

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
September 5, 2012**

1. The meeting was called to order by President Lopez at 3:33 p.m.

2. ROLL CALL

Directors Present: Gonzalez, Lopez, Robak and Thompson

Directors Absent: Croucher (out-of-town on pre-scheduled vacation)

Staff Present: General Manager Mark Watton, Asst. General Manager German Alvarez, Attorney Richard Romero, Chief Financial Officer Joe Beachem, Chief of Engineering Rod Posada, Chief of Information Technology Geoff Stevens, Chief of Administration Rom Sarno, Chief of Water Operations Pedro Porras and 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 Thompson and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETINGS OF AUGUST 1, 2012

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:	Director Croucher

to approve the minutes of the regular board meeting of August 1, 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.

Chief of Information Technology Geoff Stevens introduced Mr. Adolfo Segura, Information Technology Manager, who joined the District from the Port of San Diego where he worked for a number of years. He stated that the District is very happy to have him as part of the team.

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:

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

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

to approve the following item on the consent calendar:

- a) APPROVE RESOLUTION NO. 4204 REQUESTING THAT THE LOCAL AGENCY FORMATION COMMISSION INITIATE PROCEEDINGS FOR THE ADJUSTMENT OF THE SERVICE AREA BOUNDARY BETWEEN THE OTAY WATER DISTRICT AND THE SWEETWATER AUTHORITY TO FACILITATE PROVIDING LANDSCAPE IRRIGATION SERVICE TO THE SR-125 MEDIAN AND SHOULDERS

ACTION ITEMS

8. BOARD

- a) DISCUSSION OF 2012 BOARD MEETING CALENDAR

President Lopez indicated that he will be out-of-town on October 3, the date of the next scheduled board meeting. Director Thompson indicated that he would also be out-of-town during the October board meeting and would be unable to attend. President Lopez asked that District Secretary Cruz check board members'

availability the following week, possibly October 10, to reschedule the meeting. President Lopez also noted that a Special Board Meeting for a Board Workshop is scheduled next Tuesday, September 11, 2012.

INFORMATIONAL ITEMS

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

- a) UPDATE REPORT ON THE 4TH QUARTER OF FISCAL YEAR 2012 CAPITAL IMPROVEMENT PROGRAM (KAY)

Associate Civil Engineer Daniel Kay presented the fourth 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 fourth quarter of Fiscal Year 2012 totaled approximately \$18.7 million, which is about 78% of the District's fiscal year budget.

He presented a slide showing a graph of the CIP budget forecast of \$24.1 million and the actual expenditures of \$18.7 million for FY 2012. He also presented 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 Upgrades, La Presa System Improvements and the Calavo Gardens Sewer Rehabilitation Project. Associate Civil Engineer Kay had indicated with regard to the Calavo Gardens Sewer Rehabilitation project that a change was made to the construction method. The original method was *jack and bore* (tunneling beneath the surface) which has been changed to the *trench method*. The new method will save approximately \$20,000 and will provide for a shorter timeframe for construction (one month versus three months), reducing impact/disruption to the community. As part of the construction, the District will also provide an additional storm drain which will help reduce flooding in the area. It was indicated that seven to eight homes, located just off of Avocado prior to the 94 freeway onramp, will be impacted by the project. Associate Civil Engineer Kay indicated that staff has met with the homeowners to explain the project and the benefits of the new construction method and the homeowners and the Valle de Oro Planning Group are supportive of the project. The project is expected to be completed in December 2012 or January 2013. There was further discussion that the Calavo Gardens sewer pipes were built in the 1960's and that the CCTV inspection had shown sags in the pipe which is the reason the District is replacing the pipe. The life expectancy of the new pipe is 80 to 90 years.

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 stated that excluding allowances, the net change order rate was 1.8% for the fourth quarter. He also noted that staff updated the Consultant Status Spreadsheets to clarify which projects the consultants are actually working on.

REPORTS

10. GENERAL MANAGER'S REPORT

SAN DIEGO COUNTY WATER AUTHORITY (CWA) UPDATE

General Manager Watton indicated that there is continuing discussion at CWA regarding the Carlsbad Desalination Project. He stated that CWA held a special board meeting on September 13 and that another meeting will be scheduled to continue the discussion on the water purchase agreement. He stated that the water purchase agreement was to be presented in August, but due to continuing negotiations it has been delayed.

General Manager Watton also highlighted information from his report that included the District's Gallon per Capita per Day consumption, the School Education Program, the customer rate notices, the Carlsbad Desalination Project's impact on water rates, the Otay Interconnect Pipeline, the Calavo Gardens Sewer Rehabilitation Project, SDG&E's rate increase and water purchases.

Director Thompson inquired if the District has considered installing solar to take advantage of federal and state tax credits and to get low cost electricity from a company that leases the solar equipment. He noted that at the end of the lease hold, the system is then bought for a nominal fee by the public agency. He stated that he sees many public agencies taking advantage of this. General Manager Watton indicated that the District has not looked at what other agencies are doing, but staff did research the possibility of utilizing solar power at the District. One of the issues in installing solar is monetizing the tax credits to reduce the overall installation cost as the District is non-taxable. The power purchase agreements (PPA) also demand long term commitments and the District did not feel it was a viable business model for the District to enter into. Since that time, the power companies (SDG&E, PG&E, etc.) have filed with the Public Utilities Commission (PUC) to change the power purchase agreement for *net metering*, etc., that severely disadvantages organizations/residential customers that sign such agreements. The District did not know this at the time it vetted the possibility of installing solar, so it was fortunate that the District did not sign a PPA. It was discussed that controlling the cost of power will be an important objective for the District and the board requested that a workshop be scheduled in the future to discuss power cost.

11. DIRECTORS' REPORTS/REQUESTS

Director Thompson inquired, with regard to the General Manager's report, about the budgeted revenues for new meter sales (page 7). The report indicates that revenues for new meter sales were \$128,421 against a budget of approximately \$4 million. He stated that this is large difference between the projected sales versus the actual sales. General Manager Watton explained that the \$128,421 represents one month's revenue of the twelve months in Fiscal Year 2013. Staff is projecting \$4 million total for the fiscal year. He stated that staff develops the meter sales budget through discussions with the developers and staff has a high level of confidence that \$4 million is an accurate number. He noted that if developer projects are delayed, then the revenues come in later than anticipated, but it is expected that the meter sales will be very close to estimate. It was noted that last fiscal year, meter sales came in exactly as projected at \$4.4 million.

Director Robak provided members of the board a copy of a CWA spreadsheet showing the water sales to its member agencies from FY 2002 to FY 2011. He stated that he is very worried that CWA will be executing an agreement with Poseidon to purchase water from their Carlsbad Desalination Project when CWA's water sales (to its member agencies) have decreased 32% from FY 2002 to FY 2011. He stated that it did not make any sense to put money into a project that would produce water that is twice the cost of current water cost. He also stated that staff just indicated that the cost of electricity would be going up possibly 50%. He stated that and the largest cost for desalinated water is power. He indicated that he was not sure that the increase in electricity cost was calculated into the estimated cost of \$2,400 per acre foot (AF) for desalinated water from the Carlsbad Plant. He stated that when he first came to the District, the cost per AF was estimated at \$800/AF, two (2) years ago it was \$1,200/AF, and now it is estimated at \$2,400/AF. He stated that understands that staff needs to review the project, but he felt the project does not make any sense and he did not support the Carlsbad Desalination Project.

General Manager Watton indicated that he and Director Croucher do not have enough information to make an informed decision at the moment. He stated that they wished to see the Water Purchase Agreement and get a copy of the analysis of what the current water supply issues are. He noted that the cost of water currently being purchased from CWA is not fixed either. He stated that it is not certain what the supply issues are and CWA hasn't provided the information needed for the District's staff to analyze and form an opinion.

12. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of August 2012 (a list of meetings he attended is attached). He also thanked the District's attorney, Richard Romero, for sitting in for District General Counsel, Dan Shinoff, at today's meeting.

13. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 4:38 p.m.

President

ATTEST:

District Secretary

President's Report
September 5, 2012 Board Meeting

A) Meetings attended during the Month of *August* 2012:

- 1) **August 1:** Regular Board Meeting
- 2) **August 7:** Attended planning meeting with General Managers and Board Presidents to discuss the agenda for a Joint Agency Board Meeting. Attendees: Helix WD, Lakeside WD, Otay WD, Padre Dam MWD and Sweetwater Authority.
- 3) **August 16:** Committee Agenda Briefing. Met with General Manager Watton to review items that will be presented at the August Committee meetings.
- 4) **August 31:** Board Agenda Briefing. Met with General Manager Watton and General Counsel Daniel Shinoff to review items that will be presented at the September Board Meeting and September 11 Board Workshop/Special Meeting.