

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
June 6, 2007**

1. The meeting was called to order by Vice-President Lopez at 3:33 p.m.

2. ROLL CALL

Directors Present: Bonilla, Breitfelder, Lopez and Robak

Directors Absent: Croucher

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, Engineering Manager, Ron Ripperger, 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, Payroll/AP Supervisor Sean Prendergast, 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 Bonilla and carried with the following vote:

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

to approve the agenda.

5. APPROVAL OF MINUTES

A motion was made by Director Breitfelder, seconded by Director Bonilla and carried with the following vote:

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

to approve the minutes of the regular board meeting of March 7, 2007.

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 Breitfelder, seconded by Director Bonilla and carried with the following vote:

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

to approve the following consent calendar items and pulling Agenda Item 6(f) for discussion:

- a) APPROVE A BLANKET PURCHASE ORDER TO KIRK PAVING FOR AS-NEEDED ASPHALT PAVING SERVICES FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2008 IN AN AMOUNT NOT TO EXCEED \$175,000
- b) INFORMATIONAL ITEM ON OTAY WATER DISTRICT'S BID PROCESS FOR THE CONSTRUCTION OF CAPITAL IMPROVEMENT PROJECTS
- c) AWARD A CONTRACT TO ENVIRONMENTAL FABRICS, INC. FOR THE MAINTENANCE OF FLOATING RESERVOIR COVERS IN THE AMOUNT OF \$164,400
- d) UPDATE ON THE 36-INCH PIPELINE, SAN DIEGO COUNTY WATER AUTHORITY OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT
- e) ADOPT ORDINANCE 511 AMENDING SECTION 27, REQUIREMENTS AND LIMITATIONS FOR OBTAINING WATER SERVICE, OF THE OTAY WATER DISTRICT CODE OF ORDINANCES
- g) INFORMATIONAL REPORT ON INVESTMENT STRATEGY AS IT PERTAINS TO CERTIFICATES OF DEPOSITS

Agenda item 6(f) was pulled for discussion as follows:

f) INFORMATIONAL REPORT REGARDING A REQUEST BY THE SYCUAN BAND OF THE KUMEYAAY NATION TO ANNEX INTO THE OTAY WATER DISTRICT SERVICE AREA

Director Breitfelder requested that Agenda item 6(f) be pulled for discussion. He indicated that he felt that this item is potentially a historic issue for the District and he would like more background information.

General Manager Watton indicated that this item is to make the Board aware that staff is in discussions with the Sycuan Band of the Kumeyaay Nation and their desire for water and sewer services to their 640 acre reservation. This acreage is in the special study zone with LAFCO and may be annexed to either Padre Dam MWD or Otay. The tribe made a business decision to approach Otay for annexation. He indicated that staff is following the usual annexation process for Sycuan as it follows for any other annexation processed for developers or homeowners. There are no special arrangements or fees for Sycuan. He stated that staff wished to make the board aware of any discussions with Sycuan as sometimes there are some political implications with tribal annexations.

He indicated that the tribe had approached Otay five or six years ago regarding annexation but there were some concerns about sovereignty and the requirements to annex into a utility district. The tribe has resolved these issues and realizes that their sovereignty is not at issue although they do have to subject themselves to the regular policies, procedures and fees of the District. It is expected that the LAFCO process will take two years. If there are delays in the process, it could take three to four years.

Director Robak asked if the local planning groups have been apprised of this annexation with respect to the potential for sewer service availability to Jamul residents. General Manager Watton indicated that the annexation addresses the provision of water and sewer services to the reservation so the planning groups are not involved. However, the LAFCO process is a very public process. There will be notices posted so residents and/or planning groups will be aware of the potential annexation. As far as land use on the reservation, planning groups will not have a say. Through the LAFCO process, the sewer service could possibly be restricted for use by other land uses in the area.

## INFORMATION / ACTION ITEMS

### 8. ENGINEERING AND WATER OPERATIONS

a) FISCAL YEAR 2007 THIRD QUARTER CIP REPORT (POSADA / SIMMONS)

Engineering Manager, Ron Ripperger, presented to the Board the Fiscal Year 2007 Third Quarter CIP update which highlights the status of CIP expenditures, significant issues and progress milestones on major projects.

He indicated that the 640-1 and 640-2 reservoirs project is one of the District's largest projects. The contractor has done a significant amount of earthwork and is in the process of pouring the foundation for the first reservoir.

The 680-1 Recycled Water Pump Station is complete and the District celebrated the dedication and grand opening on June 1, 2007.

He stated that staff had prepared a six-year rolling CIP report and this presentation is the quarterly portion of that report. He indicated that the report includes details regarding the budget, allocation of funds, project costs, location, description, justification and scheduling. This fiscal year there are 91 projects totaling \$37.1 million.

Overall, expenditures through the 3<sup>rd</sup> Quarter are approximately \$22.9 million which is 82% of the targeted expenditures for this quarter. Construction change orders are low at 1.09%.

A map listing the major CIP projects with a legend of the different phases of construction was presented. Some of the flagship CIP projects in construction were highlighted. They are:

- 450-1 Reservoir and 680-1 Recycled Water Pump Station. The reservoir and the pump station are substantially complete. The project is expected to be completed in June 2007.
- SR-905 Utility Relocations project was started in September 7, 2006 and is expected to be completed in the Fall of 2007. This project includes the relocation of three pipelines crossing under SR-905.
- LOPS Access Road project started in January 2007 and was completed in March 2007.
- The 640-1 and 640-2 reservoirs project consists of construction of two 10 million gallon circular concrete reservoirs. Expected completion is August 2008.
- 30-inch Recycled Water Pipeline Project was completed in May. This project consists of six miles of 30-inch pipeline for recycled water from the City of San Diego's South Bay Water Reclamation Plant to Otay's 450-1 Reservoir and 680-1 Pump Station.
- Negotiations are still underway with the City of San Diego and the SD17 Agreement regarding acquiring at least 30 million gallons per day of local treatment capacity from the City of San Diego from its Water Treatment Plant.

- Staff is preparing the preliminary design report and reviewing alternative alignments for the 36-inch pipeline project from FCF No. 14 to the Regulatory Site. Design is on schedule.

A chart was presented showing the status of consultant contracts through March 31, 2007. The chart lists the projects and the stage of each project i.e. planning, design, public services, construction/inspection and environmental.

There was discussion regarding determination of the final alignment for FCF 14. Staff indicated that a meeting will be held with Cuyumaca College to determine the best alignment around the college. It was noted that there is a preserve in the path of the alignment that staff would prefer not disturb.

Director Lopez inquired as to the status of the punch list for the 36-inch recycled pipeline. Staff indicated that the punch list is complete and the Notice of Completion has been filed with the County Recorder's Office. The project is currently in the one-year warranty period.

## 9. ADMINISTRATION AND FINANCE

### a) FISCAL YEAR 2007 THIRD QUARTER DIRECTORS EXPENSES UPDATE (PRENDERGAST)

Payroll and Accounts Payable Supervisor, Sean Prendergast, indicated that Policy 8 of the District Code of Ordinances requires that staff present a quarterly update of Directors' expenses and per diems. He indicated that this item was also reviewed by the Finance, Administration and Communications Committee at a meeting held on May 22, 2007.

He presented slides showing in detail each director's expenses for the third quarter of fiscal year 2007 (January to March 31, 2007) and total expenses for each. He indicated that the total board of directors' expenses and per diems for the third quarter was \$8,779.91. The total expenses and per diems to date for fiscal year 2007 is \$19,532.84. Staff projects that the total at the end of fiscal year 2007, July 1, 2006 through June 30, 2007, to be \$26,044.00.

### b) APPROVE THE ISSUANCE OF NINE (9) PURCHASE ORDERS TO VARIOUS VENDORS FOR THE PROVISION OF EQUIPMENT AND SOFTWARE MAINTENANCE SUPPORT; GIS SOFTWARE LICENSES AND SOFTWARE INTEGRATION SERVICES; COMPUTER HARDWARE, A TAPE LIBRARY AND STORAGE AREA NETWORK DEVICE; NETWORK MONITORING AND SUPPORT SERVICES; TELEPHONE, CELL PHONE AND INTERNET SERVICES; BILL PRINTING SERVICES; NETWORK DESIGN AND IMPLEMENTATION SERVICES; AND RECORDS SCANNING AND STORAGE SERVICES; TOTALING APPROXIMATELY \$594,000 FUNDED THROUGH THE

PROPOSED FISCAL YEAR 2008 OPERATIONS BUDGET AND  
\$324,000 FROM THE PROPOSED CAPITAL BUDGET (STEVENS)

General Manager Watton indicated that this item was considered and approved by the Finance, Administration and Communications Committee. However, due to the detail and amount of each item, the committee recommended presentation to the full Board.

Chief of Information Technology Geoff Stevens indicated that staff is presenting the proposed technology expenses that exceeds the General Manager's authorized approval limit of \$50,000 for the board's approval. He stated staff wished to provide the Board a better overall view of the costs for the equipment and services required to support the daily operations of the District's information and customer billing systems. He stated that all items presented have gone through the formal competitive bid process and are contained within the FY08 budget that was recently approved.

Director Bonilla requested a breakdown of costs for each item listed in the staff report. Mr. Stevens indicated that there is a summary listed on page three of staffs' report and he would review each item listed in detail for the board. He stated that the first item for Eden Software Licenses in the amount of \$105,000 is for the software licenses for the District's financial billing, payroll and permitting system. He noted that is part of a standard maintenance agreement which is 20% of the purchase price of the system.

The \$70,000 fee to DCSE is for two items: 1) licenses to run the GIS viewer software on the field mobile laptops; and 2) integration consulting services required by DCSE to assist with the integration between the GIS software and the work management software.

The DataProse contract of \$130,000 is for bill printing and covers all costs associated with printing 600,000 bills forwarded to customers each year.

The AT&T annual fees, \$90,000 of the \$115,000, is for the District's contract for telephone support and internet connectivity.

The \$72,000 requested for Verizon Wireless is for services for cell phones, blackberry phones, and air-cards for the field mobile laptops.

There are two components to the Network Insight fee of \$90,000. One is the 24/7 monitoring of all of the devices within the data center. This avoids the District from having a 2<sup>nd</sup> or 3<sup>rd</sup> shift to monitor the District's system. The fee also includes up to 100 hours of support services for miscellaneous network maintenance services.

Carmel Business Systems of \$12,000 (of a \$100,000) is for annual support for the records management function.

The Softchoice fee of \$165,000 is for the purchase of two pieces of computer hardware; a tape back-up library and a storage area network device that will be added to the system. The second storage area network device will allow staff to store and back-up data. Also included in the fee is some labor associated with the implementation of the new system.

The Logicalis fee of \$75,000 includes \$25,000 for labor associated with hardware systems integration for the data system and \$50,000 for labor associated with implementing the above two pieces of computer hardware.

The AT&T BackUp T3 in the amount of \$25,000 (of a total of \$115,000) is for a contract to provide internet T3 support. This will increase the capacity of the system from 1.5 mega hits per second to 20 mega hits per second. The demand for internet bandwidth is increasing and this upgrade is needed for field mobile components.

The last item is a contract with Carmel Business Systems in the amount of \$88,000 (of a \$100,000) for scanning all district records. This expense is necessary for the new software that will allow staff to locate records electronically.

There was discussion regarding the District's level of security and how the system can be enhanced with the current technology available. Director Lopez commented that he would like to see that the equipment and system is accompanied with adequate security measures. Mr. Stevens indicated that as more information becomes digital, the security information itself will be digital. Security technology is an important aspect for the district and staff will continue to explore and use current technology to improve security system.

Director Lopez indicated that it has been some time since the board received a report on security and he requested an update presentation for the board on District security.

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

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

to approve the issuance of nine (9) purchase orders as per staff recommendation.

10. BOARD INFORMATION / ACTION ITEMS

- a) CONSIDERATION TO NOMINATE A DISTRICT REPRESENTATIVE FOR AN ALTERNATE SPECIAL DISTRICT MEMBER ON THE SAN

DIEGO LOCAL AGENCY FORMATION COMMISSION (LAFCO) AND A  
LAFCO SPECIAL DISTRICTS ADVISORY COMMITTEE MEMBER

General Manager Watton indicated that LAFCO is holding their regular elections which includes an open seat due to a resignation. This election will fill an Alternate Special Districts Member seat and nine positions on the Special Districts Advisory Committee. He indicated that the Finance, Administration and Communications Committee considered this item and recommended that Director Gary Croucher be nominated for the Special Districts Advisory Committee.

A motion was made by Director Bonilla, seconded by Director Breitfelder and carried with the following vote:

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

to nominate Gary Croucher to LAFCO's Special Districts Advisory Committee.

b) DISCUSSION OF 2007 BOARD MEETING CALENDAR

There were no changes to the Board meeting calendar. A request was made that a Board workshop be scheduled.

REPORTS

11. GENERAL MANAGER'S REPORT

General Manager Watton indicated that staff received an award from the American Society of Civil Engineers which is recognition by their peers of the work our Engineering Department is doing on a daily basis.

He indicated that Otay Water District received a Golden Watchdog Award from the San Diego Taxpayers Association for the District's recycled project. He stated that from a staff prospective, the award is very gratifying as it involves employees throughout the organization from the operations teams in the field to the finance department to bring a project of that magnitude to fruition.

He noted that on Friday, June 1, 2007, Otay celebrated the groundbreaking for its recycled water project. He indicated that he had an opportunity to discuss with Congressman Filner Title XVI funding, that Otay will have eligibility for approximately \$20 million for its recycled projects, at the groundbreaking ceremony. Congressman Filner indicated his enthusiasm for more recycled projects in southern California. He indicated that Congressman Filner has an important leadership position in Congress which will assist in gaining funding for southern California projects.

He indicated that the ACWA Fall Conference will be in Indian Wells, California. He plans to attend. Director Robak suggested that Otay participate as a vendor in the ACWA conference.

General Manager Watton indicated that CWA and MWD provided a briefing regarding water supply and the effects of the pumps being shutdown in the Bay Delta and the water shortage. This year, there will be adequate water supply. However, in 2008, there are some implications if the pumps were shutdown. It has been proposed that CWA and MWD schedule a meeting to discuss supply issues. A joint agency board meeting will be scheduled with Helix, Padre Dam, Sweetwater Authority, Lakeside and Otay to discuss such issues with CWA.

He indicated that staff has worked to increase the outreach events and have participated in Chula Vista's Cinco de Mayo Festival and the Spring Garden Festival. He acknowledged Otay staff members who volunteered their time and assists in these various functions.

He indicated that Kane Development is the first builder to agree to participate in the MET California Friendly Home Program which is the water conservation high energy efficiency appliances program.

He noted that the newly appointed City Manager of Chula Vista, David Garcia, is from Yuma, Arizona and is very familiar with water conservation matters. He will be approaching Mr. Garcia regarding water issues and is looking forward to working with him.

Otay has implemented a 24-hour credit card by phone service for customers allowing greater flexibility to make payments. This service increases the variety of payment options for our customers and allows the District to keep rates low.

Director Breitfelder confirmed that the Otay employee picnic will be on August 4, 2007.

He also suggested that the Prop 50 Grant be agendaized for discussion. General Manager Watton indicated that this is an important issue with Otay and an important revenue source with the City of Chula Vista. He has mentioned this to the Mayor of Chula Vista and is hoping this will receive the Mayor's attention and become a priority. There is revenue from Otay to the City of about \$4 million per year. There is a Prop 50 Grant involved which will accrue about \$6.5 million benefit to this project. The expiration date for the grant was approaching but the City was able to get a 60-day extension. He is anticipating bringing this item to the Board.

Director Robak asked if participation in the California Friendly Home Program was voluntary and how Otay and the City are involved. General Manager Watton indicated participation is voluntary and the City of Chula Vista controls the inspection of various appliances and toilets, etc. He would like to discuss with

the new City Manager more definitive requirements with developers such as installing low flow toilets and a follow-up inspection to see if developers are actually following through.

a) SAN DIEGO COUNTY WATER AUTHORITY (SDCWA) UPDATE

General Manager Watton indicated that there is discussion among the CWA Board of Directors regarding the Bay Delta project. He indicated that at this point, San Diego is not in a crisis but the longer the pumps are shutdown in the Bay Delta, the more likely it will affect the 2008 water supply.

Director Robak indicated that he understands that water stored for 2008 is now being used. General Manager Watton indicated that the water is coming from the State Water Project Reservoirs. He explained that the water is stored with the anticipation that it will be metered out over a couple of years. Groundwater is also being used to supplement the water supply.

12. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder commended Communications Officer Armand Buelna and district consultant, Marston & Marston, for organizing the groundbreaking ceremony for the recycled water project on Friday, June 1, 2007.

He reported that he attended the Council of Water Utilities monthly breakfast meeting on May 15. The speaker was a representative from the environmental community. Director Breitfelder felt that from this gentleman's perspective, the water agencies are being portrayed as only interested in funding water projects.

The Conservation Action Committee and the Model Ordinance Committee viewed a presentation outlining the challenges with regard to water issues. He shared with the group the District's discussion on its emergency planning program. A representative from the City of San Diego was very complimentary of Otay's emergency program and indicated that they would be doing a very similar exercise with a focus on communications with their constituents at various stages of an emergency.

Director Robak thanked staff and directors who attended the Spring Garden Festival on May 19, 2007. He stated that the Festival was a success and received record attendance of approximately 5,800.

He indicated that he met with the Water Conservation Garden Executive Director Marty Eberhardt, Mr. Keith Lewinger and staff members from MET regarding possible membership with the Garden JPA. The meeting went very well.

There was discussion regarding redirecting recycled water to Rancho San Diego. General Manager Watton indicated that staff sent a copy of the draft grant proposal to Sweetwater regarding utilizing recycled water and the District is waiting upon their response.

Director Robak recommended that an employee suggestion program be implemented. General Manager Watton indicated that there is a program in place. Staff will forward a copy of the program to him.

RECESS TO CLOSED SESSION

13. CLOSED SESSION

The board recessed to closed session at 4:45 p.m. to discuss the following matters:

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

(i) SOUTHWEST ENGINEERING, INC. v. OTAY WATER DISTRICT

RETURN TO OPEN SESSION

14. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened from closed session at 5:31 p.m. General Counsel, Yuri Calderon reported that there was not reportable actions taken in closed session.

15. ADJOURNMENT

With no further business to come before the Board, Vice President Lopez adjourned the meeting at 5:31 p.m.

---

President

ATTEST:

---

District Secretary