

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
May 1, 2013**

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

2. ROLL CALL

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

Directors Absent: None

Staff Present: General Manager Mark Watton, General Counsel Dan Shinoff, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Information Technology Geoff Stevens, Chief of Administration Rom Sarno, Chief of Water Operations Pedro Porras and District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF APRIL 3, 2013 AND SPECIAL MEETING OF MARCH 18, 2013

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

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

to approve the minutes of the regular meeting of April 3, 2013 and special meeting of March 18, 2013.

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:

Upon a motion by Director Croucher, seconded by Director Thompson and carried with the following vote:

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

to approve the following consent calendar items:

- a) APPROVE AND UPHOLD STAFF'S DECISION TO IMPOSE \$626.54 IN ADMINISTRATIVE FEES AND A \$1,000 FINE TO ARCO AM/PM, JIHAN, INC. FOR FILING THREE FRAUDULENT BACKFLOW CERTIFICATION TEST FORMS
- b) APPROVE RECOMMENDATION TO TAKE AN "OPPOSE UNLESS AMENDED" POSITION ON ASSEMBLY BILL 145 (PEREA), LEGISLATION TO MOVE THE STATE'S DRINKING WATER PROGRAM FROM THE CALIFORNIA DEPARTMENT OF PUBLIC HEALTH TO THE STATE WATER RESOURCES CONTROL BOARD, AND AUTHORIZE THE BOARD PRESIDENT TO SEND A LETTER TO THE AUTHOR OF AB 145 STATING THE DISTRICT'S POSITION

ACTION ITEMS

8. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY
 - a) ADOPT RESOLUTION NO. 4203 AUTHORIZING THE ISSUANCE OF, NOT-TO-EXCEED, \$9,000,000 IN OTAY WATER DISTRICT 2013 WATER REVENUE REFUNDING BONDS, AND AUTHORIZING THE GENERAL MANAGER AND THE CHIEF FINANCIAL OFFICER TO EXECUTE AND DELIVER RELATED DOCUMENTS AND TAKE OTHER RELATED ACTIONS NECESSARY FOR THE REFINANCING OF THE 2004 CERTIFICATES OF PARTICIPATION

Finance Manager Kevin Koeppen provided staff's report and recommendation to the board, and introduced the District's Financial Advisor, Ms. Suzanne Harrell of

Harrell & Company Advisors, LLC, to provide additional information concerning the District's refinancing of the 2004 Certificates of Participation. Please reference the Committee Action notes (Attachment A) attached to staff's report for additional details of Mr. Koeppen's and Ms. Harrell's presentations. Ms. Harrell indicated that she and Bond Counsel Bob Whalen worked together to develop several alternatives for the refinancing of the bonds.

Director Robak commented that he expected to see a larger savings with the bond refinancing. Finance Manager Koeppen responded that the savings are based mainly on the principle decreasing annually. Financial Advisor Harrell also responded that the bonds are only outstanding for nine (9) more years and is the reason the District will not see larger savings. If the District were to refinance for 20 years or more, the savings would be larger.

Director Croucher commented that he appreciates the fact that the District is solely refinancing and not including any new monies and projects. He inquired if there would be any risks to move forward with the refinancing. Chief Financial Officer Joe Beachem stated that the only risk is if the market rate increases and depletes the savings that the District would realize by refinancing. However, Mr. Beachem indicated that it would take a large jump in interest rates for staff not to move forward with the refinancing.

Director Thompson indicated at the Finance, Administration and Communications Committee meeting held April 17th, staff had presented several refinancing options. One option presented was to keep the payments the same and reduce the payment term to 5 or 6 years instead of the current 9 years. The second option, which is the proposed option, is to keep the same term of 9 years with much lower payments which would save the District approximately \$65,000 to \$70,000 annually. He indicated it was also discussed if there was a possibility of extending the bond issuance to finance Capital Improvement Projects (CIP) that may move forward. Chief Financial Officer Beachem indicated that the bond issuance only covers potable water projects and that there was no potable water projects planned in the next 6 years; therefore, extending the bond issuance was not required. However, Mr. Beachem indicated that financing for sewer projects will be needed in the future, but those projects are funded by state revolving funds which is fairly inexpensive. He also indicated that funding for potable water and sewer projects are maintained separately. Director Thompson commended staff for acquiring 1.7% average interest rate for the refinancing.

It was indicated by staff that the bond sale closing was originally scheduled for May 30th, but it has been moved to June 6th. President Lopez inquired if there was a time limit to locking in the interest rate and closing the bond sale. Bond Counsel Bob Whalen indicated that there is no legal limit for the length of time to close the sale of bonds and stated that the District is well within the timeframe of closing as it usually takes an average time of 2-4 weeks for the process. He noted that the interest rate will be locked-in on the bid date, which is scheduled on May 14, 2013.

Director Thompson also indicated that at the committee meeting Bond Counsel Whalen had indicated that the Security and Exchange Commission (SEC) requires staff and board members to review the key portions of the Official Statement to assure the information is accurate. The key sections are in particular the information about the District, not so much the terms of sale.

On motion by Director Croucher, seconded by Director Thompson and carried with the following vote:

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

to adopt Resolution No. 4203 authorizing the issuance of, not-to-exceed, \$9,000,000 in Otay Water District 2013 water revenue refunding bonds, and authorizing the General Manager and the Chief Financial Officer to execute and deliver related documents and take other related actions necessary for the refinancing of the 2004 Certificates of Participation.

9. BOARD

a) DISCUSSION OF 2013 BOARD MEETING CALENDAR

There were no changes to the board meeting calendar.

District Secretary Susan Cruz noted that the May 14, 2013 Budget Workshop meeting will be held at 3:00pm.

INFORMATIONAL ITEMS

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

a) STRATEGIC PLAN PERFORMANCE MEASURE REPORTING

Chief of Information Technology Geoff Stevens provided a report on the status of the District's Strategic Plan Performance Measures. He noted that for safety precautions, the District is in the process of outsourcing its external website and indicated that the board members will be receiving an email that will provide information on how to access the Intranet. He demonstrated how the site is interactive and showed how, as per the balance score card, the measures are divided into four categories (customer, financial, learning and growth, and business processes). He demonstrated how to drill down to objectives and measures, status and benchmark for each District department. The status is divided into different colors (blue= complete, orange=on hold, red=behind, etc.). Mr. Stevens also showed where to access the actual Strategic Plan on the Extranet.

In response to a question from Director Croucher, Mr. Stevens stated that approximately 3 years of information is available for review on the Extranet and that reports are available to print for up to a 5-year period. He stated, however, the information for every objective, since inception, is held in the system and a report can be provided from the past information.

Director Thompson inquired if the basic unit of the database is the "objective" and all information builds from the objective. Mr. Stevens stated that there are two (2) basic tools in the database; objectives and measures. Mr. Stevens indicated that the objectives are developed from the Mission Vision Statement, strategy and goals. The only thing that the District actually measures is the performance on objectives and performance measures. Director Thompson inquired if each objective has a finite beginning and end and is expected to be completed annually. Mr. Stevens stated that it depends on the issue and that some objectives can extend over multiple years.

Director Robak commented that the District is on the cutting edge of technology and that he would like to challenge IT staff to create a friendly mobile bill pay application to make it as easy as possible for customers to pay their bills.

President Lopez shared that he attended a Water Conservation Garden Workshop and indicated that some of the attendees shared their interest in the Otay Water District's Strategic Plan; many of them indicated they had reviewed the strategic plan on the District's website and had inquiries about it. He thanked Chief of Information Technology Stevens and staff for making the strategic plan available on the District's website and stated that staff should start thinking about what the website should look like in five (5) to seven (7) years from now.

Mr. Geoff Stevens commented that the computer application helps with the District's Strategic Plan in terms of transparency, but in essence the Plan itself is a new culture and more valuable than the computer application because it can be referred to when performing business processes.

Director Croucher commented that one of the reasons the board supports the Strategic Plan is because it measures efficiency and effectiveness of the District's business process. The Plan also helps the District stay on track with its mission, which is to provide the best service to its customers.

General Manager Watton agreed with Director Croucher about how the Strategic Plan keeps the District on track. He stated that at the May 14, 2013 Budget Workshop, the Board will see how the Strategic Plan correlates with the District's budget.

REPORTS

11. GENERAL MANAGER'S REPORT

General Manager Mark Watton presented his report which included the District Landscape Contest, Residential Water Surveys, Employee Information Meeting, ESRI Visit & Asset Management, Meter Efficiency Data, and the FY 2014 Budget and Rate Model.

Mr. Watton also presented handouts that included a UT San Diego news article regarding Olivenhain Municipal Water District's hunt for a new well site and several CWA presentations (Salton Sea Update, Report on Evaluation of Proposed Camp Pendleton Seawater Desalination Project, and Colorado River Conveyance Option). General Manager Watton also shared a page from a court reporter's transcript (1 page only) of the judge's comments with regard to the CWA v. MWD litigation. The one-page transcript describes the court's feelings regarding MWD's frivolous objections associated with the release of documents requested by CWA under the California Public Records Act. General Counsel Dan Shinoff stated that the court is very critical of law firms wasting taxpayers' dollars and the court's time with frivolous matters. General Manager Watton indicated that the judge ruled that all discoveries must be put forth by May 10, 2013.

Director Croucher reported that Lake Hodges had a pump failure which destroyed a lot of the core work that was completed. He indicated that Lake Hodges is dealing with cost overruns, which include design issues. He provided an update on the San Vicente project and indicated that it is moving along. He shared that MWD is going through its budget process and that its sales predications are questionable. Director Croucher stated that the MWD board delegates representing CWA at first believed that sale predictions were too high and now they are questioning if MWD has enough water supply to meet the demands of its customers. He shared that he met with Congressman Scott Peters and Congressman Peters acknowledges that there are problems in the State, such as taxpayers putting \$1 into Medicare and are trying to receive \$3 in benefits.

12. DIRECTORS' REPORTS/REQUESTS

Director Robak commented on economic impacts that the District could be facing, such as the revised estimate of the proposed California water packages that is approximately \$35 billion and the \$14 billion Twin Tunnels. He also commented on the CWA v. MWD litigation and stated that the handouts provided by General Manager Watton were indicative of the direction that the litigation is heading.

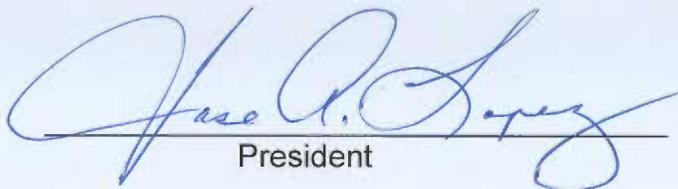
In response to several questions from Director Robak, General Manager Watton stated that an alternative pipeline near the Salton Sea area has been discussed and continues to be considered by CWA. Director Croucher indicated that CWA holds several designs for possible alternative pipeline alignments. It was also shared that the City of San Diego and CWA are working together on a Pre-Purification Project.

13. PRESIDENT'S REPORT

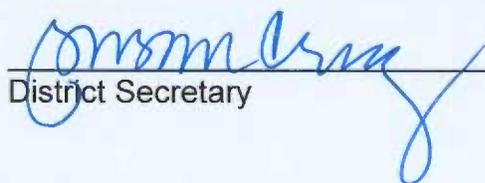
President Lopez reported on meetings he attended during the month of April 2013 (a list of meetings he attended is attached).

14. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 4:49 p.m.


President

ATTEST:


District Secretary

President's Report
May 1, 2013 Board Meeting

A) Meetings attended during the Month of April 2013:

- 1) **April 3: Attended the District's Regular Board Meeting**
- 2) **April 13: Attended the Water Conservation Garden Strategic Plan Workshop**
- 3) **April 16: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the April Committee meetings.
- 4) **April 17: Attended the District's Finance, Administration & Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the May Board Meeting.
- 5) **April 24: Met with City of Chula Vista Mayor Cheryl Cox.** Updated her on the Rosarito Desalination Project and other Otay matters. Attendees: Director Mitch Thompson, General Manager Mark Watton and Communications Officer Armando Buelna.
- 6) **April 26:**
 - a. **Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the May Board Meeting.
 - b. **Met with Assemblymember Shirley Weber.** Updated her on the Rosarito Desalination Project and other Otay matters. Attendees: General Manager Mark Watton and Communications Officer Armando Buelna.
- 7) **April 30: Met with City of Chula Vista Councilmember Aguilar.** Updated her on the Rosarito Desalination Project and other Otay matters. Attendees: Director Mitch Thompson, General Manager Mark Watton and Communications Officer Armando Buelna.