

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
May 7, 2008**

1. The meeting was called to order by President Croucher at 3:38 p.m.

2. ROLL CALL

Directors Present: Croucher, Breitfelder, Lopez and Robak

Directors Absent: Bonilla

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, General Counsel Aerobel Banuelos, 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. APPROVAL OF AGENDA

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

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

to approve the agenda.

4. PLEDGE OF ALLEGIANCE

5. SPECIAL ORDERS OF THE DAY

- a) PRESENTATION TO WATER CONSERVATION POSTER CONTEST WINNER
- b) PRESENTATION TO WATER CONSERVATION PHOTOGRAPHY CONTEST WINNER
- c) PRESENTATION OF OTAY WATER DISTRICT'S SCHOLARSHIP AWARD

General Manager Watton presented Ms. Gianna Casanova from Olympic View Elementary the first place award for the Education Water Conservation Poster Contest. She thanked Otay for selecting her artwork and indicated that she will do her part to save water.

Mr. Watton presented Analucia Partida from Monte Vista High School as winner for the photography contest. He presented her with a certificate as well as \$1,000 check. Ms. Partida thanked the District for the scholarship opportunity and for assisting her with her future goals.

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.

7. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF JANUARY 14, 2008

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

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

to approve the minutes of the regular board meeting of January 14, 2008.

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:

Director Robak requested that item 7a, AWARD A CONSTRUCTION CONTRACT FOR THE RALPH W. CHAPMAN WASTEWATER RECYCLING FACILITY (RWCWRF) OFFICE BUILDING AND METER SHOP REMODEL PROJECT TO TELLIARD CONSTRUCTION IN AN AMOUNT NOT TO EXCEED \$275,800, be pulled for discussion.

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

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

Absent: Director Bonilla

to approve the following consent calendar items:

- b) APPROVE AN AGREEMENT BETWEEN OTAY WATER DISTRICT (DISTRICT) AND CALIFORNIA AMERICAN WATER DISTRICT (CAL-AM) FOR MODIFICATIONS TO AND THE OPERATION AND MAINTENANCE OF AN EXISTING METERED INTERCONNECTION TO SUPPLY WATER TO THE DISTRICT AND CAL-AM IN THE EVENT OF AN EMERGENCY
- c) APPROVE AN AGREEMENT BETWEEN OTAY WATER DISTRICT (DISTRICT) AND HELIX WATER DISTRICT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF A NEW METERED INTERCONNECTION TO SUPPLY WATER TO THE DISTRICT IN THE EVENT OF AN EMERGENCY
- d) APPROVAL OF CHANGE ORDER NO. 4 TO THE EXISTING CONTRACT WITH PACIFIC HYDROTECH CORPORATION FOR CONSTRUCTION OF THE 640-1 AND 640-2 RESERVOIRS PROJECTS IN THE AMOUNT OF <\$4,846>
- e) ADOPT RESOLUTION NO. 4122 AMENDING CODE OF ORDINANCES' POLICY NO. 7, CONDITIONS FOR INSTALLMENT OR DEFERRED PAYMENTS TO THE DISTRICT, AND POLICY 15, USE OF DISTRICT CREDIT CARDS, PETTY CASH, AND EXPENDITURES INVOLVING DISTRICT CREDIT
- f) DECLARATION OF SURPLUS VEHICLES AND EQUIPMENT

President Croucher presented agenda item 7a for discussion:

- a) AWARD A CONSTRUCTION CONTRACT FOR THE RALPH W. CHAPMAN WASTEWATER RECYCLING FACILITY (RWCWRF) OFFICE BUILDING AND METER SHOP REMODEL PROJECT TO TELLIARD CONSTRUCTION IN AN AMOUNT NOT TO EXCEED \$275,800

Director Robak indicated that he is in support of a new office structure for staff at the wastewater treatment plant because staff has been housed in trailers for over 15 years. However, he indicated that he wanted to confirm that the remodel and new office building are part of the long-term plans for the treatment plant. There was a study of Otay's North District area regarding the need for recycled water and the future of the treatment plant. The study concluded that the treatment plant is an asset to the District and will provide recycled water to the Rancho San Diego area.

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

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

to approve the award of construction contract for the Ralph W. Chapman Wastewater Recycling Facility Office Building and meter shop remodel project to Telliard Construction in the amount of \$275,800.

ACTION ITEMS

9. BOARD

a) ESTABLISH NEW LEGAL, LEGISLATIVE AND CONSERVATION COMMITTEE

President Croucher indicated that he spoke with the General Manager, Chairs of Engineering, Operations and Water Resources Committee and the Finance, Administration and Communications Committee, and Director Bonilla regarding establishing a new Legal, Legislative and Conservation Committee. Director Bonilla agreed to chair this new committee and President Croucher will sit on the committee as well. The recommendation for formation of this committee came about as a result of concern regarding the amount of work and time it sometimes takes for the Finance, Administration and Communications Committee to address and review the items that comes before it.

Director Robak requested clarification regarding items that the committee would address. President Croucher indicated that the committee would review legislative items and the goal is to disseminate some of the work between the already established committees so that the meetings can be completed in a timely manner. He indicated that all items that go before this committee will also be presented to the full Board. There was discussion regarding the need for a legal committee. President Croucher indicated that there is currently an Ad Hoc Legal Committee. However, no Board members were assigned to that committee. It will be dissolved and the Legal, Legislative and Conservation Committee will hear issues that previously would have been heard by the Ad Hoc Legal Committee. He explained that the Ad Hoc Legal Committee addressed issues that arose between regularly-scheduled Board meetings that require immediate attention. This committee would then make recommendations to present to the full Board. The Fenton Business Center lawsuit is an example of a legal matter that is currently active that was addressed by the Ad Hoc Legal Committee.

There was discussion as to whether the matters concerning Conservation should be included with Legal and Legislative matters. It was suggested that conservation matters remain with the Administration and Finance Committee.

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

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

to establish the Legal and Legislative Committee with Director Bonilla as Chair and President Croucher as co-Chair. :

b) DISCUSSION OF 2008 BOARD MEETING CALENDAR

It was noted that the June Board meeting has been moved from June 4 to June 10, 2008. It was also noted that June 23, 2008 is reserved for a Board workshop if further discussion is needed regarding the Budget.

INFORMATIONAL ITEMS

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

- a) UPDATE ON THE DISTRICT'S SCHOOL EDUCATION PROGRAM
- b) RATE STRUCTURE ANALYSIS FOR POTABLE AND RECLAIMED WATER
- c) PROPOSED DELINQUENT ACCOUNT PROCESS

Director Breitfelder inquired if committee members recall any particular committee discussion regarding the above items that would be of interest to the full Board. President Croucher noted that no one wished to comment and indicated that there is also Attachment A which notes bullet points from the committee discussion which is attached to each staff report that may be referenced as well.

REPORTS

11. GENERAL MANAGER'S REPORT

- a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that the second paragraph on page two of the General Manager's Report discusses that the Legislative Analyst Office (LAO) is still considering taking special districts property tax revenues within the confines of Proposition 1-A in order to supplement the state budget. Proposition 1-A has some restrictions that the special district taxes may only be taken two times within ten years and the State must pay back the first loan before it can borrow a second time.

He indicated that the San Diego County Water Authority (CWA) Board approved a drought response program. Otay staff will bring a model drought response ordinance before this Board in June and request that the Board take similar action.

The outreach events for the month of April included the Water Conservation Garden Festival. Attendance at the festival surpassed last year's attendance. He thanked District employees who assisted in manning the booths at events such as these.

On page five, under Finance, it was indicated that staff will be restructuring some meter routes to level the workload. The restructuring might impact some customers insofar as the due dates of their water bills might shift three to six days. Notices were mailed to these customers who might be impacted by the restructuring.

Staff will present the Fiscal Year 2009 Budget to the Board on June 10, 2008. There will possibly be rate increases due to increases from the Metropolitan Water District and CWA. Staff has not yet finalized its proposal, but will be working to accommodate the rate increases and still carry on the mission of the District.

Regarding the variable rate bonds, he indicated that there is a lot of information in the public about market and auction rate securities and how certain groups are being impacted, in particular, with the auction securities. He noted that the District did not have any auction securities. The District does, however, have about \$13 million in variable securities. He indicated that Chief Financial Officer Joe Beachem explains in the report how the District is protected and does not have exposure to the market as may be the case for others. Staff has been and will continue to be very conservative with District investments.

On page six, the first bullet under "Engineering," he indicated that Staff has been working on the Water Resources Master Plan with PBS&J and the City of Chula Vista to discuss the City's building projections and water needs through the year 2020. The District has taken a more conservative view as to the outlook of growth and water needs in the coming years.

He indicated that staff received a formal letter from Sycuan to annex 640 acres of reservation land to the District for water and sewer service. Sycuan is also

requesting annexation of some of the parcels that they own that are in the Padre Dam Municipal Water District to Otay for sewer service. Those parcels that are receiving water from Padre Dam will continue to receive water service from Padre Dam but will receive sewer service from Otay.

There was discussion regarding the amount of water the reservation would require. General Manager Watton indicated that not all of the reservation land to be annexed will be developed or inhabited. Most of the land will remain vacant. He indicated that the annexation will possibly take several years to complete.

He indicated that he attached to the General Manager's report a copy of CWA's Drought Management Plan Implementation Report that was presented to the Water Planning Committee at CWA, a Water Resources Report from CWA and a copy of the Drought Management Plan PowerPoint presentation which includes information from MET. He indicated that this presentation shows that the snowpack is declining due to warmer weather and evaporation. He pointed out that the comparison chart indicates snowpack reported on March 1, 2008 was 116% of normal but as of April 21, 2008, it was 78% of normal.

He further reviewed projections by MET that indicate the current water demand is 2.18 million acre feet. He explained that the chart illustrates that Water Supply Drought Management (WSDM) is the stored water that MET has to make up the water shortage. Currently, MET estimates there is a shortage of 665 thousand acre feet. If this trend continues, the storage levels in 2007, 2008 and 2009 will decrease every year. If the water storage supply continues to decrease, by the years 2010 and 2011, he predicts that growth will be halted.

a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

President Croucher indicated that CWA moved forward with the \$1.8 million media outreach ads for water conservation. There will also be ads from MWD and CWA.

He indicated that the San Vicente Dam water level was raised 112 to 113 feet. CWA will also be addressing issues regarding water rights and water quality for Lake Hodges which will involve the City of San Diego and a couple of other member agencies. General Manager Watton indicated that Olivenhain Municipal Water District will possibly initiate a lawsuit regarding the water quality issues against CWA and the City of San Diego with regard to Lake Hodges.

12. DIRECTORS' REPORTS/REQUESTS

Director Robak inquired about the decision of Sycuan to annex with Otay instead of Padre Dam. He asked if there are any issues that will be different because Sycuan is a sovereign nation. General Manager Watton indicated that the reservations in San Diego County are not in a sphere of influence so LAFCO evaluates those annexations to determine which water district would be the most

practical for annexation purposes. Otay is considering Sycuan like it would any other property owner or developer who requests annexation to the district. They are required to perform Sub-Area Master Plan water studies, water and/or sewer studies, pay the same fees, etc. Additional information will be presented to the Board as the process continues.

Director Robak indicated that there was record attendance at the Spring Garden Festival. He indicated that he received a tri-fold brochure in the mail from Grossmont Healthcare District. The brochure highlighted Fred Hanson as one of the “heroes” of East County. Mr. Hanson was one of the founders of Otay Water District. He was also one of the first developers in the Mt. Helix area. Mr. Hanson also established the Fred J. Hanson Institute for World Peace at San Diego State University. Director Robak recommended that since Mr. Hanson has had a history with Otay and has contributed to the development of portions of the east county area of San Diego County, that the 640-1 and 640-2 Reservoirs be named after Mr. Hanson. President Croucher suggested that this item be placed on an agenda for future consideration by the Board.

Director Lopez commended staff for their work on the District’s Strategic Plan. He indicated the document is admired by other agencies and he wished to note staffs’ good work and that he felt that it is an exceptional document.

Director Breitfelder indicated that the Conservation Action Committee was still very much focused on the state ordinance. He reported that The Centre for Organization Effectiveness presented at the Council of Water Utilities meeting held on April 15, 2008. They discussed the Certified Public Manager Program. The Water Agencies Association hosted Senator Alex Padilla. He was well received and spoke about the benefits of establishing uniform standards for water use throughout the State.

13. PRESIDENT’S REPORT

President Croucher indicated that he and General Manager Watton met with General Managers and Board Presidents of Helix Water District, Padre Dam Water District, Sweetwater Authority Water District and Lakeside Water District to discuss agenda items for the September meeting of the Joint Agencies to be held at Helix Water District. Additional information will be provided at a later date.

He indicated that CSDA will be sponsoring a Legislative symposium on May 12 in Sacramento. He recommended that Director Breitfelder and other Board members who are interested attend.

He announced that the Ribbon’s Around the Garden event is scheduled on May 17. He encouraged Board members attend this event. Also, there is a WateReuse meeting scheduled on May 21. Board members should have received information regarding this meeting in their Board packet information.

He indicated that the naming of the 640-1 and 640-2 Reservoirs be placed on the next agenda.

RECESS TO CLOSED SESSION

14. CLOSED SESSION

The board recessed into closed session at 4:20 p.m. to discuss the following matters:

- a) CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9(a)]
 - (i) AMERICAN PROTECTION INSURANCE CO. v. OTAY WATER DISTRICT (CASE NO. 08-CV-0662-JM-POR)
 - (ii) OTAY WATER DISTRICT v. NORTHROP GRUMMAN (ORANGE COUNTY SUPPERIOR COURT, CASE NO. 07CC08916)
- b) CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
[GOVERNMENT CODE §54956.9(b)]

2 CASES

RETURN TO OPEN SESSION

15. 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 6:00 p.m. General Counsel Aerobel Banuelos indicated that no reportable actions were taken in closed session.

16. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 6:00 p.m.

President

ATTEST:

District Secretary