

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT and OTAY SERVICE CORPORATION
January 5, 2011**

1. The meeting was called to order by President Bonilla at 3:31 p.m.

2. ROLL CALL

Directors Present: Bonilla, Croucher, Gonzalez, 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 Daniel Shinoff, 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. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. OATH OF OFFICE CEREMONY

Chula Vista Mayor, Cheryl Cox, administered the Oath of Office to Directors Croucher and Gonzalez who have been elected in the November 2010 elections to the District's Division 3 and 1 seats respectively.

6. The board recessed for a reception at 3:47 p.m.

7. The board reconvened the board meeting at 3:57 p.m.

8. PRESENTATION OF RECOGNITION PLAQUE TO BOARD PRESIDENT

Vice President Lopez presented a recognition plaque from the Board of Directors to Board President Bonilla to thank him for his strong leadership and outstanding service during the past year. President Bonilla thanked Vice President Lopez

and the Board for their support and stated that he is honored to be part of the Board of Directors.

9. ELECTION OF BOARD PRESIDENT

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

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

to re-elect Director Bonilla as President.

10. ELECTION OF BOARD VICE PRESIDENT

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

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

to elect Director Croucher as Vice President.

11. ELECTION OF BOARD TREASURER

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

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

to elect Director Gonzalez as Treasurer.

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

The Otay Water District board meeting was recessed at 4:06 p.m. and a meeting of the Otay Service Corporation board was convened.

13. ROLL CALL

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

14. ELECTION OF OFFICERS: PRESIDENT, VICE-PRESIDENT AND TREASURER

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

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

to elect Director Bonilla as President, Director Croucher as Vice President and Director Gonzalez as Treasurer.

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

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

Ayes: Directors Bonilla, Croucher, Gonzalez, 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 Susan Cruz as Secretary.

16. ADJOURN OTAY SERVICE CORPORATION BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT FINANCING AUTHORITY BOARD MEETING

President Bonilla adjourned the Otay Service Corporation meeting at 4:09 p.m. and convened the Otay Water District Financing Authority board meeting.

17. ELECTION OF OFFICERS: PRESIDENT, VICE-PRESIDENT AND TREASURER

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

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

to elect Director Bonilla as President, Director Croucher as Vice President and Director Gonzalez as Treasurer.

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

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

Ayes: Directors Bonilla, Croucher, Gonzalez, 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 Susan Cruz as Secretary.

19. ADJOURN OTAY DISTRICT FINANCING AUTHORITY BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT BOARD MEETING

President Bonilla adjourned the Otay Financing Authority Board meeting at 4:10 p.m. and reconvened the Otay Water District board meeting.

20. 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.

21. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF JUNE 17, 2010

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

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

to approve the minutes of the special board meeting of June 17, 2010.

CONSENT CALENDAR

22. 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 Robak pulled item 22c, APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH AECOM TECHNICAL SERVICES IN AN AMOUNT NOT-TO-EXCEED \$176,805 FOR THE RANCHO DEL REY GROUNDWATER WELL DEVELOPMENT PROJECT; and 22d, APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH RBF

CONSULTING FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR THE 36-INCH PIPELINE, SDCWA OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$101,075, for discussion.

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

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

to approve the following consent calendar items:

- a) AWARD A CONSTRUCTION CONTRACT TO BLASTCO, INC. FOR THE 657-1 AND 657-2 RESERVOIR EXTERIOR/INTERIOR COATING AND UPGRADES PROJECT IN AN AMOUNT NOT-TO-EXCEED \$632,500
- b) AWARD A CONSTRUCTION CONTRACT TO L.H. WOODS & SONS, INC. IN THE AMOUNT OF \$379,000 FOR THE DEL RIO ROAD AND GILLISPIE DRIVE EMERGENCY INTERCONNECTIONS PROJECT
- e) APPROVE CREDIT CHANGE ORDER NO. 3 TO THE EXISTING CONSTRUCTION CONTRACT WITH CCL CONTRACTING, INC. FOR THE JAMACHA ROAD 36-INCH POTABLE WATER PIPELINE AND 12-INCH POTABLE WATER PIPELINE REPLACEMENT PROJECTS IN THE AMOUNT OF <\$1,474,033.22>
- f) APPROVE THE ISSUANCE OF A REQUEST FOR PROPOSAL FOR PHASE 2 OF THE RANCHO DEL REY WELL PROJECT WHICH WILL INCLUDE EQUIPPING THE WELL AND DESIGNING A WELLHEAD TREATMENT FACILITY
- g) DECLARE VEHICLES AND EQUIPMENT SURPLUS TO THE DISTRICT'S NEEDS
- h) APPROVE FISCAL YEAR 2011 EXPENDITURES FOR BANKING SERVICES WITH UNION BANK IN AN AMOUNT NOT-TO-EXCEED THE BUDGETED TOTAL OF \$149,700
- i) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO SUMMIT TRUCK BODIES IN THE AMOUNT OF \$139,797.81 FOR THE PURCHASE OF ONE (1) CLASS 8 SERVICE LINE TRUCK
- j) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO MIRAMAR TRUCK CENTER IN THE AMOUNT OF \$89,925 FOR THE PURCHASE OF ONE (1) NEW CLASS 8 DUMP TRUCK

President Bonilla presented item 22c and 22d for discussion:

- c) APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH AECOM TECHNICAL SERVICES IN AN AMOUNT NOT-TO-EXCEED \$176,805 FOR THE RANCHO DEL REY GROUNDWATER WELL DEVELOPMENT PROJECT

Director Robak inquired on the status of the project, anticipated production/water yield and cost. Engineering Manager Jim Peasley indicated that the District has completed the drilling of the production well and it is expected to produce 450 gallons per minute (GPM), which is a very good yield. He noted that the quality of the water is what staff had expected and a reverse osmosis system will be utilized to clean the water. Separation Processes, Inc., experts in the reverse osmosis processes, analyzed the requirements of the project and determined all costs associated with the project, including equipment, labor, maintenance, etc. over a thirty-year period, and estimated that the cost for the production of water from the well is estimated at \$1,500 per acre foot (AF). Staff is confident in the estimate and that the well could produce approximately 500 AF per year.

General Manager Watton added that consent item number 22f provides the details of the costs associated with equipping the well facility and the design and construction of the well treatment facilities that Engineering Manager Peasley had mentioned.

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

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

to approve staffs' recommendation.

- d) APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH RBF CONSULTING FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR THE 36-INCH PIPELINE, SDCWA OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$101,075

Director Robak indicated that he was concerned with the amount of money paid for construction management services for this project. He stated that he supported approval of this item to pay RBF Consulting for their services, however, he felt that the District should re-examine the value received for construction management consulting services and if the services can be done in-house at a lower cost.

General Manager Watton indicated that the District does have some of the expertise in-house, but there is a question on how to staff for these temporary

required tasks/services. He indicated that construction management firms can provide additional expertise, such as electrical engineering, structural engineering, etc., that the District does not have on staff and would not be economical to hire. He stated that he would like to suggest that staff bring information back to committee to discuss the value of construction management services.

Director Croucher indicated that he wished to note that item 22e was the approval of a credit change order for a savings of \$1.47 million for construction contract services which can be attributed to RBF Consulting's work on the project.

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

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

to approve staffs' recommendation.

23. ENGINEERING AND WATER OPERATIONS

a) APPROVE WATER SUPPLY ASSESSMENTS AND VERIFICATION REPORTS, AS REQUIRED BY SENATE BILLS 610 AND 221, FOR THE OTAY RANCH VILLAGE EIGHT WEST AND OTAY RANCH VILLAGE NINE PROJECTS

Associate Civil Engineer Bob Kennedy presented the Water Supply Assessment and Verification Reports (WSA&V) for the Otay Ranch Village 8 West and Otay Ranch Village 9 Projects for the board's adoption. He reviewed the projects and the status of the current water supply in detail (see attached presentation and committee notes attached to staffs' report) and indicated that the WSA&V Reports demonstrate and document that sufficient water supplies are planned for and are intended to be available over the next 20 years to meet the demand requirements of the proposed projects.

Director Robak noted that five (5) years ago the District projected that demand would be 49,000 AF. The District actually sold 29,000 AF last year. He stated that the District certainly has the supplies today as it is selling less water now than was projected five (5) years ago.

Director Croucher noted that this item was presented to the Engineering, Operations and Water Resource Committee and staff indicated that they were being conservative with their numbers. He stated that the Committee was able to understand the projects better and they felt more comfortable with supporting and moving forward with the WSA&V's.

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

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

to approve staffs' recommendation.

24. BOARD

a) DISCUSSION OF 2011 BOARD MEETING CALENDAR

There were no changes to the meeting calendar.

INFORMATIONAL ITEMS

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

a) REPORT ON DIRECTOR'S EXPENSES FOR THE 1st QUARTER OF FISCAL YEAR 2011

Finance Supervisor Sean Prendergast indicated that Board of Directors Policy 8 requires that staff present the expenses and per diems for the board members on a quarterly basis. He indicated that this item was also reviewed by the Finance and Administration Committee at a meeting held on December 6, 2010. He presented slides showing in detail each director's expenses for the first quarter of fiscal year 2011 (July to September 2010) and total expenses for each. He indicated that the total board of director expenses and per diems for the first quarter of fiscal year 2011 was \$2,876.5. He stated that the projected cost through the end of the fiscal year based on this quarter is approximately \$10,000.

b) INFORMATIONAL REPORT ON THE PROPOSED NEW BILL PRINT FORMAT AND ENHANCEMENTS

Customer Service Supervisor Andrea Carey presented the proposed new bill formats. She stated for the past four months the District staff has been working with both its bill print and billing systems vendors to create a bill format that is better organized, easier to read and includes enhancements that many of the District's customers have requested. The new bill format will be rolled out to coincide with the completion of the billing system upgrade that is scheduled to be finished no later than the end of April. She noted that the board's meeting materials includes copies of the various bill samples for a variety of customer billing scenarios. She reviewed in detail the major changes in the bill format for two of the samples provided with the board's materials which included an enhanced messaging capability, the listing of the customer's meter size, a

comparison of usage from the same month one year ago and a percentage change in the usage, and enhanced billing details showing the past due amount and total amount due.

Director Croucher inquired with regard to the area of the bill that shows a comparison of the billing month's usage with the year before, if it can include more than one month's information. He stated that it would be more useful to him, as a customer, if he could see at least six (6) months usage comparison as it would help him improve his water savings. Customer Service Supervisor Carey indicated that staff would review Director Croucher's suggestion with the District's vendors and determine what is possible with the space that is available.

Director Robak indicated that the District's Finance, Administration & Communications Committee had reviewed the bills at their meeting held on December 6, 2010 and had suggested that the bills also include a water conservation message. Customer Service Supervisor Carey indicated that staff is reviewing the possibility of printing a static conservation message on the back of every bill.

Director Gonzalez inquired if a thank you message could be included on customer bills for those who are successfully conserving (lowering their water usage). It was indicated that staff would certainly look into doing so.

REPORTS

26. GENERAL MANAGER'S REPORT

General Manager Watton presented his report which included the status of the 36-inch pipeline project, the District's receipt of the Irrigation Association's *National Water and Energy Conservation Award* which was presented in December 2010, an update on the status of the development of the FY 2012-2014 Strategic Plan, that potable and recycled water sales were down approximately 7.5%, and Mexico's schedule for the amount of water they are requesting be delivered in calendar year 2011.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE:

Director Croucher indicated that the Chair of CWA, Mr. Michael Hogan, Santa Fe Irrigation District has made the CWA committee appointments and he has been assigned as Co-Chair of the Administration and Finance Committee, member of the Legislative, Conservation and Outreach Committee and Small Contractors Outreach and Opportunities Program (SCOOP) Committee. He will no longer serve on CWA's Audit Committee as he was appointed Co-Chair of the Administration and Finance Committee and members cannot serve as Chair or Co-Chair and serve on the Audit Committee. He noted that General Manager Watton was also appointed by CWA Chair, Hogan, as Chair of the Imported Water Committee.

27. DIRECTORS' REPORTS/REQUESTS

Director Lopez commended staff who coordinated the employee holiday dinner. He thanked Communications Officer Armando Buelna for his work on 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 indicated that there was a really good response from the public and he wished to recognize employees for their work on the parade.

Director Robak indicated that he has been attending the Metro Commission's IROC Committee meetings. He stated that he and General Manager Watton will be meeting with City of San Diego Water Department Director, Roger Bailey, on Friday to follow-up on discussions from the Metro Commission meetings.

28. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the months of November and December 2010. He stated that on November 4 he met with City of Chula Vista Mayor, Cheryl Cox, and General Manager Watton to review projects between the City and the District. He indicated that Mayor Cox is very supportive of the work the District is doing. He shared that on November 11 he met with Chula Vista Councilmember Steve Casteneda to discuss Otay matters and the redistricting of the District following the 2010 census. On November 15 he met with General Manager Watton to discuss items to be presented at the December committee meetings and on November 22 to discuss attorney services. He stated that on November 23 he met with Director Robak to discuss Otay matters and on November 24 he attended the District's Ad Hoc Legal Matters Committee to discuss pending legal matters. He shared that on December 6 he attended the Finance, Administration and Communications committee where the committee reviewed and made recommendation on items for presentation at the January Board meeting. On December 8 he attended the Ad Hoc Legal Matters Committee where the Fenton Business Center matter and various legal matters were discussed. He indicated on December 10 he met with General Manager Watton to discuss the Desalination Project and he also met with the Ad Hoc Legal Matters Committee to discuss the IEC matter. He stated that on December 17 he again attended an Ad Hoc Legal Matters Committee meeting where the committee discussed the District's legal service needs. On December 21 he attended the District's Desalination Project Committee to discuss the Rosarito Desalination Project and on December 28 he attended the Ad Hoc Legal Matters Committee for a follow-up discussion on the Fenton Business Center matter.

RECESS TO CLOSED SESSION

29. CLOSED SESSION

The board recessed to closed session at 5:03 p.m. to discuss the following matters:

- a. CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9(a)]
 - (I) MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-2007-00077024-CU-BC-SC
 - (II) INFRASTRUCTURE ENGINEERING CORP. v. OTAY WATER DISTRICT, COUNTY OF SAN DIEGO, SUPERIOR COURT, CASE NO. 37-2008-00093876-CU-BC-CTL

RETURN TO OPEN SESSION

- 30. 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 5:49 p.m. and General Counsel Daniel Shinoff indicated that no reportable actions were taken in closed session.

- 31. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:49 p.m.

President

ATTEST:

District Secretary