

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
May 2, 2012**

1. The meeting was called to order by President Lopez at 3:31 p.m.

2. ROLL CALL

Directors Present: Lopez, Gonzalez, Croucher and Robak

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, General Counsel Daniel Shinoff, 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 Lopez, Gonzalez, Croucher and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF APRIL 4, 2012 AND SPECIAL MEETING OF MARCH 19, 2012

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:	None

to approve the minutes of the regular meeting of April 4, 2012 and the special meeting of March 19, 2012.

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 OF THE 2012 OTAY PHOTO, VIDEO AND POSTER CONTEST AWARDS

Water Conservation Manager William Granger stated that the District’s poster contest was established in the mid-1990’s and indicated that the District has been submitting its top poster contestants to MET’s calendar contest each year. He stated that this year, the District created a category for older students and an incentive for teachers to promote the contest to their students. Mr. Granger indicated that the District received 14 posters, which resulted in four student and one teacher award winners. The winning posters were presented in a slide show for the Board and public.

Mr. Granger indicated that the photo contest was established by the Helix Water District ten years ago and that the Otay and Sweetwater Districts joined four years ago. He stated that the photographs were themed around water and indicated that this year the District received 22 submissions from Monte Vista, Bonita Vista and Olympian High Schools. He noted that the top six photos have been included in the slide show and that winning photos from the contest have been used in the past as bookmarks in the District’s annual budget report and Water Quality Report.

He also spoke about the video contest and indicated that while the District initiated the contest last spring, this was the first year the District received videos for the contest. The video contest theme was, “Make Every Drop Count.” Mr. Granger stated that the District received two video entries. The two video entries were shown at the meeting.

President Lopez presented award certificates and checks to the poster, photo and video contest winners:

\$100 Middle and High School Poster Contest Winner:

- Ms. Teresa Vasquez Alvizo, 9th grade student at Steele Canyon High School

\$50 Elementary School Poster Contest Winners and \$75 Teacher Award:

4th grade teacher, Mr. Clarke and his three students were unable to attend today’s meeting as they are in school past 3:30 p.m. Presentation of their awards will be made in their classroom.

- Christine Griffiths, 4th grade, Vista Grande Elementary
- Naithan Yousif, 4th grade, Vista Grande Elementary
- Steven Wesson, 4th grade, Vista Grande Elementary
- Mr. Clarke, 4th grade Teacher, Vista Grande Elementary

\$200 Photo Contest Winners:

- Olivia Thomas, 12th grade, Monte Vista High School
- Alexa Helwa, 12th grade, Monte Vista High School
- Natalie Hunt, 12th grade, Monte Vista High School (Ms. Hunt received a \$400 check. The additional \$200 was for tying for first place as the *Regional Best In Show*.)

\$250 Video Contest Winners:

- Carlo Fiorillo, 2nd Place for his video titled, “Down to the Last Drop,” Freshman at San Diego State University
- John Paoletto and John Portillo, 1st Place for their video titled, “Magic Basket,” Sophomores at Southwestern College (both received a \$250 award for their entry)

ACTION ITEMS

8. BOARD

- a. INTERVIEW APPLICANTS AND APPOINT A REPRESENTATIVE TO THE DIVISION 2 SEAT ON THE DISTRICT’S BOARD OF DIRECTORS FOR THE REMIANING TERM OF FORMER DIRECTOR, JAIME BONILLA

President Lopez stated that there were four (4) candidates who applied for the Division 2 seat. He explained the interview process and indicated that each applicant would be interviewed during today’s meeting. The first to be interviewed was Mr. Eduardo Reyes.

Mr. Eduardo Reyes stated that he was interested in the Division 2 seat because he would like to be part of the District’s process of assuring water resources and supply to residents and businesses of the District’s service area. His would like to focus on the District’s infrastructure and work on additional means of obtaining water resources. He is aware of the District’s Rosarito Desalination Project and indicated that he would like to be part of the Project’s process. He indicated that he has been an Administrator for 15 years and has knowledge of business policies and procedures. He would like to be involved with the enhancement of the District’s processes, organizational structure and overall management. He believes that the work of a Director is very important and indicated that prior to applying for the

Division 2 seat, he discussed his plans with his employer and family to assure their support. He indicated that he also plans to run for the Division 2 seat in the upcoming elections and is committed to representing the District's customers. He discussed his experience with working in the private sector and having his own business and noted that he learned about limited resources and doing the best you can. He also discussed his work experience in the public sector and noted that it is important to create alliances, as he did within the school system where his task was to seek compatible partners to collaborate with. Mr. Reyes stated that he has been a resident of the South Bay for approximately 30-40 years and believes that customer service is one of the keys to customer satisfaction. He understands that there are water issues and in the last 15-20 years there was a huge drought that almost caused the District to ration water. Mr. Reyes believes that there is a need to assure there are enough resources and other means of obtaining water supply as opposed to purchasing it. He also shared that he has heard that reverse osmosis should be considered as it is cheaper and much more safe to drink. Mr. Reyes thanked the Board for the opportunity to be interviewed.

Mr. David Krogh provided a history of his background and indicated that he has been a resident of Chula Vista since 1983. He stated that he has volunteered with the City of Chula Vista and SANDAG and is seeking other opportunities. He indicated that he is interested in filling the Division 2 vacancy for the next seven (7) months to learn about water matters and is not considering to campaign for the position in the upcoming elections. Mr. Krogh discussed his academic background as a CPA and his work experience and stated that his strength would be to run the District similar to a private business from a financial aspect. Additionally, he indicated that he understands the District's Policy 25 concerning how rates are determined. He stated, with regard to working as a team, that he has served on multiple committees and boards. He provided an example of his teamwork experience and stated that he had worked with a fire department to improve its performance measures. It had involved constant follow-up to resolve issues. With regard to resolving conflicts and proposing solutions, he stated that it best to handle them calmly. He indicated that he felt that he would be successful in handling conflicts with other board members as he has had the experience of being a "translator" to get groups together which has been successful. In response to a question from the Board with regard to his familiarity with Division 2 and its issues, Mr. Krogh stated that he has reviewed the District's redistricting maps and has a new appreciation for the District's purpose. He stated that the District can better serve its customers by maintaining water flow and keeping rates down. Mr. Krogh noted that the District was one of the lowest cost providers compared to other agencies, which is a surprise to him considering the number of the District's Capital Improvement Projects. He noted that he has read much about the challenges related to water resources in Southern California, but indicated that he does not have a lot to offer in terms of understanding those challenges. He stated that he has had the opportunity to meet with Mr. Jim Peasley and Mr. Peter Silva to discuss the desalination project. As for his time commitment to the community, Mr. Krogh stated that he is willing to represent his community for the next seven (7) months.

Mr. Brian Lightbody stated that he is interested in the Division 2 seat because he has professionally worked in the industry for over nine (9) years and believes he could utilize his experience to help make policies related to the process of maintaining infrastructure. Mr. Lightbody indicated that he is currently employed by the San Diego County Water Authority (CWA) in the area of operations and maintenance. He noted that he has discussed his plans with his boss to apply for a seat on the Otay Water District Board and he is willing to make the commitment required as a Director by using his vacation accruals to meet his responsibilities to the District. In response to a question from the Board regarding the upcoming elections, Mr. Lightbody stated that if he were to fill the Division 2 vacancy, he may seek election depending on how well he performed and his circumstances at the time of elections. He stated that he also worked in the private sector where the goal was to have a good product and to make money. The public sector is driven by customer service, such as, providing water to customers at a reasonable price. Mr. Lightbody spoke about working as a team member on a pension trust committee and noted that the committee monitored an educational trust, where he felt he had a judiciary responsibility to do the right thing for the beneficiaries and members. He also discussed his teamwork experience while serving on several commissions and indicated that he has supervised a group of technicians. Mr. Lightbody indicated that he believes he has the leadership skills and the ability to work with a group of people to resolve conflicts and propose solutions. In response to a question from the Board regarding his familiarity with Division 2, Mr. Lightbody stated that he is aware that the District has recently redistricted and believes that Division 2 encompasses mostly affluent residents. He feels that it is important for the District to address infrastructure needs and maintain old infrastructure in the Division instead of building new developments in other areas. He discussed his philosophy on customer service and stated he felt that it is essential to educate District's customers about its business process and costs of supplying water. Mr. Lightbody stated that he has a minimal understanding of the challenges related to water resources and views them as conundrums. He spoke of the Rosarito and Carlsbad Desalination Projects and how costs would compare and indicated that he was not familiar with the Bay Delta issue, but is aware that there is a bond for water projects being proposed. He also indicated that he is aware of MWD's litigation issues and its cost to ratepayers. Mr. Lightbody concluded his interview by thanking the Board for a transparent interview process.

Mr. Mitch Thompson provided a brief history of his background and stated that he is interested in the seat on the District's board because he felt he could add value and contribute to the District's decision making process as he has held a similar position as a member of the City of Chula Vista's Council. He stated that he is very interested in participating on the District's board and is in an appropriate position in his life to represent his community. He indicated that he understands the time commitment and shared that he owns his own business and has a flexible schedule to devote the time needed to participate on the board. He stated that he also intends to run for the position in the upcoming election. Mr. Thompson indicated he

worked in the public sector for approximately 11 years then transitioned to the private sector working for Bank of America in financing. He stated he felt he has a good understanding of public agencies and has served on various advisory committees. Mr. Thompson noted that he likes the idea of running a public entity as a private firm. He spoke of working with the City Council and stated that he left the Council with positive relationships. Mr. Thompson believes that it is important to treat everyone with respect to get a positive outcome and values consensus building. He discussed his experience as the Chairman of the Council of Economic Advisory Committee for the City and felt there was a cooperative agreement with the members. He noted that he respected the expertise of employees and believed in building positive relationships. Mr. Thompson talked about his knowledge of Division 2 and stated that the area is predominantly built out and mainly requires maintenance. He is less familiar with the Otay Mesa area, especially the area near the border, but sees it as an opportunity for the District. Mr. Thompson shared his customer service philosophy, stating that it is important to make customers feel that they are paying a reasonable price for their water supply. He believes in communicating with customers and stated that the District is in an enviable position as it can educate ratepayers of the reasons why water rates are increasing. Mr. Thompson noted that maximizing efficiency is important, but believes it is limited and therefore the District must be creative in trying to diversify its resources. Mr. Thompson discussed some of Southern California's water issues and stated that water agencies are in dispute over the increasing rates, but resources are needed and CIP projects are expensive. Mr. Thompson thanked the board for the opportunity to be considered for the Division 2 position.

The Board recessed at 5:31pm to discuss the appointment to the Division 2 seat for the remaining term of former Director, Jaime Bonilla, and reconvened at 5:38 p.m.

- i. ADOPT RESOLUTION NO. 4196 OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT APPOINTING MITCH THOMPSON TO THE BOARD OF DIRECTORS, DIVISION 2, TO FILL THE VACANCY LEFT BY DIRECTOR BONILLA'S RESIGNATION

The Board thanked all candidates for their interest in the Division 2 position and for their wanting to be involved in the community. The board felt that all the applicants had strong backgrounds and their respective strengths.

Director Gonzalez nominated Mitch Thompson to fill the Division 2 position and by motion of Director Gonzalez, seconded by Director Croucher, and carried four to zero with the following vote:

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

the board adopted Resolution No. 4196 appointing Mr. Mitch Thompson to the Division 2 seat on the Board of Directors filling the vacancy left by Director Bonilla's resignation.

Legal Counsel Dan Shinoff read Resolution No. 4196 into the record and General Manger Mark Watton administered the Oath of Office to Mr. Thompson and he was seated on the Board at 5:52 p.m.

- b. **SUPPORT STAFF'S RECOMMENDATION TO LEAVE INTACT THE LEAK ADJUSTMENT PROVIDED THE COTTONWOOD MEADOWS HOMEOWNERS ASSOCIATION IN ACCORDANCE WITH THE DISTRICT'S ESTABLISHED PRACTICE AND DENY ANY FURTHER ADJUSTMENTS**

Customer Service Manager Alice Mendez-Schomer indicated that the District's customer, Cottonwood HOA, had a large leak in their irrigation system. She stated that the District became aware of the leak when field staff read their meter on March 5 and noted much higher consumption than normal. As is the District's practice, staff scheduled a reread of their meter the following day to ensure that the read was accurate. On March 6 the District's field staff noted that the meter dial was spinning. The field staff person immediately contacted the District's office and spoke with a customer service representative. The customer service representative then contacted the Cottonwood HOA and advised them of the possible leak.

Ms. Mendez-Schomer stated that on March 12, District staff spoke again with the HOA and the HOA inquired about a leak adjustment. The HOA was billed approximately \$6,500 which was reduced by a leak adjustment of \$191.57. As a courtesy, the District also reversed late fees. It was stated that this is consistent with how past leak adjustments have been handled for all customer accounts (residential, commercial and irrigation).

Customer Service Manager Alice Mendez-Schomer shared that leak adjustments are determined by taking the customer's total usage and calculating it at the lowest tier rate for the customer account type (residential, commercial or irrigation). Because the spread between the tiers for commercial accounts is very small, the adjustment is a small dollar amount. The spread between residential tier rates is much larger and, thus, adjustments are a higher dollar value.

Ms. Alice Mendez-Schomer noted that the District understands that this is an extraordinary loss for the HOA and has offered a six-month no interest payment plan. The HOA declined the payment plan and asked to address their matter with the District's board. They are requesting a higher adjustment, but have not yet indicated the amount they are requesting. The bill is approximately \$6,000 above their normal March monthly rate.

It was indicated that the District is sensitive to such unexpected incidences and does provide some credit adjustment. However, the District still must cover the base cost for the lost water. If the District reduces the bills for customers who have leaks or some other extraordinary use, the cost of the lost water is spread to the District's other ratepayers which, in effect, is a subsidy.

Ms. Mendez-Schomer noted that if the HOA had acted more quickly in fixing the irrigation leak, the water loss and water bill would have been significantly less. The HOA was notified within one (1) day of field staff detecting the leak. Field staff took a total of three meter reads to assist the HOA and noted with the first two meter readings that there was still movement on their meter. By the third meter reading, no movement of the meter was detected. It appears the HOA delayed taking action until eight (8) days after they had been made aware of the leak.

It was discussed that the leak adjustment provided to the Cottonwood HOA is consistent with past District practice. Customers in a similar situation were provided a leak credit adjustment and the customers have paid their water bill less the adjustment.

President Lopez indicated that this issue was brought to the attention of the Finance, Administration and Communications Committee on April 19, 2012. Since the Cottonwood HOA had no representative at that meeting, the Committee recommended that the issue move forward to the full Board for consideration.

Ms. Debbie Haynes, Cottonwood HOA, addressed the Board and stated that she is not in opposition or support of Agenda Item 7b and is only present to provide information and plead for leniency. Ms. Haynes indicated that the HOA is the oldest Association in Rancho San Diego and that its infrastructure is approximately 30 years old and made up of 198 duplex units (100 units altogether). She stated that the leak occurred in a nearby area of the HOA where it is steep, rugged and impossible to get to. She indicated that the valve was turned off within an hour and a half of being notified by Otay staff of the leak, but realized the valve was still leaking when staff came back several days later to check it again. In addition, District staff had also discovered that there was a huge leak emptying into the nearby creek. Ms. Haynes spoke of the HOA's finances and stated that the HOA's fees started out at \$25 and has now increased to \$80 a month and the increase has taught the HOA to be very prudent with its expenses. She stated that the HOA has applied for District grants and noted that the Association has taken the initiative to conserve water by planting drought tolerant plants, maintain breaks in the area, and check sprinklers at least 2 days out of the week. However, the HOA is currently facing the dilemma of replacing 30-year old pipes and an increased water bill due to the significant increase in its monthly units from approximately 54 to 250, to 1,715 units. Ms. Haynes stated that the HOA runs on a slim budget and has a small reserve and is pleading for leniency by the District. She requested that the District waive extra fees, base the HOA's units at the lowest rate, and work with them to help pay off the debt through monthly installments.

In response to a question from Director Robak, Ms. Haynes stated that the HOA is located at the northeast corner of Jamacha Blvd., past Cal-Fire and south of the Chaldean Church. She indicated that tree roots were the cause of the break and that the HOA is willing to work with the District, but needs more time to pay off the debt. She noted that there is only a 60% occupancy rate and renters cannot handle additional assessments.

In response to an inquiry from Director Croucher, Customer Service Manager Alice Mendez-Schomer indicated that the District waived late fees, based the HOA's units at the lowest rate, and offered a six month installment with no interest fees on the debt. She noted that the District is also willing to finance the debt for 12 months and no interest fees.

Director Robak stated that he supports staffs' recommendation and motioned that the HOA be given the option to pay off the debt within 12 months with no interest fees.

In response to a question from Director Thompson, Ms. Haynes stated that the HOA consists of 198 duplex units (100 units altogether).

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

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

the Board approved staffs' recommendation and provided the HOA the option to pay off the debt within 12 months with no interest fees.

CONSENT ITEMS

9. 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 Item 8d be pulled for discussion.

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

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

Absent: None

to approve the following remaining consent calendar item:

- a) APPROVE A CONSULTING SERVICES AGREEMENT WITH SILVA SILVA INTERNATIONAL, LLC IN AN AMOUNT NOT-TO-EXCEED \$104,000 FOR FISCAL YEARS 2012, 2013 AND 2014 (ENDING JUNE 2014) FOR PROFESSIONAL CONSULTING WORK RELATED TO THE OTAY MESA DESALINATION FACILITY CONVEYANCE AND DISINFECTION SYSTEM PROJECT

Director Robak inquired on an update of the services provided by Silva Silva International, LLC. General Manager Watton indicated that the Rosarito Desalination Project's private partnership issues have been resolved and the project will soon be back on track. As the project was on hold, not much was spent this past year and contracts related to the project are currently canceled until the project begins to move forward. Consultant Peter Silva has been engaged primarily in monitoring the status of the IBWC and the Colorado River negotiations and how the Desalination Project relates with these entities. He indicated that there are complex negotiations occurring between the United States and Mexico relative to the Colorado River, storage in Lake Mead, and a smaller part of the negotiations is the Rosarito Desalination Plant. Mr. Silva will also keep the commissioner of the IBWC informed of the District's activities. General Manager Watton noted that the contract with Silva Silva International, LLC is for two (2) years and it could be canceled by the District at any time as long as a notice is provided to the consultant.

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

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

to approve consent items.

10. BOARD

- a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

Director Robak spoke of the joint board meetings that the District had held with Helix WD, Padre Dam MWD and Sweetwater Authority and asked that staff look into scheduling a joint meeting as one has not been held in quite some time.

There were no changes to the Board Meeting Calendar.

REPORTS

11. GENERAL MANAGER'S REPORT

General Manager Watton highlighted information from his report that included an update on the Salt Creek Golf Course matter; CCTV Videos on GIS; AMR Meter Change-Outs; the Ralph Chapman Reclamation Plant; the Avocado, Louisa, Calavo, Challenge and Hidden Mesa Sanitary Sewer Replacement Project; the 850-3 Reservoir Exterior Coating and Upgrades; and water purchases.

General Manager Watton indicated that a memo was provided to the board to explain a change in the District's methodology process for calculating water loss. It was discussed that water loss variance changes from month-to-month based on the amount of water purchased and sold. Automated reports for water purchased were processed too early which was skewing the adjustment of estimated water sales and ultimately overstating the District's water loss. Moving forward, staff will not update this measure until the end of the month that follows the end of each quarter. Mr. Watton stated that the District's goal is to decrease its water loss and noted that there is a 6% standard by AWWA.

SAN DIEGO COUNTY WATER AUTHORITY (CWA) UPDATE

General Manager Watton provided an update on the lawsuit CWA filed against MET regarding their rate structure. MET and its member agencies are countering the information CWA has publicized regarding their (MET's) transportation rate and the lawsuit and are attempting to place the focus on the cost of the IID transfer water. General Manager Watton stated the cost of the water has never been an issue, as it was understood at the time that the transfer was agreed upon, that the water would be more expensive. During the drought in the 1990's, MET was not able to serve CWA the water it needed to serve the San Diego Region and just a couple years ago, when there was another drought situation, MET had indicated that they would be cutting back water to CWA as it did not have enough resources. The water from the IID Transfer Agreement had kept the San Diego Region from going through a severe cutback. He stated that CWA is not contending in their lawsuit that the transfers are too expensive, they are asking that MET provide a legal wheeling rate for the IID water.

Director Croucher reported that the agriculture rate discount was extended for another two years and reported that CWA allocated, over the next three years, \$90 million for water conservation programs. He stated that CWA had previously considered terminating the allocation for water conservation programs in order to lower its rates, especially since the San Diego County agencies only qualify for a few conservation programs, but continue to pay for other agencies who do qualify for the programs.

12. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated that he attended the Spring Garden Festival and met the new Executive Director, Mr. John Bolthouse, of the Water Conservation Garden (Garden). He stated that he was pleased to report that staff at the Garden seems to be more positive and that the morale has greatly improved. He also shared that the Garden has become its own separate department (separate from the Horticultural Department) and will hire its first full-time faculty member. He stated he was very pleased with the success of the program.

Director Thompson thanked his colleagues for appointing him to the Division 2 vacancy on the Board. He stated that he was looking forward to working with the Board and getting to know the District's staff.

Director Gonzalez indicated that he had attended the City of Chula Vista's Redevelopment Oversight Board meeting and the board had approved several items that were forwarded to the State. He stated that the items were rejected by the State and the Redevelopment Oversight Board held a second meeting to reconsider the items rejected by the State. The Board decided to place the items on hold in order to request Counsel's opinion. He stated the next Redevelopment meeting will be held on May 10th.

13. PRESIDENT'S REPORT

President Lopez stated that he is pleased to have an outstanding new board member, Director Mitch Thompson, and believes Director Thompson will be able to share his history, experience and knowledge with the board and staff.

Attached to the minutes is President Lopez' report with regards to meetings he attended in April 2012.

14. ADJOURNMENT

President Lopez adjourned the meeting at 7:02pm and indicated that the meeting would be continued to a Special Board meeting on May 8th to consider the Closed Session items.

President

ATTEST:

District Secretary