

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 4, 2015**

1. The meeting was called to order by President Lopez at 3:34 p.m.

2. ROLL CALL

Directors Present: Croucher, Lopez, Robak, Smith and Thompson

Staff Present: General Manager Mark Watton, General Counsel Dan Shinoff, Asst. General Manager German Alvarez, Chief Financial Officer Joe Beachem, Chief of Information Technology Geoff Stevens, Asst. Chief of Administration and Information Technology Adolfo Segura, Asst. Chief of Operations Jose Martinez, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETING OF NOVEMBER 5, 2014

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

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

to approve the minutes of the regular board meeting of November 5, 2014.

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

- Ayes: Directors Croucher, Lopez, Robak, Smith and Thompson
- Noes: None
- Abstain: None
- Absent: None

to approve the following consent calendar items:

- a) AWARD A CONSTRUCTION CONTRACT TO FORDYCE CONSTRUCTION, INC. (FORDYCE) FOR THE 450-1 DISINFECTION FACILITY REHABILITATION PROJECT IN AN AMOUNT NOT-TO-EXCEED \$128,350
- b) APPROVE A NEW AGREEMENT FOR THE TEMPORARY DELIVERY OF EMERGENCY WATER TO MEXICO
- c) APPROVE THE DISTRICT CONTINUING ITS BANKING SERVICES RELATIONSHIP WITH UNION BANK AND DIRECT STAFF TO REVIEW BANKING SERVICES IN FOUR (4) YEARS WITH THE PERFORMANCE OF A PRICING REVIEW IN TWO (2) YEARS
- d) ADOPT RESOLUTION NO. 4267 TO REVISE BOARD POLICY NO. 47, POLICY AGAINST DISCRIMINATION AND HARASSMENT AND COMPLAINT PROCEDURE, OF THE DISTRICT'S CODE OF ORDINANCES

ACTION ITEMS

8. GENERAL MANAGER

- a) DISCUSSION OF WATER CONSERVATION GARDEN FUNDING

General Manager Watton indicated that Director Thompson is the District's representative to the Water Conservation Garden (WCG) Board and Director

Robak is the District's alternate representative to the WCG board. He stated that the Otay WD board has had discussions concerning the future funding by the District of the WCG as the WCG will be discussing their funding needs and determining the allocations for each of the WCG partners. That allocation will be discussed by the Otay WD board for inclusion in the Fiscal Year 2016 budget. General Manager Watton introduced Mr. John Bolthouse, Executive Director of the WCG, and indicated that he is in attendance of today's meeting to present his vision for the WCG for the next five (5) years.

Mr. Bolthouse thanked the Board for providing him the opportunity to present at today's board meeting. He stated that the WCG is celebrating its 16th Anniversary this year and is working on developing new programs and making improvements to the WCG. He stated that some of those improvements are not just additions to the Garden, but also maintenance needs as the facilities is aging. He indicated that maintenance is one of their biggest challenges and it is estimated that if the maintenance cost is allocated over a five-year period, it would cost between \$72,000 and \$76,000 annually. The WCG is making a lot of progress in becoming, as expected by the partners of the WCG, more self-sustaining. This fiscal year, the WCG objective for the first time in its history, is to get more of its funding from sources other than the water agency partners. He stated that this reflects a positive result of their efforts. The WCG hopes to maintain this momentum through the Otay WD and Helix WD, as founding members, support of the WCG. It is hoped that the founding members would set the tone for other water agency members and perspective members. He stated the WCG is a non-profit organization that is open to the public, provides a great resource and is worthy of continued support. It is requested that the water agency members would maintain their current level of support of the WCG at least for the next two years (FY 2016 and 2017). It is projected that in year four (4), the WCG will be close to self-sustaining and can absorb water agency funding cuts. Mr. Bolthouse indicated that he is honored to have a couple members of his Board of Directors in attendance of today's board meeting. He introduced the WCG Board President, Ms. Lisa Robertson, and Ms. Jan Tubiolo who is a member of the Board.

Director Croucher indicated that he was very pleased to see that Ms. Tubiolo is still part of the WCG Board. He stated that the WCG was also discussed at the San Diego County Water Authority (CWA) board meeting and Ms. Tubiolo was able to provide a tour. He thanked her for her involvement and dedication to the WCG.

Director Thompson indicated that his first involvement with the WCG was as an Alternate Otay WD Representative on the WCG Board approximately two (2) years ago and he was just recently appointed as the main Otay WD representative. He stated that Directors Lopez and Robak have also been representatives to the WCG.

Director Thompson indicated that the individuals involved with the non-profit group that runs the WCG are highly energetic and dedicated. He observed that

non-profits are a better vehicle for diversifying funding and for providing more potential for creativity. He stated that there is great promise in the WCG and with the contract ending, there has been some discussion in developing a better measurement system to ascertain which agencies' ratepayers are utilizing the WCG and if their visit encouraged them to make landscape changes. He indicated that, depending on the WCG programs, an agency may even decide to increase their funding of the WCG for purposeful programming within the agency's service area. He stated that there have been discussions with the WCG staff concerning this over the last year and a half and it is believed that there is a lot of promise in the WCG. He stated that he is supportive of the recommendation to maintain the level of funding support, with the understanding that the WCG would develop a program to collect WCG visitor statistics. He stated that he felt the WCG was moving forward in a very good direction and they not only can accomplish a great public mission, but also continue to provide a resource for the community.

Director Robak indicated that he felt that the WCG has been a valuable resource to not only Otay WD, but to San Diego County as a whole. He shared that Otay WD has performed customer surveys which have included information on the District's ratepayers use of the WCG and the landscape changes that they have made after visiting the WCG. He stated the conversion of landscapes is approximately 40 to 50% after visiting the WCG. He indicated that with the District's promotion of the WCG and ratepayers low per capita water use, it says something. He stated that he really supported the WCG. He also shared that he had a conversation with Mr. Keith Lewinger, WCG Board Member, and he discussed developing an outreach plan to invite high income residents of San Diego County to becoming *Friends of the Garden* members. The goal he envisioned was to eventually derive 50% of the WCG funding from other sources than the water member agencies. He stated that Drought is the number one issue in the State of California and there can be nothing more important than the mission of the WCG.

Director Smith indicated that he is very supportive of water conservation as it is the simplest way to reduce water use. He stated that educating the public in how to conserve through the WCG is the most effective way to encourage conservation. He indicated that education is a powerful way to spread the word and soon there will be a chain of people teaching each other how to conserve water. He stated that he certainly supports what the District has done in the past and he did not see why agencies would not want to support the WCG.

President Lopez indicated that he has been very supportive of the WCG since he became a member of the Otay WD Board fourteen (14) years ago. He stated that he had high hopes in certain people, in that, they would push the WCG to the next level. He indicated that he felt if the WCG had four (4) or five (5) Ms. Nora Jaeskes fourteen years ago, the WCG would be in very good shape today. He stated that the District's concern is that conservation should not be about turning off sprinkler systems, which has been the complaints of many neighborhoods as it impacts the look of the community.

He stated that a lot of work has been done by the member agencies to publicize the WCG so we may get full use of the WCG. The agencies need to have some indication that the WCG is being utilized and each agency is getting a return on its investment in the WCG. He stated that the District wants to be sure everyone is on the same page, as well, on the direction of the WCG.

Mr. Bolthouse indicated that he understands that it is very important to have the statistics to show that the agencies' investment in the WCG is a wise investment. He stated that a Program Analyst with Cuyamaca College will help facilitate a partnership with all the CWA member water agencies and help develop a Comprehensive Evaluation Plan. He noted that the WCG needs the member agencies help in outreach efforts and that the efforts need to be a partnership with the water agencies as sharing its resources through joint campaigns can make a big impact in the implementation plan. He also indicated that he can come back on a regular basis and, in particular, two years from now to discuss what has been accomplished at the WCG. He stated that he very much looks forward to having the statistics not only for the Otay WD, but for potential grant funding for the WCG. He thanked the Otay WD for allowing members of the District's staff to participate in the development of the Evaluation Plan and he is looking forward to sharing the plan at the upcoming WCG JPA board meeting.

Director Croucher indicated that he wished to note that this is not a competition and a cooperative effort between all botanical gardens would be very beneficial. General Manager Watton indicated in response to an inquiry from Director Thompson that the proposed WCG budget request would be included in the District's FY 2016 Budget for the board's consideration at the May 19, 2015 Budget Workshop/Special Board meeting.

President Lopez thanked Mr. Bolthouse for attending today's meeting and Mr. Bolthouse thanked the District and its Board for all their support.

9. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

- a) ADOPT RESOLUTIONS OF INTENTIONS, NOS. 4247, 4248, 4249, 4250, 4251, 4252, 4253 AND 4254, 4255, AND 4256 TO INITIATE THE PROCESS FOR THE EXCLUSION OF PARCELS WITHIN WATER IMPROVEMENT DISTRICTS (IDs) 1, 2, 3, 5, 7, 9, 10 AND 20, AND SEWER IDs 4 AND 14; CONCURRENT WITH SAID ACTION, ADOPT RESOLUTIONS OF INTENTION, NOS. 4257, 4258, 4259, 4260, 4261, 4262, 4263, 4264, 4265, AND 4266 TO INITIATE THE PROCESS FOR THE ANNEXATION OF THE EXCLUDED PARCELS IN WATER IDs 1, 2, 3, 5, 7, 9, 10 AND 20 AND SEWER IDs 4 AND 14 INTO WATER ID 22 AND SEWER ID 18, RESPECTIVELY

Finance Manager Rita Bell indicated that the District currently has nine (9) water improvement districts (IDs) and three (3) sewer districts. Staff is proposing that all water IDs be consolidated into ID22 and sewer IDs into ID18. IDs were

originally created as a means to achieve the lowest cost funding for the District. She stated with the passage of Proposition 13 in 1978 this financing mechanism became obsolete because it required a 2/3 vote to place items on the tax roll. The existing debt for these IDs, which were on the tax rolls, have been paid off and there is really no purpose to maintain the IDs. To consolidate the IDs, the District must detach parcels from their current ID and annex them into the new ID. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Ms. Bells report.

In response to an inquiry from Director Robak, staff indicated that the District will collect approximately \$6,000 more in availability fees from parcels within IDs 1 and 5 that are larger than one (1) acre. The largest parcel owner in ID 1 owns seven (7) parcels and his availability fee will go up approximately \$800. His total tax bill is approximately \$56,000. So this property owner will experience a 1.4% increase which is a relatively small increase. She noted that staff had reviewed all parcels to see which would be impacted by the consolidation of the IDs.

Director Thompson requested that the Proposition 218 notices indicate clearly that there is no change/increase in the availability fee. Director Smith requested that staff discuss in the notices why the District is consolidating the IDs; i.e., streamlines District accounting, tracking, mapping, communications with other agencies, etc. General Manager Watton indicated that the vast majority of customers will not be impacted by the consolidation and that staff will work on the language to make that very clear. There are some specific legal requirements, however, and staff will work within those requirements when drafting the language for the notices. Director Croucher cautioned staff to be careful to not let the board's comments change the notices message drastically which wasn't the District's intention.

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

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

to approve staff's recommendation.

10. BOARD

a) DISCUSSION OF THE 2015 BOARD MEETING CALENDAR

District Secretary Susan Cruz noted that dates for meetings of the District's committees have almost been confirmed. To date, the Engineering, Operations and Water Resources Committee has been calendared on March 12, 2015. She also noted that the Special Board meeting to discuss the FY 2016 budget has been scheduled on May 19, 2015.

There were no changes to the board meeting calendar.

INFORMATIONAL ITEM

11. THE FOLLOWING ITEMS IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEMS:

- a) UPDATE REPORT ON THE FINANCING OF THE CAMPO ROAD SEWER MAIN REPLACEMENT PROJECT THROUGH CALIFORNIA'S CLEAN WATER STATE REVOLVING FUND (CWSRF)

Finance Manager Kevin Koeppen indicated that this is to provide the board a briefing on the process to obtain debt financing through the California's Clean Water State Revolving Fund and receive any comments or questions that the board might have concerning the process. He indicated that during the FY 2015 budget process, staff had identified the need for the District to borrow \$3.8 million for sewer facilities. In developing the FY 2016 budget, staff estimates that the funds will still need to be borrowed. The District is pursuing the State Revolving Fund financial option due to its low interest rate and low cost of issuance. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Mr. Koeppen's report.

In response to an inquiry from Director Robak, Sr. Civil Engineer Steve Beppler indicated that the criteria for funds is that it must be used for capital infrastructure and potential projects are evaluated based upon need, protection of environmentally sensitive areas, etc. There is a 20-year pay back on the loan. In staff's discussion with the State, they indicated that the District's sewer project was a good fit and a potential candidate for the funding. Staff indicated that they do not anticipate any other borrowing needs for the next five (5) years, but they would continue to look at the California Clean Water State Revolving Fund for any borrowing needs in the future.

- b) SECOND QUARTER OF FISCAL YEAR 2015 CAPITAL IMPROVEMENT PROGRAM REPORT (MARTIN)

Engineering Manager Dan Martin provided an update on the District's second quarter of FY 2015 Capital Improvement Program. He indicated that the FY 2015 budget is divided into 73 projects totaling \$10.6 million. The overall expenditures through the second quarter are \$3.1 million which is approximately 30% of the FY 2015 budget. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Mr. Martin's report.

In response to an inquiry from Director Robak regarding the location of the Campo Road Sewer Replacement Project, Sr. Civil Engineer Beppler indicated that the District is currently at 30% design on the project and has completed a preliminary design report. The project location starts at the shopping center at

Avocado Boulevard and follows Campo Road to the church and will be tied into the 27" sewer main at the TGI Friday's Restaurant. The District is consolidating the sewer lines into one line. The current line is undersized at 10" and the new line will be upsized to 15". The lines being replaced were built in the 1960's.

Director Thompson requested a tour of the CIP projects that are within his division. He stated, at the appropriate time during construction, he would also like to visit the 450-1 Disinfection Facility Rehabilitation Project (item 6a on today's agenda). He stated that it helps him to have a mental picture of the District's water systems.

Director Smith encouraged staff to find ways to meet the CIP expenditure targets. He commended staff on the District's change order rate. He stated that it was very impressive and it was something to be proud of.

a) MID-YEAR STRATEGIC PLAN REVIEW

Chief of Information Technology Geoff Stevens provided a mid-year status report on the District's Strategic Performance Plan for FY 2015. He stated that 100% of the District's Strategic Plan objectives were above target with all 19 items completed or on schedule. The target was 90%. He also indicated that 39 of 46 of the performance measures, or 85%, were on or above target. The target was 70%. He reviewed in detail the results of the each of the objectives and performance measures. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Mr. Steven's report.

Director Croucher suggested that a chart showing projected versus actual for each objective and performance measure for each quarter would be helpful to see trends in the measurements. Staff indicated that they would add the information to future presentations.

In response to an inquiry from Director Robak, Chief of Information Technology Stevens indicated that staff will be bidding the Customer Satisfaction Survey and is currently finalizing the requirements for the survey. General Manager Watton indicated that CWA performs a similar survey and staff wanted to see what questions they will have in their survey as the District may want to expand or redirect some of the questions. Staff is also looking at how it can maintain a scientific survey as it needs to contact customers randomly, but we do not always have contact information and would need to solicit the information. Staff is taking another look at this issue before moving forward with the survey.

Director Robak indicated that the District's per capita water use is 130 gallons per day (GPD), which is much below the goal of 172 GPD. He felt that this measurement is becoming meaningless as the District is already much below its goal. General Manager Watton indicated that the District is measuring against the State requirement. Director Croucher inquired if the District really wants to set the target lower than the State requirement, because if the District is very successful in encouraging customers to reduce their water use, then the District

may have to increase its rates as revenues will drop as less water is sold. He stated he believes in conservation, but not to be so successful that we have to punish the District's customers. He stated that the target is not meaningless as the District's desire is to meet the State goal.

REPORTS

12. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher indicated that he will be travelling with the CWA delegation to Sacramento along with the Chamber of Commerce on April 17 to 18 to discuss specific water issues. He indicated that an agenda item was discussed at MWD today regarding a one year contract for \$5.1 million for public outreach on water conservation. He stated this figure includes the purchase of airtime (TV, radio, etc.) and that Mr. Keith Lewinger, Carlsbad MWD representative on CWA, will be reporting back to CWA's board the amount of San Diego County's contribution to the contract and how much of the funds San Diego would receive back to spend within the County. MWD indicates that the contract amount is high because it is very costly to purchase airtime on TV and radio. He also shared that the item receiving the most discussion this month is CWA's involvement in electrical production and if it really within CWA's core responsibility. There was discussion on what will occur if one of the member agencies wished to opt out of CWA expanding its role to participate in the power industry. He stated that this will be an ongoing discussion. He lastly shared that all CWA committees are currently updating their goals and objectives for the year and, hopefully, next month there will be some announcements on the appointments that have been made to CWA's committees.

General Manager Watton indicated that CWA will be presenting its Fiscal Sustainability Report and none of the member agencies are really happy with the outcome, which means it is likely a good compromise between CWA's member agencies. He shared that the Carlsbad Desalination Plant project is going well and is on target to start delivering water in November 2015. He indicated that the CWA received a 20% allocation from the State Water Project. He noted that this year's snowpack is very low and very little water will be derived from snow this summer. He stated that snow water provides approximately 30% of the State's water supply and indicated that it is felt that the State is approaching the 1970's drought level and has already surpassed the 1991 drought.

He lastly reported that CWA will likely have some allocations from MWD and one of the key objectives of CWA's representatives to MWD is getting MWD to guard their storage. MWD used one (1) million acre feet (AF) of storage last year to avoid allocations. MWD has approximately 1.2 million AF left and they are discussing using approximately 700,000 AF this year. CWA feels that that is approaching "reckless" territory with regard to storage and feels that the use of 200,000 to 300,000 AF is more reasonable as we are not certain when the

drought will end. If MWD only utilizes 200,000 to 300,000 of storage and everything else falls into place, then CWA is looking at a 10 to 15% allocation. He noted that Otay WD is sitting fairly well and will not have the same constraints as the Rancho Sante Fe ID. It is anticipated the allocation discussions will occur at MET in April and any allocations will be effective July 1, 2015.

General Manager Watton presented information from his report that included an update on CWA's ten-day shutdown, new hires/promotions, Operating Budget Excellence Award and Capital Budget Excellence Award for FY 2015 from the California Society of Municipal Finance Officers, AWWA selecting Lead Meter Maintenance/Cross Connection Worker Shannon Coffin to present at their annual conference, the 927 Zone Forcemain Assessment and Repair Project and the 870-1 Reservoir Access Road Paving Project.

Director Croucher stepped off the dias at 5:14 p.m. and returned at 5:16 p.m.

In response to an inquiry from Director Robak, staff indicated that the washing machine rebate is promoted on the District's website and customer newsletter.

General Manager Watton indicated in response to an inquiry from Director Thompson that staff is very aggressive throughout all departments to look for new technologies that would be beneficial to the District. The District's staff is always looking for innovative projects or procedures that would enhance the District's efficiency. In response to another inquiry from Director Thompson, staff indicated that staff does not graph how much recycled water is produced and used annually. The total Otay flow this past month was 1.09 million GPD (MGD) of which 518,964 MGD is processed by the District's Ralph Chapman WTP. Director Thompson requested if staff could graph the information annually.

13. DIRECTORS' REPORTS/REQUESTS

Director Smith indicated that he will be attending the CSDA Governance Foundation Training on March 24. He stated that by taking the training it would allow the District to renew its accreditation as a District of Distinction through the CSDA and provide for liability insurance discounts from SDRMA.

Director Robak indicated that he had run into Mr. Steve Miesen, head of Allied Waste (in Southbay), at the Lincoln Club and he spoke with him about their low rates for trash services. He indicated that the paper confirmed that Allied Waste's rates is the lowest in San Diego. He also shared that he had run into former District Director David Gonzalez and discussed with him his new businesses.

14. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of February 2015 (a list of meetings he attended is attached).

15. CLOSED SESSION

The board recessed to closed session at 5:30 p.m. to discuss the following matter:

- a) PUBLIC EMPLOYEE PERFORMANCE EVALUATION: PERIODIC AND CUSTOMARY REVIEW IN DUE COURSE [GOVERNMENT CODE §54957.6]

TITLE: GENERAL COUNSEL

The board reconvened at 6:04 p.m. and General Counsel, Mr. Dan Shinoff, reported that the board met in closed session and took no reportable actions.

16. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 6:04 p.m.

President

ATTEST:

District Secretary

President's Report
March 4, 2015 Board Meeting

A) Meetings attended during the Month of February 2015:

- 1) **February 2: Attended a meeting of the District's Ad Hoc Salt Creek Golf Course Committee.** Attendees: Director Thompson, General Manager Watton, Chief Financial Officer Beachem, Finance Mgr. Koeppen
- 2) **February 4: Attended the District's Regular Board Meeting.**
- 3) **February 5: Attended a meeting of the Metro Commission**
(see attached agenda)
- 4) **February 6: Attended the Mendez Strategy Group's Abondigas South County Meeting.** Guest Speaker: City of Chula Vista Mayor, Mary Casillas Salas
- 5) **February 11: Attended a meeting of the District's Ad Hoc Salt Creek Golf Course Committee.** Attendees: Director Thompson, Chief Financial Officer Beachem, Finance Mgr. Koeppen
- 6) **February 13: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the February committee meetings.
- 7) **February 18:**
 - a. **Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the March board meeting.
 - b. **Attended, via teleconference, a meeting of the District's Ad Hoc Salt Creek Golf Course Committee.** Attendees: Director Thompson, General Manager Watton and Chief Financial Officer Beachem
- 8) **February 20: Attended the Chula Vista Chamber of Commerce Annual Installation Dinner.** Attendees: Directors Thompson and Smith, and Richard Romero.
- 9) **February 28: Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the March Board Meeting.