

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT AND
OTAY SERVICE CORPORATION
January 14, 2008**

1. The meeting was called to order by President Croucher at 3:31 p.m.
2. PLEDGE OF ALLEGIANCE
3. 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 Engineering Rod Posada, Chief of Operations Pedro Porras, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

4. ELECTION OF BOARD PRESIDENT, VICE PRESIDENT AND TREASURER

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

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

to re-elect Director Croucher as President, Director Lopez as Vice President and Director Bonilla as Treasurer.

5. APPROVAL OF AGENDA

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

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

to approve the agenda.

6. RECESS FOR A PRESENTATION TO OUTGOING BOARD PRESIDENT AND RECEPTION

The board recessed at 3:35 p.m. for a reception for the outgoing board president.

7. CONVENE OTAY SERVICE CORPORATION BOARD MEETING

President Croucher convened a meeting of the Otay Service Corporation at 3:51 p.m.

a) REPORT FROM GENERAL COUNSEL

General Counsel Yuri Calderon indicated that because the District cannot borrow money directly from a bank or investor, the Otay Service Corporation was set-up as a legal mechanism for the District to borrow money, generally through the issuance of Certificates of Participation (COPs), to make improvements to the water systems. He noted that the District, through three separate issuances, has approximately \$65 million outstanding through the Service Corporation. He stated that the board of the Service Corporation (members of the Otay Board of Directors) is required to appoint officers. He stated that the election of officers is generally done during this time of year. General Counsel Calderon also distributed a memo to the board outlining this information.

8. ROLL CALL

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

9. ELECTION OF OFFICERS

- a) PRESIDENT
- b) VICE-PRESIDENT
- c) TREASURER

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

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

to elect Director Croucher as president, Director Lopez as vice president and Director Bonilla as Treasurer.

10. APPOINTMENT OF OFFICERS

- a) EXECUTIVE DIRECTOR
- b) CHIEF FINANCIAL OFFICER
- c) SECRETARY

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

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

to elect General Manager Watton as executive director, Joe Beachem as Chief Financial Officer and District Secretary Cruz as Secretary.

11. ADJOURN OTAY SERVICE CORPORATION BOARD MEETING

President Croucher adjourned the Otay Service Corporation meeting at 3:54 p.m.

12. RECONVENE OTAY WATER DISTRICT BOARD MEETING

President Croucher reconvened the meeting of the Otay Water District Board of Directors at 3:54 p.m.

13. 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.

14. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF OCTOBER 3, 2007 AND SPECIAL MEETING OF OCTOBER 9, 2007

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

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

to approve the minutes of the regular board meeting of October 3, 2007 and special meeting of October 9, 2007.

CONSENT CALENDAR

15. 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, Breiffelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve the following consent calendar and pulling item 16b, AWARD A PROFESSIONAL CONSTRUCTION MANAGEMENT SERVICES CONTRACT FOR THE 36-INCH, SAN DIEGO COUNTY WATER AUTHORITY OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT TO RBF CONSULTING IN A NOT-TO-EXCEED AMOUNT OF \$1,088,785; and 16k, ADOPT RESOLUTION NO. 4119 APPROVING THE REAPPOINTMENT OF GARY CROUCHER AS A DISTRICT REPRESENTATIVE (FIRST SEAT) TO THE SAN DIEGO COUNTY WATER AUTHORITY'S BOARD OF DIRECTORS; for discussion:

- a) AWARD A CONSTRUCTION CONTRACT FOR THE 850-4 RESERVOIR – 2.2 MG PROJECT TO SPIESS CONSTRUCTION IN THE AMOUNT OF \$2,566,300
- c) AWARD AN “AS-NEEDED” PROFESSIONAL CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES CONTRACT TO VALLEY CONSTRUCTION MANAGEMENT FOR FISCAL YEARS 2007-2008 AND 2008-2009 FOR AN AMOUNT NOT-TO-EXCEED \$175,000
- d) AWARD A CONSTRUCTION CONTRACT FOR THE 458-1 RESERVOIR INTERIOR COATING PROJECT TO RPI COATING, INC. IN AN AMOUNT NOT-TO-EXCEED \$168,000
- e) AWARD A CONSTRUCTION CONTRACT FOR THE 20-INCH, 944 ZONE, LANE AVENUE/PROCTOR VALLEY/POND #1 PROJECT TO ARB INC. IN THE AMOUNT OF \$660,256
- f) AWARD A PROFESSIONAL ENGINEERING PLANNING SERVICES CONTRACT TO WESTIN ENGINEERING FOR THE ASSET MANAGEMENT PLAN PROJECT IN AN AMOUNT NOT-TO-EXCEED \$194,280
- g) APPROVE CHANGE ORDER NO. 5 TO THE EXISTING CONTRACT WITH ZONDIROS CORPORATION FOR THE CONSTRUCTION OF THE

SR-905 UTILITY RELOCATION PROJECT REDESIGN IN THE AMOUNT OF \$207,444.77

- h) APPROVE THE PURCHASE OF A STORAGE AREA NETWORK AND TAPE LIBRARY FOR \$126,000 FROM LOGICALIS, INC.
- i) APPROVE THE GENERAL MANAGER'S EMPLOYMENT CONTRACT
- j) ADOPT RESOLUTION NO. 4118 APPROVING THE REAPPOINTMENT OF MARK WATTON AS A DISTRICT REPRESENTATIVE (SECOND SEAT) TO THE SAN DIEGO COUNTY WATER AUTHORITY'S BOARD OF DIRECTORS
- l) ADOPT RESOLUTION NO. 4120 REQUIRING THE DISTRICT REPRESENTATIVES TO THE SAN DIEGO COUNTY WATER AUTHORITY (SDCWA) BOARD OF DIRECTORS TO VOTE AS A UNIT AND CONFIRMING MR. MARK MUIR OF OLIVENHAIN MUNICIPAL WATER DISTRICT TO VOTE ON BEHALF OF THE DISTRICT'S SDCWA REPRESENTATIVES IN THEIR ABSENCE

Director Breitfelder requested that Items 16b and 16k be pulled for further discussion.

- b) AWARD A PROFESSIONAL CONSTRUCTION MANAGEMENT SERVICES CONTRACT FOR THE 36-INCH, SAN DIEGO COUNTY WATER AUTHORITY OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT TO RBF CONSULTING IN A NOT-TO-EXCEED AMOUNT OF \$1,088,785

Director Breitfelder indicated that he noted that RBF's original bid was \$1.3 million and the fee was negotiated down to \$1.08 million based on the shifting of welding inspection to the contractor's scope of work. He stated that he did not believe that separate expenses are listed or that costs were added in any other area. Staff indicated that that was correct. It was noted that the process of shifting welding inspection to the contractor's scope of work was used on the 30-inch pipeline very successfully. It was discussed that it saves money for both the District and the Construction Management company and no additional costs are incurred. Director Breitfelder also inquired that by making the welding change, would the District be comparing apples to oranges. He asked clarification from staff to assure that we have not inadvertently created some unfairness in the bid process. Staff reviewed the proposal evaluation process and noted that after careful review of the bids – "apples to apples" – staff will then negotiate with the top rated consultant. It is only during this negotiation process that discussions, such as, shifting the welding to the contractor's scope of work would be considered. It was noted that the principal difference is that this is not an award to the lowest bidder, it is based on many considerations.

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

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

to approve staffs' recommendation.

- k) ADOPT RESOLUTION NO. 4119 APPROVING THE REAPPOINTMENT OF GARY CROUCHER AS A DISTRICT REPRESENTATIVE (FIRST SEAT) TO THE SAN DIEGO COUNTY WATER AUTHORITY'S BOARD OF DIRECTORS

Director Breitfelder inquired if adopting this resolution would not be a little premature as the seat does not expire until March 3, 2008. He stated that he believed that we have reached a point where we recognize the CWA seats to be very important and that he would overlook this consideration and will support the adoption of this resolution at this time, but he wished to note this observation.

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

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

to adopt Resolution No. 4119 approving the reappointment of Gary Croucher as the District's representative to the first seat on CWA's Board of Directors.

INFORMATION / ACTION ITEMS

16. FINANCE AND ADMINISTRATIVE SERVICES

- a) APPROVE PROPOSED AMENDMENTS TO THE DISTRICT'S PURCHASING MANUAL

Director Robak indicated that the Finance, Administration and Communications Committee reviewed this item and as in past practice, recommended amendments to District policies are presented to the full board for review. He indicated that the Purchasing Manual changes streamline processes and formalizes current practice.

Purchasing Manager Steve Dobrawa indicated that staff is requesting that the board approve amendments to the Purchasing Manual. He stated that the major changes to the manual are to include the following categories:

- Emergency Purchases
 - This change is proposed to accommodate changes to the District's Code of Ordinances, Section 2.01.h, which provides the General Manager with expanded purchasing authority (exceeds his authority level) during emergencies.
- Authorizes Purchases Exceeding the General Manager's Authority
 - Those purchases that are necessary to address routine operational purchases, such as, gas and electric utility and water.
- Authorize the General Manager to Declare Minor Assets (assets with an acquisition value up to \$5000) as Surplus
- Amend Vendor Insurance Requirements to Provide Flexibility and Encourage Competition
 - This will formalize a current District practice wherein the General Manager would set vendor Insurance Coverage Requirements at a level appropriate to indemnify the District for the work being performed. Current requirement is \$5 million and for small jobs this level would not be necessary and would be a hindrance to small business competition.
- Other minor changes included updates to position titles, departments and division names, modified/corrected grammar and codified areas within the Purchasing Manual.

Director Bonilla indicated that he believed the General Manger already had the authority to declare minor assets as surplus. It was indicated that staff is proposing formalizing a process wherein minor assets can be surplused routinely over the year. It was indicated that it was requested by the Finance, Administration and Communications Committee that items that are declared surplus under the General Manager's authority be reported within the General Manager's report.

Director Breitfelder indicated that he wished to note that the board is giving up a certain measure of control over surplus items and the committee felt that it should be presented for action as opposed to the consent calendar.

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

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

to approve proposed amendments to the District's Purchasing Manual.

17. BOARD

a) DISCUSSION OF 2007 BOARD MEETING CALENDAR

There were no changes to the board calendar.

REPORTS

18. GENERAL MANAGER'S REPORT

a) UPDATE ON THE 30" RECYCLED WATER PIPELINE PROJECT (SEE ATTACHMENT "A")

General Manager Watton indicated that he wished to thank the board for the extension on his contract which was presented on the consent calendar. He indicated that he would continue to strive to do his best. He noted that at times he gets the opportunity to take credit for the work happening at the District, but he wished to acknowledge the outstanding team of employees that get the work done for the District.

He indicated that tomorrow evening he would be providing a presentation to the City of Chula Vista Council on water supply issues. He stated that his presentation would focus on the Bay Delta, Colorado River and the current water year. He stated that Mr. Dennis Bostad, General Manager of Sweetwater Authority, would also be providing a presentation regarding local San Diego County water resources.

General Manager Watton indicated that his report notes work that will be accomplished on the 36-inch pipeline project. He stated that it will be a very important project for the District.

He noted that a couple Directors had the opportunity to tour the 640-1 & 2 Reservoir site. He indicated that the project is 71-74% complete and is largely on time and on budget. Director Robak inquired if the RBF Report had been distributed. Staff indicated that they were not certain and would confirm.

He stated that the Finance, Administration and Communications Committee was interested in verifying the educational background of all new employees. It was indicated that staff will begin doing so this month and would verify degrees with the issuing institution. Director Bonilla inquired if procedures were set-up for criminal background checks as previously discussed. General Manager Watton indicated that the board had authorized the federal background checks which staff has implemented.

General Manager Watton also indicated that Director Robak was interested in an update on “Lessons Learned” from the Harris Fire that occurred in October. He stated that his report outlines this information which was discussed during a staff debriefing session. Director Robak inquired with regard to the bullet (within the GM’s Report), “Incorporate more fire prevention/access features in the design of District facilities, including sprinkler systems, hydrants, solar power, open space, and dual access (entrance),” if it would also include retrofitting existing facilities. General Manager Watton indicated that it would.

He noted that staff is working on the Strategic Plan and one-on-one interviews have been completed with staff and board members. The information will be incorporated into the new plan. Staff is on track to provide a revised plan prior to the Fiscal Year 2009 budget review (approximately March 2008).

He stated that both Ramona and Fallbrook water districts have reimbursed the District for the services and equipment they received from the District under the Mutual Aid Agreement during the recent fires.

He indicated that the District has implemented the sewer billing changes approved by the board and the changes have gone fairly smoothly. He indicated that the payroll changes have also been implemented.

He noted that the PERS Trust will be presented to the board at the next scheduled board meeting. He stated that work on implementing the trust for health benefits is on schedule.

He indicated that the District and Padre Dam MWD are still in talks with Sycuan. There has been no commitment from Sycuan with regard to annexing into Otay or Padre Dam’s service areas. He stated that the District has received their Sub-Area Master Plan for the Casino and Resort.

He noted that meter sales are still down due to the slowdown in construction. He stated that the slowdown is affecting the District’s budget which staff has shared with the board in previous meetings. He stated that staff still feels that the District will come in on budget by cutting back costs and slowing down some projects.

He shared that Director Breitfelder was interested in information regarding the Water Reuse Study. He stated that his report includes details on the study along with a copy of the actual study drafted in 2006. He indicated that a program on KSWB focused on water reuse and it is becoming a topic of discussion. Director Bonilla requested that directors be provided a copy of the program. General Manager Watton asked that Communications Officer Buelna distribute copies of the program to the Directors.

General Manager Watton also indicated that Director Breitfelder inquired about the water consumed to fight the fires in October. Staff took the District's typical consumption for the time period and the actual usage during the October fires and the difference is the approximate consumption related to the fires which totaled 31.57 million gallons (97 acre feet or \$60,000 worth of water). He noted that this is an estimate as the water is not metered from the hydrants.

General Manager Watton also noted that the County Water Authority had a planned 10-day shutdown in January (6 through the 15) and there has been no impact to the District's customers. The shutdown will end tomorrow.

b) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that MWD would be approving their drought management plan in February and, following their approval, CWA will have a discussion on drought management.

19. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that there was discussion at the Metro Commission meeting that the City of Santee Council required, as a condition for approval of a new housing project (Fanita Ranch), that the developer install recycled water for each single family home within the project. He stated that this was groundbreaking for the County of San Diego as no other residential development within the county utilizes recycled water. He stated that if the Santee development should come to fruition, that it may be possible for new developments within Otay's service area to also be developed to utilize recycled water for irrigation needs.

Director Lopez apologized for not being able to attend the Holiday Dinner as he was out-of-town that evening.

Director Bonilla suggested, as Director Breitfelder is a member of the Ad Hoc Recycled Misconnect Committee, that he attend the meeting with the City of Chula Vista Manager. President Croucher indicated that that was his suggestion as well.

Director Breitfelder indicated that the Conservation Action Committee had decided to exempt recycled water users from some of the more restrictive provisions within the San Diego Model Ordinance. However, during the editing process, much of this discussion was forgotten and was not incorporated. The State-wide Model Ordinance, which can be utilized by local jurisdictions if they do not adopt their own ordinance, is quite a bit more restrictive than the proposed original language. He stated that the increased restrictiveness is not very popular among those in the Irrigation Industry.

He stated that at the last Council of Water Utilities meeting the General Managers from agencies affected by the October fires shared the lessons they learned from the fires and the protection of their facilities.

He thanked staff for the tour of the 640 - 1 & 2 facilities and thanked RBF for the background material. He stated that an attendee of the tour was an active community member (chair of the Valle de Oro Community Planning Group) and he was very appreciative and complimentary of the District's openness with the planning group.

20. PRESIDENT'S REPORT

President Croucher noted that the Employee Appreciation Luncheon is scheduled on Wednesday, January 23 at 1:00 p.m. and will be held at the San Diego Country Club. He encouraged members of the board to attend.

RECESS TO CLOSED SESSION

21. CLOSED SESSION

The board recessed into closed session at 4:34 p.m. to discuss the following matter:

a) ANTICIPATED LITIGATION (GOVERNMENT CODE §54956.9)

MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER

RETURN TO OPEN SESSION

22. 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 5:02 p.m. General Counsel Calderon indicated that a motion was made by Director Breitfelder, seconded by Director Lopez and carried with the following vote:

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

to accept six (6) claims from the Dream Dinner's customers and reject the remaining 34 claims from the tenants and others related to the Fenton Business Center.

He indicated that no other reportable actions were taken in closed session.

23. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:03 p.m.

President

ATTEST:

District Secretary