

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
June 6, 2012**

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

2. ROLL CALL

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

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, Attorney Jeff Morris, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Information Technology Geoff Stevens, 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 Gonzalez, 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 agenda.

5. APPROVE THE MINUTES OF THE SPECIAL BOARD MEETING OF MAY 8, 2012

A motion was made by Director Croucher, seconded by Director Gonzalez 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 special board meeting of May 8, 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.

CONSENT ITEMS

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:

President Lopez requested that item 6d be pulled for discussion and Director Robak pulled item 6a for discussion.

Upon a motion by Director Croucher, seconded by Director Gonzalez 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 items:

- b) ADOPT RESOLUTION NO. 4197 REVISING AND UPDATING BOARD OF DIRECTORS POLICY NO. 22, DRUG FREE WORKPLACE POLICY AND PROCEDURE; AND HUMAN RESOURCES POLICY, FAMILY AND MEDICAL LEAVE ACT, PREGNANCY DISABILITY LEAVE, AND KIN CARE LEAVE
- c) APPROVE THE ISSUANCE OF A PURCHASE ORDER TO KIRK PAVING IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR AS-NEEDED ASPHALT PAVING SERVICES FROM JULY 1, 2012 THROUGH JUNE 30, 2013
- e) APPROVE THE STATE OF CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS) PROPOSED JOINT USE AGREEMENT NO. 31875-1 AND 31872-1 AND OTAY WATER DISTRICT CONSENT TO COMMON USE AGREEMENT NO. 31867-1 WITH CALTRANS FOR THE SR-125 UTILITY RELOCATIONS AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENTS

President Lopez presented Item 6a for discussion.

- a) APPROVE A 5-YEAR AGREEMENT (THREE [3] YEARS WITH TWO [2] ADDITIONAL YEARS AT THE DISTRICT'S OPTION) WITH ALLIANT

INSURANCE SERVICES, INC. FOR BENEFIT CONSULTING AND  
BROKER SERVICES AND IDENTIFYING ALLIANT AS THE DISTRICT'S  
BROKER OF RECORD IN AN AMOUNT NOT-TO-EXCEED \$135,000

Human Resources Manager Kelli Williamson indicated that the District had conducted a bid in 2008 for the same services and had selected Willis Insurance Services of California (Willis) at that time. The contract with Willis was a two (2) year contract with up to three (3) option years to renew. Staff has opted to renew early so that the selection of a broker firm could be completed before negotiations commence.

Staff forwarded an RFP to nine different benefit consultants and received five (5) responses. A panel of four (4) staff members reviewed the proposals and selected three (3) to interview. Based on the proposals, interviews and references, staff recommends moving from Willis to Alliant Insurance Services (Alliant). She stated the two (2) primary reasons for the recommended change is Alliant is currently the broker for the CSAC benefit pool and staff felt that it would help facilitate communications with CSAC as there will be one less broker to deal with. They also provided the most competitive bid.

Staff is recommending a three (3) year contract with an option to renew the contract for two (2) additional years. Alliant has agreed to extend the pricing over to the fourth and fifth years. She stated that the contract can be terminated with 60 days notice at anytime.

Director Robak indicated he had pulled this item as some years ago there was a conflict of interest issue with the company recommending our benefits as there was an arms length relationship between the benefits consultant and the administrators of the District's benefit plan. He wished to assure that the District is thoroughly vetting, not just the District's benefits consultant, but all consultant services. Human Resources Manager Kelli Williamson indicated that they did ask that question in the interview process and Mr. Paul LaBounty, Alliant, is present at today's meeting and can address that issue and any further questions.

Mr. LaBounty provided a little background on his company in response to a request from Director Robak. He indicated that his company was originally called Robert Driver Company. He stated a large difference between his company and other insurance brokers is they have a heavy focus on public agencies. He stated that the JPA process allows his firm to have an arms length distance as they are not the pool. They are just hired, in this particular case CSAC, to be the expert consultant to the client. The client themselves can participate in the decision making at the board level for CSAC. Alliant also has the ability to be independent and has a broader scope of options as his firm has access to purchasing pools, as well as the entire market. He also noted that his firm is hired to be the "consultant" and not the "agent" for Otay.

President Lopez indicated that this item was also reviewed by the District's Finance, Administration and Communications Committee and the committee supported staffs' recommendation.

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

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

to approve staffs' recommendation.

President Lopez presented item 6d for discussion:

- d) APPROVE AMENDMENT NO. 2 TO THE GROUND LEASE AND JOINT USE AGREEMENT WITH THE SAN MIGUEL CONSOLIDATED FIRE PROTECTION DISTRICT FOR THE HEARTLAND REGIONAL FIRE & PUBLIC SAFETY TRAINING FACILITY AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AMENDMENT

Director Croucher indicated that he was recently promoted to interim Fire Chief of San Miguel Consolidate Fire Protection District. He stated that he was recusing himself from the discussion of this item and indicated that he also did not attend the Engineering, Operations and Water Resources Committee meeting wherein this item was discussed. Director Croucher stepped off the dias at 3:44 p.m.

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that the District had entered into a lease and joint use agreement with San Miguel Fire Protection District (SMFPD). In accordance with the agreement, SMFPD would build a state of the art training facility at the District's regulatory site. She stated that construction of the facility commenced in May 2011 and will be constructed in two (2) phases. She presented a map showing the facility layout and the training props that will be constructed during the two phases. The first phase included the walls, grading of the site, concrete, trench rescue prop, overpass bridge simulation and SDG&E vault prop. She stated that the Board approved the funding for the confined space training prop in April 2012.

She explained that the amendment concerns any improvements that may be done by the District to the training facility site, such as the confined space training prop, that it would be included in the training facility's construction contract and the District would reimburse SMFPD for the costs they incur to build the improvements. The amendment also contains conditions for use of the District's improvements by SMFPD and requirements for maintenance and repair. All District improvements

shall remain the property of the District. She stated that the amendment was written by the District's attorney.

General Manager Watton indicated in response to an inquiry from Director Thompson that the lease is for 30 years with an option to renew for another 20 years. He noted that the contract can be terminated by either party at anytime. Otay WD must provide 90 days notice and SMFPD 60 days notice.

Director Robak inquired if there were any other partners involved in the training facility. Environmental Compliance Specialist Coburn-Boyd indicated that SMFPD has entered into an agreement with Heartland Fire Training (Heartland) to operate the training facility. Though they have entered into an operating agreement with Heartland, SMFPD still has responsibility for land use permits, which includes storm water runoff, environmental documents, etc., as per the lease agreement with Otay WD.

General Manager Watton indicated that the District requires insurance on all its construction contracts, etc. in response to an inquiry from Director Thompson. He stated that the District will follow-up and assure that insurance certification is also acquired from all organizations who have business on the site, such as Heartland and any construction companies retained by SMFPD.

There was discussion that the training facility could be used regionally by other agencies, but SMFPD cannot sell, assign or sub-lease the training facility per the lease agreement. There was further discussion that the District's agreement with SMFPD is that they would fully handle the facility and there was no specific language that indicates the District's ability to approve or disapprove their selection of a management company. If the District is concerned with the management company or any vendor, it could request an amendment or terminate the agreement.

Attorney Jeff Morris indicated that the lease agreement is with SMFPD and if they cease to exist, then the lease agreement will terminate and the training facility would go back to the District. The District would then, if it wishes, look for a new tenant.

Director Robak inquired how much the District has invested, thus far, in the training facility. Environmental Compliance Specialist Coburn-Boyd indicated that the District has paid for the original environmental document at an approximate cost of \$225,000 plus \$80,000 for the confined space training prop. She noted that the trench rescue and confined space props will be very valuable to the District in providing training for operations and rescues.

Attorney Morris replied to an inquiry from Director Robak that he felt that the District, based on the information presented, could move forward with the proposed amendment to the lease agreement. He stated that Counsel could perhaps draft a

memo addressing some of the hypothetical issues discussed at today's meeting and that it did not hurt to be proactive and look at new contingencies. Additional amendments could be introduced if needed. He indicated, however, those contingencies shouldn't hold up this amendment which is in favor of the District. General Manager Watton indicated that staff would provide the board copies of the original lease agreement.

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

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

to approve staffs' recommendation.

Director Croucher stepped back onto the dias at 4:12 p.m.

#### ACTION ITEMS

#### 8. BOARD

- a) ADOPT RESOLUTION NO. 4199 OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT CHANGING ITS PRIMARY REPRESENTATIVE TO THE CHULA VISTA REDEVELOPMENT OVERSIGHT BOARD TO MITCHELL THOMPSON AND APPOINTING DAVID GONAZALEZ AS THE DISTRICT'S ALTERNATE REPRESENTATIVE

President Lopez indicated that Director Gonzalez had requested that he be appointed alternate representative as opposed to primary representative to the Chula Vista Redevelopment Oversight Board as his schedule will not allow him to provide the time commitment that the matters of the Oversight Board requires. President Lopez stated that Director Thompson served on the City of Chula Vista's Council and he felt he would be a good primary representative. He recommended that Director Thompson be appointed primary representative and Director Gonzalez alternate.

Director Thompson indicated that he would be happy to represent the District on the Redevelopment Oversight Board. He stated that he is very familiar with the redevelopment issues and projects. In response to an inquiry from Director Robak, Director Thompson indicated that he did not have a conflict as he currently does not serve on any City related committees. He stated that the only possible conflict is that he owns property in the City of Chula Vista and he may have to recuse himself on a vote for a particular project if his property is within 500 feet of the project.

Director Gonzalez noted that a majority of the redevelopment projects are either already in process or just starting. He stated that the Redevelopment Oversight Board mainly is dealing with contracts after a certain date, so no previous projects are being reviewed or considered.

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

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

to approve Resolution No. 4199 appointing Director Thompson as the primary representative and Director Gonzalez as the alternate representative to the City of Chula Vista's Redevelopment Oversight Board.

b) DISCUSSION OF 2012 BOARD MEETING CALENDAR

Director Croucher noted that he will be out-of-town on September 5 and will be unable to attend the board meeting on that day. Director Thompson also indicated that he will not be able to attend the July 11 board meeting as he will be out-of-town on a previously scheduled vacation.

President Lopez requested that General Manager Watton schedule a date for a special board meeting to hold a board workshop.

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

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

to accept the board meeting calendar with no changes.

INFORMATIONAL ITEMS

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

a) UPDATE REPORT ON DIRECTORS' EXPENSES FOR THE 3RD QUARTER OF FISCAL YEAR 2012

The board did not wish to hear a report.

b) CAPITAL IMPROVEMENT PROJECT UPDATE REPORT FOR THE 3<sup>RD</sup> QUARTER OF FISCAL YEAR 2012

Associate Civil Engineer Daniel Kay presented the third quarter CIP update in which he highlighted the status of CIP expenditures, significant issues and progress milestones on major projects.

He indicated that the Fiscal Year 2012 CIP consists of 75 projects totaling \$24.1 million and that the overall expenditures through the third quarter of Fiscal Year 2012 totaled approximately \$12.6 million, which is about 52% of the District's fiscal year budget. Staff anticipates that expenditures will be approximately 75% of the fiscal year budget at the close of the year.

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 25 projects depicted, two are in the planning stage, twelve are in design, seven are in construction and four have been completed and are in service during the fiscal year. He reviewed the status of the District's flagship projects which included the 944-IR Recycle Water Pump Station Improvements, Ralph W. Chapman Recycled Water Facility, La Presa System Improvements and the Calavo Gardens Sewer Rehabilitation Project.

Associate Civil Engineer Kay also presented slides that provided the status of the various consultant contracts for planning, design, public services, construction/inspection and environmental services. He noted that the construction change orders are broken up into two columns, the net change order rate is currently 0.8% which removes the credit the District receives for unused allowances and the change order rate is -3.1% when the allowance credit is included.

In response to a question from Director Thompson, Associate Civil Engineer Kay stated that the allowances are for unanticipated items, such as, rock removal, contaminated soil, etc.; things that the District cannot estimate or quantify. Chief of Engineering Posada further explained that when projects are bid, staff identifies areas of risk, such as contaminated soil, and negotiates a fixed price during the bid process. An allowance is determined and would be utilized to cover the cost to handle the "risk" issue. This also assures that the District receives a fair price for the work.

Director Thompson indicated that he is very impressed with the District's very small change order rate. He stated his background involves construction lending and generally the rate is between 5 and 10% and sometimes up to 15%. He commended the District's design staff.

Director Robak indicated on the *Consultant Contracts* listing he noted that Arcadis US, Inc. is listed for two (2) items: 1) Wastewater Management Plan, and 2) Value Engineering and Constructability Review. He asked if this was for two different projects. Associate Civil Engineer Kay indicated that that was correct. The contracts for the two (2) projects had gone through separate selection processes.

Director Robak also noted that the *Project Titles* for the District's various consultants for the Desalination Project all have different *Project Titles* (Government Affairs Advisor, Bi-national Water and Related Issues, etc.). He asked if staff could categorize all the vendors for a specific project with the same *Project Title*. Chief of Engineering Posada indicated that it is possible. He explained that staff tries to be specific as to the services the consultant will be providing. He stated that it is possible that staff could add an additional category to the *Consultant Contracts* listing. He noted that the Bustamante & Associates contract is listed under the *Design* consulting contracts as his work is related to the design of the Otay Mesa Conveyance and Disinfection System Project (the intertie project), which is related to the Desalination Project. It was discussed that the listing is used by staff as a tool for tracking purposes. Director Robak inquired if the listing could provide further clarification by including a little more detail. President Lopez indicated that he would like to refer this discussion to committee. The discussion was referred to the Engineering Operations and Water Resources Committee.

## REPORTS

### 10. GENERAL MANAGER'S REPORT

General Manager Watton highlighted information from his report that included an update on the EPA WaterSense New Home Specs guidelines, the new District division boundaries, the outsourcing of email services, an update on the Automated Meter Reading program, the La Presa System improvements, and an update on water purchases and sales.

### SAN DIEGO COUNTY WATER AUTHORITY (CWA) UPDATE

General Manager Watton updated the board on CWA's lawsuit with Metropolitan Water District (MWD). He indicated that they have had numerous court hearings and the hearings have been going well for CWA. He stated that MET's next move is to get active in San Diego County with media outreach to try and dissuade CWA from their position on the lawsuit. He stated there will also be attempts at political persuasion and asked members of the board if, through their contacts, they hear discussion of the lawsuit, staff would be happy to provide a briefing to share the facts with these individuals or groups if they wished. He noted that there are billions of dollars at stake for San Diego County over the next 30 years if the billing methodology used by MWD to bill CWA for the transportation of water is not challenged.

Director Croucher also noted that there is an inequity of funding to our region by MWD since the lawsuit was filed. He stated that San Diego County no longer qualifies for many of the water conservation incentive programs. He stated that CWA's board has directed staff to continue to submit the incentive reimbursement bills to MWD as they wished MWD to understand that CWA is tracking the reimbursement incentives as it feels that San Diego County should receive the reimbursements for the incentive programs. The board wished to assure that MWD's denial of the invoices is on record.

## 11. DIRECTORS' REPORTS/REQUESTS

Director Robak noted that the District's former board member, Larry Breitfelder, received the most votes among the candidates for seat 3 on the City of Chula Vista's Council in the June 5, 2012 primary elections.

Director Croucher indicated that public employees have been targeted recently and stated that he is proud to stand behind the District's staff. He commended the District's employees for preparing for their retirement by volunteering to use their own funds, guaranteed through the negotiations process, to fund a retirement benefit.

Director Thompson thanked staff for their work on the items presented at today's board meeting.

Director Gonzalez indicated he attended the City of Chula Vista's Redevelopment Oversight Board meeting and on May 19, 2012 he presented the District's Waterwise Landscape Contest Winner their award at the Water Conservation Garden. He indicated that there are great resources at the District and the Garden if you have a landscape that you wish redone with water conserving plants.

## 12. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of May 2012 and indicated that on May 7 he attended the Metro Commission meeting. On May 8 he attended the District's Special Board meeting where the board discussed the IEC matter in closed session. He stated on May 11 he met with General Manager Watton to discuss items that will be presented during the May committee meetings. He indicated that he filled in for Director Thompson at the Engineering, Operations and Water Resources Committee on May 25 and noted that he has made new committee appointments. He stated that Director Thompson will now serve on the Finance, Administration and Communications Committee. He also shared that he participated in a CSDA sponsored webinar on May 24 titled, "Understanding board Member and District Liability Issues." He stated that he will be taking a couple other webinars which would provide the District credits towards its liability insurance premiums (Special Districts Risk Management Authority) in the form of rebates. It was noted that the District received approximately \$15,000 in rebates through the

program last fiscal year. He lastly shared that he met with General Manager Watton and General Counsel Daniel Shinoff to review items that were scheduled to be presented at today's board meeting.

13. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 4:55 p.m.

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President

ATTEST:

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District Secretary