

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

1. The meeting was called to order by President Bonilla at 8:00 a.m.

2. ROLL CALL

Directors Present: Bonilla, Croucher, Lopez and Robak

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

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

to approve the agenda.

5. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETINGS OF SEPTEMBER 2, 2009 AND FEBRUARY 3, 2010

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

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

to approve the minutes of the regular board meetings of September 2, 2009 and February 3, 2010.

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.

ACTION ITEMS

7. BOARD

- a) ADOPT RESOLUTION NO. 4163 COMMENDING FORMER DIRECTOR LARRY BREITFELDER FOR HIS CONTRIBUTIONS AND SEVEN YEARS OF SERVICE TO THE OTAY WATER DISTRICT AS DIRECTOR OF DIVISION 1 OF THE BOARD OF DIRECTORS

General Manager Mark Watton commended former Director Larry Breitfelder for his services to the Otay Water District for over seven years and announced that Mr. Breitfelder resigned from the board to seek election to the City of Chula Vista's Council.

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

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

to adopt Resolution No. 4163 that commends former Director Larry Breitfelder for his contributions and seven years of service on Otay Water District's Board as Director of Division 1.

The Board presented a Recognition Award to former Director Larry Breitfelder.

Former Director Breitfelder thanked the Board of Directors for their graciousness and stated that the last seven years have been amazing and that he was fortunate to have worked with them. He indicated that he highly respects the District as an institution and important public asset and his resigning early indicates his faith and confidence in the Board of Directors. He commended staff and indicated that their mission and services have contributed to the District's progress over the years and that it was an honor to be associated with staff throughout his tenure. He stated that he felt that staff would continue to have a sense of mission and to perform well on behalf of the District.

8. RECESS FOR A RECEPTION

The board recessed at 8:07 a.m. for a presentation to outgoing board member, Director Breitfelder and reconvened at 8:23 a.m.

9. BOARD

- a) ADOPT RESOLUTION NO. 4164 OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT APPOINTING DAVID GONZALEZ TO THE BOARD OF DIRECTORS, DIVISION 1, TO FILL THE VACANCY LEFT BY DIRECTOR BREITFELDER'S RESIGNATION

President Jamie Bonilla indicated that the District's Ad-Hoc Division 1 Application Preliminary Review Committee met on July 6, 2010 to interview seven (7) candidates who applied for the Board of Directors, Division 1 vacancy. The Committee conducted thirty-minute interviews with each of the candidates: Myssie McCann, Tracy L. Lopez, Brian Lightbody, David Gonzalez, Christopher Schilling, Carl Harry, and Brian Reed (it was noted that Tracy Lopez was not related to Director Lopez). President Bonilla stated that the interview process went well and that the Committee was impressed with all the candidates. He stated that most of the candidates received high scores and that it was difficult to decide on the two finalists who would move forward for the final interview process with the full board. Ultimately, the final decision was based on questions related to the candidates' presentation, business occupation, community involvement, leadership, independence and financial background/experience.

President Bonilla stated that the same questions were asked of all candidates and that the outcomes of their scores were very close. He indicated that after careful consideration and a thorough review of each candidate's application and scores, the Ad-Hoc Committee selected Brian Reed and David Gonzalez for the final interview process to be held at the July 7, 2010 Board of Directors meeting.

Mr. Brian Reed was asked to come forward to address the Board of Directors and begin the final interview process. Mr. Reed indicated that he is a naval officer who has lived in the Chula Vista East Lake Greens community since 1998 with his wife and three children. He indicated that he regularly volunteers at the Arroyo Vista Charter Elementary School where he reads to students in nine different classrooms. In addition, Mr. Reed stated that he is the current board president of a local non-profit youth aquatics organization that provides low cost polo and swimming training classes. He stated that he also volunteered to create and establish the organization's website. He stated that he participates in fundraising activities such as car washes to support the East County Youth Symphony and the Pride Martial Arts' scholarship funds. Mr. Reed thanked the Board for giving him the opportunity to speak and stated that it was an honor to be considered as one of the finalist for the Division 1 vacancy.

Director Croucher stated that, as a member of the Board, he is very fortunate to work with a diverse team. He inquired if Mr. Reed had any experience in being part of a diverse team.

Mr. Reed stated that he has and that he is a volunteer coach for the YMCA South Bay football and basketball programs where he worked with children from very diverse backgrounds. He said that, as a coach, he encouraged teamwork to find the children's strength and to hone those strengths. Another example of working

with a diverse team was his Navy experience, where he trained individuals from all fifty states. He stated that working with such a diverse group, through training or just getting through normal life, gave him the opportunity to learn a lot about other cultures and backgrounds.

Director Lopez inquired about Mr. Reed's military background and his knowledge of desalination.

Mr. Reed indicated that he served on submarines where he "owned" the main propulsion system and its back-up system in case the main system failed. He stated that the main system is basically a steam boiler that evaporates sea water to create fresh water for both the ship personnel and the propulsion plant needs. His responsibility was to monitor both systems and verify that the water quality met purity requirements. He also trained operators on how to: 1) maintain and operate the systems, 2) deal with un-expected situations, and 3) monitor the water volume to ensure its availability for the mission's water needs.

Director Robak inquired about the meaning "owned" stated by Brian Reed.

Brian Reed stated that as the Chief Engineer aboard the USS Houston, he acted as the executive agent who "owned" all equipment in his department and was responsible and held accountable for the main propulsion system and its back-up. He stated that he signed for all materials for the Engineering Department and performed periodic maintenance for the equipments in the department.

Director Robak inquired if he (Mr. Reed) currently provides training to military personnel.

Mr. Reed stated that he did and the training he provides to strike groups include submarine hunting and mine sweeping to prepare Navy personnel for submarine warfare missions.

Director Robak inquired about Mr. Reed's residential history and if there was a possibility that the military may station him somewhere else.

Mr. Reed indicated that he has lived in Chula Vista for the past 12 years (since 1998) and prior to that he had moved thirteen times. Mr. Reed stated that while he has lived in Chula Vista, his military orders included the USS Houston, John C. Stenos Strike Group, and the USS Nimitz. He stated he is currently assigned to the NMOC and would not be stationed anywhere else prior to his retirement planned for the end of 2011.

In response to a question from Director Robak, Mr. Reed stated that he has been on two (2) six-month, one (1) seven-month, and one (1) eight-month deployments. The standard Navy deployment is six months, depending on the availability of its assets. Mr. Reed indicated that he is currently on shore command and is not deployable. He stated that his long term intention and desire is to remain in Chula Vista and is looking forward to the next adventure in his life.

President Bonilla stated that Mr. Reed conducted himself well at the Ad-Hoc Committee and the Board of Directors meetings and stated that the Otay Water District manages millions of dollars and inquired about Mr. Reed's experience with maintaining an operating budget. He also inquired about Mr. Reed's opinion about asset management strategies.

Mr. Reed stated that when he was the Chief of Engineering aboard the USS Houston, he maintained an operating budget that included a 90-Day Consumables List. He also stated that he had a maintenance budget to purchase parts from the Naval Supply system. Mr. Reed indicated that maintaining both budgets included the responsibility of planning ahead and possibly deferring some maintenance to account for higher priorities. In addition to his financial background experience, he indicated that he has two more classes to earn his degree in Economics. Mr. Reed stated that he has experience in accounting and is a quick learner.

President Bonilla thanked Mr. Reed for his presentation then introduced the other finalist, David Gonzalez, who presented his background to the Board.

Mr. Gonzalez stated that he has lived in Chula Vista all his life, is married and has three children. He graduated from Bonita Vista High School then went onto Point Loma Nazarene University where he earned a Business Management Degree. Mr. Gonzalez stated that in May 2010, he opened the Gonzalez Sports Academy (GSA) which is targeted for school age children (elementary to high school) and educates and empowers coaches, athletes and fitness enthusiasts of all levels to achieve their sports performance and conditioning goals. Prior to opening GSA, Mr. Gonzalez worked as an Investment Advisor for Prudential Financial where he managed multimillion dollar investment portfolios and managed 30 employees. Mr. Gonzalez also indicated that he helped his father manage a family business in Mexico called the Aire Tec de Mexico SA de CV, which specializes in air conditioning services. He indicated that he has a thorough knowledge of the business process, which includes the designing of computer automated programs.

In response to a question from Director Croucher, Mr. Gonzalez stated that his ability to work with others as a team progressed over the years as he managed staff and worked with others throughout the United States and international countries such as Mexico, Japan, and China.

Director Lopez recognized that Mr. Gonzalez has a strong background with international business/relations with Mexico, Japan and China, and inquired if he had any knowledge about desalination. Mr. Gonzalez stated that he understands the desalination process and finds it very intriguing and that he is willing to learn more about the process from beginning to end.

Director Robak thanked Mr. Gonzalez for his presence and submitting an application for the Division 1 vacancy. He discussed the background of Mr.

Gonzalez and indicated that sports seems to be the main core of his business career and inquired about his interest in water issues.

Mr. Gonzalez stated that his main interest with water issues is the health and well-being of children and providing them with the best quality of water. Mr. Gonzalez indicated that with the increase of water issues such as deficiencies in water resources, he believes that water has become more sacred. He indicated that he is intrigued by the District's Desalination Project and would like to participate in the possible implementation of the project and other alternative water resources.

In response to a question from Director Croucher, Mr. Gonzalez stated that his international work experience includes working in partnership with companies from the United States, Mexico, Japan, and China. He stated that the experience has taught him how to understand and work with individuals from other cultures.

President Bonilla stated that Mr. Gonzalez had scored high on independence during his interview with the Ad Hoc Committee and believes he is not easily influenced by others and can make independent decisions, if necessary. President Bonilla inquired about his community involvement, specifically with children.

Mr. Gonzalez stated that as the Partner/General Manager of the GSA, his mission is to reach out to children and encourage them to join sports activities and avoid activities that can lead to delinquency. He indicated that GSA also works with non-profit organizations and is in the process of initiating an *After School All Stars* government program for school-aged children who are interested in joining a sports activity, but are unable to afford it. It was noted that GSA also provides services to athletes who wish to improve their athletic skills.

Director Croucher stated that it has been an honor for him to serve as a member of the District's board and in being involved with its progress over the years. He indicated that Brian Reed and David Gonzalez should be proud of themselves as they were the top two finalists to be considered for the Board of Director's Division 1 vacancy. He indicated that both candidates have accomplished a lot in their lives as they are well-educated, independent and have made significant contributions to their community. He made a motion to appoint David Gonzalez to the Board of Directors, District Division 1, to fill the vacancy left by Larry Breitfelder.

Director Lopez seconded the motion. He stated that both finalists were well-qualified and stated that it was a tough decision to make, but he eventually made his decision based on who would be able to fit in as a member of the Board and provide essential ideas and concepts for the District's needs.

Director Robak indicated that he was not involved with the interview process, but he supports his fellow board members' decision to appoint David Gonzalez to fill the Board of Director, Division 1 vacancy. Director Robak said that he recognized Brian Reed's background and experiences and would have

supported him to fill the vacancy. He indicated that if he and the other candidates wish to pursue the Board's Division 1 position, they can do so at the November 2010 election.

The motion carried with the following vote:

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

to adopt Resolution No. 4164 of the Board of Directors of the Otay Water District appointing David Gonzalez to the Board of Directors, Division 1 seat, to fill the vacancy left by former Director Breitfelder's resignation.

The board recessed at 9:06 a.m. to congratulate the finalists.

The board reconvened at 9:08 a.m.

CONSENT CALENDAR

10. 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 Croucher, seconded by Director Lopez and carried with the following vote:

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

to approve the following consent calendar items:

- a) APPROVE A PURCHASE ORDER TO FRANK & SONS PAVING IN AN AMOUNT NOT-TO-EXCEED \$200,000 FOR AS-NEEDED ASPHALT PAVING SERVICES FROM JULY 8, 2010 THROUGH JUNE 30, 2011
- b) APPROVE CREDIT CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH CCL CONTRACTING INC. FOR THE CONSTRUCTION OF THE 36-INCH PIPELINE PROJECT IN THE AMOUNT OF <\$63,418.11>
- c) ADOPT RESOLUTION NO. 4160 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS FOR FISCAL YEAR 2010-2011 TO BE COLLECTED THROUGH PROPERTY TAX BILLS

- d) ADOPT RESOLUTION NO. 4161 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 (ID 27) AT \$0.005 FOR FISCAL YEAR 2010-2011

ACTION ITEMS

11. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

- a) APPROVE THE ISSUANCE OF SEVEN (7) PURCHASE ORDERS TOTALING \$705,549.77 TO: 1) TYLER TECHNOLOGIES, INC. IN THE AMOUNT OF \$168,000 TO COVER THE COSTS OF A SOFTWARE MAINTENANCE AGREEMENT, ANNUAL SUPPORT, AND CONSULTING SERVICES; 2) DCSE/SPATIAL WAVE, INC. IN THE AMOUNT OF \$125,000 TO COVER GIS SOFTWARE LICENSES AND SOFTWARE INTEGRATION SERVICES; 3) GBA MASTER SERIES, INC. IN THE AMOUNT OF \$60,060 FOR SOFTWARE LICENSES AND INTEGRATION CONSULTING WORK; 4) AT&T INC. IN THE AMOUNT OF \$84,000 FOR TELEPHONE AND INTERNET SERVICES UNDER THE CALNET II CONTRACT; 5) VERIZON WIRELESS IN THE AMOUNT OF \$100,000 FOR CELL PHONE AND WIRELESS AIR TIME; 6) SOFTCHOICE CORPORATION IN THE AMOUNT OF \$78,489.77 FOR A MICROSOFT ENTERPRISE AGREEMENT AND ADDITIONAL LICENSE FOR GIS SERVERS; AND 7) ESRI BUSINESS INFORMATION SOLUTIONS IN THE AMOUNT OF \$90,000 FOR GIS-RELATED SOFTWARE LICENSES AND SOFTWARE MODIFICATION SUPPORT (STEVENS)

Chief Information Officer Geoff Stevens indicated that each year, staff presents to the Board specific technology related expenditures for the District's day-to-day IT operations. He provided an overview of the seven IT related items/expenses and noted that all items are included in the adopted FY 2011 Operating and Capital Budgets.

Director Robak commented on a trend in technology where prices continually decrease and inquired if negotiating airtime minutes was a part of that trend. Chief of Information Technology Stevens stated that he believes capacity needs is the new trend, such as bandwidth, which continues to rise. He stated that prices remain relatively stable for new technology and that appropriate ways are being explored to streamline large amounts of data to create more useful and manageable information.

Chief of Information Technology Stevens stated that the District's budget for technology remains steady and is slightly less than last year's budgeted amount.

Director Gary Croucher stated that the District's cost for technology has stabilized over the years and he has noticed some savings in IT. He inquired if the savings was a result of the new technology that was implemented several years ago which helped reduce the number of personnel positions. Chief of Information Technology Stevens stated yes and indicated that as technology

progresses, the use of information will allow the District to increase its efficiency with less personnel. He noted that the District's IT division's mission is to implement technology to support business functions to create more efficiency, such as, the implementation of the new Asset Management System.

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

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

to approve staffs' recommendation.

12. ENGINEERING AND WATER OPERATIONS

- a) APPROVE A REIMBURSEMENT AGREEMENT WITH RANCHO VISTA DEL MAR, A CALIFORNIA CORPORATION, FOR THE CONSTRUCTION OF A 24-INCH RECYCLED WATER PIPELINE ON ALTA ROAD, NORTH OF CALZADA DE LA FUENTE, FOR THE CAPITAL IMPROVEMENT PROGRAM PROJECT, RECPL-24-INCH 860 ZONE, ALTA ROAD/AIRWAY ROAD (R2077), A PORTION OF THE OTAY MESA RECYCLED WATER SUPPLY LINK PROJECT IN THE AMOUNT OF \$1,029,489 (CHARLES)

Public Services Manager David Charles stated that staff is requesting that the Board approve a Reimbursement Agreement with Rancho Vista Del Mar for the construction of approximately 2700 linear feet of 24-inch recycled water pipeline within Alta Road. The developer will install the pipeline in conjunction with their plan to widen Alta Road. The agreement would allow for a monthly reimbursement to the developer and would reimburse the developer the actual cost of soft cost, as negotiated, rather than the 5% of the construction cost as Policy 26 dictates. The actual soft cost is estimated at 8-10% of the construction cost. Staff will be revising Policy 26 in the future to include the option for monthly reimbursement payments to developers as projects progress. Public Services Manager Charles noted that the developer had bid the construction of the pipeline and reviewed the bid process. He stated that the bid process was in compliance with District Policy 26.

Director Robak indicated that staff is requesting a total reimbursement amount of \$1,029,289, but only \$952,019 will go towards Rancho Vista Del Mar. He indicated the difference to be \$77,270 and inquired if that amount was for the project's soft costs. Staff indicated, yes, the soft costs were calculated into the total reimbursement of \$1,029,289 and Exhibit A-2 shows a breakdown of the project's costs.

Director Croucher indicated that the Engineering, Operations and Water Resources Committee supported staff's recommendation to move this item

forward for Board approval and stated that similar reimbursement agreements are anticipated in the future due to the downturn in the economy. With this in mind, the Committee requested that staff revise District Policy 26 to allow for agreements that provide for monthly reimbursements.

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

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

to approve staffs' recommendation.

13. BOARD

a) DISCUSSION OF 2009 BOARD MEETING CALENDAR

In response to a question from Director Robak, President Bonilla stated that staff is in the process of determining a date for the District's Board Workshop and staff would be in contact to coordinate a date.

REPORTS

14. GENERAL MANAGER'S REPORT

With regard to the San Diego County Water Authority (CWA), General Manager Mark Watton provided an update on the Poseidon Desalination project and stated that it has become evident that it is not a financeable business model in its present form. He indicated that the Poseidon project is a good fit with CWA's plans and it, therefore, was referred to CWA's general manager to further research the possibility of rehabilitating/salvaging the project. He also indicated that CWA's rate increase was approved, but encountered some dissonance at the time of vote.

He indicated that the District's annual employee recognition luncheon is scheduled for Thursday, July 15, at 12:00 p.m. at the Operations Department.

He provided an update on the District's electronic bill pay system which went online on June 21, 2010 and indicated that it is a comprehensive program that allows customers to pay their bills directly through an automated system. He stated that the electronic bill payment system is a benefit because it will save money and increase efficiency for both the District and its customers.

General Manager Watton stated that the District's Otay Mesa Recycled Link project is ready for construction. However, due to the uncertainty of the City of San Diego's intent to supply recycled water, staff has suspended the project as a precaution. Staff met with Mr. Alex Ruiz, City of San Diego's Interim Director of

Public Utilities, to discuss the matter and Mr. Ruiz indicated that the City will be releasing a Water Pricing and Availability Study sometime in July 2010.

He stated that the test well in the Rancho del Rey Groundwater Well Project was completed successfully and staff is testing the quality and quantity of the water from the well. If the tests work out as planned, then the drilling of the actual production well is anticipated to begin in August or September 2010. Staff has conducted outreach to the community and its residents to provide an update on the project and staff plans to continually provide updates to the community as the project progresses.

General Manager Watton stated that staff is anticipating more business activity in FY 2012 as the District has received a couple of requests for Water Supply Assessment Studies for future developments. He also noted that McMillan Company recently sold eight units which is also an indication that business activity may be returning.

In response to a question from Director Robak, it was indicated that photos included in the General Manager's staff report shows the District's water conservation efforts in east Chula Vista. The turf in road medians is being replaced with drought tolerant landscaping.

Director Robak inquired if customers can continue to receive bill notifications by mail if they participate in the District's Electronic Bill Payment system. Staff stated that they will look into that option and noted that the purpose of the system is to save money by reducing postage and paper cost while increasing efficiency. It was reported that approximately 50% of the District's customers are participating in the Electronic Bill Pay system which represents savings to the District.

In response to a question from Director Lopez, staff indicated that the Otay Lakes Road Widening Project, which includes the installation of District facilities (water pipeline), is anticipated to be completed by the end of the year or early next year.

15. DIRECTORS' REPORTS/REQUESTS

There were no reports/requests by the directors.

16. PRESIDENT'S REPORT

President Bonilla provided an update of meetings he attended during the month of June 2010 and indicated that he met with General Manager Watton to discuss items to be presented at the June committee meetings. He attended the District's Finance, Administration & Communications Committee on June 15 where the committee reviewed items for presentation at today's board meeting. On June 17 he attended the District's Special Board Meeting where the board accepted Mr. Larry Breitfelder's resignation. He met with General Manager Watton and General Counsel Calderon to review the July board meeting agenda on June 28. He indicated that he met with Mr. Guillermo Ruiz, General Manager

Watton and General Counsel Calderon to discuss the Rosarito Desalination Project on June 29. President Bonilla also indicated that he participated in an Ad-Hoc Committee meeting on July 1, 2010 where candidates for the Division 1 seat were interviewed and the committee provided their recommendation of the top two candidates to the board.

He congratulated newly appointed Director David Gonzalez and requested that General Manager Watton schedule a meeting with Director Gonzalez to brief him on the District and its geography, and introduce Director Gonzalez to staff. President Bonilla also suggested that Director Gonzalez meet with the board members to benefit from their experience and knowledge as members of the District's board.

17. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 9:42 a.m.

President

ATTEST:

District Secretary