

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
December 5, 2007**

1. The meeting was called to order by President Croucher at 3:32 p.m.

2. ROLL CALL

Directors Present: Bonilla, Breitfelder, Croucher, Lopez and Robak

Directors Absent: None

Staff Present: General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Operations Manny Magana, General Counsel Bonifacio Garcia, Chief of Information Technology Geoff Stevens, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Operations Pedro Porrás, Chief of Administration Rom Sarno, Finance Manager, Jim Cudlip, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

Following the Pledge of Allegiance a moment of silence was observed for former District Director Susan Price who passed away on November 23, 2007.

4. APPROVAL OF AGENDA

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

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

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, Bonilla, Croucher, Lopez and Robak
Noes:	None

Abstain: None
Absent: None

to approve the minutes of the Joint Agency Board Meeting of July 20, 2007 and Special Board Meeting of September 25, 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 Breitfelder, seconded by Director Robak and carried with the following vote:

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

to approve the following consent calendar items and pulling agenda Item 6(f), APPROVE THE PROPOSED GROUND LEASE AND JOINT USE AGREEMENT WITH THE SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT FOR THE REGIONAL TRAINING CENTER AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT; and 6(g), APPROVE THE WATER SUPPLY ASSESSMENT REPORT FOR THE JUDD COMPANY OTAY CROSSINGS COMMERCE PARK AS REQUIRED BY SENATE BILL 610; for discussion:

- a) ADOPT RESOLUTION NO. 4114 TO EXPAND THE EMPLOYMENT PROCEDURES FOR FINGERPRINT, RECORD CHECKS, IDENTITY VERIFICATION AND DRIVING STANDARDS TO INCLUDE RECEIVING CRIMINAL CONVICTION INFORMATION FROM THE FEDERAL BUREAU OF INVESTIGATIONS
- b) ADOPT RESOLUTION NO. 4115 DESIGNATING SPECIFIC STAFF POSITIONS TO BE AUTHORIZED AS AGENTS TO COMMUNICATE WITH THE STATE OF CALIFORNIA, OFFICE OF EMERGENCY SERVICES ON THE DISTRICT'S BEHALF IN ALL MATTERS PERTAINING TO DISASTER ASSISTANCE

- c) ADOPT RESOLUTION NO. 4116 AMENDING POLICY NO. 8, DIRECTORS COMPENSATION, REIMBURSEMENT OF EXPENSES AND GROUP INSURANCE BENEFITS, AND POLICY 34, STAFF TRAVEL AND BUSINESS RELATED EXPENSES POLICY, REGARDING PER-DIEM MEAL ALLOWANCES DURING TRAVEL
- d) PRESENTATION OF DIRECTOR'S EXPENSES FOR THE 1ST QUARTER OF FISCAL YEAR 2008
- e) APPROVE AGREEMENT NO. 08-MU-35-0002 FOR PHASE 1 OF THE REGIONAL BRINE MANAGEMENT STUDY BETWEEN THE UNITED STATES DEPARTMENT OF THE INTERIOR, BUREAU OF RECLAMATION AND COOPERATING AGENCIES

The following Items, 6(f) and 6(g), were pulled from the consent calendar for discussion:

- f) APPROVE THE PROPOSED GROUND LEASE AND JOINT USE AGREEMENT WITH THE SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT FOR THE REGIONAL TRAINING CENTER AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT

President Croucher indicated that he is employed by the San Miguel Consolidated Fire Protection District and as there is a "remote interest" for him as an employee in participating in the discussion and approval of this item, he will be abstaining to avoid any conflict of interest. He turned the meeting over to Vice President Lopez who will preside over this item.

Vice President Lopez inquired if Director Robak had any particular questions he wished answered with regard to this item. Director Robak inquired if staff had a layout rendering of the training facility site. Civil Engineer Hussein Juyibari indicated that Exhibit C of staffs' report shows a conceptual drawing of the training facility site which shows the layout of the site which includes an office building with a conference room (approximately 3000+ sq. feet), a burn room, a strip mall for practice, an area for confined space training, etc. (reference Exhibit D). It was noted that Exhibit A shows the training sites location off of Campo Road in Rancho San Diego. Director Robak inquired about the access road to the facility. Mr. Juyibari indicated that the current access road would be utilized and would be widened by 24 feet and the road will be circular to and from the site.

Director Robak inquired if there are provisions in the lease document to involve other agencies in the future. General Manager Watton indicated that he believed that it was possible to add other agencies to the agreement.

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

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

to approve staffs' recommendation.

- g) APPROVE THE WATER SUPPLY ASSESSMENT REPORT FOR THE JUDD COMPANY OTAY CROSSINGS COMMERCE PARK AS REQUIRED BY SENATE BILL 610

President Croucher indicated that an item the committee discussed is assuring that the development utilized best management practices for water conservation. The developer did confirm by letter that they would follow best management practices for their project.

Director Breitfelder inquired why SB 210 did not apply to this project. It was discussed that SB 210 does not apply to this project as it is an industrial subdivision. SB 610 requires that the District do an assessment to assure that land use agencies and the water agencies are coordinating their efforts in planning for new development (the development has been in the planning documents since 1994) and planning for sufficient water supplies to meet the needs of the new development. The report also addresses the Delta and Colorado River issues. He stated that the District is complying with SB 610 by completing the assessment. He noted that SB 210 requires that the water purveyor go a step further and verify the water supply which only applies to residential developments.

Director Breitfelder indicated that in future when decisions get a little harder and we have a project similar to this that has a clear public purpose (third border crossing), it will make a big difference.

It was indicated that it is expected that the development, when completed, would consume water equal to approximately 528 homes (average family home) or 300 acre feet. It was inquired how the law would interpret sufficiency. General Counsel Bonifacio Garcia noted that the law would review the District's judgment and determine how reasonable the evidence is for the conclusion. As long as the District's is being reasonable in its conclusion, it will be fine.

Director Robak inquired if the District factors in changes in planning for future projects. For example, there is a development within the District's service area that will change from industrial to residential which will create a more dense

development. Staff indicated that the law requires that the District include only those land uses that are approved. It was noted that the District does know what is on the horizon, however, it cannot take action for those areas that are not approved by the Land Use Purveyor, which in this case is the City of San Diego. It was indicated that the District does know the impact of the particular project mentioned by Director Robak and it will be relatively minor on demand, facilities and supplies.

President Croucher indicated that this project has been in the plans and has been expected for quite some time. He noted that one of the District's large users, Steele Canyon Golf Course, has moved to groundwater for its water needs and future developments, such as Los Montanyos and Home Capital have been changed to open space (the proposed developments will no longer be built). He stated that he felt the District is continuing to plan well and that the board could support this assessment especially since the developers are willing to utilize best management practices to conserve water at the development.

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

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

to approve the Water Supply Assessment Report for the Judd Company Otay Crossings Commerce Park as required by Senate Bill 610.

INFORMATION / ACTION ITEMS

8. ENGINEERING AND WATER OPERATIONS

a) FIRST QUARTER FISCAL YEAR 2008 CAPITAL IMPROVEMENT PROGRAM REPORT

Engineering Manager, Ron Ripperger, presented the Fiscal Year 2008 first Quarter CIP update which highlights the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2008 CIP consists of 75 projects totaling \$34.5 million. He indicated that the District's CIP is broken down into four categories:

- | | |
|-----------------------------|---------------------|
| • Capital Facility Projects | \$24,900,000 |
| • Replacement/Renewal | \$ 6,700,000 |
| • Capital Purchases | \$ 1,400,000 |
| • Developer Reimbursements | <u>\$ 1,500,000</u> |

TOTAL: \$34,500,000

He stated that overall expenditures through the first quarter of Fiscal Year 2008 totaled approximately \$6.4 million, which is 18% of the District's target expenditure through the first quarter. He noted that construction change orders remained very low at -.022%.

He presented a slide depicting a map showing the District's major CIP projects, their status and their location within the District's service area. He stated, of the fourteen projects in FY08, two are in the planning stage, five are in design, four in construction and three have been completed. He reviewed the status of the District's flagship projects which included the SR-905 Utility Relocations, Olive Vista Drive Utility Relocations and the 640-1&2 Reservoirs. He noted the progress on the agreement with the City of San Diego to acquire local treatment capacity. He indicated that negotiations have slowed with the City and staff is working with the City get negotiations back on track.

Engineering Manager Ripperger presented slides which provide the status of the various consultant contracts for planning, design, public services, construction/inspection and environmental. He also presented slides providing a listing of all CIP projects planned for Fiscal Year 2008 and the status of each.

President Croucher indicated that this item was presented to committee and the committee felt that it was important for the full board to be aware of how much work is being done in the capital projects and requested that staff present the information to the full board.

- a) APPROVE THE ENGAGEMENT LETTER FROM THE AUDITING FIRM OF TEAMAN, RAMIREZ & SMITH, INC. TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2008 (BEACHEM/CUDLIP)

Accounting Manager Jim Cudlip indicated that last month staff had presented the District's audited financial statements for Fiscal Year 2007 and received a "clean" audit. The management letter, internal control letter and a single audit of the District's federal grants were clean with no significant issues to report. He stated that the District's long range plan is to retain auditing firms for three to five years and staff is proposing that the District retain Teaman and Ramirez for an additional year to perform the Fiscal Year 2008 audit. This will be the fifth year that Teaman and Ramirez will be working with the District. He indicated that staff has discussed with the Finance, Administration and Communications Committee in detail that the firm has done an excellent job in assisting the District not only with its audited financials, but in also preparing the District's annual Comprehensive Annual Financial Report for Best Management Practices to be submitted to the Government Financial Officers Association. Accounting

Manager Cudlip indicated that staff is very happy with their performance and would like to work with them an additional year.

President Croucher noted that the committee comments are noted in attachment A to staffs' report and asked if there were any comments or questions. Director Robak indicated that Teaman and Ramirez did an excellent job on the audit and CAFR and the Finance and Administration Committee supports staffs' recommendation.

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

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

to approve staffs' recommendation.

- b) RECEIVE THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDED JUNE 30, 2007 (BEACHEM/CUDLIP)

Accounting Manager Cudlip indicated that the CAFR is a great communication tool for the public as it details more background information concerning the District than the Audited Financials by themselves. The CAFR includes organizational and statistical charts that provide background information regarding the county as a whole and the District's customer and supplier base. He indicated that, the awards the District receives for its CAFR indicates that it is meeting Best Management Practices for financial reporting. He indicated that it is expected that the CAFR would be bound and ready for distribution next month. He stated that the presented version is in essence the submission with minor changes in verbiage and little more detail that the GFOA is looking for (such as additional details on the health benefits costs; the total will not change, but additional information will be included).

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

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

to receive the District's FY-2007 CAFR.

9. BOARD INFORMATION / ACTION ITEMS

a) DISCUSSION OF 2008 BOARD MEETING CALENDAR

There were no changes to the Board meeting calendar.

President Croucher noted that he would be out-of-town on January 2, 2008 and will be unable to attend the board meeting scheduled on that day. He stated that he was fine with the board holding the meeting on that day. General Manager Watton suggested that the board may wish to move the meeting date as the first meeting in January is where the board elects officers. President Croucher requested that District Secretary Cruz contact the board to schedule a new date for the January meeting.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton presented Assistant General Manager Magana with his five year service award. Assistant General Manager Magana indicated that of his 33 years of public service with four agencies, Otay was the top agency that he has worked for.

General Manager Watton noted that the tour of the 640 Reservoir has been scheduled on December 13, 2007. He stated that a couple directors will be attending the tour and if there are other directors interested to let him know.

He noted that the District has completed its enrollment meetings for the new health insurance plan. He indicated that both employees and retirees have completed their enrollment forms and the transition to the new program was moving along smoothly.

He stated that he believed many are aware of the 30% cutback to agricultural accounts. He stated that he had signed a couple letters which will be forwarded to the District's two agricultural customers. He noted that the District is involved in the program, but its impact to the District is small and represents approximately 70 to 80 acre feet.

General Manager Watton indicated that staff was working on the proposed Strategic Plan for Fiscal Years 2009 thru 2011 and Directors are either scheduled or are being scheduled to speak with Mr. Doug Spiers for their feedback on the proposed plan. He stated that the development process is very involved and he felt that it was moving along well.

He stated that staff is formulating a banking review procedure in response to an inquiry by Director Bonilla. The procedure will provide guidelines to insure that

the District is maintaining quality banking services and expect that it will be presented at the next scheduled board meeting.

Assistant General Manager Magana shared with the board that the District was awarded the "2007 Honor Award" for its 30-inch Recycled Water Pipeline Project from the American Public Works Association. He stated that the District's design consultant, Mr. Frank Biehl of Lee and Ro, was instrumental in submitting the application and staff is honored to present the award to the board.

General Manager Watton noted that the District's meter sales are very low (24 meters sold in October 2007). He noted that staff presented information on the slowed growth at the Special Board meeting held on October 9 and staff is monitoring the slowdown and is making modifications to the budget to reduce expenses and reviewing the CIP. It is felt the impact to the budget will be approximately \$1 million.

He noted that under the District's Title XVI Grant from the US Department of Interior Bureau of Reclamation, staff expects to receive a little over \$1 million of the \$12+ million grant the District was awarded. The District will also receive an additional \$100,000 that was originally earmarked for the City and Sweetwater Authority as they were a little late with their projects. He stated that staff will continue to work with the Bureau and Washington, D.C. to try and accelerate the District's collection of the outstanding grant money.

General Manager Watton pointed out that the District is down 13 accounts since September 2007 due primarily to foreclosures. He stated that, again, this will impact the budget and staff is preparing to address this issue. He stated that the District is seeing the stress of the economy due to the housing market.

11. SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that much of CWA's actions last month were related to CIP service related contracts. He stated that tomorrow, there are two actions that will be controversial:

- CWA staff is proposing that the agency liability insurance be moved from ACWA-JPIA to SDRMA.
 - He noted that Otay had changed its insurance to SDRMA a few years ago and has been very happy with their service and rates. He stated that CWA is looking for that same level of service and cost savings.
- Two annexations will be discussed that will be very sensitive. The annexations are within the Helix and Lakeside water districts.

12. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that the Conservation Action Committee would be meeting on December 10, 2007. He indicated that he attended the ACWA conference last month and that it was time well spent. He stated they discussed BMPs and the fact they are now mandatory. He indicated that he realized that it is important for the District to be involved in developing the BMPs for the future. He stated that he also attended a session on climate change and how it relates to the law. He stated that it was felt that a lot of entities will try to implement changes of how water agencies do business without determining the extent to which water agencies affect climate change or if the agencies can make changes that would substantially affect the situation without prohibitive expense. He stated that Attorney General Brown will be making this issue one of his priorities. He also heard Assemblymember Mary Salas speak on the issue of Water Assessment Verifications. She stated that the legislature will be reviewing the process again and it is felt that they would be getting more challenging. He also asked staff to provide a report to the board on how funds received by the City for reservoir augmentation will affect the District.

Director Bonilla indicated that the newly elected Mayor of Tijuana had worked for CESPT, Tijuana's water agency. He also shared that the new administration of CESPT is interested in meeting with Otay. He stated that the District has met with CESPT every two to three years and that many of the newly elected government officials have water related backgrounds and he felt that there would be good opportunity to work together. He asked staff to coordinate a meeting with CESPT.

Director Lopez indicated that he too attended the ACWA conference and attended many of the same sessions that Director Breitfelder attended. He stated he was impressed with their goal to sensitize the public on water issues and to share information to help agencies respond to questions from their constituents. He stated he was very pleased with the knowledge and information that was provided at the conference.

Director Robak indicated that he too felt that the ACWA conference was very worthwhile attending. He stated that the Executive Director of the Urban Water Conservation Council, Chris Brown, discussed a rebate/voucher program for automatic irrigation rain sensor water shutoff devices that is provided in Texas. He stated that he felt it might be a good program for the District and that Mr. Brown would be sharing some information with him on the program. He shared that many cities and municipalities are banning bottled water and that the California Awareness Campaign sponsored by ACWA will be promoting reusable bottles and will sell them on their on-line store. He suggested, if there was a need, that the District consider providing reusable bottles as promotional items with the District's logo in place of bottled water. He noted that the ACWA closing breakfast included presentations from various General Managers of water districts affected by the fires and lessons they learned. He stated that the General Manager of Irvine indicated because of the high winds, embers were

being blown through the vents of their facilities and one of their pump station's roof had caught fire and burned down. Director Robak indicated that he had shared this information with General Manager Watton and suggested that the District review its facilities. He also noted that he attended the recent WEF-Tec Conference held in San Diego and it was very impressive as they had quite a large number of exhibitors (300+), much larger than ACWA with approximately 80 exhibitors. He indicated that he wished to submit for board consideration that the District become a member of WEF-Tec. He also indicated that *USA Today* will be at the Water Conservation Garden taking photos of an elementary school tour hosted by Otay employee, Ms. Pam Rega. *USA Today* will run the story in its Friday edition and will contrast the Cities of San Diego and Atlanta's response to water shortage. He lastly indicated that he agreed with Director Breitfelder's request for a report on reservoir augmentation for potable reuse.

13. PRESIDENT'S REPORT

President Croucher indicated that he also attended the ACWA event and found the discussions on the Proposition 1A, ERAF shifts very worthwhile and noted that though 1A has passed, the state still can borrow twice from agencies within a 10-year period. He stated that CSDA coordinated a meeting that included a representative from the Governor's office along with the CSDA legislative representative and he had received some worthwhile updates. He stated that the City of San Diego voted to override the veto on reservoir augmentation for potable reuse and he looked forward to staffs' update report. He indicated that the Regional Chamber of Commerce had a meeting in the City of San Diego with quite a few legislators in attendance and he commended the water agencies in their efforts to keep legislators informed on water issues as they seemed to be knowledgeable on such issues. He also noted that CWA was closing out the final environmental issues with Coachella and the American Canal Lining projects and the tunneling at Lake Hodges to connect it to the San Vicente Reservoir was finally moving along and tunneling has increased from 5 feet to 80 feet a day. He shared that CWA was now fluoridating the water they distribute.

RECESS TO CLOSED SESSION

14. CLOSED SESSION

The board recessed to closed session at 4:46 p.m. to discuss the following items:

- a) ANTICIPATED LITIGATION (GOVERNMENT CODE §54956.9)
MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER
- b) PUBLIC EMPLOYEE PERFORMANC EVALUATION [GOVERNMENT CODE §54957.6

TITLE: GENERAL MANAGER

RETURN TO OPEN SESSION

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

The board reconvened from closed session at 5:36 p.m. General Counsel Bonifacio Garcia indicated that the board took no reportable actions in closed session.

16. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:36 p.m.

President

ATTEST:

District Secretary

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