

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
July 15, 2011**

1. The meeting was called to order by President Bonilla at 3:35 p.m.

2. ROLL CALL

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

Directors Absent: None

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 Director Croucher, 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 approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETINGS OF JANUARY 5, 2011 AND FEBRUARY 2, 2011; AND SPECIAL MEETINGS OF SEPTEMBER 15, 2010 AND JANUARY 11, 2011

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 approve the minutes of the regular meetings of January 5, 2011 and February 2, 2011; and special meetings of September 15, 2010 and January 11, 2011.

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

No one wished to be heard.

CONSENT CALENDAR

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

Director Lopez requested that agenda item 6e, APPROVE A CONSTRUCTION CONTRACT TO PARADIGM MECHANICAL CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$53,500 FOR HVAC IMPROVEMENTS AT THE 803-1 AND 850-2 PUMP STATIONS, be pulled for discussion.

President Bonilla presented item 6e for discussion:

- e) APPROVE A CONSTRUCTION CONTRACT TO PARADIGM MECHANICAL CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$53,500 FOR HVAC IMPROVEMENTS AT THE 803-1 AND 850-2 PUMP STATIONS

Director Lopez indicated that staff had provided a memo to the board (attached) regarding this item and he would like, at this time, to make a motion to reject all bids on the project and remove this item from the agenda, the motion was 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 reject all bids and remove this item from the agenda.

President Bonilla presented the consent calendar for board action. 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 following consent calendar items:

- a) ADOPT RESOLUTION NO. 4178 TO CONTINUE WATER AND SEWER AVAILABILITY CHARGES FOR DISTRICT CUSTOMERS FOR FISCAL YEAR 2011-2012 TO BE COLLECTED THROUGH PROPERTY TAX BILLS
- b) ADOPT RESOLUTION NO. 4177 TO ESTABLISH THE TAX RATE FOR IMPROVEMENT DISTRICT NO. 27 AT \$0.005 FOR FISCAL YEAR 2011-2012
- c) APPROVE AGREEMENTS WITH THE FOLLOWING:
 - AZTECA SYSTEMS INC., IN THE AMOUNT OF \$95,000 FOR INITIAL LICENSE AGREEMENT FOR WORK MANAGEMENT SOFTWARE, SOFTWARE MODIFICATION, AND IMPLEMENTATION SERVICES
 - ESRI FOR A THREE-YEAR LICENSE AGREEMENT FOR GIS SOFTWARE IN AN AMOUNT NOT-TO-EXCEED \$163,125 (\$54,375 PER YEAR)
 - ONE-YEAR SERVICE AGREEMENTS FOR FY 2012 WITH:
 - AT&T IN THE AMOUNT OF \$110,000 FOR LOCAL AND LONG DISTANCE TELEPHONE AND INTERNET SERVICE
 - VERIZON WIRELESS IN THE AMOUNT OF \$108,000 FOR CELL PHONE AND WIRELESS SERVICES
 - SOFTCHOICE IN THE AMOUNT OF \$78,490 FOR SOFTWARE LICENSES UNDER THE MICROSOFT ENTERPRISE AGREEMENT
 - EDEN SYSTEMS IN THE AMOUNT OF \$139,000 TO COVER THE COSTS OF A SOFTWARE MAINTENANCE AGREEMENT, ANNUAL SUPPORT, AND CONSULTING SERVICE
 - ESRI IN THE AMOUNT OF \$50,000 FOR SOFTWARE CONSULTING SERVICES
- d) ADOPT RESOLUTION NO. 4179 TO ELECT THREE REPRESENTATIVES TO THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY'S BOARD OF DIRECTORS
- f) APPROVE A PROFESSIONAL ENGINEERING SERVICES AGREEMENT WITH MALCOLM PIRNIE/ARCADIS IN AN AMOUNT NOT-TO-EXCEED \$349,979.36 FOR FISCAL YEARS 2012 AND 2013 (ENDING JUNE 30, 2013) FOR THE WASTEWATER MANAGEMENT PLAN PROJECT

ACTION ITEMS

8. ENGINEERING AND WATER OPERATIONS

- a) AWARD A CONSTRUCTION CONTRACT TO NEWEST CONSTRUCTION, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$3,499,000 AND APPROVE AN INCREASE TO THE FISCAL YEAR 2012 BUDGET FOR CIP R2096 FROM \$4,700,000 TO \$4,950,000

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that staff is requesting that the board award a construction contract for the Ralph W. Chapman Water Reclamation Facility (RWCWRF) upgrade project in an amount not-to-exceed \$3,499,000 and increase the FY 2012 project budget from \$4.7 million to \$4.95 million. She indicated that the plant is not meeting its Regional Water Quality Control Board permit limits for total nitrogen and explained that the sludge process would need to be modified to achieve lower nitrogen levels. She reviewed the plant modifications that will be required in order for the plant to comply with permit requirements and the reasons for the increase to the project budget. She stated the modifications will also enhance automation and efficiency. She presented the bid process and indicated that staff is recommending that the construction contract be awarded to the lowest responsive bidder, NEWest Construction, Inc. She stated that staff has checked their references and they were very good. Newest also worked on two previous projects for the District and their performance on these projects was very good.

She indicated that the District received a bid protest from the second lowest bidder, Stanek Constructors, Inc. claiming that NEWest's bid was unresponsive. Staff reviewed the protest with legal counsel and it was concluded that the protest was inconsequential.

In response to an inquiry from Director Robak, General Manager Watton indicated that the San Diego Metro Commission's cost for treating reclaimed water is increasing and, thus, it is becoming less costly to treat reclaimed water at the District's RWCWRF. With the eventual growth to build out, the District will need the capacity from the District's treatment plant beyond the District's capacity at Metro. It is very expensive to buy additional capacity at Metro. Environmental Compliance Specialist Lisa Coburn-Boyd added that the RWCWRF upgrades will lower energy cost and provide for new automation which will provide better process control that will reduce labor cost. Director Robak inquired if staff as ever looked at upgrading the treatment plant to meet drinking water standards. General Manager Watton indicated that, they have not as the opportunity to place the re-purified water into a ground basin would not be possible because of the Sweetwater River groundwater basin issue.

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 staffs' recommendation.

9. BOARD

- a) CONSIDERATION TO CAST A VOTE TO RE-ELECT MR. DEWEY AUSMUS TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION'S (CSDA) BOARD OF DIRECTORS

General Manager Watton indicated that the incumbent, Mr. Dewey Ausmus, is running for re-election to his seat on the California Special Districts Association Board. Mr. Ausmus has been doing a good job and staff is recommending that the board re-elect Mr. Ausmus to CSDA's Board of Directors.

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.

- b) DISCUSSION OF 2011 BOARD MEETING CALENDAR

General Manager Watton noted that the August board meeting has been rescheduled to August 10, 2011.

INFORMATIONAL ITEMS

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

- a) REPORT ON THE STATUS AND PROGRESS OF THE AUTOMATED METER READING METER RETROFIT PROGRAM

Chief of Operations Pedro Porras updated the board on the District's Automated Meter Reading Program (AMR). He stated that AMR is a device which measures

consumer's water consumption and transmits the data via radio frequency to a data collecting unit. He stated that the automated meters have many benefits which include reduced labor cost, they allow easy access to meters that are on private property or are difficult to reach without setting up an appointment with the property owner, and they enhance the safety of District employees as they no longer are required to walk the streets and neighborhoods to read meters manually. He provided a brief history of the development of the automated meter and their various manufacturers.

He stated in the late 1990's, the 2000 census noted that the City of Chula Vista was the second fastest growing city in the nation. At that time, the District was installing approximately 2500 meters per year and the District recognized that it needed to address the maintenance of this growth by either hiring additional staff or look to technology to enhance efficiency. In January 2002, the District's board approved the AMR Program and declared that, effective July 1, 2001, all new and replacement meters would have AMR technology. By the end of 2005 the District had over 3000 3G Master Meters installed (just below 10% of total installed meters). He indicated that the meters last about 30 years and the batteries last approximately 20 years and can be read 24 hours a day regardless of the weather. The meters can also provide additional data, such as leaks if the meter is running 24 hours in a day, etc.

Chief of Operations Porrás indicated that, as of June 2011, the District had a total of 49,057 meters (potable and recycled) installed, of which, 35,933 (73.25%) are 3G Master Meters. The District had 105 manual-read meter routes which, today, have been reduced to 84 meter read routes due to the implementation of AMR. Fifty-six (56) of the 84 routes are AMR and 28 are non-AMR. It is projected that an average of eight (8) routes will be converted to AMR each year. Due to the conversion to AMR, the District can read 3,500 meters a day versus 1,000 meters a day manually. This increased efficiency has allowed the District to reduce its labor force by three (3) full-time employees and one (1) part-time employee. This has provided a total labor cost savings to date of almost \$2 million. He stated that it is expected that by 2014 all meters would be fully AMR capable. Increasing costs savings by 2014 to approximately \$5.02 million (savings from reduced staff, vehicle and fuel needs). It was noted that the District would start replacing the meters batteries in 2019 and the full meter and registers in 2034.

General Manager Watton noted that the District did not want to replace all the batteries at once, so AMR installations were staggered. Chief of Operations Porrás also shared in response to an inquiry by Director Robak, that the unit with the brain (data portion of meter) will be wholly replaced which will update the technology of the meter. It is expected, at that time, the data will be collected via the internet and District staff will no longer need to drive the District's service area to collect water usage data.

REPORTS

11. GENERAL MANAGER'S REPORT

GENERAL MANAGER'S REPORT

General Manager Watton highlighted information from his report (attached) that included an update on water conservation outreach, network security, FEMA Claims, an award received from Government Finance Officers Association (GFOA) for the District's CAFR, the Rancho del Rey groundwater well development project, and the Solar Power Feasibility Study.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher indicated that CWA's primary focus at their last meeting continued to be the lawsuit with Metropolitan Water District for multiple issues, not just the rates, but also incentives provided to those who did not qualify for incentives. Conservation efforts are also continuing to be a focus, though the Governor has declared the drought over, there still continues to be a water shortage due to the Bay Delta issues and the Colorado River's low levels. He stated that Desalination is also still being discussed and that there will be more to come as the lawsuits move forward.

12. DIRECTORS' REPORTS/REQUESTS

Director Croucher indicated that he attended the District's Employee Recognition event. He noted that the District recognized an employee for his assistance in saving a customer from serious injury or loss of life from a dog attack. He stated that it is a pleasure to see the District's employees becoming part of the community and helping in such situations. He indicated that the District also recognized employees for their service to the District with some being recognized for 25 and 30 years of service. One such employee was Engineering Manager, James Peasley, who was recognized for 32 years of service to the District.

Director Lopez indicated that he also attended the Employee Recognition event and it was gratifying to see staff working together and acknowledging their peers. He congratulated Engineering Manager Peasley for his 32 years of service. He also shared that he attended the Ad Hoc Unrepresented Employee Compensation Committee meetings held on June 27 and July 5, 2011. On July 11 he attended a meeting with the Mayor of Rosarito, Javier Robles, to discuss the desalination plant project. He also noted that he attended the ESRI Conference where staff presented on the District's GIS and Asset Management Systems. He thanked staff for sharing their work with the industry.

Director Robak provided an update on the Water Conservation Garden (WCG) matters. He stated that there is an ongoing situation that staff is trying to resolve. The next meeting on the issue will be held in the middle of August.

13. PRESIDENT'S REPORT

President Bonilla recognized Engineering Manager Jim Peasley for his 32 years of service to the District and congratulated him on his retirement and for his election to the Padre Dam Municipal Water District's Board. He indicated that Mr. Peasley contributed to the success of the District and the District has much to thank him for the work he has done. He stated that he was very happy for him, but sad for the District that he will be leaving. He thanked Mr. Peasley for his time at the District and indicated that he will be missed. He presented Mr. Peasley a retirement recognition award to thank him for his services.

He reported on meetings he attended during the months of June and July 2011 and indicated that on June 13 he met with General Manager Watton to review items to be presented at the June committee meetings. He attended an Ad Hoc Redistricting Committee meeting on June 14 to discuss the reapportionment of the District's divisional boundaries as required following a census. On June 25 he met with Mark Watton to discuss items to be presented at the July board meeting and on June 30 he met with Congressman Filner along with General Manager Watton and discussed the Rosarito Desalination Project. He noted that Congressman Filner is supportive of the project. President Bonilla indicated that on July 2 he met with Director Croucher and discussed various District matters. On July 11 he along with Director Lopez, General Manager Watton, Chief of Engineering Rod Posada, Richard Romero and Hector Mares met with Rosarito Mayor Javier Robles to discuss the Rosarito Desalination Project. The Mayor was very supportive and felt that the project would be good for Rosarito Beach and San Diego. He lastly shared that on July 15 he met with General Manager Watton to discuss items to be presented at the July committee meetings.

RECESS TO CLOSED SESSION

14. CLOSED SESSION

The board recessed to closed session at 4:28 p.m. to discuss the following matters:

- a) CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY DESIGNATED REPRESENTATIVES: AD HOC
UNREPRESENTED EMPLOYEE COMPENSATION COMMITTEE

EMPLOYEE ORGANIZATIONS: UNREPRESENTED EMPLOYEES AND
REPRESENTED EMPLOYEES' ASSOCIATION

- b) PUBLIC EMPLOYEE PERFORMANCE EVALUATION [GOVERNMENT CODE §54957.6]

TITLE: GENERAL MANAGER

RETURN TO OPEN SESSION

15. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ADDITIONAL ACTIONS ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened at 5:10 p.m. and General Counsel Shinoff indicated that the board took no reportable actions in closed session.

16. ADOPT RESOLUTION NO. 4182 TO INCREASE THE UNREPRESENTED EMPLOYEES' CONTRIBUTIONS TO THE CALPERS PENSION PLAN BY SEVEN (7) PERCENT TO PURCHASE ENHANCED RETIREE HEALTH BENEFITS AND ADOPT RESOLUTION NO. 4183 TO AMEND THE RETIREE HEALTH BENEFITS FOR UNREPRESENTED EMPLOYEES (WILLIAMSON/BEACHEM)

Human Resources Manager Kelli Williamson indicated that staff will be presenting the staff report that addresses increasing unrepresented employees contributions to CalPERS Pension over two years to allow these employees to contribute the full employee's portion of their CalPERS pension. These funds will be used for unrepresented employees to purchase a level retiree health benefits for all tiers of unrepresented employees (Tiers I, II and III). She indicated that this exchange would be cost neutral to the District.

A review of the history of Other Post-Employment Benefits (OPEB) and the current 2011 Retiree Health Actuarial Study was presented (see attached copy of presentation). Staff also reviewed the proposal presented in the staff report (see attached copy of staff report). Staff indicated that there are 42 unrepresented employees and of the 42 employees, 13 employees are Tier I and Tier II and these employees already have the retiree health benefits package. The proposal is to allow the unrepresented employees to use their Cost of Living Increases (COLA) for years 2011 and 2012 to increase their contributions to the CalPERS pension plan to purchase enhanced retiree health benefits and to amend the health coverage to provide a level retiree health benefit for all Tiers of unrepresented employees. It was noted that employees are currently contributing 1% for their CalPERS pension and, if this proposal is approved by the board today, employees will immediately be contributing 4.5% and on July 1, 2012, unrepresented employees' contributions would increase to 8%. The retiree health benefit would provide unrepresented employees, who are at least 55 years of age at retirement and have 15 years of service, with 100% employee premium coverage and 88% of dependent premium for life (including survivor benefit for life) for health and dental coverage.

Staff indicated that the Annual Required Contribution (ARC) of retiree health for all unrepresented employees, as determined by the Actuarial Study, is \$316,400. The reduction in the District's contribution to CalPERS is \$350,300 due to the employees contributing additional funds to CalPERS which provides for a total annual savings to the District of \$33,900. It was noted that the \$316,400 is the amount that the Actuarial Study has determined as the cost, on an annual basis, of the change in the OPEB benefit. The savings of \$33,900 will be realized each year for the next 26 years. This savings incorporates the annual increase in cost of medical care premiums, salary increases, etc. (all costs). In year 26, the savings will increase to \$90,000 annually. It was noted that that OPEB funding percentage would be reduced 64% and overtime it will increase steadily. A percentage funding level of 64% is still a very high level of funding.

It was indicated that a similar proposal was provided to represented employees for their consideration. They are still considering the proposal and have requested additional time. If they decide to move forward with a proposal, staff will agendize the proposal for the board's consideration at the August 10, 2011 board meeting.

PUBLIC COMMENT:

Ms. Lani Lutar of the San Diego County Taxpayers Association questioned the cost neutrality of the proposed retiree health benefit and indicated that they would like to see the assumptions that the costs were based on. She indicated that she felt that the numbers should be reviewed further and it would be in the District's best interest to get the complete actuarial analysis and think about how the District can achieve maximum savings for it's ratepayers.

General Manager Watton indicated that the District will provide a copy of the Actuarial Report to Ms. Lutar and the public.

District employees Frank Anderson, Operations Department, and Rita Bell, Finance Department, indicated that they wished to thank the board for the opportunity to negotiate in good faith and for making available a benefit that unrepresented employees are willing to purchase for themselves.

Director Gonzalez commended employees for planning for their future and utilizing their monies to fund their retirement. He indicated that he sees this as a key benefit that employees have taken upon themselves to purchase.

Director Croucher indicated that the Employee Memorandum of Understanding was negotiated in 2007 and the COLA increases were part of the negotiated contract. He stated that the board is not changing the contract. The employees are requesting that, rather than receiving the COLA increases in their salary, that the monies be utilized to purchase retiree healthcare benefits.

It was noted that if the board approved this proposal, it would not impact rates. The District is the eighth (8th) lowest cost water service among the 24 water agencies.

Director Lopez indicated that this proposal was reviewed by the District's Ad Hoc Unrepresented Employees Committee in detail and the committee wanted to be sure that the proposal would not increase rates. He stated that this District has improved tremendously which is very much attributed to its employees. He noted that it was the employees who brought this proposal forward. The analysis indicates it will provide cost savings.

Director Robak indicated that the board respects its employees and they have done a really good job of getting the District through tough times. The fact is, these are tough times, and if you had asked an actuarial where they think our rates would be today some years ago, I don't believe that they would be able to predict where we are today. He indicated that he did not have the information to support this proposal and has not yet seen the actuary report. He indicated that he respects employees, but would like to see the information and cannot support this proposal.

President Bonilla thanked Ms. Lutar for attending today's meeting. He stated that the board respects and takes her comments very seriously. He indicated, if the board prides itself in something, it is transparency. He stated that the board believes that the well being of its employees benefits the District. This District has won almost every award from Finance, Engineering, Operations to being recognized as one of the best places to work in San Diego. He stated that it takes teamwork and years to develop mutual respect between the employees and the board. He indicated that when you make a bold statement questioning the accuracy of the information presented by the District's staff, he has to take exception to it as he trusts the employees of the District. He stated that he trusts them because they have proven to him that they have earned the trust. He stated that the District makes decisions based on information and the board, at times, will respectfully disagree on issues. But one thing they do agree upon is that they trust the District's staff. They are not perfect, but they have reviewed the information and based on the information, this proposal will not cost the District, but instead will save the District money. The District is in bottom third for lowest cost water provider among the 24 providers and is recognized by its peers through awards. He indicated that the District would provide copies of the Actuarial Report immediately to the public for their review.

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

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

to adopt Resolution No. 4182 to increase the unrepresented employee's contributions to the CalPERS Pension Plan by seven (7%) to purchase enhanced retiree health benefits.

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

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

to adopt Resolution No. 4183 to amend the retiree health benefits for unrepresented employees.

17. ADJOURNMENT

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

President

ATTEST:

District Secretary