water pumping operations. He stated that this is a critical matter but he feels that the judge will not be successful in getting the pumps turned off in 60 days. However, this will begin a series of environmental negotiations to settle this situation.

b) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that the CWA board will be reviewing the budget. The board has also spent time reviewing the MET Plan. In this plan, CWA will work with MET in formulating how to build alliances with Los Angeles regarding issues on state water projects and other water supply issues. Rates will also be a topic of discussion with MET.

Imperial Irrigation District and QSA is still a major focus for CWA. He indicated that the Colorado River Committee of CWA will meet to discuss settlement and how this matter will impact third parties.

Issues on the All American Canal are still being worked out with Mexico.

President Croucher indicated that CWA feels that MWD is more comfortable with the process for drought planning and will be encouraging its delegates to work more with MWD to develop the drought plan. CWA will also need to work on its Integrated Resources Water Plan in order to better plan for the future.

He indicated that CWA's Water Conservation Ad Hoc Committee recommended in a 6 to 0 vote to hire an additional person at The Garden. The committee discussed assuring that funding is available for projects before more staff is hired.

12. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that he attended, along with General Manager Watton, the Valhalla High School groundbreaking for the turf grass. He feels it will help the community. He commented that the football field is currently in very bad shape and the artificial turf grass will be a dramatic change for the students at Valhalla High School.

The foundation that raised money for the field was headed by Mr. Bill Steele. Mr. Steele has also been with the Bureau of Reclamation for some time and was part of the Bureau when the Water Conservation Garden (The Garden) was built but he had never had an opportunity to visit The Garden. Director Robak met Mr. Steele at the groundbreaking event and offered to give him a tour of The Garden. He was very impressed and after the tour, they discussed how The Garden could access money from the Bureau for its projects. Mr. Steele also mentioned involving MWD with The Garden. Director Robak confirmed that Mr. Timothy Brick from MWD is scheduled to visit The Garden on April 25. Staff will prepare a tour and presentation.

Director Robak stated that there will be a Chamber of Commerce Mixer held at The Garden later this summer and the San Diego Chapter of the WaterReuse Association will also hold a meeting at the Garden in October. It is hoped that the meetings will broaden exposure of The Garden to the public.

Director Robak indicated, after he received the auditor's information letter from General Manager Watton, that he would like the Board more engaged in the audit process. He indicated that the information provided to the Board was a set of criteria for an audit rather than details of the actual audit for the District. He suggested a phone call to the auditors to discuss the audit would probably be helpful. He stated the board should be more actively engaged in the audit process as the audit is a responsibility of the board. General Manager Watton indicated that staff would be happy to coordinate such a meeting.

Director Lopez wanted to assure staff that the Board does not want to micromanage the audit process.

Director Breitfelder indicated that Ms. Fern Steiner, chair of the County Water Authority, shared information regarding the budget and her philosophy on spending at CWA. She also discussed her priority regarding conservation actions.

He advised the Board of the activities of the Conservation Action Committee (CAC) regarding model homes at new developments and an ordinance being proposed for landscape requirements. The basic template for the ordinance will be the county ordinance.

At the CAC meeting, there was also discussion regarding retro-fitting landscapes. The biggest concern is that homeowners will have to pay large sums of money for permits to retro-fit their landscape to comply with an ordinance imposed by an agency, city or county.

Director Breitfelder indicated that he wished to share information about a new law that became effective in January encouraging agencies such as special districts, to allocate monies in local banks for local investment. He stated that the funds would be FDIC insured. He also distributed information from a bank regarding the program.

13. PRESIDENT'S REPORT

President Croucher indicated that the Fire Wise / Water Conservation grand opening will be held at 10:00 a.m. on April 12 at the Water Conservation Garden. Supervisor Jacob will be present along with a representative from Duncan Hunter's office. Fox News is expected to broadcast their morning report from The Garden. He encouraged the Board to attend.

He indicated that the WaterReuse Association will be holding their annual symposium event in September. He asked Directors Robak and Lopez if they might attend along with staff to represent the District.

President Croucher requested that the District's Ad Hoc International Issues Committee, which consists of Directors Lopez and Bonilla, meet to discuss issues concerning the Integrated Water Resource Plan.

He indicated that an Ad Hoc Committee has been organized to discuss some issues that have surfaced regarding the contract for recycled water with the City of San Diego.

He noted that the Labor Negotiations Committee did not meet this month, but plans to meet next month.

President Croucher thanked the Board members for their work and their unification in working together on issues and noted that sister agencies, and the

boards of CWA and MWD, have recognized the recent accomplishments of this Board.

14. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:08 p.m.

President

ATTEST:

District Secretary