

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
November 3, 2010**

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

2. ROLL CALL

Directors Present: Bonilla, Croucher (arrived at 3:35 p.m.) Gonzalez, Lopez and Robak

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF JUNE 2, 2010

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

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

to approve the minutes of the regular meeting of June 2, 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.

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

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

to approve the following consent calendar items:

- a) ADOPT RESOLUTION NO. 4162 OF THE DISTRICT'S CODE OF ORDINANCES AMENDING POLICY NO. 25, RESERVE POLICY, WHICH INCLUDES THE UPDATED CAPACITY, ANNEXATION AND NEW WATER SUPPLY FEES
- b) APPROVE AGREEMENTS WITH ADVANCED CALL PROCESSING CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$400,000 FOR TELECOMMUNICATIONS EQUIPMENT AND SERVICES AND FANDEL ENTERPRISES FOR AN AMOUNT NOT-TO-EXCEED \$40,000 FOR TELECOMMUNICATION CONSULTING AND IMPLEMENTATION SERVICES
- c) AUTHORIZE THE DISTRICT TO BECOME A MEMBER OF THE CALIFORNIA WATER/WASTEWATER AGENCY RESPONSE NETWORK
- d) APPROVE THE EXERCISE OF THE FIRST YEAR OPTION OF THE AGREEMENT WITH PACIFIC METER SERVICES, INC. FOR THE RETROFIT OF MANUAL READ WATER METERS TO AUTOMATED READ METERS (AMR) AND AUTHORIZE THE GENERAL MANAGER TO APPROVE SUBSEQUENT OPTION YEARS TWO THROUGH FOUR AT HIS DISCRETION
- e) AWARD A PROFESSIONAL ENGINEERING SERVICES CONTRACT FOR RECYCLED WATER PLAN CHECKING, RETROFIT, AND INSPECTION SERVICES FOR DEVELOPER PROJECTS

ACTION ITEMS

8. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

- a) APPROVE THE DISTRICT'S AUDITED FINANCIAL STATEMENTS, INCLUDING THE INDEPENDENT AUDITORS' UNQUALIFIED OPINION, FOR FISCAL YEAR ENDED JUNE 30, 2010

Finance Manager James Cudlip indicated that staff is very pleased with the results of the audit for Fiscal Year 2010. He indicated that during a meeting of the District's Finance, Administration and Communications Committee, a couple questions were asked about the District's depreciation expenses over the last three (3) years and the interest rates on all the District's debt. He stated in response to these questions, a schedule was included with *Attachment A* to staffs' report.

He introduced Mr. Harvey Schroeder, partner at Diehl Evans & Company, LLP (DE&C), who was in charge of the District's audit. Mr. Schroeder indicated that he met with the District's Finance, Administration and Communications Committee to review the District's audit in detail. He stated that his firm's findings is an Unqualified Opinion/Clean Opinion for the Fiscal Year Ended June 30, 2010. He noted highlights from the audit which included the issuance of \$51.2 million in water revenue bonds and the change in net assets for the Fiscal Year (difference between the revenues and expenses) was a positive \$2,907,000.

Director Robak indicated that the Finance, Administration and Communications Committee did meet with Mr. Lee Parravano of Diehl Evans & Company LLP to review any committee concerns and questions. He indicated that all questions were answered adequately and the committee had requested that the audit look at additional areas. The outcome of the audit review validated the operations of the District and the committee was satisfied with the results of the audit.

Director Lopez indicated that the notes from the Finance, Administration and Communications Committee show that the audit documents were reviewed thoroughly and the discussion at the committee had touched upon the areas that he had a concern with. He stated that he was pleased with the outcome of the audit.

Finance Manager Cudlip indicated that the Finance, Administration and Communications Committee asked that the audit documents include the auditor's dialogue with the board members and staff regarding fraud and that fraud was not identified. In response to the inquiry, an amended letter has been attached (*Attachment E* to staffs' report) that contains a couple sentences addressing the fact that the questions addressing fraud were asked in accordance with the statements on auditing standards and there were no incidents or issues noted.

A motion was made by Director Bonilla, 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 staffs' recommendation.

The board recessed at 3:38 p.m. for a reception for Directors Croucher and Gonzalez to congratulate them on their election to the board. The board reconvened at 3:50 p.m.

- b) APPROVE THE ADJUSTMENT OF THE WHEELING RATE FOR THE DELIVERY OF TREATY WATER TO THE CITY OF TIJUANA TO \$68.45 PER ACRE-FOOT FOR CALENDAR YEAR 2011 (CUDLIP)

Finance Manager Cudlip indicated that the District provides water to Mexico on an annual basis and each year the District must provide Mexico pricing for the upcoming year. He stated that the water is charged by Metropolitan Water District and San Diego County Water Authority and Otay charges for the operations, maintenance and power required to pump the water to the border connection. It was noted by General Manager Watton that the water provided to Mexico is Mexico Colorado Treaty Water that the United States has agreed to wheel to Mexico under a formal agreement.

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 staffs' recommendation.

9. ENGINEERING AND WATER OPERATIONS

- a) AWARD A PROFESSIONAL SERVICES CONTRACT TO LEE & RO, INC. FOR THE NORTH DISTRICT AND SOUTH DISTRICT INTERCONNECTION SYSTEM PROJECT IN AN AMOUNT NOT-TO-EXCEED \$2,769,119

Senior Civil Engineer Gary Silverman indicated that the North District and South District Interconnection Project consists of a six-mile transmission main and pumping station connecting the La Presa area of Spring Valley and Eastlake area of Chula Vista. He noted that a preliminary alignment for the pipeline is presented in Exhibit A of staffs' report. The new facility will provide the capability to convey potable water from the District's north service area to the District's south service area. He stated that this project will allow the District to reliably deliver water, for the first time, from any source to any part of the system during an emergency, a County Water Authority shutdown, or during normal operations.

He stated that the District requires a consultant to provide engineering design for this project. The project will also include environmental documentation, public outreach, property acquisition and minor other services. He indicated that a recommendation for the award of a contract for this same project was previously presented at an Engineering, Operations and Water Resources Committee held on July 28, 2010. The committee considered staffs' recommendation and directed staff to re-advertise the Request for Proposal (RFP) after revising the internal process for the selection of consultants. Staff revised the implementation guidelines and reinitiated the consultant selection process in accordance with Board Policy 21 on August 23, 2010. The District received Letter of Interests from fifteen (15) firms and four (4) firms submitted proposals on September 14, 2010.

He indicated that the proposals were evaluated and all firms were interviewed. Following the evaluation and interview process, Lee & Ro, Inc. received the highest score and provided the best proposal that represented the best overall value to the District. He stated that staff has worked well with Lee & Ro, Inc. on previous projects, including the 30-inch Dairy Mart pipeline and 36-inch Jamacha Road pipeline projects. In addition, staff contacted their references and received positive feedback. Staff recommends that Lee & Ro, Inc. be awarded a professional services contract for this project.

Director Croucher thanked staff for reviewing and enhancing the selection process. He stated that the committee wanted to assure that the selection process was fair and consistent and he felt that the process was improved. He stated that the committee is comfortable with this new process and noted that by rebidding the project, it not only did not set back the project schedule, but the District saved \$500,000 on the cost of the project.

Director Robak inquired if staff could provide him a map of the main transmission lines from CWA that was discussed in the report and how these lines will integrate into the District's system. It was discussed that a good portion of the pipeline goes through Sweetwater Authority's service area and staff worked with their staff and they are very familiar with the proposed alignment. Staff indicated that the presented alignment is one possibility, but staff will also look at various possible alignments (alignment study) and select the alignment that will be in the District's best interest in terms of right-of-way, environmental and public relations type issues.

President Bonilla inquired how the District will be able to control the consultant cost for the design of the pipeline project. Chief of Engineering Posada indicated that when the Request for Proposal (RFP) was prepared for the solicitation of design consultants for the project, it provided for specific tasks. The consultant's proposals are required to list the cost for each of these tasks. The District also prepares a Preliminary Design Report which identifies the cost for each specific task and is utilized as a guideline. General Counsel Calderon added that when the contract is prepared for the design services, it provides for a specific process when a complication/issue arises during the design of the project. This process is called the "change order process." There are very few reasons that allows for a consultant to deviate from the price that is quoted in their proposal. Any change in cost must be

processed through the “change order process” where staff would analyze whether the cost change is justified. It is this process that keeps costs within the bid price.

President Bonilla also inquired why this project was now a necessity. It was indicated that the District has been interested in connecting the North service area to the Central and South service areas for 20 years. Originally, the idea was to wait for the connection to come through Proctor Valley Road with the natural progression of development (Proctor Valley Road would connect to Jamul and into the North system once the areas were developed). With growth slowing, the District having a new robust connection with Helix in the North District and a possible desalination water source in the south, staff reevaluated the District’s capital project needs (CIP) and identified that a larger North-South connection would alleviate the need for some reservoir projects that were identified in the CIP. This would provide for a CIP cost savings of approximately \$10 million.

It was noted that due to the current economic slowdown, flexibility was provided for in the contract that allows the District to place the project on hold and bring it back at a later time in the future when growth returns. Should the design need modifications to fit future conditions, this cost is provided for in the contract.

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 staffs’ recommendation.

- b) APPROVE AN AGREEMENT FOR PROFESSIONAL ENGINEERING SERVICES WITH AECOM TECHNICAL SERVICES, INC. IN AN AMOUNT NOT-TO-EXCEED \$3,910,297.00 FOR THE OTAY MESA CONVEYANCE AND DISINFECTION SYSTEM PROJECT

Associate Civil Engineer Bob Kennedy indicated that the District identified alternative potable and recycled water supply sources should there be an extended drought or disaster that impacts imported water supplies. He noted that one of the recommendations within the District’s Integrated Water Resources Plan (IRP) is to explore the feasibility of a bi-national ocean desalination facility within Mexico. He indicated that staff has been meeting with State and local authorities of Baja California to discuss the feasibility of such a project and the project is currently high on the agenda in all levels of government in Mexico.

The Otay Mesa Conveyance and Disinfection System Project will provide for a potable transmission pipeline and pump station to convey desalinated water from the Mexico border to the District’s Roll Reservoir in Otay Mesa. Staff is requesting

that the Board approve a Professional Engineering Services Contract for the Otay Mesa Conveyance and Disinfection System Project.

Associate Civil Engineer Kennedy reviewed the selection process and indicated that the District received eight (8) consultant proposals. Staff conducted a review of the proposals and recommends that AECOM Technical Services, Inc. be awarded the consultant contract as they received the highest ranking and provided the best overall value to the District.

General Manager Watton indicated that if the project does not move forward, staff has negotiated into AECOM's contract a 30-day notice to terminate. General Manager Watton also noted that the District is not investing in the Mexico Desalination Plant. The District's interest is to purchase water from the desalination plant. Staff has met with United States officials regarding the project and has received positive responses. It is anticipated that the cost of the desalinated water from the Mexico plant, when it is available in 2015, will equal the cost of imported water from MWD and CWA.

Director Gonzalez inquired if the District would have the ability to resale the desalinated water to other water providers. General Manager Watton indicated that the District's preliminary discussions with the developers of the project have included the District's ability to resale the water regionally and throughout the United States. There are also some potential for river trades, etc., brokered by the District.

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

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

to approve staffs' recommendation.

10. BOARD

a) DISCUSSION OF 2010 AND 2011 BOARD MEETING CALENDAR

It was noted that the December board meeting has been canceled.

REPORTS

11. GENERAL MANAGER'S REPORT

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General Manager Watton presented his report which included the status of the 36-inch Potable Pipeline Project, presentation by staff of the Water Conservation

Division at the Water Smart Innovation Conference, that staff is in the process of developing the FY 2012-2014 strategic plan, the available alternative payment types for District customers, that staff is developing a new bill format, and the District's water consumption report (see attached copy of the General Manager's report for details). He also provided a copy of a handout from CWA's Imported Water Committee with regard to binational discussions related to a proposed agreement for Mexico to store water in Lake Mead, that California's consumption on the Colorado River is below its allocation and Mexico is requesting about 200,000 AF above their Colorado River water allocation for calendar year 2010 (copy of handout attached).

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher noted that Director Michael Hogan, Santa Fe Irrigation District, has been elected the new chair of CWA and, as the chair, he will be making new committee assignments. He stated that Mr. Dan McMillan, Director of Padre Dam MWD, was replaced by Mr. Jim Peasley, Engineering Manager at Otay Water District, on Padre Dam MWD's board.

12. DIRECTORS' REPORTS/REQUESTS

Director Lopez congratulated Director Gonzalez on his election to the board. He also indicated as the December meeting has been canceled, he wanted wish everyone an early happy new year and that he was looking forward to another great year.

Director Robak also congratulated Director Gonzalez on his election to the board. He congratulated Mr. Jim Peasley on his election to the Padre Dam MWD board. He also shared that he is taking a class at Cuyamaca College on sewer maintenance and the class was being held at Helix WD's operations center. He stated that the instructor indicated that Helix WD's water use per capita is 111/GPD versus Otay WD which is down to 137/GPD per capita. He indicated that Helix is anticipating their figure will go down further to approximately 100/GPD. He thanked staff who worked on the 36-inch pipeline project and its success. He lastly shared that he has been attending the Metro Commission meetings and felt that the operation of the Metro System is changing and that he felt it will produce better results and lowered costs.

13. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the month of October 2010 and indicated that on October 7 he met with the Ad Hoc Policy 42 Committee and the committee discussed Policy 42 and recommended that it be kept as is. He met with General Manager Watton, General Counsel Calderon and representative from the organization developing the Mexico desalination project on October 8. He also met with General Manager Watton on October 15 to discuss items to be presented at the October committee meetings. He attended the District's Finance, Administration and Communications Committee on October 19 and the committee

reviewed and made recommendation on items that were presented at today's board meeting. On October 26 he met with General Manager Watton and General Counsel Calderon to discuss the November board meeting agenda. He lastly shared that on October 29 he again met with representatives from the organization developing the Mexico desalination plant, General Manager Watton and General Counsel Calderon to discuss the desalination project.

14. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 4:55 p.m.

President

ATTEST:

District Secretary