

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
April 7, 2010**

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

2. ROLL CALL

Directors Present: Bonilla, Breitfelder, Lopez and Robak

Director Absent: Croucher (out-of-town on vacation)

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 Porrás, 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 Breitfelder, seconded by Director Lopez and carried with the following vote:

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

to approve the agenda.

5. WATEREUSE 2009 RECYCLED WATER STAFF PERSON OF THE YEAR AWARD PRESENTED TO LARRY OLDS, LEAD RECYCLED WATER DISTRIBUTION OPERATOR

Assistant General Manager Manny Magana indicated that Mr. Larry Olds, Lead Recycled Water Distribution Operator, received the WateReuse 2009 Recycled Water Staff Person of the Year Award. He indicated that Mr. Olds has been working with the WateReuse Association for 18 years and in recognition of his dedication to the local chapter, they have honored him with their award. It was noted that Mr. Olds puts a lot of volunteer time into the WateReuse Association and he is the “go to” person in the region for recycled water.

6. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF OCTOBER 7, 2009

Director Breitfelder indicated that he would be abstaining as he did not attend the October 7, 2009 board meeting.

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

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

to approve the minutes of the regular meeting of October 7, 2009.

7. 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

8. 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 Lopez and carried with the following vote:

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

to approve the following consent calendar item:

- a. APPROVE AN AGREEMENT WITH HELIX WATER DISTRICT FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF TWO (2) NEW METERED INTERCONNECTIONS

ACTION ITEMS

9. BOARD

- a) DISCUSSION OF 2010 BOARD MEETING CALENDAR

Director Breitfelder indicated that it has been custom, due to the elections, to reschedule the June board meeting. It was discussed that the board will further discuss the possible change in the date of the June meeting at the May board meeting. If necessary, it will be reset at that meeting.

INFORMATIONAL ITEMS

10. FISCAL YEAR 2010 MID-YEAR STRATEGIC PLAN PERFORMANCE UPDATE

Chief of Information Technology Geoff Stevens indicated that staff presents a Strategic Plan update twice a year and this is the mid-year Strategic Plan performance update. He indicated that this presentation has been provided to both District committees; Finance, Administration and Communications; and Engineering, Operations and Water Resources Committees. He noted that the repetition of the Business Planning Process is the strength of the Strategic Plan. He stated that the District's overall performance is above target at 94% or 46 of 49 of the District's objectives are either completed, ahead of schedule or on target (with the target at 90%). He noted that the District's Performance Measures are also above target at 84% or 37 of 44 performance measures either completed, ahead of schedule or on target (with the target at 75%).

The Strategic Plan also looks at the District's performance in more detail in two views; *Balanced Scorecard* and *Department View*. *Balanced Scorecard* looks across the enterprise from an external perspective; Customer, Financial, Learning and Growth, and Business Processes. In this view, the District did not meet or exceed the target measure of 90% in one area, Customer Service. Customer Satisfaction was rated at 87% and Unplanned Disruptions was also slightly below target. Within the *Department View* there were two projects in the area of Information Technology that were delayed. The bid was delayed for the PBX Upgrade Project and the integration of the SCADA System and the GIS Modeling System also missed its target date. Staff has addressed these delays and the projects are now moving forward.

He indicated per the *Enhanced Review Process*, every report is read in detail and the responses are reformatted so that staff must report an actual number to make it very clear whether a target is met or not. Staff will also be reviewing the Strategic Plan for the next three-year timeframe in Fiscal Year 2011. Staff anticipates presenting the proposed Fiscal Years 2011-2014 Strategic Plan to the board in during a workshop in the fall. Staff will be presenting ideas and receive input from the board in terms of the direction staff should be focusing in the next three-year plan. He stated that staff will also be exploring the relationship between Asset Management and the Strategic Plan as both are very critical to the District's future direction.

In response to an inquiry from Director Robak, Chief of Information Technology Stevens indicated that staff tries to set the goals for the three-year period, however, targets are reviewed every year and they are revised if needed. He stated for example if the District is consistently above or below QualServe target

ratings, the District may adjust its own targets. He noted that reporting is done quarterly. Director Robak also inquired where the District is in terms of participating in the peer review process. Chief of Information Technology Stevens indicated that the District has been putting a lot of effort into the Asset Management System which requires reviewing many of the District's business processes. He stated that staff would like to get some of the Asset Management work in place and anticipates that the District would participate in the Peer Review Process in approximately a year from now. Staff feels that the District is going to change a lot as a result of the Asset Management System and felt it did not make sense for someone to come in and tell the District how it should change, when staff is already aware of what those changes should be. It is felt that the District would get the full value of the Peer Review once staff has implemented some of the things that are obvious. He noted that staff had requested that the funds for the Peer Review Process be moved to the Fiscal Year 2011 budget. It is still planned, but has been delayed about six to seven months.

REPORTS

11. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY UPDATE:

General Manager Watton indicated that the main focus at the County Water Authority has been the Metropolitan Water District rates. He indicated that CWA has been challenging their proposed rates, but has not been successful. CWA will be opposing the rates as they disadvantage CWA in the way MWD proposes to charge for wheeling. He also shared that CWA issued \$630 million in bonds at 4.03% which will fund the capital improvement programs for the next couple years.

GENERAL MANAGER'S REPORT:

General Manager Watton indicated that he had a conversation with Director Breitfelder regarding apartment metering and billing. He indicated that much of the new apartments that are being constructed are being individually metered as they are built to be sold as condominiums sometime in the future. He indicated that there are also buildings that are sub-metered which are acceptable as long as they are not marking up the cost of the water. He indicated that he did not believe that there is anything in our code or state law that would preclude apartment buildings from installing meters to encourage conservation.

He stated that the 36-inch potable pipeline is about 50% complete and the project is going well. He commended Communications Officer Armando Buelna, the Engineering staff, the construction crew, and all the people that are involved in the project. He indicated that the community has been so well informed on the schedule and status of the project and it is this reason that the District has not

received any major complaints from the community regarding the project, even when work was being done during the night.

He stated that Director Bonilla and he met with La Mesa Mayor, Art Madrid, who had an opportunity to tour the Water Conservation Garden. Mayor Madrid had known about the garden and it seemed he gained a new appreciation for the Garden following his tour. He also shared that the Water Conservation Garden is taking a different approach to its funding, programs and becoming more self-sufficient and he felt that it is working well. He noted that Mayor Madrid's reaction is a good barometer of how well the programs are working and the impact the Garden makes on visitors.

He indicated that the District is currently in conformance with the Governor's *DWR 20% by 2020* program as the District's customers are continuing to conserve. He stated that the District's Water Conservation Manager was asked to serve on the Urban Stakeholders Committee. He indicated that he is looking forward to the District's Conservation Manager having some insight and influence on the programs being proposed by the State.

He indicated with regard to cell site lease evaluations that the leasing revenue from cell sites and the golf course is approximately \$1 million annually. Staff has engaged a consultant, Telkin Associates, who are experts in telecom leases to advise the District on how it can maximize its cell site revenues.

He stated that water sales are under budget and under CWA's allocation as the District's customers continue to conserve. He indicated that he felt that the conservation is being driven by the increase in the cost of water.

General Manager Watton indicated that the effective interest rate for the District's bond issuance for \$51 million was 4.176%. These results are excellent especially when compared to CWA's recent issue for \$630 million at 4.03%. He noted that the District hit the market at a very good time, as immediately following the sale, interest rates started to trend upward.

He also shared that Fitch Ratings had interviewed members of the District's staff and they intend to upgrade the District's rating to AA. He stated that the review is part of their routine process and they have been evaluating many of the municipal agencies. The new rating will be effective at the end of April 2010.

He stated that Director Bonilla and he had met with City of San Diego Councilmember Ben Hueso and Councilmember Hueso had indicated that he had been informed by City of San Diego staff that the District was lagging on the Water Supply Assessments (WSA) for the Cross Border Terminal for the Rodriguez Airport. He stated that he wished to share with the board an update should they hear comments about this issue. He indicated that the District has not yet received the request for a Water Supply Assessment on the Cross Border Terminal for the Rodriguez Airport from the City. Staff has been in contact with the City and has indicated that as soon as the request is received,

the District would process a WSA for the project. With regard to the Brown Field development, the City is taking a unique approach and plans to approve the large development in a way that they have not done in the past and will be pulling building permits for sections of the development. This will result in potential water use that will range from 2,000 AF to 9,000 AF which will make it difficult to write a WSA because of the large range of potential water use. He stated that it is questionable on how they would magisterially provide permits for such variability in water use. The District has been communicating with the City to request additional information and have made them aware that the District is unsure how it will write a WSA for such a large water use range.

12. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that he met with the San Diego Apartment Association and they discussed their proposed process for sub-metering apartments. He indicated that sub-metering is intended to encourage conservation and, on the surface, he did not see any issue with it and felt it could be a valuable tool. He stated that there is concern among individual owners that there is no ordinance in the State or locally that forbids it nor is there one that specifically permits it. Director Breitfelder indicated that assuming that there is no negative information about sub-metering, if the San Diego Apartment Association brings this issue to the District, that he would like to suggest that the District add some language to its ordinances that notes sub-metering as a legitimate tool, but not requiring or encouraging their use.

Director Lopez indicated that he wished to thank the board president for the opportunity to discuss the desalination project with General Counsel and have any questions or concerns addressed.

Director Robak indicated, in follow-up to Director Breitfelder's comments with regard to the San Diego Apartment Association, that he too had met with the association regarding the same issue. He had indicated to them when they met that they needed to research what the County's and other District's ordinances are with regard to sub-metering. He noted that, at the time that they met, they did not know what the County's ordinance was on the issue. He commended staff on the District's Fitch rating upgrade and their work on acquiring the upgrade. He stated that the earthquake was a wake-up call and that it highlights the need for the District to be ready for a catastrophe.

13. PRESIDENT'S REPORT

President Bonilla commended the employees of the District for their work and he stated that it is because of their work that the District has been recognized with awards from various agencies and organizations. He stated that it is for this reason that he would like to have staff involved in the award dinners as he felt that they should accept the awards on behalf of the District. He stated it is because of their work that the awards are received and he wished to thank staff for their efforts and dedication to the District. He also reported that he met with

key staff from the office of the Governor of Baja on March 1, 2010 regarding the desalination project and that it was, overall, a very positive meeting. On March 12, he and General Manager Watton met with City of San Diego Councilmember Ben Hueso regarding Otay and City matters. He also met with City of Chula Vista Mayor Cheryl Cox along with General Manager Watton on March 17 to discuss matters of interest to both the City and Otay. He indicated that she was very complimentary of Otay and the work it is doing and of its support of the City. He and General Manager Watton also met to discuss committee agenda issues. On March 18, he attended the District's Finance, Administration and Communications Committee to discuss and make recommendations on issues to be presented at today's board meeting. He stated that he met with Cox Communication's representatives on March 19 to discuss their various services and how they may meet District needs. He also shared that he and General Counsel Calderon traveled to Mexico City from March 24 to 26 to meet with various individuals to discuss issues related to an item scheduled for discussion in today's closed session. President Bonilla also noted that he attended the Southwestern College Scholarship Foundation event on March 27 along with directors and staff. He indicated that he attended the Legal Ad Hoc Committee meeting scheduled on March 31 to discuss legal issues and matters related to today's closed session agenda item. He also congratulated Lead Recycled Water Distribution Operator Larry Olds on the award he received from the WaterReuse Association.

RECESS TO CLOSED SESSION

14. CLOSED SESSION

The board recessed to closed session at 4:12 p.m. to discuss the following item:

- a) CONFERENCE WITH REAL PROPERTY NEGOTIATORS
[GOVERNMENT CODE §54956.8]

PROPERTY: INTENT TO PURCHASE WATER FROM A NEW SOURCE

AGENCY NEGOTIATORS: MARK WATTON, YURI CALDERON &
BONIFACIO GARCIA

NEGOTIATING PARTIES: GOUGH THOMPSON, NS AGUA, AND
OTHER POTENTIAL SOURCES OF POTABLE WATER AND/OR THEIR
DESIGNATED REPRESENTATIVES, SUCCESSORS OR OTHER
AUTHORIZED ENTITIES

UNDER NEGOTIATION: PRICE AND TERMS OF ACQUISITION,
INCLUDING BUT NOT LIMITED TO TIMING AND AMOUNT OF
ACQUISITION

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 at 5:29 p.m. and General Counsel Calderon indicated that the board took no reportable actions in closed session.

16. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:29 p.m.

President

ATTEST:

District Secretary