

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
September 1, 2010**

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

2. ROLL CALL

Directors Present: Bonilla, Gonzalez, Lopez and Robak

Director Absent: Croucher (Due to Illness)

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 Yuri Calderon, 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, Gonzalez, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	Croucher

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF APRIL 7, 2010

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

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

to approve the minutes of the regular meeting of April 7, 2010.

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. PRESENTATION ON HELIX WATER DISTRICT'S EL MONTE VALLEY PROJECT (CARLOS LUGO, DIRECTOR OF ENGINEERING FOR HELIX WATER DISTRICT)

Mr. Carlos Lugo, Helix Water District, indicated that the El Monte Valley Project has three (3) major components:

- Groundwater Recharge
- Riverbed Reclamation/Restoration
- Mining

He stated that the Groundwater Recharge component takes water from Padre Dam MWD's recycling facility in Santee and advanced treating the sewage water utilizing new technology and percolating the water into the ground where it will stay for six months as mandated by the State Health Department. It will then be pulled back out and blended with other raw water supplies processed by their RM Levy Treatment Plant and then fed through their distribution system.

The El Monte Basin is comprised of approximately 540 acres, is located two (2) miles downstream from the El Capitan Reservoir and is bisected by the San Diego River. The Basin will be mined to remove approximately 15 feet to re-contour the river bottom. The mined sand (10 to 12 million tons) will be sold to help offset the cost of the project. The Riverbed Restoration Project is basically the removal of all invasive plants and restoring the river bottom with native plants.

The El Monte Valley Project objectives is to provide a new drought-proof water supply, to utilize local sand resources in the construction of the project, restore natural habitats, create recreational opportunities and reduce wastewater discharge to the ocean. It will provide five (5) million gallons of water per day, approximately 15% of Helix WD's water demand.

The water from the El Monte Valley Project will go through an advanced water purification process which will treat the water down to the molecular level. Padre Dam MWD will treat effluent to a certain tertiary level; it will then go through a microfiltration process, then through a reverse osmosis process, and treated with ultraviolet light and hydrogen peroxide. The cleaned water will then be injected into the El Monte Basin for six months before it utilized for domestic use.

The environmental review process has been started and it is hoped that the process will be completed in two (2) years. Construction is expected to commence in 2014 or 2015 and be completed in approximately 8 years.

The project will be funded through Helix Water District funds, revenues from the sand mining operation, and through grants from various agencies (US Bureau of Reclamation, US Environmental Protection Agency, Proposition 50 funding, and the San Diego County Water Authority).

In response to an inquiry by Director Robak, Mr. Lugo indicated the estimated cost of the project is between \$200 and \$250 million; this includes the upgrades/expansion to Padre Dam MWD's treatment plant. Twenty-five percent of the cost of the project will be matched by the Bureau of Reclamation and additional funding from grants is still to be determined. In conversations with the State Health Department it would be difficult to get approval to bypass the injection process and serve the treated water directly into the distribution systems following treatment. It is hopeful that it would be allowed sometime in the future as there are agencies and other countries that are already doing so.

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 Lopez, seconded by Director Robak and carried with the following vote:

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

to approve the following consent calendar items:

- a) ADOPT RESOLUTION NO. 4156 OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT APPROVING THE ANNEXATION TO OTAY WATER DISTRICT AND IMPROVEMENT DISTRICT NO. 14 OF THOSE LANDS DESCRIBED AS "SAMIR AND BEATRIX FARHAT SEWER ANNEXATION"
- b) REPORT ON DIRECTOR'S EXPENSES FOR THE 4TH QUARTER OF FISCAL YEAR 2010
- c) RECEIVE THE DISTRICT'S INVESTMENT POLICY, POLICY 27, FOR REVIEW AND RE-DELEGATE THE AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607
- d) ADOPT RESOLUTION NO. 4165 IMPLEMENTING LOAN PROVISIONS FOR NATIONWIDE RETIREMENT SOLUTIONS AND ICMA RETIREMENT CORPORATION 457 DEFERRED COMPENSATION PLANS

- e) ADOPT ORDINANCE NO. 526 AMENDING SECTION 5, CONFLICT OF INTEREST CODE, OF THE DISTRICT'S CODE OF ORDINANCES TO EXPAND THE LIST OF POSITIONS REQUIRED TO FILE A FORM 700
- f) DENY MARIO LUZANO'S REQUEST TO BACK-DATE HIS CAPACITY FEE PRIOR TO THE JULY 1, 2010 FEE INCREASE AND APPROVE A DEFERRAL AGREEMENT BETWEEN THE DISTRICT AND MR. LUZANO SHOULD HE REQUEST IT

9. BOARD

- a) DISCUSSION OF 2010 BOARD MEETING CALENDAR

There were no changes to the meeting calendar.

INFORMATIONAL ITEMS

10. FISCAL YEAR 2010 4th QUARTER CAPITAL IMPROVEMENT PROJECT UPDATE REPORT (RIPPERGER)

Engineering Manager Ron Ripperger presented the fourth quarter CIP update in which he highlighted the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2010 CIP consists of 87 projects totaling \$37.88 million. He indicated that the District's CIP is broken down into four categories:

• Capital Facility Projects	\$28.73 million
• Replacement/Renewal	\$ 7.32 million
• Capital Purchases	\$ 1.83 million
• Developer Reimbursements	<u>\$ 0.00 million</u>
TOTAL:	\$37.88 million

He stated that overall expenditures through the fourth quarter of Fiscal Year 2010 totaled approximately \$28.96 million, which is approximately 76% of the District's fiscal year budget.

He presented a slide depicting a map showing the District's major CIP projects, their status and their location within the District's service area. He stated, of the 22 projects depicted, five is in the planning stage, five are in design, six are in construction and six have been completed and are in use during the fiscal year. He reviewed the status of the District's flagship projects which included the 36-inch Pipeline from FCF No. 14, 1296-3 Reservoir and the 1485-1 Pump Station Replacement Project.

Engineering Manager Ripperger presented slides which provides the status of the various consultant contracts for planning, design, public services,

construction/inspection and environmental. He also presented slides providing a listing of all CIP projects planned in Fiscal Year 2010 and the status of each.

Director Robak indicated that he had stopped to speak with the contractor on the District's sewer replacement project on Avocado Boulevard and was advised that the sewer pipe being replaced was approximately 20 years old. He felt this was a relatively new pipe and was wondering how old the pipes are that are planned for replacement. Engineering Manager Ripperger indicated that the pipes planned for replacement were constructed in 1971. He noted that the District is reviewing/televising its entire sewer system as per its Sewer System Management Plan (SSMP) and documenting which lines need to be rehabilitated/replaced. It was discussed that the lines in the area of Avocado Boulevard needed to be replaced as some of the lines have sags which could cause sewer back-ups. Staff will be incorporating some automation enhancements while these lines are being replaced.

11. REPORT ON THE CURRENT STATUS OF COLLECTIONS ACTIVITY AND WRITE-OFFS (MENDEZ-SCHOMER)

Customer Service Supervisor Alice Mendez-Schomer indicated that the board had expressed interest in the status of the District's accounts receivables and aging report. She stated that the recession has impacted many of the District's customers. However, in reviewing the District's aging report for accounts that are 30 days late, 60 days late and write-offs as a percentage of sales, it shows that the District has been able to mitigate the effects of the poor economy (housing bubble, unemployment, etc.). She stated that in FY 2010, accounts that are 30 days late showed a slight increase of 7% from the prior two years. While it is difficult to pinpoint the actual cause of the increase, it is felt that much can be contributed to the poor economy and rate increases implemented in FY 2010. She noted that the trend is reversed for those accounts that are 60 days late. The District actually saw a decrease in the number of these accounts in FY 2010. She stated that staff reviewed these trends very closely and changed its internal processes in order to mitigate late payments and write-offs. She also noted that the foreclosure market had a large impact on District write-offs as a percentage of total sales. She stated that zip code 91913, which is within that the District's service area, was hit early with foreclosure problems. These customers were unable to pay their water bill and, thus, they showed up as write-off amounts. Customer Service Supervisor Mendez-Schomer reviewed some of the process changes the District made to mitigate late payments and write-off which included:

- Forwarding postcards to customers prior to the disconnect process. This is an added layer that customers appreciate as it is another reminder that their bill is due.
- Enhanced reporting to help identify accounts that may be subject to foreclosure or to transfer existing unpaid balances from a closed customer account to the customer's new account.

Staff also polled its sister agencies and they were all are experiencing the same accounts receivable impacts as Otay. Customer Service Supervisor Mendez-Schomer indicated that staff will continue to review the trends and adjusting its processes as needed to mitigate the impacts of the poor economy.

Director Bonilla inquired if it was possible for staff to look at the delinquent accounts to see if it was same number of customers who are falling behind in their payments. Staff indicated that they would provide this information. Customer Service Supervisor Mendez-Schomer responded to another inquiry from Director Bonilla indicating that San Diego had a 350% increase in foreclosure activity in 2008 and 2009. The zip code hit hardest in San Diego with foreclosures was 91913. Many of these customers were unable to pay their water bills which increased the percentage of write-offs during these fiscal years (2008 and 2009).

REPORTS

12. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton noted that many of the local agencies are working on water projects that will reduce their reliance on imported water to enhance reliability and stabilize supplies. He stated that CWA is starting to recognize this change. He noted that the local water industry, as we know it, is starting to undergo a large change and is moving away from imported to local supplies.

GENERAL MANAGER'S REPORT

General Manager Watton presented his report which included the activities of the Otay Employee Activities Committee, status of the California State Budget and its impact to the District, the District's automated bill pay system, the Otay Lakes Road Widening Project, a history of the grants received by the District, the Rancho Del Rey Groundwater Development Project, and the District's water consumption report (see attached copy of the General Manager's report for details).

13. DIRECTORS' REPORTS/REQUESTS

Director Gonzalez commended staff on the Otay Lakes Road Project. He stated that, though there is construction occurring in front of Bonita High School, there has been no impact to the traffic/public.

14. PRESIDENT'S REPORT

President Bonilla reported on meetings he attended during the month of August 2010 and indicated that on August 3 he met with the editor of The Star News, Mr. Carlos Davalos who was very interested in the work the District is currently doing and was very supportive of the Rosarito Desalination Project and felt that if the project came to fruition, it would be very positive for not only Mexico, but for the

entire region. He stated that he met with General Manager Watton on August 11 to discuss items to be reviewed during the August committee meetings.

15. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 4:29 p.m.

President

ATTEST:

District Secretary