

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
August 4, 2010**

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

2. ROLL CALL

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

Director Absent: None

Staff Present: General Manager Mark Watton, Asst. General Manager of Administration and Finance German Alvarez, Asst. General Manager of 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 Robak, 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 agenda.

5. PRESENTATION OF AWARD TO THE BOARD OF DIRECTORS FOR THEIR SUPPORT OF THE BEADS OF COURAGE 2ND ANNUAL CHARITY EVENT FOR CANCER

Assistant General Manager Manny Magana indicated that the District held its 2nd Annual *Beads of Courage* Charity Tournament to raise funds to support the fight against cancer. He stated that it was a very successful event and he wished to thank the key sponsors and staff who helped with the event. The tournament raised over \$17,000 and the funds will be used to open the first *Beads of Courage* program in San Diego at the Kaiser Permanente Hospital on Zion Avenue. He presented, on behalf of the founder of Beads of Courage, Ms. Jean Baruch, a Platinum Award to

the Board of Directors of Otay Water District to recognize them for giving back to the community and assisting children with their cancer treatments.

6. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF MARCH 3, 2010

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

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

to approve the minutes of the regular meeting of March 3, 2010.

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

Mr. Mario Luzano of Spring Valley indicated that he was building a new home in Spring Valley and was working on saving money for a water meter for the home. He stated when he had saved enough money, the price of the meter increased by \$3000. He stated his original District quote was from April 2010 and the new quote with the \$3000 increase was provided in July 2010. He asked that the board waive the \$3000 increase in the water meter fee.

President Bonilla referred the issue to General Manager Watton and asked that he investigate the situation. General Manager Watton noted to Mr. Luzano that due to the statutes governing public agency meetings, the board could not comment/discuss his request as it must be agendized for discussion. He indicated that staff would prepare a report for presentation at the District's September board meeting. President Bonilla thanked Mr. Luzano for attending today's meeting.

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

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

to approve the following consent calendar item.

- a) APPROVE AMENDMENT TO GENERAL MANAGER'S EMPLOYMENT AGREEMENT

9. BOARD

- a) DISCUSSION OF 2010 BOARD MEETING CALENDAR

It was discussed that District Secretary Susan Cruz would be contacting members of the board to schedule a Special Board Meeting/Board Workshop which will include an Ethics Training workshop.

There were no changes to the meeting calendar.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton indicated that many of the Directors had attended the employee recognition luncheon held on July 15 which was well received. He stated that, most importantly, it was a good time to recognize employees for the things they do throughout the year.

He also shared that the Employee Picnic was held on July 31 at Santee Lakes. It was a nice venue and there was a very good turnout. It seemed that everyone had a good time and it was great event for kids.

He stated that many may have heard of the governor's plan, *20% by 2020*, which calls for a 20% reduction in water use by 2020. He stated that the District's per capita use is exceeding this goal already and is in good shape to meet the 2020 target. He stated that conservation and the increase in rates has been driving down consumption.

He shared with regard to asset management, staff is working on the valve excising pilot and gathering the information for the business process program.

He noted that the District has had success with the electronic bill pay program. He stated that the more customers the District can move to electronic bill pay, the fewer bills the District mails and processes which lowers the District's cost. He stated that Customer Surveys also indicate that the District's customers like the autopay option as opposed to mailing a check or speaking with a customer service representative to pay their bills.

He indicated that the District will be closing out the fiscal year very soon and the District's current financial status shows that the District's expenses are exceeding revenues by \$1.1 million. He stated that water sales are down approximately 12%. Staff had anticipated that sales would be lower when the 2011 budget was

developed and had incorporated the lower sales in the rates for 2011. He indicated that July actual water sales/use, however, is a little over budget. As we move through the year, we will see how the budget closes. Staff is tracking this closely and has a better understanding of the impact to customer consumption with the conservation messages and higher water rates when developing the 2012 budget.

General Manager Watton stated with regard to the Otay Mesa Recycled Water Supply Link Project, as mentioned in the past, the design is complete, but staff has placed the project on hold until the District can get a better understanding of what the City of San Diego will be doing with the timing of their water supply and pricing. Staff is working with the City to be certain that they plan to provide recycled water supplies at a reasonable cost, prior to the District building the pipeline.

He indicated that the Rancho del Rey Well Project is going well and the drilling has started on the production well. Pump testing has been completed on the test well and results are all positive; good or better than expected. Staff expects to produce approximately 400 to 500 AF per year from the well. This amount may not seem very significant, but every little bit counts in today's water supply shortage. The cost of producing water from the well is still on target and comparable to CWA's cost/AF.

He noted that water purchases from CWA are 12.3% less than budgeted and 22% less than the District's allocation from CWA. He stated that the board was correct in staying at a Level I water shortage alert as the District's water consumption is comfortably below its allocation.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher indicated that he serves on CWA's Imported Water Committee and the committee is continuing to work at the State level on the Bay Delta issue. He also noted that CWA's lawsuit against MWD is continuing with regard to the pricing of the water sold from MWD to CWA. He stated that the Carlsbad desalination project has become a big focus as it is becoming clear that desalination is very much needed, however, the environmentalists are concerned how the plant will impact the coast. CWA is also moving forward with employee negotiations and Otay's request to approve the annexation of Peaceful Valley Ranch was approved by CWA's board. He lastly shared that CWA is also preparing for the new year and has been discussing new officers and committee assignments for the upcoming year.

11. DIRECTORS' REPORTS/REQUESTS

Director Robak inquired with regard to per capita water use, if CWA has published a chart showing the per capita use for each of the member agencies. General Manager Watton indicated that they do have preliminary information on the per capita water use and some agencies are at the target or below, and others are above the target. Otay is approximately on the lower 1/3 among the agencies on per capita water use.

Director Robak indicated that the Water Conservation Garden has submitted a \$3 million grant to build green buildings at the Garden for office space and classrooms. He also shared that he attended the employee picnic held at Santee Lakes last month and while he was there he had an opportunity to tour Padre Dam MWD's new Mediterranean Garden.

Director Lopez indicated that he also attended the employee picnic and that his family had a very nice time. He inquired with regard to the Rosarito Desalination Focus Group interviews if staff will be presenting the outcome of the interviews to the board sometime soon. General Manager Watton indicated that staff learned some valuable information from the focus group interviews and will be incorporating the feedback into the public outreach plan. He stated that there will be some follow-up as we get further along with the project and that it will be an ongoing process to further refine the message points in the plan.

Director Croucher indicated that at many board meetings they discuss Information Technology, Engineering, Finance, etc., but he wished to also highlight the employees' community activities, customer service center and Operations employees. He commended the work ethic of the District's staff and indicated that when he drives around the community, he sees the District's staff always hard at work and it is apparent that they really care about their jobs. He stated that he wanted to thank General Manager Watton for the tremendous work that he has done at the District and for his work at CWA. He stated that the District is extremely fortunate as an organization to have his leadership. General Manager Watton thanked Director Croucher for his kind words.

Director Gonzalez apologized for not being able to attend the employee picnic as his son's birthday was celebrated on the same day. He stated that he hoped to be able to attend next year. He congratulated General Manager Watton on the approval of his contract.

12. PRESIDENT'S REPORT

President Bonilla congratulated Director Gonzalez on his appointment to the District's Board of Directors. He reported on meetings he attended during the month of July 2010 and indicated that on July 1 he attended a meeting of the Ad Hoc GM Review Committee. He stated that Director Robak and he discussed the General Manager's performance evaluation and they agreed that the District has an excellent General Manager. He indicated that on July 6 the Ad Hoc Division 1 Application Preliminary Review Committee met and reviewed the applications the District received for the District's Division 1 seat. The committee interviewed all applicants (7) and made recommendation for two (2) top candidates to be interviewed by the full board. He stated that on July 14, General Manager Watton and General Counsel Calderon met to discuss issues related to the desalination project. He shared that he attended the employee recognition luncheon on July 15 and, as always, it was a very nice event. On July 30 he met with General Manager Watton, General Counsel Calderon, Attorney Garcia and representatives from the various organizations involved in the Desalination Project to discuss matters related

to the project. He stated that the Desalination Project is a \$500 million project and the group is very committed to the project. There was an exchange of ideas and he felt that the project was moving in the right direction.

RECESS TO CLOSED SESSION

7. The board recessed to closed session at 4:07 p.m. to discuss the following matters:

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

(I) MULTIPLE CASES RELATED TO THE FENTON BUSINESS
CENTER AND FILED WITH THE SUPERIOR COURT OF THE
COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-
2007-00077024-CU-BC-SC

b. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION [GOV-
ERNMENT CODE §54956.9(b)]

1 CASE

RETURN TO OPEN SESSION

8. 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 4:35 p.m. and General Counsel Calderon indicated that the board took no reportable actions in closed session.

13. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 4:35 p.m.

President

ATTEST:

District Secretary