

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
February 4, 2009**

1. The meeting was called to order by President Croucher at 3:30 p.m.

2. ROLL CALL

Directors Present: Bonilla, Breitfelder, Croucher, 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.

3. PLEDGE OF ALLEGIANCE

4. 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.

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.

6. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF OCTOBER 9, 2008

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 9, 2008.

### 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:

Director Breitfelder indicated that he wished to pull item 6b from 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 the following consent calendar items:

- a) APPROVE PURCHASE ORDERS FOR THE PURCHASE OF VARIOUS FLEET VEHICLES FROM TOYOTA CARLSBAD, IN THE AMOUNT OF \$90,907.88, AND FROM EL CAJON FORD, IN THE AMOUNT OF \$72,914.84; ADDITIONALLY, THE GENERAL MANAGER WILL ISSUE PURCHASE ORDERS UNDER HIS SIGNATORY AUTHORITY TO KEARNY MESA CHEVROLET IN THE AMOUNT OF \$12,052.50 AND TO PEARSON FORD IN THE AMOUNT OF \$19,387.59
- c) REVIEW OF THE WINTER 2009 CUSTOMER PIPELINE NEWSLETTER
- d) APPROVE CHANGE ORDER NO. 1 TO THE CONTRACT WITH ARRIETA CONSTRUCTION FOR THE RALPH W. CHAPMAN WATER RECYCLING FACILITY FORCEMAIN AIR/VAC REPLACEMENTS AND ACCESS ROAD IMPROVEMENTS PROJECT

President Croucher presented consent calendar item 6b for discussion:

- b) APPROVE THE MEMORANDUM OF UNDERSTANDING ("ENVIRONMENTAL MOU") SETTING FORTH CERTAIN TERMS AND UNDERSTANDINGS OF THE PARTIES (OTAY, SYCUAN BAND OF KUMEYAAY NATION, AND CONSULTANTS) RELATING TO THE PREPARATION OF THE CEQA DOCUMENTS REQUIRED IN CONNECTION WITH THE PROPOSED ANNEXATION; AUTHORIZE THE GENERAL MANAGER TO EXECUTE AND DELIVER THE

ENVIRONMENTAL MOU; AUTHORIZE THE GENERAL MANAGER AND THE GENERAL COUNSEL TO NEGOTIATE TERMS OF A MEMORANDUM OF UNDERSTANDING SETTING FORTH CERTAIN TERMS, CONDITIONS, GOALS AND UNDERSTANDINGS OF THE PARTIES IN CONNECTION WITH THE ANNEXATION PROCESS AND ACTIONS/RESPONSIBILITIES OF EACH PARTY INVOLVED (THE ANNEXATION MOU”)

Director Breitfelder indicated that he wished to hear more elaboration on this item. President Croucher indicated that this item was discussed in the Engineering, Operations and Water Resources Committee and inquired if Director Breitfelder was interested in a review of the discussion at the committee or if he was interested in a presentation of any new developments since the committee’s discussion. Director Breitfelder indicated that he wished that staff provide both. General Manager Watton indicated that there are no new developments since the committee’s discussion. He stated LAFCO had informed the District that it did not need to reorganize the Padre Dam and Otay areas for sewer services and that the agencies could instead execute an interagency agreement. He indicated that Sycuan had decided not to pursue sewer on the original 640 acres of reservation land and that their current treatment plant could meet their needs for sometime. He indicated that it may, however, become an issue in the future sometime. He stated that they also discussed how to proceed with the environmental issues. He indicated that a Negative Declaration was distributed, but not officially published, and it received some negative feedback. The Negative Declaration was withdrawn and Sycuan is planning to do a full Environmental Impact Report. He stated that this item is an approval of the Memorandum of Understanding (MOU) that was developed with the tribe and its consultants with regard to the performance of the environmental documents and lays out the responsibilities of all the parties.

Director Breitfelder inquired if there is any feedback from Sycuan on whether “Plan B” is still on their time table. General Manager Watton indicated that everyone is working together and we want to pursue this as aggressively as possible. There are other agencies involved in the annexation process (LAFCO, CWA, etc.) and the annexation will need to work through all the agencies.

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 staff recommendation.

## ACTION ITEMS

### 8. ENGINEERING AND WATER OPERATIONS

- a) APPROVE THE WATER SUPPLY ASSESSMENT AND VERIFICATION REPORT DATED JANUARY 2009 FOR THE OTAY RANCH L.P. OTAY RANCH PRESERVE AND RESORT COMMUNITY PROJECT (RESORT) DEVELOPMENT PROPOSAL AS REQUIRED BY SENATE BILL 610 AND SENATE BILL 221

Engineering Manager Jim Peasley indicated that the board has viewed this presentation several times. He stated the only changes are the dates, name and numbers. However, there is one significant difference, this project is outside the Otay Water District service area. He indicated that the law requires that the District prepare water supply reports and, in this particular case the project is planned to be permitted through the County of San Diego. He indicated that the project is located east of the lake and will have use of the lake. He stated that it is a fairly large project, approximately 2000 acres, and has a demand of approximately 1800 AF including recycled if it is possible. The project may not be able to utilize recycled water because of its proximity to the lake. Otay may be required to have 100% offset supplies for this project as a condition of annexation into Metropolitan Water District (MWD) and San Diego County Water Authority (CWA). Staff plans to provide 100% offset. He indicated that staff believes that the board has met the intent of SB 610 and SB 221 as staff has communicated with the land use agencies and is planning to meet the supplies needs of the resort project. The Resort Project Water Supply Assessment and Verification Report (WSA&V) clearly documents the current water supply situation and that sufficient water supplies are planned to meet the resort's demand. He indicated the following projects are expected to meet their demand, along with other similarly situated projects (such as, Sycuan, etc.):

- Middle Sweetwater River Groundwater Well (1500 AF)
- Otay River Groundwater Desalination (4,500 AF)
- Rosarito Ocean Desalination Project (11,200 AF)
- North District Recycled Water Project (1,200 AF)
- Rancho del Rey Groundwater Well (600 AF)
- Otay Mesa Lot 7 Groundwater Well (660 AF)

He indicated that the above projects far exceed the needs of the projects. He stated that the District may not be successful in developing all these projects, but are convinced that we will do one or more in order to meet the needs of the resort project. He stated that the District has met the intent of the law and staff is requesting that the board approve the WSA&V Report.

Director Breitfelder inquired with regard to the committee notes that they indicate that there may be a little bit of indecision in CWA's and MWD's position regarding 100% offset. They indicate that they "would like" versus "will require" and he

wished to clarify that in staffs' recommendation, that the resort project will participate in 100% offset. Engineering Manager Peasley indicated that staff will be bringing back to the board in the future, plans to develop those local water supplies and a mechanism to fund those local water supplies. He indicated that the developer in this case is interested in participating in that program. It is understood that they will participate in 100% offset, but it is not set in stone yet, but it is certainly where we are headed. He indicated that he wished to clarify that MWD & CWA have not yet required 100% offset, but may as a condition of annexation. General Manager Watton indicated that they could request additional conditions. He stated that the WSA&V discusses the probability of having a long term supply and this is what Engineering Manager Peasley is addressing. It does not go into the detail of what the offsets will be. The report indicates the reasons that the District is making the finding that water will be available. As we get closer, then the District will indicate exactly what we will be doing.

President Croucher indicated that this item was discussed in committee and he wished to note that the District is not guaranteeing sufficient supplies. Staff has made the developer aware that if a Drought Level III alert is declared, it would not sell any new meters except under specific conditions. The District is still following its policies and is being proactive and not reactive. Engineering Manager Peasley indicated that the state law does not require that the District have the water, but it must plan to have the water.

Director Robak indicated with regard to the supply projects, one of the things he has been thinking about is looking at ways that the District can be innovative and increase the use of recycled water in single family homes and for fire service through the fire hydrants. He understands there are obstacles, however, he inquired if there has been any consideration in doing so. Engineering Manager Peasley indicated that staff has evaluated recycled fire service quite extensively in the past and, while there are a lot of obstacles, they can be overcome. He stated that one of the things that staff is evaluating is converting multi-family/master meters in the central area into two meters for indoor and outdoor use. This will enhance recycled water use and would save approximately 300 AF of potable water.

General Manager Watton indicated that the resort developer will need to convince the City of San Diego that recycled water can be utilized upstream of the reservoir. He stated that while we are planning on utilizing recycled water and are pushing hard for it, there are still regulatory obstacles to overcome.

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 staff recommendation with the understanding that the water needs will be 100% offset.

9. GENERAL MANAGER

- a) APPROVE A CHANGE IN THE HIRING AUTHORITY FOR THE VACANT ASSISTANT DISTRICT SECRETARY POSITION

President Croucher indicated that the committee wished to present this item to the board as it does affect the board procedures with regard to the assistant position which would report to District Secretary Cruz. He noted that the committee addressed the board's concerns while still having staff happy with the process. It is presented to allow the board to review the hiring process in more detail. General Manager Watton indicated that the last bullet of the committee notes provides some instruction to staff in presenting the top candidates resumes to the board. President Croucher indicated because of the confidential nature of the position the committee members wished to assure that all board members felt comfortable with the individual hired as the board would interact with this individual in District Secretary Cruz's absence.

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 staff recommendation.

10. BOARD

- a) CONSIDERATION TO NOMINATE A DISTRICT REPRESENTATIVE FOR A REGULAR DISTRICT MEMBER AND AN ALTERNATE MEMBER ON THE SAN DIEGO FORMATION COMMISSION

President Croucher indicated that he has been in contact with Olivenhain MWD and they will be nominating President Croucher for the Alternate position and the current LAFCO Alternate, Mr. John Ingalls, for the Primary position. He also spoke with Mr. Ingalls and they both would like to move forward with nominating Mr. Ingalls for the Primary position and President Croucher for the Alternate position.

A motion was made by Director Bonilla, seconded by Director Lopez and carried with the following votes:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez, Robak
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Noes:  
Abstain:  
Absent:

to nominate President Croucher for the Alternate position and Mr. Ingalls for the Primary position on LAFCO's board of directors.

b) DISCUSSION OF THE 2009 BOARD MEETING CALENDAR

President Croucher indicated that with regard to the board workshop, District Secretary Cruz is contacting the members of the board to set-up meetings with each director to discuss topics for the board retreat workshop. He stated, that it is hoped by the next meeting we will have a date for the workshop.

Director Bonilla inquired if the March Finance, Administration and Communications Committee meeting has been scheduled. District Secretary Cruz indicated that it has not. Director Bonilla indicated that his March schedule is getting very busy and he would like to try and have the meeting in the first week of March. District Secretary Cruz indicated that she would work with staff to schedule a meeting in the first week of March.

INFORMATIONAL ITEMS

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

President Croucher indicated that the following are informational items submitted by staff for the board's review. Director Robak requested a presentation on item "a" below.

a) INFORMATIONAL REPORT REGARDING THE NORTH DISTRICT RECYCLED WATER REGULATORY COMPLIANCE SYSTEM DEVELOPMENT PROJECT, PHASE I CONCEPT STUDY

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that she will be presenting on the final report of the North District Recycled Water System Development Project. She stated that as the District is a recognized leader in the use of recycled water for irrigation and commercial uses, it is continually looking at ways to expand its recycled water program and an area within the District's service area is the North District. She stated that in 2007 the District utilized consultant PBS&J to perform a study of utilizing recycled water in the North District and this is a summary of the report. She indicated that there were five technical memorandums that were combined in the report which included the project definition, regulatory process, watershed protection, public outreach and implementation plan. She presented a slide showing where the North District is located (see attached copy of presentation). The project description described the potential recycled water customers which include:

- Golf Courses
- Regional Parks & Schools
- Churches
- Homeowner Association Common Areas
- Commercial Developments
- Cuyamaca College
- Water Conservation Garden

She indicated that the estimated recycled water use is about .7 MGD average day with a maximum of 1.4 MGD per day. The Ralph W. Chapman Water Reclamation Facility (RWCWRF) produces about 1.3 MGD.

She stated that upgrades would be required to the RWCWRF to provide recycled water service which includes:

- Modifications to RWCWRF's chlorine contact basin to ensure proper chlorine contact time
- Replacement of pumps, motors & appurtenances at RWCWRF effluent pump station
- Construction of a transmission main pipeline
- Retrofit the existing 832-1 Potable Reservoir to be used for recycled water
- Construction of the distribution system pipeline
- Upgrade data collection, logging , and regulatory compliance reporting systems

She presented slides depicting the proposed recycled distribution system within the North District and the alternative changes proposed to modify the chlorine contact basin at the RWCWRF (see attached copy of presentation).

She indicated that the project cost for the distribution and transmission system would be about \$14 to \$15 million. The on-site retrofit costs would be borne by the customers, operational costs may be reduced due to energy savings as the recycled water would no longer be pumped to eastern Chula Vista, and watershed monitoring costs are unknown at this time as staff does not know the extent that the District may be required to monitor the watershed.

She reviewed the regulatory costs and indicated that the District would need to revise its permit as its current permit does not allow for recycled water use in the Middle Sweetwater Basin. The RWCWRF will also need to be retrofit to reduce the nitrogen levels in its effluent and modify its chlorine contact basin as noted earlier. The effluent is too high for the District's current permit and the study will also evaluate different ways to reduce total nitrogen in the effluent.

Environmental Compliance Specialist Coburn-Boyd also indicated that watershed protection is also a large concern. She noted that the TDS levels of the recycled water are in the range of natural water and should not impact ground or surface

water quality and permitting appears to be feasible based on current and historical water quality data. Water quality monitoring stations are located throughout the watershed and they will be used to analyze and monitor the water quality in the watershed. She stated that a Mitigation and Monitoring Plan can be devised to use as a safety factor.

She indicated that the stakeholders include:

- Regulatory Agencies: Regulatory Water Quality Control Board, CA Department of Public Health, and the County Department of Public Health
- Local Agencies: Sweetwater Authority, Helix Water District and Padre Dam Water District
- Potential Customers
- Public at Large

There are three phases to the study and Phase I is complete and a copy of the study has been provided to the regulatory and local agencies for their review and comment. Phase II will include further investigation of issues identified in Phase I as needing further study and Phase III will include tasks that would pave the way for construction and implementation of the North District Recycled Water Project.

Director Robak inquired when Phase I of the implementation study was provided to the agencies. Environmental Compliance Specialist Coburn-Boyd indicated that Sweetwater Authority has had a copy of the study for a month and they are preparing a staff report to present the study to their board on February 11, 2009 as an informational item. The RWQCB has had the study for about two weeks. They were optimistic that the District could amend its permit to allow the use of recycled water in the North District. It is expected that we would have comments back within 60 days.

b) INFORMATIONAL REPORT REGARDING THE PROPOSED MIDDLE SWEETWATER RIVER BASIN GROUNDWATER WELL PILOT PROJECT

Engineering Manager Peasley introduced Dr. Michael Welch who has been instrumental in the Middle Sweetwater River efforts dating back to the 1990's. He indicated that Dr. Welch is the local expert in the Middle Sweetwater Basin and will be assisting the District to assure the project goes smoothly.

## REPORTS

### 12. GENERAL MANAGER'S REPORT

General Manager Watton indicated with regard to the District's 36-inch Pipeline Project that the District has experienced some delay with regard to the Caltrans permit, mainly due to the District's former consultant's work. He indicated that staff is working with Caltrans and it is expected that the permit will be acquired, however, it will delay the project a couple more months. He indicated that there

are penalties for not taking the water on time and the district will need to negotiate the penalties which may be subject to discussions with the District's former consultant.

He indicated that he has received good feedback on the Annual Employee Recognition Luncheon held on January 21, 2009 and wished to commend the staff that coordinated the luncheon.

He noted that water use is down approximately 6% which is on track with other county agencies. He indicated that staff will be reviewing the CWA allocation details which will be reported in his General Manager Report each month. He indicated that this will allow the board to track the District's customer water use and actual results against the allocation program. He stated that the allocation program may be instituted as early as April.

He indicated that the District is experimenting with wireless infrastructure at the treatment plant. He stated that this will ultimately lead to improvements for the District's Scada System and communications with outlying facilities, enhanced security, and eventually remote automated meter reading.

He stated that staff is beginning to work on the Fiscal Year 2010 budget. He indicated that there will be items in the budget that will be very dynamic such as water supply and cost. Staff is also monitoring the expense side and avoiding any costs possible without harming the District's mission. He stated that it will be a very exciting budget in trying to balance water supply, costs and conservation.

General Manager Watton also shared that staff has issued the RFP for audit services. He stated that staff will be reviewing the responses with the Finance, Administration and Communications Committee in March.

San Diego County Water Authority Update:

President Croucher indicated that he has been reappointed to several CWA committees including the Small Contractor Outreach and Opportunities Program (SCOOP) Committee, SANDAG and the Ad Hoc Conservation Committee. He indicated that conservation remains one of the key focuses as it is the lowest cost water resource (water that is saved). He stated that \$190 to \$200 is spent an AF for conserved water versus \$800 AF that is spent to physically bring the water to San Diego. He stated that a special committee has been formed with Ms. Fern Steiner as chair and President Croucher as co-chair to discuss water conveyance issues. He stated that the MWD budget continues to be another issue of focus as there is a possibility that there will be a 21% rate increase this year. This worries all the retail agencies in the County. He stated that the Oroville Reservoir is extremely low, the snow pack levels are at 64% of normal and the Bay Delta is still an issue. We will continue to have tough water issues to work through.

General Manager Watton indicated that he attended CWA/MWD meetings this morning and it was discussed that the MWD rate increase may be as high as 35% to be effective January 2010. CWA is looking at approximately a 20% increase also effective January 2010.

He also shared with regard to the Council of Water Utilities that the bylaws indicate a rotation for the position of chair and vice chair between the north and south agencies. He indicated this year, Helix Water District is chairing and their board president is the chair. Next year a district from the north chairs, Vallecitos Water District, and their board president will chair. The following year, the bylaws indicate that a south agency will chair and their general manager would hold the chairmanship and the next year, the north will chair with their general manager chairing, etc. He indicated that Otay Water District is on the rotation next year to chair the Council of Water Utilities once a month and he would be chair.

### 13. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that, from General Manager Watton's report, he understands that there is a director from CWA who made the observation that not only the retail agencies need to tighten their belt. He stated that that comment resonated with him and, he is certain, with others as well. General Manager Watton indicated that that certainly is an active area of conversation with both MWD and CWA. Director Breitfelder thanked Chief Financial Officer Beachem for the return on LAIF which have been very good.

Director Robak indicated that the Water Conservation Garden is trying to prepare for the many people who will want information on what they can do to cut back on their landscape watering when the cutbacks and drought pricing goes into effect. He stated that there are many choices at the Garden which can be overwhelming. He stated that the staff of the Garden is working on developing quick information pamphlets that include basic things that they can do to their landscape to make it water efficient, the cost per square foot to make the suggested changes, and where they can buy the plants/materials. He shared that he was elected as the chair of the Metro Commission, the sewer agency for San Diego County. He indicated that they are facing many issues at the Metro Commission as well. He stated that the City of San Diego has just issued debt and they are potentially asking the participating agencies to share in the cost. He stated that, fortunately, Otay is a small contributor to the sewer flow and the financial impact will be relatively minor to the district.

### 14. PRESIDENT'S REPORT

Director Croucher also commended staff on the Employee Appreciation Event and Director Breitfelder for his leadership in recognizing the possible duplication of services through the Water Agencies Association quarterly dinners. He acknowledged him for considering the public's interest in leading the discussion of possibly dissolving the Water Agencies Association. He lastly shared that Ms.

Nora Jaeske, Conservation Action Committee, is stepping it up with the homeowners associations in encouraging water conservation. He stated that if there are ways the District can support her efforts, it should continue to do as she is becoming a champion in the industry for water conservation.

RECESS TO CLOSED SESSION

15. CLOSED SESSION

The board recessed into closed session at 4:26 p.m. to discuss the following matters:

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

1 CASE

- c) CONFERENCE WITH REAL PROPERTY NEGOTIATORS  
[GOVERNMENT CODE §54956.8]

PROPERTY: INTENT TO PURCHASE WATER FROM A NEW SOURCE

AGENCY NEGOTIATORS: YURI CALDERON, MARK WATTON

NEGOTIATING PARTIES: GOUGH THOMPSON, NS AGUA, AND OTHER POTENTIAL SOURCES OF POTABLE WATER AND/OR THEIR DESIGNATED REPRESENTATIVES, SUCCESSORS OR OTHER AUTHORIZED ENTITIES

UNDER NEGOTIATION: PRICE AND TERMS OF ACQUISITION, INCLUDING BUT NOT LIMITED TO TIMING AND AMOUNT OF ACQUISITION

RETURN TO OPEN SESSION

16. 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 5:25 p.m. General Counsel Calderon indicated that the board took one action in closed session:

A motion was made by President Croucher, 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 authorize the General Manager to enter into a non-binding Letter of Intent to acquire a new source of desalinated water for the District.

There were no other reportable actions taken in closed session.

17. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:26 p.m.

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President

ATTEST:

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District Secretary