

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 7, 2012**

1. The meeting was called to order by President Lopez at 3:34 p.m.

2. ROLL CALL

Directors Present: Lopez, Gonzalez, Croucher and Robak

Directors Absent: Bonilla (out-of-town on business)

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, 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

President Jose Lopez recommended that item 16a, Receive Nominations and Appoint a Member and Alternate Member to the City of Chula Vista Redevelopment Agency's Oversight Board, be deferred to a later date when all board members are present to consider the item. He proposed that the item be added to the agenda of the Special Board meeting to be held on March 19, 2012 when all members are anticipated to be present.

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

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

to approve the deferral of Item 16a, Receive Nominations and Appoint a Member and Alternate Member to the City of Chula Vista Redevelopment Agency's Oversight Board, to be addressed at the special board meeting to be held on March 19, 2012.

5. RECOGNITION OF EMPLOYEES RETIRING FROM THE DISTRICT:
 - a) MANNY MAGANA, ASSISTANT GENERAL MANAGER OF ENGINEERING AND OPERATIONS; 9 YEARS OF SERVICE
 - b) LARRY OLDS, LEAD RECYCLED WATER DISTRIBUTION OPERATOR, 20 YEARS OF SERVICE
 - c) DAVID CHARLES, PUBLIC SERVICES MANAGER, 31 YEARS OF SERVICE

On behalf of the District and the Board, President Lopez presented plaques to Mssrs. Manny Magana, Larry Olds and David Charles in recognition of their retirement from the District. The members of the board expressed their appreciation to the retirees and thanked them for their dedicated service to the District.

6. APPROVE THE MINUTES OF THE REGULAR MEETING OF FEBRUARY 1, 2012 AND SPECIAL BOARD MEETING OF FEBRUARY 21, 2012

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

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

to approve the minutes of the regular meeting of February 1, 2012 and the special meeting of February 21, 2012.

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.

8. RECESS OTAY WATER DISTRICT BOARD MEETING AND CONVENE A MEETING OF THE OTAY WATER DISTRICT FINANCING AUTHORITY

The Otay Water District board meeting was recessed at 3:48 p.m. and a meeting of the Otay Water District Financing Authority board was convened.

9. ROLL CALL

Directors Present: Lopez, Gonzalez, Croucher and Robak

10. RE-AFFIRM OFFICERS OF THE OTAY WATER DISTRICT FINANCING AUTHORITY

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

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

to re-affirm officers of the Otay Water District Financing Authority as follows:

- a) Director Lopez as President
- b) Director Gonzalez as Vice-President
- c) Mr. Mark Watton as Executive Director
- d) Mr. Joe Beachem as Treasurer/Auditor
- e) Ms. Susan Cruz as Secretary

11. ADJOURN OTAY WATER DISTRICT FINANCING AUTHORITY BOARD MEETING AND RECONVENE OTAY WATER DISTRICT BOARD MEETING

President Lopez adjourned the Otay Water District Financing Authority meeting at 3:52 p.m. and convened the Otay Water District board meeting.

CONSENT ITEMS

12. 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 Mark Robak requested that Items 13e and 13f be pulled for discussion.

- e) APPROVE ENGAGEMENT LETTER FROM THE AUDITING FIRM OF WHITE NELSON DIEHL EVANS, LLP TO CONTRACT FOR AUDIT SERVICES FOR FISCAL YEAR 2012

Finance Manager Jim Cudlip indicated that Diehl and Evans, LLP has performed the audit of the District's financial statements for the past three (3) years and staff is recommending that the District retain Diehl and Evans, LLP to perform the District's FY 2012 audit. He noted that the board had approved Diehl and Evans, LLP to perform the District's audit for one (1) year with four (4) additional one year options. This would be the third of the four one-year options.

Mr. Cudlip stated that in FY 2011, after the audit on the District's financial statements had started, Diehl and Evans merged with White and Nelson creating the firm White Nelson Diehl Evans, LLP (WNDE). He indicated that the audit team will stay the same for FY 2012 and that the service fee increased slightly from \$33,000 to \$34,000.

It was noted that a year ago, at the board's direction, the Diehl and Evans' partner overseeing the audit was changed from Mr. Harvey Schroeder to Mr. Nitin Patel as it was felt that it would provide a new view of the District's financials. Mr. Schroeder had overseen the audit for two (2) years and this will be Mr. Patel's second year to oversee the audit. Mr. Cudlip indicated that the manager overseeing the FY 2012 audit will be Mr. David Foreman who worked with Mr. Patel last year.

In response to a question from Director Robak, Mr. Nitin Patel stated that there are no particular areas of focus for the audit at this time, but will be addressed once the audit begins.

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

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

to approve staffs' recommendation.

- f) APPROVE A THREE-YEAR AGREEMENT (ONE-YEAR WITH AN OPTION TO RENEW FOR TWO ADDITIONAL YEARS) WITH MARSTON+MARSTON, INC. FOR THE PUBLIC OUTREACH AND CREATIVE SERVICES FOR AN AMOUNT NOT-TO-EXCEED \$200,000 FOR THE LIFE OF THE AGREEMENT. THE CONTRACT ALLOWS THE DISTRICT TO CONTINUE USING MARSTON+MARSTON, INC. UNTIL EITHER PARTY CHOOSES TO TERMINATE THE BUSINESS RELATIONSHIP

Communications Officer Armando Buelna stated that Board Policy establishes procedures for contracts exceeding \$50,000, and in compliance with that policy, staff forwarded a RFP to 20 local public relations firms. The District received five (5) responses.

Mr. Buelna stated that after review of the RFPs, and based on the overall evaluation and scoring by a panel, Marston+Marston ranked the highest based on their experience working with water agencies, qualifications and knowledge of technical

support related to the District's needs. He recommended that the Board approve a contract with Marston+Marston.

It was indicated that Marston+Marston's services include assistance with news letters, press releases, the District's Consumer Confidence Report, and social media. Mr. Buelna indicated that the firm is currently working on creating a link for the District's Facebook, Twitter and YouTube sites.

Directors Robak and Croucher expressed their support of the RFP process and bid results and stated that they looked forward to the District continuing to work with Marston+Marston.

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

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

to approve staffs' recommendation.

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

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

to approve the following remaining consent calendar items:

- a) APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH NEWest CONSTRUCTION, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT, IN AN AMOUNT NOT-TO-EXCEED \$17,896
- b) AWARD A CONSTRUCTION CONTRACT TO SEPULVEDA CONSTRUCTION FOR THE 30-INCH POTABLE WATER PIPELINE IN HUNTE PARKWAY IN AN AMOUNT NOT-TO-EXCEED \$1,212,257.13
- c) AWARD A CONSTRUCTION CONTRACT TO ADVANCED INDUSTRIAL SERVICES, INC. (AIS) AND AUTHORIZE AN AGREEMENT WITH AIS FOR THE 850-3 RESERVOIR EXTERIOR COATING AND UPGRADES PROJECT IN AN AMOUNT NOT-TO-EXCEED \$293,300

- d) ADOPT ORDINANCE NO. 531 AMENDING SECTIONS 25, CONDITIONS FOR WATER SERVICE; 28, CONNECTION FEES AND CHARGES FOR POTABLE OR RECLAIMED WATER SERVICE; 38, SERVICE FOR FIRE PROTECTION SYSTEMS; OF THE DISTRICT'S CODE OF ORDINANCES TO INCLUDE MANDATED FIRE SERVICE STANDBY CAPACITY FOR SINGLE-FAMILY RESIDENCES

- g) ADOPT RESOLUTION NO. 4193 DESIGNATING MR. JAMES BOND, COUNCILMEMBER FROM THE CITY OF ENCINITAS AND DIRECTOR FOR SAN DIEGUITO WATER DISTRICT, TO VOTE FOR THE OTAY WATER DISTRICT REPRESENTATIVES TO THE SAN DIEGO COUNTY WATER AUTHORITY (AUTHORITY) WHEN BOTH OWD REPRESENTATIVES ARE ABSENT FROM A MEETING OF THE AUTHORITY

ACTION ITEMS

- 13. GENERAL MANAGER
 - a) REVIEW DRAFT QUESTIONNAIRES FOR THE CUSTOMER SATISFACTION AND AWARENESS AND CALL CENTER SURVEYS

Communications Officer Armando Buelna indicated that Rea & Parker Research will perform two customer surveys on behalf of the District: 1) Customer Satisfaction and Awareness Survey (General Survey) and 2) Call Center Survey.

Mr. Buelna stated that the margin of error for the surveys is $\pm 5.7\%$ with 95% confidence level. He indicated to achieve this level of confidence, the consultant will make several thousand phone calls to acquire 300 valid respondents. If the District wished to reduce the margin of error to $\pm 5\%$, many more calls would need to be made, which would then require additional data processing and would, thus, increase the cost to perform the survey.

At the request of the Finance, Administration and Communications Committee, Mr. Buelna provided to the Board the following additional cost to obtain lower margins of error:

- o Reduce Margin of Error to $\pm 5\%$ is \$2,500 per survey (\$5,000 for both surveys)
- o Reduce Margin of Error to $\pm 4.5\%$ is \$4,375 per survey (\$8,750 for both surveys)
- o Reduce Margin of Error to $\pm 4\%$ is \$6,500 per survey (\$13,000 for both surveys)

Mr. Buelna indicated that the District has funds budgeted to cover the cost of both surveys with a margin of error of $\pm 5.7\%$.

In response to a question from Director Gonzalez, Mr. Buelna stated that there is an option to reduce the margin of error with one survey to $\pm 4\%$ or $\pm 4.5\%$ and have the other survey with a margin of error at $\pm 5.7\%$.

Upon inquiry by Director Robak regarding the possibility of including re-purified water questions in the survey, General Manager Mark Watton stated that it could be coordinated with Rea & Parker Research to do so. He also stated that additional input/information about re-purified water is available from the results of the City of Chula Vista's survey as it contained more extensive questions pertaining to re-purified water.

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

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

to reduce the margin of error to $\pm 4.5\%$ for the customer survey and maintain the call center survey's margin of error at $\pm 5.7\%$.

14. ENGINEERING AND WATER OPERATIONS

a) APPROVE THE WATER SUPPLY ASSESSMENT REPORT DATED JANUARY 2012 FOR THE HAWANO PROJECT

Senior Civil Engineer Bob Kennedy indicated that Board approval is required for the the submittal of the WSA Report to the County of San Diego. He discussed the background of Senate Bills 610 and 221, and indicated that SB 221 did not apply as this project is an industrial development.

Mr. Kennedy stated that the Hawano Project involves the development of a 79.6 acre parcel of twenty three (23) Industrial/Commercial lots and is located within the East Otay Mesa Specific Plan, Subarea 1 of the County's General Plan at the southwest corner of the intersection of Alta Road and Airway Road. A location map was provided to the Board.

It was noted that the expected water demands for the Hawano Project is approximately 75.6 AFY of potable water and 9.6 AFY of recycled water and is consistent with the demands in the District's 2008 Water Resources Master Plan that was updated in November 2010.

Mr. Kennedy indicated that the WSA Report states the following, "The regional and local water supply agencies acknowledge the challenges of supply and fully intend to develop sufficient reliable supplies to meet demands. Water suppliers recognize

additional water supplies are necessary and portfolios need to be reassessed and redistributed with intent to serve existing and future needs.”

He said that the status of the current water supply situation is documented in the WSA Report with the intent that the water agencies plan to develop sufficient water supplies to meet demands. Staff believes that the Board has met the intent of SB 610 statute in that Land use agencies and water suppliers have demonstrated strong linkage.

It was noted that the Hawano Project WSA Report includes (4) four Otay Water District Planned Local Water Supply Projects:

- o Rancho Del Rey Groundwater Well (500-600 AFY)
- o Rosarito Ocean Desalination Project (24,000-50,000 AFY)
- o Otay Mesa Lot 7 Groundwater Well (300-400 AFY)
- o Otay Mesa Recycled Water Supply Link Project (400-800 AFY)

A slide was presented that showed the Projected Balance of Supply and Demand based on data from the District’s 2010 Urban Water Management Plan. Staff indicated that it projects the District’s demand for a single dry year and multiple dry years and is based on meeting the SBX 7-7 conservation goal of a 10% per capita water use reduction by 2015.

Mr. Kennedy stated that water demand and supply forecasts are included in the planning documents of Metropolitan, CWA, and the Otay Water District. He indicated that the Hawano Project’s SB 610 WSA demonstrates and documents that sufficient water supplies are planned for and are intended to be available over the next 20 years.

Director Croucher stated that the Engineering, Operations and Water Resources Committee believes that it is very important to assure that extensive planning of water supply is taken seriously. He indicated that the Committee thoroughly reviews water supply assessment reports prior to recommending that they move forward for consideration and approval by the full board.

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

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

to approve the Water Supply Assessment Report dated January 2012 for the Hawano Project.

15. BOARD

a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

It was noted that the 2012 Board Meeting Calendar will be revised to indicate that the July 2012 Board meeting will be held on July 11, 2012.

President Lopez indicated that a Special Board meeting has been scheduled for March 19, 2012.

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

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

a special board meeting was scheduled for March 19, 2012 at 3:00pm.

It was indicated that the District will keep the September meeting scheduled on the 5th unless there is an issue with having a quorum present at the meeting.

INFORMATIONAL ITEMS

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

a) REPORT ON DIRECTORS' EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2012

This is an informational item and no request was received from the board to hear a report on this item.

b) UPDATE ON THE 2ND QUARTER OF FISCAL YEAR 2012 CAPITAL IMPROVEMENT PROGRAM REPORT

Associate Civil Engineer Daniel Kay provided a status report on the second quarter of FY 2012's Capital Improvement Program (CIP). He indicated that the overall expenditures through the second quarter of FY 2012 totaled approximately \$7.2 million, which is about 31% of the District's fiscal year budget.

In response to a question from Director Robak regarding the 944-IR Recycled Water Pump Station Improvements Project, Associate Civil Engineer Daniel Kay indicated that the pressure reducing valves are not physically located at that Pump

Station, but are located within Otay Lakes Road, Eastlake Parkway, and Olympic Parkway.

In response to an additional question by Director Robak regarding the pressure reducing criteria, Senior Civil Engineer Bob Kennedy indicated that American Water Works Association (AWWA) provides guidelines on appropriate system pressures. The District tries to provide a pressure of approximately 65psi with the guidelines indicating a maximum pressure of 270psi.

Director Robak inquired about how the District addresses high levels of pressure within its area. Mr. Kennedy stated that the District's Water Resource Master Plan addresses this issue and also indicates that the District establish a process that includes pressure adjustments when connecting to older systems.

This was an informational agenda item and no action was taken by the Board.

c) INFORMATIONAL REPORT ON CHANGES TO THE DISTRICT'S RECORDS RETENTION POLICY

At the Board's request, Chief Information Officer Geoff Stevens stated that the District's new Records System was implemented over the past year and a half and as part of the implementation process, staff reviewed the retention policies of other agencies to assure that the District's retention policy (adopted in February 2010) is in-line with other agencies.

Mr. Stevens indicated that an area where change has occurred from the original adopted retention policy is the management of electronic documents. In discussion with the District's attorney, it was indicated that email is treated as transitory communication; it is not a record in and of itself. Email communications become a record when some content or aspect of the document makes it a record, such as an attached contract to the email communication. With this scenario, Mr. Stevens stated that the contract should be stored in the District's Records System instead of the email system.

Mr. Stevens stated that in researching CWA and the State of California's policy on the handling of electronic information, particularly emails and computer back-up tapes, CWA's policy indicates that emails are retained for four (4) months; the State of California statutes does not indicate a specific time, but does require that the agency determine a policy.

It was recommended that such electronic information be retained for 13 months as it would make sense that the recipient may wish to have reference to it for a period of time. Mr. Stevens indicated that generally, the District maintained 3 years of emails and this revision will change retention to 13 months.

Director Robak indicated that he believes the District's Records Retention Policy should remain the same with regards to retaining email communications for 3 years; he also voiced his concerns about changing the retention timeline. General Counsel Daniel Shinoff indicated that the law requires agencies to hold all records in perpetuity in absence of a policy, but believes the main purpose of the District's Records Retention Policy is to impose discipline.

Director Croucher pointed out that emails have almost become conversational. He believes the 13-month retention is a fair and generous timeline and feels that it is appropriate for the policy.

This was an informational agenda item and no action was taken by the Board.

REPORTS

17. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

A copy of the County Water Authority's (CWA) PowerPoint presentation was distributed to the board which provided an update on the Carlsbad Seawater Desalination Project. An article published by *The Sacramento Bee*, "Water Tunnels Would be Huge Project—if they Clear Huge Obstacles," and a copy of a policy recommendation from CWA regarding potential disbursements of proceeds resulting from the CWA vs. Metropolitan Water District (MWD) litigation was also provided the board.

General Manager Mark Watton indicated that he and President Lopez will be attending MWD's rate hearing on March 12, 2012 to voice their concerns regarding MWD's plan to increase rates by approximately 11%. Mr. Watton indicated that MWD has not been trying to reduce costs to minimize rate increases and continues to carry a vacancy rate in their budget of about 25%.

GENERAL MANAGER'S REPORT

General Manager Watton provided an update on the Rosarito Desalination Project and indicated that there will be a press release indicating that Consolidated Water Co. Ltd. will be moving forward with the project.

General Manager highlighted information from his report that included an update on the District's social media, SDRMA Insurance, meter reading efficiency, meter sales, and water purchases.

Director Croucher requested that the General Manager's Report include a chart for recycled water purchases (similar to the potable water purchase chart that is in the report).

18. DIRECTORS' REPORTS/REQUESTS

There were no additional reports from Directors.

19. PRESIDENT'S REPORT

President Lopez reported on meetings he attended in February 2012 and indicated that on February 2 he attended the Metro Commission's monthly meeting to discuss the Commission's FY 2013 Draft Strategic Plan and other matters. On February 8 he attended the District's employee recognition luncheon. He indicated that on February 9 he met with Mr. John Lynch, Vice Chairman and CEO of the Union-Tribune, to discuss a WatchDog article regarding the District's consultants. He noted that Director Bonilla, General Manager Watton, and Consultants Mr. Cruz Bustamante, Mr. Steve Castaneda, Mr. Hector Mares, Mr. Enrique Morones and Mr. Pete Silva also attended the meeting. On February 10, President Lopez met with General Manager Watton to discuss items that were scheduled to be presented at the February committee meetings. On February 16 he attended the Engineering, Operations and Water Resources Committee meeting where the committee reviewed, discussed and made recommendation on items that would be presented at the March board meeting. On February 21 he attended a Special meeting of the District's Board to discuss the Salt Creek matter. On February 24 he met with General Manager Watton and General Counsel Dan Shinoff to discuss items that would be presented at the March 2012 board meeting. He also attended the San Ysidro Chamber of Commerce's 90th Annual Installation Dinner on February 24. On February 25-26 he attended the MWD/CWA Hoover Dam Tour, and on February 27 he attended a Retirement Reception for Mr. Manny Magana, the District's Assistant General Manager of Engineering and Operations.

President Lopez indicated that on March 6 he met with San Diego County Water Authority officials to prepare for Metropolitan Water District's rate hearing scheduled on March 12.

RECESSED TO CLOSED SESSION

20. CLOSED SESSION

The Board recessed to closed session at 5:09 p.m. to discuss the following matters:

- a) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
[GOVERNMENT CODE §54956.9]
 - (I) SALT CREEK GOLF, LLC, UNITED STATES BANKRUPTCY
COURT, CASE NO. 11-13898-LA11

- b) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
[GOVERNMENT CODE §54956.9]

2 MATTERS

Director Croucher left the board meeting at 5:43pm.

RETURN TO OPEN SESSION

- 21. 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 5:44 p.m. General Counsel Dan Shinoff indicated that no reportable actions were taken in closed session.

- 22. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:44 p.m.

President

ATTEST:

District Secretary