

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
January 6, 2010**

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 Porrás, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. ELECTION OF BOARD PRESIDENT

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

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

to elect Director Bonilla as President.

5. ELECTION OF BOARD VICE PRESIDENT

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

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

to elect Director Lopez as Vice President.

6. ELECTION OF BOARD TREASURER

A motion was made by Director Lopez, 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 elect Director Croucher as Treasurer.

7. APPROVAL OF AGENDA

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

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

to approve the agenda.

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

The board recessed at 3:35 p.m. for a presentation to outgoing board president, Director Croucher.

The board reconvened at 3:54 p.m.

9. 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.

10. RECESS OTAY WATER DISTRICT BOARD MEETING AND CONVENE A MEETING OF THE OTAY SERVICE CORPORATION

The Otay Water District board meeting was recessed at 3:55 p.m. and a meeting of the Otay Service Corporation board was convened.

11. ROLL CALL

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

12. ELECTION OF OFFICERS: PRESIDENT, VICE-PRESIDENT OR TREASURER

A motion was made by Director Croucher, 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 elect Director Bonilla as President, Director Lopez as Vice President and Director Croucher as Treasurer.

13. **APPOINTMENT OF OFFICERS: EXECUTIVE DIRECTOR, CHIEF FINANCIAL OFFICER AND SECRETARY**

A motion was made by Director Breitfelder, seconded by Director Croucher 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.

14. **ADJOURN OTAY SERVICE CORPORATION BOARD MEETING AND RECONVENE THE OTAY WATER DISTRICT BOARD MEETING**

President Bonilla adjourned the Otay Service Corporation meeting at 3:58 p.m. and reconvened the Otay Water District board meeting.

15. **APPROVAL OF MINUTES OF THE SPECIAL BOARD MEETING OF AUGUST 5, 2009**

A motion was made by Director Croucher, 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 August 5, 2009.

CONSENT CALENDAR

16. **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 pulled item 18c, ADOPT ORDINANCE NO. 521 TO INCLUDE WATER CONSERVATION REQUIREMENTS WITHIN SECTIONS 9 AND 27 OF THE DISTRICT'S CODE OF ORDINANCES, and 18i, APPROVE AN AGREEMENT WITH THE JOINT WATER AGENCIES PARTNERS (SWEETWATER AUTHORITY, HELIX, AND PADRE DAM) FOR THE PREPARATION OF A NATURAL COMMUNITY CONSERVATION PLAN/HABITAT CONSERVATION PLAN; AND INCREASING THE PROJECT BUDGET BY \$604,000 FOR A TOTAL BUDGET OF \$830,000, for discussion.

Director Robak pulled item 18b, APPROVE AMENDMENTS TO SECTION 7.2.6, PURCHASES EXEMPT FROM COMPETITIVE PRICING; AND SECTION 7.2.8, BOARD AUTHORIZED PURCHASES EXCEEDING THE GENERAL MANAGER'S AUTHORITY; OF THE DISTRICT'S PURCHASING MANUAL, for discussion.

A motion was made by Director Croucher, 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) DECLARE EQUIPMENT AND VEHICLES AS SURPLUS TO THE DISTRICT'S NEEDS
- d) APPROVE A SIX-MONTH BLANKET PURCHASE ORDER TO BRENNTAG PACIFIC, INC. IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR THE PURCHASE OF SODIUM HYPOCHLORITE
- e) APPROVE A CONTRACT TO FRANK AND SON PAVING, INC. IN THE AMOUNT OF \$88,884 FOR ASPHALT PAVING SERVICES TO REPAIR PAVEMENT DAMAGE CAUSED BY A RECYCLED WATER MAIN BREAK ON RANCHO DEL REY PARKWAY, CHULA VISTA
- f) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO MIRAMAR TRUCK CENTER IN THE AMOUNT OF \$107,582.13 FOR THE PURCHASE OF A TEN-WHEELER DUMP TRUCK
- g) AWARD A PROFESSIONAL SERVICES AGREEMENT WITH AEGIS ENGINEERING MANAGEMENT IN AN AMOUNT NOT-TO-EXCEED \$300,000 FOR THE RECYCLED WATER PLAN CHECKING, RETROFIT, AND INSPECTION SERVICES FOR DEVELOPER PROJECTS DURING FISCAL YEARS 2010, 2011, AND 2012 (ENDING JUNE 30, 2012)

- h) AWARD AN AS-NEEDED TRAFFIC ENGINEERING SERVICES CONTRACT TO DARNELL & ASSOCIATES IN AN AMOUNT NOT-TO-EXCEED \$175,000 DURING FISCAL YEARS 2010 AND 2011 (ENDING JUNE 30, 2011)
- j) 1st QUARTER FISCAL YEAR 2010 DIRECTORS EXPENSES UPDATE
- k) APPROVE CREDIT CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH CCL CONTRACTING, INC. FOR THE CONSTRUCTION OF THE 36-INCH PIPELINE PROJECT IN THE AMOUNT OF <\$243,847>
- l) APPROVE REIMBURSEMENT AGREEMENTS FOR THE CONVERSION OF POTABLE TO RECYCLED WATER IRRIGATION SYSTEMS WITH THREE HOMEOWNER ASSOCIATIONS: 1) TAPESTRY & MOSIAC (\$21,000); 2) AGAVA & SEGUARO (\$40,000); AND 3) ARISTATA (\$20,000)

President Bonilla presented item 18c, 18i and 18b for discussion:

- c) ADOPT ORDINANCE NO. 521 TO INCLUDE WATER CONSERVATION REQUIREMENTS WITHIN SECTIONS 9 AND 27 OF THE DISTRICT'S CODE OF ORDINANCES

Director Breitfelder indicated that the District had acted with the understanding that there would be 100% offsets for Sycuan as a requirement for annexation into Otay for services. He indicated that the requirement has been informal and he felt that the District should be considering making the requirement more concrete. He indicated that he felt the issue should be agendized in the near future. General Manager Watton indicated that staff was planning on presenting an item that would cover two areas:

- Annexations with large water needs that would require offsets.
- Lands that are already within the District's service area, but have increased their water needs beyond the District's Water Resources Master Plan would require some offsets or charged a fee to acquire/develop the offset water.

He indicated that staff is looking at various projects that could develop the offset water resources (the recycled water conversion project and the well development project in Rancho del Rey). This would require legal work to develop the fees and assuring that there is a proper basis to support the proposed fees. It is expected that this information could possibly be presented in two to three months. Director Breitfelder indicated that he would like to point out that it may be the will of the board to just focus on what goes beyond the Water Resources Master Plan, but that may not be the rule. He indicated that when it comes to new consumption, new consumption is new consumption. He stated that he did

not think that it matters to the public and he certainly does not see this as the deciding factor. He indicated that he felt that staff should just be prepared to have the information ready and available. Director Breitfelder inquired if there are other retail agencies that are requiring 100% offsets. General Manager Watton indicated that Olivenhain MWD is requiring offsets and some smaller agencies are considering this requirement.

A motion was made by Director Croucher, 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.

- i) APPROVE AN AGREEMENT WITH THE JOINT WATER AGENCIES PARTNERS (SWEETWATER AUTHORITY, HELIX, AND PADRE DAM) FOR THE PREPARATION OF A NATURAL COMMUNITY CONSERVATION PLAN/HABITAT CONSERVATION PLAN; AND INCREASING THE PROJECT BUDGET BY \$604,000 FOR A TOTAL BUDGET OF \$830,000

A motion was made by Director Breitfelder, seconded by Director Croucher that:

1. the District reimburse the other agencies for past expenses incurred per the schedules provided by staff.
2. The District participate in future expenditures proportionately to complete the project with the exception of legal fees to Best Best & Kreiger LLP.
3. Direct staff to communicate the District's position to the other participating agencies.

Director Robak inquired about the background of the changes recommended by Director Breitfelder. It was discussed that the District has gone through many good times and some bad times and there were many agencies and private entities throughout San Diego that supported the District in bad times and some that did not. Best Best & Kreiger LLP was not supportive during a time when it was needed and had spoken negatively about the District to other agencies. During that time, they served as Counsel to the District.

General Manager Watton wished to clarify Director Breitfelder's motion and indicated that his understanding of Director Breitfelder's motion was that it does not change staffs' recommendation with regard to the proposed increase in the project budget, etc., but only addresses involvement and payment to Best Best & Kreiger LLP. Director Breitfelder confirmed that that was correct.

Director Robak inquired if the District was joining the Joint Water Agencies partners as it makes sense and the District would benefit financially. General

Manager Watton indicated that joining could have financial benefits, but the main reason is the ability to pool the agencies' resources which, in whole, is greater than its parts. The District will have more certainty with the regulatory agencies by being a partner in the Joint Water Agencies.

There being no further comments, President Bonilla called for the vote. The motion carried with the following vote:

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

to approve staffs' recommendation with a modification that the District would not contribute to the future expenditures proportionately with regard to legal fees to Best Best & Kreiger LLP.

- b) APPROVE AMENDMENTS TO SECTION 7.2.6, PURCHASES EXEMPT FROM COMPETITIVE PRICING; AND SECTION 7.2.8, BOARD AUTHORIZED PURCHASES EXCEEDING THE GENERAL MANAGER'S AUTHORITY; OF THE DISTRICT'S PURCHASING MANUAL

Director Robak inquired if the District has an agreement with a large fuel company where the District bid's out its fuel contract. Purchasing Manager Steve Dobrawa indicated that there are two provisions in the purchasing manual; 1) the competitive process; and 2) through the General Manager's Authority. He indicated that fuel will not be exempt from the competitive process, staff is requesting that the General Manager be allowed to exceed his authority of \$50,000, as defined in the District's Code of Ordinance, to authorize the purchase of fuel. He indicated that fuel is a spot market commodity and the distributor's price fluctuates on a daily basis. As such, fuel is generally priced at the time of purchase. When the District purchases fuel, there is potential that it will buy in excess of \$50,000. Staff is recommending that fuel be included in the list of purchases that exceed the General Manager's authority, but are authorized by the board. It was indicated that this aligns the practice with the purchasing manual. The board had also authorized the General Manager to purchase meters in excess of his authority. It was indicated that any purchases that exceed the General Manager's authority will be reported in the General Manager's monthly report to the board (similar to change orders).

A motion was made by Director Croucher, 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 approve staffs' recommendation.

17. FINANCE AND ADMINISTRATION

- a) APPROVE AN AGREEMENT WITH UTILITY COST MANAGEMENT FOR THE REVIEW OF SDG&E RATES AND PAST INVOICES TO EVALUATE FOR ERRORS IN RATE APPLICATION FOR POTENTIAL REFUNDS AND FUTURE SAVINGS

Purchasing Manager Dobraza indicated that Utility Cost Management (UCM) is in the business of auditing utility bills, for a three year period, to identify any inaccurate billing, misapplication of rates, miscalculation of invoicing, etc. If UCM identifies any savings, their fee is 50% of the total savings for the three years of billing and ongoing savings for three years. Special District's Association, however, has negotiated a discount for its members of 42% of the total savings they identify. Staff feels that their services will be a benefit as the District currently has 91 gas/electric meters with annual billing of approximately \$2.8 million. It is felt that there is a real potential for savings/refund. He noted that UCM does not get paid unless they determine cost savings.

President Bonilla indicated that the District's Finance, Administration and Communications Committee reviewed this item and the thrust of this action is to determine if the District could get additional energy cost savings without cost to the District. He indicated that he wished that this item be presented as an action item as he wanted the board to be aware of it.

It was discussed that the Public Utilities Commission limits reviews to three years and is the reason UCM reviews only three years. The District checked UCM's references and all are positive. Sweetwater Authority had received \$80,000 in refunds for an incorrect rate application. It was noted that there has been no problems in collecting from the utilities and that they have been very responsive.

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.

- b) ADOPT ORDINANCE NO. 522 REVISING THE DISTRICT'S WATER SHORTAGE RESPONSE PROGRAM AS CONTAINED WITHIN SECTION 39 OF THE DISTRICT'S CODE OF ORDINANCES

Water Conservation Manager William Granger indicated that much has happened since the board adopted Section 39 of the District's Code of Ordinances. In the last nineteen months the region has declared a Level I and II water shortage alert. The District and two other agencies have remained at a

Level I water shortage alert. Given that the District did not need to declare a Level II alert, staff wished to add some additional flexibility to the language within Section 39. Language was added that would allow the board to hold off in activating drought pricing. Depending on the severity of the Level II alert, the board may not feel that it is necessary as the District may only need customers to reduce their water use by 11% versus 20%. Also, there is language that allows the District to not adopt all Level I provisions though a Level II alert is declared. Other changes include some clean up language that allows the General Manager to continue the irrigation schedule at three days a week with a cut back in the fall during a Level II alert instead of posting a watering schedule. Staff is also proposing that the word *drought* be replaced with *water supply shortage* which staff feels is more appropriate for the current situation and what is expected in the future. Proposed Section 39 indicates that if a level three alert is declared, car washing would be restricted to no more than once a week. Some practices would be in effect at all times, including not washing down paved surfaces at anytime, not allowing excessive water waste from inefficient irrigation, and repairing known leaks within 48 hours, which would allow the District to stay in compliance with the CA Urban Water Council's water waste prevention best practice which is a foundational/mandatory BMP. He noted that there are a few other minor changes which are outlined and highlighted within the strike-thru version of the staff report.

Director Breitfelder indicated that he had spoken to Conservation Manager Granger briefly about the items that are always in effect, even in times of no shortages, and in particular, not allowing washing down of paved surfaces at any time. He inquired if there was any aspect to not washing down paved surfaces that makes it more compelling to include as a mandate. Conservation Manager Granger indicated that if there is a sanitation, health or safety reason for washing down a paved surface, it would not be considered a violation. The mandates are driven by the CA Urban Water Council's BMP. If the District's ordinances are not in compliance with the BMP, it affects the District's ability to pursue grants outside of conservation such as recycling grant money, etc. Director Breitfelder indicated that in extraordinary times that require extraordinary measures, customers understand that they should utilize water wisely. He stated that he did not favor measures that are in the "nanny" realm, especially in times of non-shortage. He indicated that he would favor deleting this item.

Director Breitfelder made a motion to accept staffs recommendation with the exception Section 39.03.e.1 as proposed in Attachment C (page 3) to staff's report regarding the prohibition of washing down paved surfaces. Director Croucher proposed an amendment to the motion to revise the language in Section 39.03.e.1 to indicate "encourage" the no washing down of paved surfaces. Director Breitfelder accepted the amendment and Director Croucher seconded the motion. The motion carried with the following vote:

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

It was discussed that staff would review with the CA Urban Water Council if the proposed change to the language would affect the District's ability to pursue grants. If it does impact the District's ability to pursue grants, staff will bring this item back to the board for further revision.

- c) APPROVE AN AMENDMENT TO THE EXISTING CONTRACT WITH WESTIN ENGINEERING FOR \$110,000, INCREASING ITS AMOUNT FROM \$224,280 TO \$334,280 AND INCREASING ITS SCOPE TO INCLUDE THE ASSET MANAGEMENT DATA COLLECTION EFFORT; AND AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO A CONTRACT WITH SPATIAL WAVE FOR \$80,000 TO COVER THE COST OF SOFTWARE DEVELOPMENT AND MODIFICATION TO THE FIELD MAPPLET APPLICATION AND RELATED SOFTWARE TO ACCOMMODATE ASSET MANAGEMENT PROCESS IMPROVEMENTS

Chief of Information Technology Geoff Stevens indicated that the Asset Management Program was started a year ago and during this last year the District has gained some momentum. He indicated that the book value of the District's assets is approximately \$551 million and the replacement value is approximately \$750 million. He noted, however, that the replacement value is not exactly known as replacement occurs over a long period of time, at the end of the life cycle of an asset, which is not exactly determinable. He indicated that the District is doing an excellent job in maintaining its current assets which has been demonstrated, for example, with the recent vibration test for facilities. He indicated that there is not a problem with the District's current business practice in how it maintains assets. However, keeping track of the District's assets and identifying the best way to maintain assets can be enhanced through computerized tasks to track assets and determine when they should be serviced or replaced. The District has about 250,000 individual assets in the ground which breaks down into approximately 300 different types of assets. The Asset Management project will collect information about the District's assets and make it available through a computerized interface. It will be utilized to track District assets (asset inventory), the work practices used to maintain assets and the timing of the maintenance/replacement of the assets.

Staff is requesting that the board increase the Westin Engineering contract to allow them to continue capturing the Best Management Practices recommendations of the types of information that should be collected about assets and to approve a contract with Spatial Wave to customize the interface to the District's Tough Book computers utilized by the field staff.

Chief of Information Technology Stevens indicated that asset management is emerging as a core discipline that is being incorporated into day-to-day business practices. It is the missing link between connecting performance management (how we are doing on a day-to-day basis) and modifying the day-to-day practices that support preservation of the District's assets. He indicated that 75% of what the District does is maintain its assets and facilities.

He indicated that this is a multi-year project and the first step was a pilot program. The District is about three quarters of the way through the pilot program and once the pilot is complete, staff will utilize what they have learned from the pilot to determine how to collect asset data, what information was missing, etc. Staff will also assess the condition and the criticality of assets, then modify maintenance procedures so that resources are directed towards those items that require attention now. This is a long term discipline and will not be completed overnight and is a collective effort across the District (enterprise effort).

Staff will be bringing this project back to report to the board what staff has learned and request the next piece of resource required to continue the project. The requested funding is to complete the pilot, determine how the pilot can be expanded to the District as a whole, and the development of software to support the business process for asset management.

President Bonilla indicated that the District's Finance, Administration and Communications Committee reviewed this item and supports the Asset Management Project as it is important for the District to maintain its assets to extend their life. He indicated that it would be a tremendous liability for the District not to have the Asset Management System.

Director Robak indicated that the District has an Asset Management Plan in place now. He inquired how this project differs from how the District does business now. Chief of Information Technology Stevens indicated that the project would enhance what we do now. The District will collect more information and utilize the information to modify what we will be doing in the future. The information collected, for example, will help the District determine which facilities are requiring more maintenance. This will provide a flag that the District needs to focus some resources on these assets to assure that they are maintained so they do not break down sooner than its anticipated life or have impact to the system if the asset go down. The Asset Management system will take what we do now and make it more precise and adding data behind what we do to support the District's decision making processes so it is less ad hoc/intuitive and more driven by solid planning through information. It was discussed that it would improve efficiency and provide foresight on what needs to done for a smoother running operation.

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 staffs' recommendation.

18. ENGINEERING AND WATER OPERATIONS

- a) APPROVE A PROFESSIONAL SERVICES CONTRACT WITH TRAN CONSULTING ENGINEERS FOR THE SEWER SYSTEM INSPECTION AND ASSESSMENT PROJECT IN AN AMOUNT NOT-TO-EXCEED \$560,025 DURING FISCAL YEARS 2010, 2011, 2012 AND 2013 (ENDING JUNE 30, 2013)

Associate Civil Engineer Bob Kennedy indicated that the Board had approved the Sewer System Management Plan (SSMP) on July 1, 2009 and the plan requires that the District identify and prioritize system deficiencies. This requires the services of a professional engineering firm to assist with the field evaluation of the District's existing sewer system. He indicated that a portion of the District's sewer system was inspected by RBF Consulting in fiscal year 2009. To complete the inspection of the remaining sewer system and to reduce costs, an RFP was issued soliciting costs for a four year inspection program and divided the remaining uninspected sewer system into specific geographic areas.

Tran Consulting Engineers received the highest overall score. Proposals were evaluated by staff in accordance with District Policy 21. The District has no past experience with Tran Consulting Engineers, however, when their references were checked they were found to be a highly rated company. Staff is recommending that the District award the Sanitary Sewer CCTV Inspection Condition Assessment Project to Tran Consulting Engineers in an amount not-to-exceed \$560,025 for fiscal years 2010 to 2013.

Director Croucher indicated that the Engineering, Operations and Water Resources Committee reviewed this item and appreciated that staff was able to reduce the cost from \$3.50/foot to \$1.41/foot for the inspection and condition assessment of the sewer system. The committee also inquired why staff was proposing a four year versus five year contract. It was indicated that staff wished the sewer inspection project to be completed in four years.

Director Robak inquired why the evaluation scores were so different for RBF Consulting and Tran Consulting Engineers compared to the other four firms who submitted a proposal. Associate Civil Engineer Kennedy indicated that RBF Consulting and Tran Consulting Engineers specialize in sewer inspections and are very ideal for the project. Tran Consulting Engineers' business is focused only on sewer inspections and they have multi-million dollar contracts doing inspections work. They are well mobilized and have two video inspections teams ready to work on the project immediately if needed. Tran Consulting Engineers would not only view the video they take of the District's sewer system, but will also provide an engineering assessment of each individual line and manhole. They look at each individual foot and determine a rating system. The District utilizes the rating system for future CIP projects and for sewer improvements required through the inspection. It was noted that the videos will be integrated into the Asset Management System and each sewer line's video can be viewed from the system.

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

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

to approve staffs' recommendation.

- b) AWARD A PROFESSIONAL ENGINEERING SERVICES CONTRACT TO AECOM FOR THE RANCHO DEL REY GROUNDWATER WELL DEVELOPMENT PROJECT IN THE AMOUNT OF \$1,561,625

Engineering Manager Jim Peasley indicated that the purpose of the Rancho del Rey Groundwater Well Development Project is to develop a local independent local water supply in the Rancho del Rey area. It will take approximately six months to complete this effort following completion of California Environmental Quality Act (CEQA) documentation which is planned to be presented to the Board in March 2010. Staff had selected AECOM for two primary reasons: 1) they comply with all the requirement in the RFP; and 2) staff believes that there are significant cost savings identified by AECOM that may possibly drop the cost of the project below the requested \$1,561,625. The actual savings is not yet known, but staff will present the information to the board once the cost savings occurs.

It was discussed that the property where the well will be developed was acquired by the District in 1995. The cost of treating the well water at that time (1995) exceeded the cost of imported water by a large sum. Today the cost of imported water versus the treatment of well water is very similar and staff felt it was time to re-evaluate the well. It was noted, however, that it is difficult to project what a well will produce. The District could utilize information from the existing well, but it comes to a point in time when you will need to actually drill and find out how much the well will produce. Staff is predicting approximately 400 gallons per minute (GPM) or more.

Mr. Michael Welch, the District's Consulting Engineer for the well project, indicated that AECOM was also selected as they have local groundwater development experience not only in this basin, but on the very site of the proposed project. The overall idea behind the RFP was to make sure that we were very conservative in establishing a well depth, diameter and facilities that should provide a minimum of 400 GPM. It was made very clear to all the firms solicited to submit a proposal that the RFP was a competition of ideas to increase the yield of the well and reduce the cost of the construction of the well (who has the best ideas to provide the greatest value to the District). There is a well on the site and water will be yielded from the well, however, it is not certain how much water will be yielded. The water yielded from the well will be included In the District's offset program for future annexations.

There was a concern that the District would be making a large investment into this project without being certain what results it would yield. It was indicated that the District has studied the potential of the well and solicited expert advice, but at some point, a decision needs to be made to drill to know what will be yielded from the well. McMillan had utilized the well water for construction when the Rancho del Rey area was being developed, so it is certain that there is water. To identify how much water can be yielded, the District will need to drill. It was further indicated that the aquifer is a large confined aquifer deep underground that has been studied and extensively documented to cover a very wide area (many square miles) and that it has a significant degree of thickness. The possibility of missing the aquifer when drilling is almost impossible. Another question that will be answered by drilling is the quality of water that will be yielded from the well. The overall economics of this project may be, in part, dependent on the quality of water. The less salt in the water the less treatment it will require and a greater value can be achieved from the wells production.

It was discussed that the National City wells owned by Sweetwater Authority pull from this same formation and staff had acquired the board's authorization for a partnership with Sweetwater Authority to explore the same formation along the Sweetwater River between Interstates 805 and 5. Staff is confident the well will produce water, it is identifying the quantity and quality that will be yielded that is in question. Once the quantity and quality is known, staff will analyze the per acre foot cost to produce water from the well. At this point, based on the findings, staff could stop moving forward with the well. However, staff feels that it is unlikely as the cost has been estimated based on prior studies and it is felt that the cost will be competitive.

A motion was made by Director Croucher, 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.

19. BOARD

a) DISCUSSION OF 2009 BOARD MEETING CALENDAR

Director Croucher noted that he will be out of the country on April 7, 2010. It was discussed that as Director Croucher will be the only Director unable to attend the April 7 board meeting and the District would still have a quorum, the District will go forward with the meeting as scheduled.

INFORMATIONAL ITEMS

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

a) INFORMATIONAL REPORT ON A NEWLY IMPLEMENTED PREVENTATIVE MAINTENANCE PROGRAM THAT EVALUATES THE CONDITION OF EQUIPMENT TO AVOID FAILURES (ANDERSON)

Chief of Operations Pedro Porrás indicated that the District has 75 pump stations throughout the District for the potable system. Staff implemented a new vibration testing program to evaluate the condition of pumping equipment through the detection of defects in pump and motor bearings, etc. to avoid failures. The District contracted Predictive Maintenance Solutions (PDMS) to evaluate the 30 oldest District pumps and motors. The results were very good with only three pieces of equipment requiring minor attention (not requiring immediate repairs). Mr. Steve Matthews of PDMS complimented staff on how well the District's pumps and motors are maintained and indicated in his report to the District that "generally when organizations start a new vibration analysis program, the initial report often contains a relatively high percentage of machines that require immediate attention." Chief of Operations Porrás indicated that the compliments should go to the staff of the Pump and Electric Division and noted that the District has already responded to the results of the analysis and will handle the repairs through the District's preventative maintenance cycle.

b) FISCAL YEAR 2010 FIRST QUARTER CAPITAL IMPROVEMENT PROGRAM UPDATE REPORT (RIPPERGER)

Engineering Manager Ron Ripperger presented the first quarter CIP update in which he highlighted the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2010 CIP consists of 87 projects totaling \$37.3 million. He indicated that the District's CIP is broken down into four categories:

• Capital Facility Projects	\$28.73 million
• Replacement/Renewal	\$ 6.72 million
• Capital Purchases	\$ 1.83 million
• Developer Reimbursements	<u>\$ 0.00 million</u>
TOTAL:	\$37.30 million

He stated that overall expenditures through the first quarter of Fiscal Year 2010 totaled approximately \$5.3 million, which is approximately 14% of the District's fiscal year budget. He noted that construction change orders were at -.52% overall.

He presented a slide depicting a map showing the District's major CIP projects, their status and their location within the District's service area. He stated, of the eleven projects depicted, one is in the planning stage, two are in design, seven

are in construction and one has been completed and in use. He reviewed the status of the District's flagship projects which included the 36-inch Pipeline from FCF No. 14, 1296-3 Reservoir, 850-4 Reservoir, 1485-1 Pump Station Replacement and 450-1 Reservoir Disinfection Facility.

Engineering Manager Ripperger presented slides which provide the status of the various consultant contracts for planning, design, public services, construction/inspection and environmental. He also presented slides providing a listing of all CIP projects planned for Fiscal Year 2010 and the status of each.

c) INFORMATIONAL REPORT ON THE STATUS OF THE 36-INCH PIPELINE PROJECT (RIPPERGER)

Engineering Manager Ripperger introduced Mr. Bryan Lusky, an owner of CCL Contracting, Inc., who is the project manager on the 36-inch pipeline project. He provided an update on the progress of the project and indicated that the board had awarded the construction contract for the pipeline project to CCL Contracting on June 3, 2009. The project is a key component of the County Water Authority's East County Regional Treated Water Improvement Program. It consists of the installation of approximately 5 miles of 36-inch pipe within Rancho San Diego and the City of El Cajon and the replacement of a small portion of 8-inch and 12-inch pipe within Jamacha Road for the recycled system. The construction contract for this project is for approximately \$16 million. The project required two critical permits: 1) Allowing CCL to work during the day time from CalTrans; and 2) a "Take Permit" that will allow the District to continue construction of the pipeline through February 15 in the Cuyamaca College area.

Acquiring the permit that allows the District to work in the day time is an enormous benefit to the project as there was concern of disturbing the community at night with construction noise. The "Take Permit" was also important as it allows the District to construct the pipeline project near an endangered species habitat.

He indicated that the 8-inch and 12-inch pipelines are complete with the exception of tying them into the District's existing system. It is expected that they will be tied into the system in February or March 2010. The plan to date is to complete all work around Cuyamaca College by February 15 and tying the 36-inch pipe into the system in June/July 2010. He presented slides showing the project pipe alignment. The project is anticipated to be completed in August 2010.

Communications Officer Armando Buelna provided the board an update on the status of communications with the public on the project. He indicated that staff and the District's public relations consultant, Marston and Marston, developed a Public Outreach Plan for the project prior to construction commencing. Staff has been implementing the program in the last six to eight months and, thus far, it has been successful. The District has met with Cuyamaca College, Water Conservation Garden, Child Care Center, community HOA's, schools, etc. to

assure that the community is not surprised by the construction and meetings have gone very well.

He stated that one recent success with the public outreach program was an inquiry from Channel 10 reporter, Joe Little, who also happens to be a customer of the Otay Water District. Mr. Little had read a small article that was published in the District's customer newsletter and called the District about doing a story on the 36-inch Pipeline Project. As construction was just about to commence on Jamacha Road, staff felt that it would be an excellent opportunity to advise the community of the construction activity for the 36-inch Pipeline Project and inform them of the overall importance of the East County Regional Treated Water Improvement Program to the broader area. Otay along with the County Water Authority and Helix participated in the television report. The television report was played for the members of the board. Much of the information in Mr. Little's report came directly out of the District's press releases and fact sheets.

As the project moves towards El Cajon, the District will host an open house for the residents and will contact them months prior to construction to hear their concerns.

It was discussed the recent earthquake did not impact District installations or facilities.

REPORTS

21. GENERAL MANAGER'S REPORT

General Manager Watton commended staff who worked on the Salvation Army's Adopt a Family program and other charities during the holidays. He thanked everyone who participated and provided support.

He indicated that the annual employee recognition luncheon is scheduled on Wednesday, January 27, at 1:00 p.m. at the Steele Canyon Golf Course.

He also noted that the District participated in the annual Fall WaterSmart Gardening Festival hosted by the Water Conservations Garden. He stated that attendance of the festival was about the same, however the Water Conservation Garden raised 50% more funding through this event than last year. He stated that plans are still moving forward to identify the Water Conservation Garden as a 501(c)3 organization and making it more self-supporting with an independent governance board. The Garden also plans to hire a professional fundraiser.

He stated that the Chula Vista City Council approved a revised Landscape Water Conservation Ordinance which will apply to all new developments. Staff has been working with the City very closely on the new ordinance. It has been an excellent collaboration and Developers are also in support of the new ordinance.

General Manager Watton indicated that a new directive has been issued by the State requiring that urban per capita water use be reduced by 20% by 2020. He

indicated that it appears the District has already met this goal. Staff anticipates going forward that there will be more conservation. He noted that water sales are below budget by 8% (down from 13%). This is a level that staff feels confident in being able to work through in the budget. Staff will keep the board apprised of the budgets status as we get further into the fiscal year.

He indicated that staff is currently evaluating the charge for water deliveries to Mexico via the delivery agreement under the treaty with Mexico. Staff expects to bring the results of the evaluation at the February committee meetings.

He stated that staff is evaluating the cost of banking services and how current banking services and cost compare to other banking institutions. Information regarding the outcome of the comparison will be presented to the board following the evaluation.

He also shared that the District will be awarded \$2 million more in grants this fiscal year from the U.S. Bureau of Reclamation than had been anticipated. Congressman Filner has been very helpful in acquiring the appropriation from the Federal Government which is split between the agencies in our region. He indicated that as the other agencies are not performing, the monies have been awarded to the District. The District has a fixed amount that it can collect on a grant, however, the District will be able to collect the grant monies more quickly. Overall the District will collect approximately \$12 million.

He indicated that the treatment plant received a surprise inspection visit from Cal-OSHA and received a compliment from the inspector, Mr. Mike Doering. Mr. Doering sent an email to staff indicating, "My first impression of your operation (not having looked at all the documents yet) is that old phrase 'clean as a whistle.' I commend you guys for all that you are doing to prevent a mishap and you are doing so without just blindly switching to hypochlorite, which has its own set of problems. There are some documentary hurdles that one must climb over to be in compliance with PSM and RMP, but once that is achieved and adequate precautions are taken, the use of chlorine can continue without incident. Again, what you have in place at your plant is very impressive." This really commends the District's staff, from the line staff at the treatment plant to the managers and supervisors, and the technology the District has in place.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE:

Director Croucher indicated that the County Water Authority (CWA) is still focused on new sources such as the Carlsbad desalination project (which is moving forward), the conservation of the Bay Delta, etc. The newest issue developing at CWA is the Quantification Settlement Agreement (QSA) litigation matter. General Manager Watton indicated that there are 31 contracts within the QSA agreement. Thirteen of the contracts were litigated in a Sacramento court to prove their validity and the judge had ruled against CWA (this is a tentative ruling at this time). CWA feels that the Judge is fundamentally wrong in his ruling as the assertions that he quoted from areas of the constitution is not relevant to this issue. CWA will be appealing the matter and it is expected that the ruling will

be “stayed” and the water will still flow per the QSA agreement. He will keep the board informed on this issue.

He also noted that he provided information concerning the consumption of each agency as they compare to their CWA allocations. All agencies are doing well against their allocations. A powerpoint is also included which provides an outlook for the water supply in FYs 2011 through 2013. He noted that in FYs 2011 and 2012 that our region is a little exposed to supply issues, but in FY 2013 the QSA water supply will be increased and the water supply picture will improve for CWA. It is felt that we will be fine, but must keep on track with the conservation that we are all doing.

22. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that he regrets that he was unable to attend the employee holiday dinner due to illness. He reported that the Conservation Action Committee did not meet during the holidays, but discussions at the last meeting shifted to promoting the model ordinance to the various municipalities and appropriate government agencies. The County and the City of San Diego are very close to adopting the new model ordinance. He stated that the Council of Water Utilities and the Water Agencies Association are continuing discussion on merging the two associations and are formalizing the merger through a vote of their membership.

Director Croucher indicated that he had the opportunity to see CCL working on the 36-inch Pipeline Project and had shared with both General Manager Watton and Engineering Manager Ron Ripperger how well the project was going and how well CCL was representing the District in terms of their very minimal disruption to traffic within the area during construction and keeping the construction sites very neat. He thanked staff and CCL for the good work.

Director Lopez indicated that he also apologizes for not being able to attend the employee holiday dinner due to a family event. He reported that he did have the opportunity to participate in the City of Chula Vista's holiday parade on behalf of the District. He also commended District employees, Lincoln Anderson and Vince Brown, for their participation and work on the parade. He stated he was also pleasantly surprised to see a number of Otay employees and their families in attendance of the parade.

Director Robak indicated that in November 2009 he had an opportunity to attend a statewide presentation on the new regulations concerning recycled water at Irvine Ranch Water District. He had an opportunity to speak with many who he has not seen in the last year and it was a productive meeting. He also attended the ACWA conference held in San Diego in early December 2009. He stated that there was a lot of good content and Governor Schwarzenegger spoke on the water bond. He also had an opportunity to speak with Mr. Tim Quinn, Executive Director of ACWA. He indicated that the Water Conservation Garden also held an evening event prior to the holidays and it was very well attended. He indicated that he was very pleased to see the success of the event. He also

shared information with the Water Conservation Garden staff members some grant opportunities that they may have interest in pursuing. He also attended the employee holiday dinner and it was also well attended and he had a very nice time. He wished everyone a Happy New Year.

23. PRESIDENT'S REPORT

President Bonilla indicated that he and staff have been meeting with the group involved in the Rosarito Desalination Project. He indicated that there are still issues to be worked through, but the project is moving forward and progressing well. He indicated that he also attended the employee holiday dinner and that he too had a good time and he felt it was a very good event. He wished everyone a Happy New and that he was looking forward to a tough, but productive year. He stated that indicators suggest that this year will be more challenging than last year. He indicated that he, however, believes that the District is in a position to withstand the struggles that this year will bring. He stated that he was very grateful to Director Croucher for the two years he served as president. He stated that he did an excellent job during these tough times and he is happy to be associated with him and the rest of the board.

24. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:55 p.m.

President

ATTEST:

District Secretary