MINUTES OF THE
SPECIAL MEETING OF THE BOARD OF DIRECTORS
OTAY WATER DISTRICT
August 7, 2006

1. The meeting was called to order by President Bonilla at 3:35 p.m.

2. ROLL CALL

   Directors Present: Bonilla, Croucher, Breitfelder, 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 Operations Pedro Porras, Chief of Engineering Rod Posada, 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 Robak and carried with the following vote:

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

   to approve the agenda.

5. 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.

<u>INFORMATION / ACTION ITEMS</u>

6. DISCUSSION OF THE DISTRICT'S INTEGRATED WATER RESOURCES PLAN

   Mr. Dan Rodrigo, CDM, indicated that he would be serving as a facilitator for the workshop. He stated that the purpose of the workshop was to provide a status

report on the Integrated Water Resources Plan (IRP) and to get the board's feedback on the process followed, thus far, by staff and the District's consultant. He introduced the consultant team from CDM, Mr. Mike Savage, Project Manager; Enrique Lopezcalva, Task Manager; and Salvador Lopez, Water Supply Analyst and Engineering Feasibility.

General Manager Watton indicated that agencies of the District's size traditionally have not done IRP's because of the cost and the lack of necessity. He stated that IRP's are generally prepared by large agencies such as San Diego County Water Authority (SDCWA) and the Metropolitan Water District (MWD). Today, it has become a necessity especially due to the District's growth. He presented a slide indicating the District's IRP mission:

> "To find the best mix of imported water, local supplies and conservation to meet demands in a cost-effective manner while also incorporating environmental impacts, implementation risk, and other factors."

He noted that in 2005, 59% of the district water supply was provided through treated imported water from SDCWA and 3% by recycled water and it is expected in 2010 that treated water supplies from SDCWA would only represent 25% of the district's water supply and recycled water would increase to 16% of the District's water supply. He stated that local agreements for treated water would grow from 38% in 2005 to 59% in 2010. The District has been addressing water supply needs through 2010, but now needs to explore other opportunities following 2010. He stated with the growth occurring in the District, water demands will grow from 38,000 acre feet (AF) in 2005 to 82,000 AF in 2030. He indicated that the District must determine how it would provide adequate water service through the best resources that is the most cost effective.

General Manager Watton indicated that the District teamed with CDM to address this long term water supply needs and explore options. As an industry leader, CDM's experience and insight will assist the District in developing a first rate IRP. He stated that an IRP would also position the District to achieve grants and bond funding for its projects. He stated the IRP is a foundational document for the District similar to the Strategic Plan, budget, Urban Water Management Plan, etc., and serves to provide the public information on what the District's goals are with regard to future water resources. He stated that the document would serve the District into the future and it would be updated periodically.

Mr. Savage indicated that the IRP is not a master plan but a resources plan. It determines long term strategies showing trade-offs between different supply and demand options. He stated that the IRP guides your master planning for specific facilities and CIP development. He stated that the main features of an IRP are that it:

- Is open and a participatory decision/process
- Looks at planning scenarios that incorporate uncertainty and risk

- Considers the institutional context (regulatory and legal impacts)

He noted that Otay is progressive in applying this approach to a smaller agency and that it will help the district achieve future state and federal funding sources as they are requiring integrated plans.

He reviewed the process in developing a successful IRP. He stated that the District must look at its supply options (building blocks) and formulate alternatives (a combination of supply options) as not one option will meet all the District's needs. He stated that the District at the same time must also look at its objectives, then determine what it is trying to measure and how successful the alternatives are in meeting needs. He stated that CDM utilizes a software program called STELLA to evaluate supply reliability, cost, water quality, agreements the district holds, and environmental impacts based on goals (i.e., maximize recycled water, maximize imported water or maximize conservation) and see how the various options score. This information is then input into Criterium Decision Plus (CDP), a multi-criteria ranking software which allows them to look at the District's objectives and compare the various options scores and rank the alternatives and develop a preferred strategy. It was noted that this software would be turned over to staff for their long term use.

President Bonilla inquired how and who would maintain the CDP database once it was turned over to staff. It was noted that the District has staff that is already familiar with the database software and analysis and the system is very user friendly and would be easy to maintain. It was noted that the database would not require day-to-day maintenance. General Manager Watton indicated that the software was a good analytical tool to help obtain a result, but it did not replace judgment or local knowledge. The decision would ultimately be made by the board and staff. The tool, however, provides the documentation and back-up in demonstrating how the decision was made.

Mr. Lopezcalva reviewed the planning terminology as it relates to the development of the IRP:

- *Objective*: the goals that define the essential purposes of the IRP in broad overarching terms (the why)
- *Sub-objective*: further defines the meaning of the planning objectives
- *Alternatives*: The means of accomplishing the objective (the how, which includes different types of supply options)
- *Performance Measures*: The quantifiable indicators of how well an alternative meets the objectives

He reviewed the objectives of the IRP in detail:

- *Objective*: the goals that define the essential purposes of the IRP in broad overarching terms (the why)
    - To meet or exceed water quality standards and guidelines

    - To meet current and future drinking water standards
    - Address compatibility of new sources with current imported supply
    - Meet TDS goals for recycled water, potable water and Basin Plan
    - Minimize potential issues due to disinfection method
- Maintain affordability
    - Minimize impacts to an average single-family customer
    - Manage capital costs
- Achieve supply reliability
    - Meet demands under normal conditions
    - Meet demands under drought conditions
    - Minimize impacts under emergency conditions
- Increase system flexibility
    - Increase number of take points and alternative flow routes (ability to move water)
- Increase supply diversity
    - Maximize number of sources and reduce contribution of largest source
- Address environmental and institutional constraints
    - Minimize environmental permitting requirements
    - Minimize institutional coordination and implementation requirements (Local/State/Federal/International)
    - Maximize customer acceptance
    - Minimize regulatory constraints
    - Minimize uncertainty of new technologies

President Bonilla inquired as to what was meant by the uncertainty of new technologies. Mr. Lopezcalva indicated that this refers to ideas that seem possible, but have not yet been proven that it could be done. One such example is bringing water from Alaska via tankers to Southern California. This has not actually been done so it is not yet been proven as a possible source. He noted that it is not being looked at as an alternative by the District, but is one such example. Another might be new desalination technology that has not yet been proven. Mr. Lopezcalva indicated that one option that falls under the sub-objective that is applicable to the District is the desalination of brackish water and how the brine would be managed. He indicated that it must determine if the technology would allow for a zero discharge of brine and if not, how would the brine be handled.

Director Breitfelder asked if there were some criteria that alternatives must meet. Mr. Rodrigo indicated that alternatives must meet Federal/State Standards for drinking water. They also would not propose reservoirs which would be challenged by environmentalists because it would destroy protected species at the site proposed.

Mr. Rodrigo distributed a weighting form to each director in which they would indicate the objectives which is of most importance to each. He also requested that each director complete the second page of the form in which they split a 100 points among the sub-objectives listed in accordance to their belief of their importance/priority.

The board recessed at 4:24 p.m. to complete their rating of objectives and reconvened at 4:31 p.m.

Engineering Manager Jim Peasley reviewed the options for current and future water supplies to Otay. He noted the district's existing sources of water supplies:

- Imported water through Helix WD's Levy WTP (potable)
- District's Chapman Recycled WRP
- Imported water though CWA (potable)
- Treated Water from the Lower Otay Treatment Plant from the City of San Diego (potable)
- Reclaimed water from the South Bay Recycled WRP

He indicated the potential sources for additional water supplies (building blocks):

- Groundwater from the Tijuana River Valley
- Joint desalination [project in Rosarito Beach, Mexico
- Groundwater from the Otay Mesa well
- Additional conservation
- Reclaimed water to areas currently not served (north part of the District)
- Additional reclaimed water from the South Bay WRP (new agreement with the City of San Diego)
- Groundwater from the San Diego formation
- Water Transfers from various sources:
- Joint SDCWA desalination

Mr. Savage indicated that his firm worked with staff and they identified 30 options for addressing future water needs and agencies and cities in which potential partnerships might be sought to acquire these future water sources. Slides were presented showing schematics of improvement efforts for both potable and reclaimed water to the District's facilities through 2010. Mr. Savage indicated that the current improvements would provide the basis for evaluating supply options beyond 2010. He stated that the program STELLA is then is utilized to develop the water systems model. Mr. Savage indicated that two-page summaries were developed to describe the source, what the alternative will accomplish, the required water rights and infrastructure, the cost and issues that could arise.

Director Robak inquired if the scenario options had already been developed. Mr. Savage indicated that they have not yet been developed. Today, they were working with the board on balancing objectives and options. He stated in the

next week or two they will take the board's options and objectives and formulate alternatives from the board's preferences. Then they will evaluate the alternatives in terms of the District's objectives.

Director Robak indicated that he stilled wished to keep the options open. Mr. Rodrigo indicated that they could do that as the system was not closed. Mr. Savage indicated that they were ready to build the systems model with the options that currently exist, but they have not yet requested that the system turn the options into alternatives until the board's preferences have been received.

Mr. Rodrigo indicated that they felt this was a good point to get the board's feedback. He stated that they felt that before they move forward, they wished to assure that the board is comfortable with what has been accomplished thus far.

President Bonilla inquired what would occur if the outcome of the IRP is not in line with the District's Strategic Plan. Mr. Rodrigo indicated that he would hope that they would be complimentary. However, if they are not, General Manager Watton indicated that the District would need to adjust the plan and true it up.

Mr. Savage indicated that while his team works on the results of the board objective rankings, they would review what the next steps were for the IRP. General Manager Watton indicated that the IRP is a good indicator that we are all moving in the same direction. He stated that it would prioritize the projects that the District will need to focus on. Mr. Savage presented a slide showing the IRP project schedule and the tasks they must accomplish in preparing the IRP (see attached copy of presentation) and indicated that the District was in task 3.5 which is to "Develop and Evaluate Alternatives." He stated that they have collected the data and following this meeting, they would work on formulating the alternatives. General Manager Watton indicated the Engineering Department historically has always kept current on all the possible alternatives resources available to the District. However, the IRP would take this knowledge to a more sophisticated/higher level where we now start to weight and balance the alternatives.

Director Robak inquired what time period was being planned for in the IRP. General Manager Watton indicated that it is looking through 2030. Director Robak also inquired what was budgeted for the IRP. Engineering Manager Peasley indicated that the District has budgeted $250,000 for the IRP.

Mr. Lopezcalva presented the results of the board objective rankings. He indicated that the objective to "meet or exceed water quality standards and guidelines" was the top ranked objective and the lowest ranking objective was to "address environmental and institutional constraints." He indicated that four directors ranked "meet or exceed water quality standards and guidelines" as their number one objective and one director ranked "achieve reliability" as their number one objective.

Mr. Lopezcalva indicated when the top two objectives are reviewed, “increase diversity” appears as a top two objective tying with “achieve reliability.” He stated when reviewing the top three objectives “meet or exceed water quality standards and guidelines” and “achieve reliability” were tied as the top priorities among the board members. Second place among priorities was “increase diversity” and the third place was “maintain affordability.” President Bonilla indicated that this should fit with other District planning documents. It was noted that it did.

Mr. Lopezcalva then presented a graph showing a comparison of board versus staffs’ objectives average weighting. He noted that the board and staff had very similar average weights for the “achieve reliability,” “maintain affordability,” “increase flexibility” and “increase diversity” objectives. He stated that there were differences in the average weighting for the objectives “meet or exceed water quality standards” and “address environmental and institutional constraints.” President Bonilla indicated that this was understandable as staff does all the research and background work, so they have a different perspectives.

Director Robak indicated that the District recently completed a customer survey in which reliability and affordability were explored with the District’s customers. He inquired if anyone recalled what the District’s customers’ top concerns were. He thought they were quality, affordability and reliability. President Bonilla indicated that he believed the customers’ top priority was reliability and safety. Mr. Rodrigo noted that customers would also be influenced by current circumstances such as a drought and “boil water” notices.

Mr. Rodrigo inquired if the objective weightings seemed reflective of the board’s values. The members felt that it was. Director Croucher indicated that he did have another issue that he felt should be taken into consideration with regard to objectives. He stated that the District could be meeting all legal standards of water quality, but what if the customer was not happy with the product being delivered because of the smell, taste, color, etc. of the water. He stated that he felt these issues should be taken into consideration as well. Mr. Lopezcalva indicated that the District could integrate the issue into the objective “meet or exceed water quality standards and guidelines” by adding “for aesthetics.”

Director Breitfelder inquired if they could present staffs’ objective weightings and their opinion of their rankings. Mr. Rodrigo reviewed staffs’ rankings and indicated that he was personally surprised that a member of the staff ranked water quality at “zero.” He stated that he was not surprised by the other rankings. Mr. Rodrigo indicated that the individual may be seeing water quality as a given and, thus, did not give the item importance.

Director Robak inquired when Mr. Rodrigo’s team reviews the various options, would they also take into consideration the cost effectiveness of the options. Mr. Rodrigo indicated that, yes, they do look at the economic element of alternatives. They also look at the cost versus the flexibility of alternatives.

7. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:11 p.m.

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President

ATTEST:

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District Secretary