

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT AND  
July 2, 2008**

1. The meeting was called to order by Director Bonilla at 3:33 p.m.

2. ROLL CALL

Directors Present: Bonilla, Breitfelder and Robak

Directors Absent: Croucher (assigned to work fires in Northern California),  
Lopez (out-of-town on vacation)

Staff Present: General Manager Mark Watton, Asst. GM Administration  
and Finance German Alvarez, Asst. GM Engineering and  
Water Operations Manny Magana, General Counsel  
Aerobel Banuelos, 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 Breitfelder, seconded by Director Bonilla and  
carried with the following vote:

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

to approve the agenda.

5. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF APRIL 2,  
2008:

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

Ayes:	Directors Bonilla, Breitfelder and Robak
Noes:	None
Abstain:	None

Absent: Directors Croucher and Lopez

to approve the minutes of the regular board meeting of April 2, 2008..

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) ADOPT RESOLUTION NO. 4125 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 AT \$0.005 FOR FISCAL YEAR 2008-2009
  - b) APPROVE AGREEMENT WITH TMO CA/NV, LLC, A NEVADA LIMITED LIABILITY COMPANY (T-MOBILE) FOR THE INSTALLATION OF A COMMUNICATIONS FACILITY AT THE PATZIG RESERVOIR SITE
  - c) CONSIDERATION TO NOMINATE A DISTRICT MEMBER TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION'S (CSDA) BOARD OF DIRECTORS REPRESENTING REGION 6 AND ADOPT RESOLUTION NO. 4124 IN NOMINATION OF THE DISTRICT'S CANDIDATE
  - d) ADOPT RESOLUTION NO. 4127 OF THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT FIXING TERMS AND CONDITIONS FOR THE ANNEXATION TO OTAY WATER DISTRICT IMPROVEMENT DISTRICT OF THOSE LANDS DESCRIBED AS "McCARTHY SEWER ANNEXATION" (APN 517-190-05) AND ANNEXING SAID PROPERTY TO OTAY WATER DISTRICT IMPROVEMENT DISTRICT NO. 18 FOR SEWER SERVICE (WO 0210-20.302)
  - e) AWARD A PURCHASE ORDER TO KIRK PAVING IN AN AMOUNT NOT TO EXCEED \$190,000 FOR AS-NEEDED ASPHALT PAVING SERVICE FROM JULY 1, 2008 THROUGH JUNE 30, 2009
  - f) APPROVE THE REQUEST TO REIMBURSE MCMILLIN OTAY RANCH, LLC FOR THE COMPLETED CAPITAL IMPROVEMENT PROJECT, MCMILLIN OTAY RANCH SPA 2, VILLAGE 6 DEVELOPMENT, PL 16-INCH, 711 ZONE, BIRCH ROAD AND SR 125 IN THE AMOUNT OF

\$185,047,80 AND 12-INCH 944 ZONE, BIRCH AND LA MEDIA / EASTLAKE PHASES 1, 2, AND 3 IN THE AMOUNT OF \$325,383.45

Director Breitfelder requested that the following agenda items be pulled for discussion:

- 6g AWARD A CONTRACT TO PACIFIC METER SERVICES, INC. IN AN AMOUNT NOT TO EXCEED \$179,505 FOR RETROFITTING UP TO 4,500 EXISTING MANUAL READ METERS WITH NEW AUTOMATED METER READ (AMR) METERS;
- 6h REJECT A CONSTRUCTION CONTRACT BID FROM PRIME TIME CONSTRUCTION INC. IN THE AMOUNT OF \$225,902 FOR THE CONSTRUCTION OF THE AGENCY INTERCONNECTIONS PROJECT

Director Robak requested that the following agenda item be pulled for discussion:

- 6i AWARD OF A CONSTRUCTION CONTRACT TO ARRIETA CONSTRUCTION INC. IN THE AMOUNT OF \$844,485.90 FOR THE RALPH W. CHAPMAN WATER RECYCLING FACILITY FORCEMAIN AIR/VAC REPLACEMENTS AND ACCESS ROAD IMPROVEMENTS PROJECT

Regarding agenda Item 6g, Director Breitfelder inquired if there would be any ramifications to this project by awarding this contract for a lower price of approximately \$39 per meter compared to the \$55 per meter for the previous contract. General Manager Watton indicated that in addition to saving money, it may add some additional meters or retrofits. He stated that this is a reflection that contractors are tightening their budgets by offering services at a lower cost. He noted that he believes this is a continuation of the trend that we have been experiencing due to the economy. Director Breitfelder inquired when the District will be able to see a difference in the "bottom line" of the budget. Mr. Watton responded that this contract is for one year. At the end of the contract, when the job is bid for the next year's service, the District will see what the market will bear at that time.

Director Robak inquired if there was a general focus as to where these replacement meters will be located or if it is throughout the District. Chief Financial Officer Joe Beachem indicated that the first phase or focus for meter replacements were in areas where there are safety issues (ie., meters located on busy streets). The second phase of replacements focused on efficiency and identified areas where lots or parcels are far apart or on a slope. The final phase focused on meter replacements as they fit in best with AMR routes which have been implemented (building complete routes). There were some meters replaced in Jamul and other remote areas. Automated meters are also being installed in new developments.

With regard to agenda item 6h, Director Breitfelder asked staffs' opinion as to why only one bid was received. General Manager Watton indicated that this was discussed in the Engineering, Operations and Water Resources Committee meeting. Staff feels that there might have been some confusion for contractors bidding on the project because there were two bids advertised at the same time. Staff will be advertising the project again.

Regarding agenda item 6i, Director Robak indicated that he read through the staff report and it seems self-explanatory as to why the District needed to make the changes. He realizes staff is working on the master plan evaluating the Ralph W. Chapman Treatment Plant. There is some severely corroded infrastructure so we have no choice but to replace it before the analysis is complete. Since we now have the South Bay connection there needs to be an overall analysis of the system, North District, Chapman Plant, etc. Mr. Watton indicated that the District would like to maintain the reliability of the pipeline and the flexibility of the system by being able to move the water south, in the event the water is being directed to the north District. He stated that the District must protect the infrastructure and some of the older controls and vacuum breakers which are currently in vaults. The District wishes to move these controls out of vaults where there are confined space entry safety problems. Also, historically, it has been difficult to maintain and secure the road to that facility under the ever increasing environmental considerations. It was discussed that this was identified as a near-term project, but the driving force to move this project forward is to assure that the air-vacs function properly and that they are replaced with a higher quality of stainless steel.

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

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

to approve all items listed on the consent calendar.

## ACTION ITEMS

8. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY
  - a) PUBLIC HEARING TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR FISCAL YEAR 2008-2009
    - 1) ADOPT RESOLUTION NO. 4123 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS

FOR FISCAL YEAR 2008-2009 TO BE COLLECTED THROUGH  
PROPERTY TAXES

General Manager Watton indicated that this item was reviewed by the Finance, Administration and Communications Committee. The Committee recommended the item be presented to the full Board. It is presented annually to request that the Board continue availability fee assessments. It was indicated that there are no changes proposed from past years. Director Robak indicated that the Committee agreed that any items that addresses rates should be brought before the full Board.

A public hearing was opened at 3:49 p.m. No one wished to be heard. The public hearing was closed at 3:50 p.m.

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

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

to adopt Resolution No. 4123 to continue water and sewer availability charges for District customers for Fiscal Year 2008-2009 to be collected through property taxes.

- b) APPROVE A MEMORANDUM OF UNDERSTANDING (MOU) WITH THE SAN DIEGO COUNTY WATER AUTHORITY (AUTHORITY) TO CONTINUE PARTICIPATION IN THE RESIDENTIAL WATER CONSERVATION PROGRAMS

General Manager Watton indicated that this item addresses the MOU between the San Diego County Water Authority (SDCWA) for rebates and other conservation measures. He indicated that the Finance, Administration and Communications Committee reviewed this item and supports staffs' recommendations. Director Breitfelder had asked that this item be presented to the full Board. Mr. Watton noted that there has been a change in the artificial turf program since this item was presented to Committee. SDCWA has suspended rebates for artificial turf grass due to concerns about lead being used in the manufacture of some of the turf products.

General Counsel Aerobel Banuelos indicated that a report was released by the Center for Disease Control about lead being released into the atmosphere from turf grass when it deteriorates and concerns that children playing on the artificial turf could ingest the lead by placing their hands in their mouths. Several states are implementing studies to determine the truth to the findings. Mr. Watton

indicated that there is a nylon based product that uses lead pigments to create the green color and a polypropylene based product has been determined to be safe. SDCWA has suspended endorsement of artificial turf grass until it is determined that it is safe for the public. It was noted there is a requirement that once the product is installed, it must remain installed for five years.

Mr. Watton indicated that this item needs Board approval because the MOU agreement reimbursement of \$64,450 exceeds the General Manager's signing authority.

Director Robak inquired if there is a time frame as to when the outcome of the study will be public. Water Conservation Manager William Granger responded that SDCWA expects to have the outcome of the study complete by August. There are two products highlighted in the study – the nylon turf grass and the polyethylene product. In the Otay Water District lobby there is a sample of the polyethylene product which was installed by Field Turf. This is the same as Easy Turf that is advertised for residential use. The update to the New Jersey study is that Field Turf is in the process of replacing the older, decaying fabric with the new product. This is a new technology and not a lot of standards or detailed specs have been developed yet from MET and SDCWA. Director Robak inquired if MET has suspended rebates. Mr. Granger responded that SDCWA could prevent incentives from MET reaching its member agencies. There is not a lot of agreement regarding this program. Mr. Watton indicated that SDCWA is taking a more conservative view at this point.

Director Breitfelder inquired if Mr. Granger could address the Smart Controller controversy. Mr. Granger indicated that it has been discussed from time to time the issues with regard to Smart Controllers. He stated that Smart Controllers are just one part of the tools needed to attain water savings in the landscapes. Customers must also have an efficient irrigation system and water efficient plants to attain water savings.

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

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

to approve the Memorandum of Understanding with SDCWA

## 9. BOARD

### a) DISCUSSION OF 2008 BOARD MEETING CALENDAR

It was recommended that the November Board meeting be rescheduled due to Election Day on November 4, 2008. District Secretary Susan Cruz was asked to check with all Board members to find a day in November that will accommodate their schedule.

## REPORTS

### 10. GENERAL MANAGER'S REPORT

#### a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that he provided some information from the San Diego County Water Authority (the "Authority") for review by the Board. He indicated that the water supply situation is dominating discussions at the Authority. One of the documents included is a Drought Management Plan Implementation that the Authority has put together. Information is also included on the San Vicente Dam raise and carryover storage project. Also included is the PowerPoint on the Delta Water Supply Features. He noted that it is a lengthy presentation on issues surrounding the Delta.

Congressman Bob Filner is coming through for the water industry on Title 16, the recycled water program. In the President's budget, \$3 million was allocated towards San Diego projects and \$7 million for the nation. Congressman Filner, through the committee, has allocated \$7 million for San Diego and \$50 million for the entire program. He indicated that it is too early to tell what the compromise will be between Congress and the President on the budget. Congressman Filner is keeping abreast of water and sewer issues so will push for funding for these projects. Staff will not know how many projects are targeted to receive the funds available, however, staff feels that recycled water projects are high on the list of priority to receive some of these funds.

He indicated that the results from the Employee Survey have been received by the consultant. The results will be compiled and shared with the Board soon.

The District recently received \$155,142 from the State of California Water Resources Control Board which is the final installment on the \$4 million Proposition 50 grant for recycled water. The District is still eligible for approximately \$8 million in federal grant money for the reclaimed water projects completed to date.

He noted updates on construction projects. Please refer to the General Manager's Report, Agenda Item 9, pages 5 through 8 for detailed information.

He indicated that Richard J. Donovan State Prison will be adding a 1500 bed medical care facility. Staff met with URS Bovis, a design and development company who was hired by the prison to construct the facility. Staff advised

them that a 610 Water Study might need to be completed because a project of this size was not planned for in the District's water supply. Director Bonilla inquired as to the population at the prison. Mr. Watton indicated that there are about 7000 inmates currently held at the Donovan State Prison.

Director Bonilla inquired if the project with Ortiz Construction has been completed. Chief of Engineering Rod Posada indicated that the project is complete and has been accepted. Mr. Watton commented that Ortiz Construction was the contractor on our 30" pipeline and they did a great job.

There was a brief discussion regarding the project in the North portion of the District. Staff met with PBS&J and Sweetwater Authority for an informational meeting regarding the North District project.

#### 11. DIRECTORS' REPORTS / REQUESTS

Director Robak commended staff on the quality of the District's publications i.e. Pipeline and the Consumer Confidence Report. He commented that the publications are a higher quality and he feels customers will take note and read them.

Director Breitfelder reported that the Council of Water Utilities meeting in June, there was discussion about the challenges and spread of the Quagga Mussels in local reservoirs. At the same meeting, Bill Jacoby of Bill Jacoby Water Resources Consulting updated the group regarding water use efficiency. He also discussed the risk of recycled water and cross-connections.

He indicated that there was discussion regarding the Governor's desire to push for 20 percent reduction of water use by the year 2020. There needs to be more public awareness of all programs available to help with water conservation efforts.

He suggested that a workshop be scheduled to discuss the District's emergency and disaster preparedness program. He stated that he would like to see a review of the preparedness program about every five years.

He indicated at the Water Conservation Garden meeting in June, the winners of the Water Efficient Landscape Contest were announced.

He reported that at the CSDA meeting, there was discussion about how to get legislators and politicians more involved in the water community and the challenges we face.

#### RECESS TO CLOSED SESSION

#### 12. CLOSED SESSION

The board recessed into closed session at 4:20 p.m. to discuss the following matters:

- a) CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION  
[GOVERNMENT CODE §54956.9(b)]

1 CASE

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

MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO (CASE NOS. 37-2007-00077024-CU-BC-SC; 37-2008-00075031-CU-PO-CTL; 37-2008-00075373-CU-PO-CTL; 37-2008-00075324-CU-PO-CTL; 37-2008-00075368-CU-PO-CTL; 37-2008-00077127-CU-PO-CTL; and 37-2008-00077950-CL-BT-CTL)

1 CASE - AMERICAN PROTECTION INSURANCE V. OTAY WATER DISTRICT, DISTRICT COURT SOUTHERN DISTRICT OF CALIFORNIA, #08-CV-0662-JM-POR

RETURN TO OPEN SESSION

- 13. 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 5:43 p.m. General Counsel Aerobel Banuelos indicated that no reportable actions were taken in closed session.

- 14. ADJOURNMENT

With no further business to come before the Board, Director Bonilla adjourned the meeting at 5:43 p.m.

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President

ATTEST:

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District Secretary