

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
February 2, 2011**

1. The meeting was called to order by President Bonilla at 3:30 p.m.
2. ROLL CALL

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

Staff Present: General Manager Mark Watton, Asst. General Manager of Administration and Finance German Alvarez, Asst. General Manager of 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 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 President Bonilla, seconded by Director Croucher and carried with the following vote:

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

to remove Agenda Item 14a.i. (Conference with Legal Counsel – Existing Litigation, Infrastructure Engineering Corp. v. Otay Water District, County of San Diego, Superior Court, Case No. 37-2008-00093876-CU-BC-CTL) and consider the item at a later date when updated information is received by the District.

5. APPROVE THE MINUTES OF THE SPECIAL MEETING OF MAY 17, 2010

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

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

to approve the minutes from the Special Meeting of May 17, 2010.

6. PRESENTATION OF CERTIFICATES OF RECOGNITION TO LEE & RO, INC., RBF CONSULTING, CCL CONTRACTING, INC. AND HARRIS & ASSOCIATES, INC. FOR THEIR WORK AND PROFESSIONALISM IN THE SUCCESSFUL COMPLETION OF THE JAMACHA PIPELINE PROJECT

General Manager Mark Watton provided a background of the 36-Inch Jamacha Pipeline Project and commended Lee & RO, Inc., RBF Consulting, CCL Contracting, Inc., and Harris & Associates, Inc. (36-Inch Pipeline Team) for their hard work and professionalism in the successful completion of the project. He stated that the project was completed on time and under budget thanks to the collaborative efforts of the 36-Inch Pipeline Team and District staff.

Engineering Manager Ron Ripperger also commended the 36-Inch Pipeline Team and indicated that LEE & RO, Inc. designed the project, Harris & Associates, Inc. provided design value engineering services, RBF Consulting was the construction management firm, and CCL Contracting, Inc. built the facility. Engineering Manager Ripperger also added that District staff members provided key field support during the construction of the project.

Certificates of Appreciation were presented to each firm in recognition of their excellent work on the 36-Inch Jamacha Pipeline Project.

Director Gary Croucher thanked the 36-Inch Pipeline Team and stated that he appreciated their teamwork efforts in the successful completion this major project. He stated that he is proud of them and indicated that the District should retain the 36-Inch Pipeline Team for future major projects, if possible.

President Bonilla and Director Lopez also thanked the 36-Inch Pipeline Team and shared that they received positive feedback from District staff and the community on how well the 36-Inch Pipeline Team provided services and completed the project.

7. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

No one wished to be heard.

CONSENT CALENDAR

8. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

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

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

to approve the following consent calendar items:

- a) APPROVE THE REIMBURSEMENT AGREEMENT BETWEEN THE DISTRICT AND THE COUNTY OF SAN DIEGO FOR THE RELOCATION OF AN 8-INCH SEWER MAIN
- b) APPROVE AN ENGAGEMENT LETTER WITH THE AUDITING FIRM OF DIEHL, EVANS & COMPANY, LLP TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2011
- c) AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE AND ENTER INTO AN AGREEMENT WITH DMI DIGITAL MAPPING INC. IN AN AMOUNT NOT TO EXCEED \$68,000 FOR ORTHOPHOTOGRAPHY SERVICES

ACTION ITEMS

9. ENGINEERING AND WATER OPERATIONS

- a) APPROVE THE WATER SUPPLY ASSESSMENT REPORT, AS REQUIRED BY SENATE BILL 610, FOR THE SAN DIEGO-TIJUANA CROSS BORDER FACILITY PROJECT

During a meeting of the District's Engineering, Operations, and Water Resources Committee (EO&WR Committee) on January 18, 2011, the Committee supported staffs' recommendation and presentation to the full Board the request for approval of the District's Water Supply Assessment Report (WSA Report) for the San Diego-Tijuana Cross Border Facility (Cross Border Project), dated December 2010, as required by Senate Bill 610. Additional information regarding the Cross Border Project, the District's 2010 WSA Report, and the Committee's discussion/actions are provided in staff's report (agenda item 8a).

Associate Civil Engineer Bob Kennedy indicated that the Cross Border Project includes the development of a border crossing that would provide secure air-passenger access to the passenger terminals of the General Abelardo L. Rodriguez International Airport in Tijuana. On December 14, 2010, the District received a request from the City of San Diego to prepare the Cross Border Project's WSA Report. Associate Civil Engineer Kennedy provided a PowerPoint presentation to

the Board and indicated that prior to transmittal to the City, the WSA Report must be approved by the District's Board.

General Manager Watton stated that the Cross Border Project is a highly sophisticated project and a Presidential Permit from Mexico has already been issued to the Otay-Tijuana Ventures, LLC allowing the development of the Project.

Mr. Mark Rosen, representative for the Otay-Tijuana Ventures, LLC (Developer) stated that they are in the entitlement process with the City of San Diego and is waiting on the City's approval of a certified environmental impact report, the development plans, and community plan amendment which the developer expects to receive in the third quarter of 2011. Mr. Rosen stated that the Developer is also in the process of obtaining construction and building permits from the City and indicated that the goal is to open the border crossing in late 2012. A rendering of the proposed Cross Border Project was presented to the Board.

Director Robak inquired if the Cross Border Project's landscape will use potable or recycled water. Associate Civil Engineer Kennedy indicated that the project's landscape would utilize approximately 11 acre-foot of recycled water annually.

Director Croucher stated that the EO&WR Committee reviewed the benefits of the Cross Border Project and indicated that they supported staffs' recommendation as they believe it is a highly needed facility in the area.

Director Gonzalez stated that the project is a great opportunity for another cross border project and partnership, such as the District's desalination project, and it would benefit San Diego as it would provide the community with an airline service alternative.

In response to a question from President Bonilla, Associate Civil Engineer Kennedy presented a powerpoint slide that showed the location of the two 150-room hotels that is included in the Cross Border Project's development plan.

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 the Water Supply Assessment Report, as required by Senate Bill 610, for the San Diego-Tijuana Cross Border Facility Project.

INFORMATIONAL ITEMS

10. FISCAL YEAR 2011 FIRST QUARTER CAPITAL IMPROVEMENT PROJECT UPDATE REPORT

The District's EO&WR Committee reviewed this item in detail at a meeting held on January 18, 2011. Notes from the committee's discussion is included within Attachment A to staff's report (agenda item 9a).

Associate Civil Engineer Daniel Kay stated that the District's FY 2011 CIP budget consists of 82 projects that total \$28.5 million and indicated that expenditures through the first quarter totaled approximately \$4.4 million or 16% of the fiscal year budget.

Director Robak noted that Mr. Rob Turner, Director of Public Works from the city of El Cajon, had provided positive feedback on the District's CIP project (36-Inch Pipeline from FCF No. 14 to Regulatory Site Project) and had indicated that the City did not receive any complaints while the project was under construction. Director Robak commended District staff and all the consultants who were involved in the successful completion of the project.

11. BOARD

a) DISCUSSION OF 2010 AND 2011 BOARD MEETING CALENDAR

There were no changes to the meeting calendar.

REPORTS

12. GENERAL MANAGER'S REPORT

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General Manager Watton presented his report and noted that a copy of the District's new proposed bill format has been provided each director on the dais. The new bill format provides customers information on their water use for several years as suggested by Director Croucher at a previous meeting. Also presented to the Board was an updated fact sheet of the District, San Diego LAFCO's Proposed FY 2011-2012 Budget information and an article ("*Consolidated Water Co. Ltd. To Increase Capacity of Blue Hill Plant in Commonwealth of Bahamas by Approximately 67%*") that provides an update on the private developer of the proposed Rosarito Beach Desalination Project.

An article from SignOn San Diego ("*S.D. Water agency delays project worth \$82 million*") was also provided that updated the Board on San Diego County Water Authority's decision to defer \$82 million in projects. General Manager Watton indicated that Otay had to revise its current Fiscal Year and upcoming Fiscal Year 2012 Six-Year CIP Project Expenditure Projections schedule based on the current economic environment.

He noted from his General Manager's Report the annual employee recognition luncheon, GIS manager's meetings with Sweetwater Authority, city of Chula Vista and the San Diego Port Authority to discuss common goals, the District's bond issue on the bond market, the District's financial reporting for December 31, 2010, the Rancho del Rey Groundwater Well Development Project, and the San Diego CWA treatment water shutdown.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that at the District's next regular Board meeting, a CWA representative will provide an update on Metropolitan Water District's (MWD) rates and the lawsuit CWA has filed against METRO regarding their rates.

He stated that CWA's representatives on MWD will be addressing some concerns they have with some MWD issues. He stated one of the issues is MWD's budget with regard to projected water sales. MWD is projecting water sales of 2 million acre-feet and CWA feels that this projection is unrealistic and believes the projection should be approximately 1.8 million acre-feet. He stated that MWD's staff is also recommending that its board approve another 3-year contract with its audit firm. He stated if the recommendation is approved, MWD would have the same auditor in place for 21 years. CWA feels that having the same auditor in place is concerning and will be addressing the issue with MWD.

At the CWA's January 2011 Board meeting, General Manager Watton stated that its members approved the second phase of a joint feasibility study and preliminary design of the binational seawater desalination plant in Rosarito Beach. He stated that prior to CWA's board approving the second study, he was able to include in the motion a contingency requiring the State of Baja to participate before CWA would provide funding for the study.

Director Croucher stated that CWA has a conservation plan that promotes a weather-based irrigation controller and discussed some of the positive/negative advantages of using the device. He also shared that CWA plans to address the County of San Diego Board of Supervisors to provide them with information about water issues and rates so that they could have a better understanding of the issues.

13. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that the board members may wish to consider attending the 2011 WaterReuse California Annual Conference that is scheduled for March 20-22 in Dana Point, California. He stated that the conference has a segment on desalination and a tour of the Orange County desalination and ozone treatment facilities which would be worthwhile attending. Director Robak indicated that he recently attended a meeting that was very informative as it discussed desalination technology and he received valuable information which he had shared with the Board. He stated that the District would greatly benefit from the proposed Rosarito

Beach Desalination Project. He also indicated that he attended the District's Annual Employee Luncheon and he enjoyed the event and meeting and speaking with the District's employees. He also shared that he was pleased with the quality of the information/articles in the District's Pipeline Newsletter.

Director Robak stated that the District's Fact Sheet reports potable water sales of 29,866 AF and the purchase of 31,088 AF of potable water. He inquired if the difference in the figures of 1,222 AF is considered the District's "water loss." Chief Financial Officer Joe Beachem stated yes and that the water loss information is included in the District's budget. Director Robak requested that the District's Fact Sheet and a sample of an average sewer bill be placed on the District's website.

Director Lopez commended the staff members who organized the District's Annual Employee Luncheon and stated that it is always a nice event to attend and have an opportunity to speak with District employees and express how much they are truly appreciated. He indicated that he plans to attend the 2011 WateReuse California Conference.

Director Croucher thanked staff for revising the District's bill format to include historical information of the customer's water use and believes that it will make it easier for customers to see if they need to improve their water conservation.

Director Gonzalez shared his experience on the Colorado River Tour that he attended in late January 2011 and stated that the tour was very informative and he gained a better understanding of water rates and issues.

14. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the month of January 2011 and indicated that on January 6 he attended a Desalination Project Committee meeting to discuss the Rosarito Beach Desalination Project. On January 10, he met with Director Robak to discuss District matters, and met with General Manager Watton to discuss general counsel services. He attended an Ad Hoc Legal Matter Committee meeting on January 11 to review applications from legal firms who were interested in providing General Counsel services to the District and provided a recommendation to the board of a suggested candidate. He attended a Special Meeting of the Board of Directors on January 11 where the board selected and appointed Stutz Artiano Shinoff & Holtz to provide General Counsel services to the District. On January 14 he met with General Manager Watton to discuss items which will be presented at the January committee meetings. On January 24 he met with Mr. Guillermo Ruiz to discuss the Rosarito Beach Desalination Project. He met with Mark Watton on January 26 to review the agenda for the February Board meeting and attended the District's Employee Luncheon. Lastly, on January 27, he met with representatives of Consolidated Water Co. Ltd. and Mr. Guillermo Ruiz to discuss the Rosarito Beach Desalination Project.

15. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 4:38 p.m.

President

ATTEST:

District Secretary