

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
October 9, 2012**

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

2. ROLL CALL

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

Directors Absent: None

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETING OF SEPTEMBER 5, 2012 AND SPECIAL BOARD MEETING OF SEPTEMBER 11, 2012

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

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

Absent: None

to approve the minutes of the regular board meeting of September 5, 2012 and the special board meeting of September 11, 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:

Director Robak requested that items 6e and 6f be pulled 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:

- a) APPROVE AN ADJUSTMENT TO THE WHEELING RATE FOR THE DELIVERY OF TREATY WATER TO THE CITY OF TIJUANA TO \$58.14 FOR CALENDAR YEAR 2013
- b) ADOPT ORDINANCE NO. 532 AMENDING THE DISTRICT'S CODE OF ORDINANCES, SECTION 72, PENALTIES AND DAMAGES; APPENDIX A, SETION 72.05.D.A WITH REFERENCE TO TYPE I AND TYPE II FINES; AND CLARIFYING CUSTOMER REQUESTS FOR BOARD REVIEW
- c) APPROVE ORDINANCE NO. 535 AMENDING SECTION 6, CONFLICT OF INTEREST CODE, OF THE DISTRICT'S CODE OF ORDINANCES TO UPDATE THE GIFT LIMIT, THE DEFINITION OF PROHIBITED INCOMPATIBLE ACTIVITIES, EXPAND THE LIST OF POSITIONS REQUIRED TO FILE A FORM 700, UPDATE/DELETE POSITION TITLES THAT NO LONGER EXIST AND AMEND THE DISCLOSURE CATEGORIES

- d) CAST VOTES FOR A REGULAR DISTRICT MEMBER ON LAFCO'S COMMISSION AND EIGHT (8) SPECIAL DISTRICTS ADVISORY COMMITTEE MEMBERS IN THE LAFCO SPECIAL DISTRICTS 2012 ELECTION

- g) APPROVE A CONSTRUCTION CONTRACT TO LAYFIELD ENVIRONMENTAL SYSTEMS CORPORATION FOR THE FLOATING COVER REPLACEMENT AT THE 624-1 RESERVOIR IN AN AMOUNT NOT-TO-EXCEED \$497,050

President Lopez presented Item 6e for discussion:

- 6e) APPROVE A PROFESSIONAL AS-NEEDED CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES CONTRACT TO ALYSON CONSULTING IN AN AMOUNT NOT-TO-EXCEED \$350,000 FOR A PERIOD OF THREE (3) FISCAL YEARS (FY 2013 TO FY 2015)

Director Robak indicated that he has noticed that the District has made a concerted effort in the last few years to move to "as-needed" contracts for many services, which he could see would make sense. He indicated that he is certain that there is efficiency derived from doing so and inquired how staff determines that it is more cost effective. He asked if there is some metric the District tracks which would help determine cost efficiency. Staff indicated that within staffs' report it notes the eight or nine projects where the services of Alyson Consulting would be utilized. It was indicated that if the District bid each of these projects separately, it would cost the District much more in staff time. By combining smaller project needs into one contract, it is much more efficient and savings are realized through the efficiency of the process. The District also benefits through economy of scales as it is contracting the services in "bulk."

Director Robak indicated that he was interested in seeing how the numbers indicate that by awarding an "as-needed" contract it is more cost effective. He stated that it certainly makes sense, but he is interested in how the numbers work out. It was discussed that there is number of different ways that this could be determined. President Lopez suggested that this issue be agendized for discussion at a meeting of the Engineering Operations and Water Resources Committee.

President Lopez then presented item 6f for discussion. Director Robak indicated that he had the same concern with this contract as with item 6e.

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 agenda items 6e and 6f as per staffs' recommendation.

ACTION ITEMS

8. BOARD

- a) APPOINT AN AD HOC EMPLOYEE NEGOTIATIONS COMMITTEE FOR UPCOMING NEGOTIATIONS WITH THE OTAY WATER DISTRICT EMPLOYEE ASSOCIATION

President Lopez indicated contract (Memorandum of Understanding [MOU]) with District's Employee Association (EA) will expires in June 2013 and the District must start focusing on negotiations for a new contract. He stated that he would like to start the negotiations process in November 2012 and would be appointing members to an Ad Hoc Committee to begin the discussion and to get feedback from the board. He stated that, at the moment, he is thinking of appointing Director Croucher as he had served on the committee during the last negotiations process and he'd like to have his experience on the committee.

The board had a discussion regarding the members and experience that they would like to see serve on the committee. The members of the board also noted that they would like to review the proposed agreement to the EA before it is presented to the EA.

A motion was made by Director Croucher, 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 initiate a board Ad Hoc Employee Negotiations Committee.

- b) DISCUSSION OF 2012 BOARD MEETING CALENDAR

It was discussed that the board had canceled the December board meeting in past years and it was questioned whether the December meeting would be canceled this year as well. General Manager Watton indicated that staff can be prepared if the board decides to cancel the December board meeting. President Lopez indicated that he would like to discuss this further at the November 7 board meeting.

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 DIRECTORS' EXPENSES FOR THE 4TH QUARTER OF FISCAL YEAR 2012

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

that the board note and file the update report on the Board of Directors' expenses for the 4th Quarter Fiscal Year 2012.

b) STRATEGIC PLAN FISCAL YEAR-END 2012 UPDATE REPORT

Chief of Information Technology Geoff Stevens indicated that this is the first year of the District's three-year plan (2012 – 2014) approved by the Board in 2011. He stated that the District's Strategic Plan allowed the District to determine where it was going as a business, to implement infrastructure and systems that would enhance efficiency, and to refine/fine tune those realized efficiencies. He stated that the District will begin to develop the 2015-2017 Strategic Plan in the next six (6) to seven (7) months.

He presented the results of the year-end FY2012 Strategic Plan and indicated:

- 36 of the 42 objectives are complete, ahead of schedule or on target (or 86%); the target is 90%. (Objectives provide a guide to the direction of the District.)
- 33 of the 43 performance measures are complete, ahead of schedule or on target (or 77%); the target is 75%. (Performance measures indicate how the District is doing in its day-to-day operations.)

He stated that staff works together and reviews and discusses the results of the District's Strategic Plan in detail and the reasons why specific items are not meeting targets on a quarterly basis. This information is input into the Strategic Plan System. He noted that the Strategic Plan information is available on the board extranet and members may review the status of objectives and measures in detail.

Chief of Information Technology Stevens also presented *Trend Analyses* for both the objectives and measures from FY 2007 through FY 2012 showing the District's

performance for each fiscal year relative to the set targets. The District's overall performance has been above average over the last six years.

He indicated that the next steps in the Strategic Plan process are:

- Departments will be working on *Strategy Maps*. The maps lay out the departments' different strategies and looks at the inter-relationships between them. The purpose is to help departments possibly determine where more emphasis can be placed to improve/enhance outcomes. This process will also provide a basis for discussion with the senior team and managers.
- Improve measures and targets.
- Continue to enhance communications and teamwork through the Strategic Plan process.

It was discussed that AWWA may be discontinuing the Qualserv Survey. The District will be contacting AWWA as it would be unfortunate to abandon the entire benchmarking survey. The Qualserv Survey program is not what the utilities were looking for, however, there are elements of the survey that is helpful and it is felt it can be enhanced to make it more useful.

Director Robak inquired about the measure for total customer water saved (per capita water use) indicating that he recalls that the District is ahead of its projection for water savings and asked why the measure shows that the District is behind schedule. Water Conservation Manager William Granger confirmed that the District's gallons per day (GPD) use is going down. He stated that this measure indicates the success of the water conservation voucher program; customers' installation of water conserving devices (i.e., water efficient clothes washers, water smart irrigation controllers, etc.). Due to the economic downturn, customers are not as willing to invest in new products even though they are provided incentives and this is the reason the District is a little behind in meeting this measure's target.

Director Robak indicated that people are utilizing their cell phones more to obtain information and inquired if staff is looking to optimize the District's webpage for smart phone users. Chief of information Technology Stevens indicated that staff is not currently looking to do so as there is concern of screen size and the size of the message that can be viewed. The District has received positive customer feedback through the customer survey and the number of customers utilizing the website for billing purposes is increasing.

Director Thompson indicated that he believes that the Strategic Plan is the strength of an organization. He complimented Chief of Information Technology Stevens and staff for their work on the District's Strategic Plan.

c) REPORT ON INVESTMENT PROCEDURES

Director Thompson indicated that the Finance Administration and Communications Committee had asked that staff document the procedures for the investment process as, while there is a process followed by staff, there were no written procedures at that time. The committee is satisfied with the procedures presented by staff.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton introduced new Finance Manager, Mr. Kevin Koeppen, who has joined the District from Circle Foods. He stated that Circle Foods is one of the District's largest customers in the Otay Mesa area. Mr. Koeppen has been hired to fill the seat vacated by Mr. James Cudlip who had retired from the District in June 2012.

He indicated that a memo has been provided each board member with an update on the Rocking Horse Drive water main break in response to questions from Director Robak. Director Robak indicated that he was happy to receive the memo as it answered some of his questions.

General Manager Watton then highlighted information from his report that included an update on the California Water Plan, employee picnic, water sales, water and sewer rate study, North District-South District Interconnect Pipeline Project and SDG&E's proposed rate increase.

In response to an inquiry from Director Croucher, General Manager Watton indicated that a report will be published by a consultant that will answer the power question more fairly concerning the Poseidon Desalination Project. It is believed that the report will show that the power rate will double over the next 10 - 15 years which is different from what CWA's consultant is showing. It provides a longer look and was requested by the public power producers and other public agencies that supply power. CWA's staff is estimating an inflation rate of about 2.5% and it is expected that the report will show a 5% increase.

General Manager Watton also shared that he met with the lessees of the District's Salt Creek Golf Course. He indicated that they have done over \$1 million in improvements on the golf course and it was looking very good. He stated they are still working on a few improvements and they were getting the course back into good condition. He also noted that the clubhouse had changed and that the food was pretty good.

SAN DIEGO COUNTY WATER AUTHORITY (CWA) UPDATE

General Manager Watton indicated that CWA is still discussing the Poseidon Desalination Project. The rate structure is still in debate and Otay WD is requesting that CWA perform a cost-of-service study. CWA will be holding a special board meeting on Wednesday, October 11, where the CWA board will further discuss the project documents. The Otay WD staff have been reviewing the documents and formulating questions. CWA is looking at a 30-year multi-billion dollar contract that could affect the District's rate. Currently, CWA is projecting an increase of approximately 12% in 2016. Otay WD is encouraging CWA's board to have a more in depth discussion on the rate structure. Should it be embedded into the various CWA rate categories or should it be considered a supply source. After these questions have been answered, then CWA should determine if it should move forward with the project or not.

Director Thompson inquired if it was felt that the District had adequate resources to analyze the proposed rates and to present the District's case to assure that the District's ratepayers are fairly treated. General Manager Watton indicated that at the contract level it is felt that the District has adequate resources. The District has engaged Ms. Karyn Keese of Atkins Global to assist with the rate issues. The District's staff is utilizing its own rate modeling program to determine the impact to the District's rate. Director Thompson indicated that, as a member of the board, he would like to make sure that the District devotes enough resources, whether internal or external, to protect the District and its ratepayers' interests. General Manager Watton indicated that he appreciates Director Thompson's comments and it is the reason staff is putting great effort and resources into the analysis.

11. DIRECTORS' REPORTS/REQUESTS

Director Robak indicated with regard to the Carlsbad Desalination Project, that he has been clear that he did not support the Carlsbad Desalination Project for many reasons. He indicated that if we were to analyze where we are at this point with the project, he felt that it would be pretty clear that the project would not "pencil out." He stated that he had attended the public hearing on the Carlsbad Desalination Project at CWA and the hearing was very well attended by the public. He stated that he feels that everyone is just worn down after 12 years of trying to move this project forward. He indicated that he feels the thought is, "yes, it is twice as expensive, but we have to have it (the project)." It also seems that CWA's Water Planning Committee has already concluded that CWA will move forward with the project. Though the District is making its concerns known, it is the majority that will rule in the decision. Director Robak also commented on the Telegraph Canyon Road main break and indicated that he did have an opportunity to speak with a customer impacted by the break and that he would speak with General Manager Watton later on his impressions concerning the break.

He lastly commented on the Avocado, Louisa, Calavo, etc., Sewer Replacement Project. He stated that he had spoken with a customer impacted by the project and wished to share with staff that the customer had indicated that he was very

appreciative of the contractor's work. He stated that he is a contractor himself and understands the challenges that contractors must address. The customer indicated that he would be forwarding a letter regarding his appreciation. Director Robak indicated that once he receives the letter, he would share a copy with the board and staff.

Director Thompson indicated that he attended a couple meetings of the City of Chula Vista's Redevelopment Oversight Committee. The committee indicated that an independent audit must be completed on the redevelopment funds. They are replacing State funds for schools that were formerly going to the Chula Vista Redevelopment Agency. He stated that the first fund that was audited is the housing fund and a \$1 million will be returned to the County which will be earmarked for schools. He reminded the board that the District was asked to appoint representatives to the Redevelopment Committee as it is the largest water agency in Chula Vista, however, the District is almost not impacted by the actions of the committee.

Director Gonzalez reported that he attended the Otay Mesa Chamber of Commerce meeting attended by State Assemblymember Ben Hueso. Assemblymember Hueso spoke about current water issues, the water projects that are being built in northern California and the critical need to develop other water supply resources. He indicated that it is great to have the support of a State representative on water issues. He also stated that he attended, as alternate representative, the Metro Commission meeting. At the meeting a conservation group spoke on focusing more on recycle water supplies as opposed to desalination as they wished to protect and conserve the ocean. They felt that the city should focus on utilizing recycled water more. He also shared that he and his family attended and enjoyed the District's employee picnic.

Director Gonzalez inquired if it is possible for the board to be provided a briefing on the water issues as there is a lot of issues in the industry right now. He stated that it would be helpful to have the information when out in the public. President Lopez indicated that he would speak with General Manager Watton about providing a workshop.

12. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of September 2012 (a list of meetings he attended is attached). He indicated with regard to the September 11 Special Board meeting that several items were tabled due to time constraints, that he would like to see those items brought back at future meetings since staff had already put the work into those items. He indicated with regard to the Water Conservation Garden that he felt the Garden was moving in a positive direction and that the new Garden Executive Director, Mr. John Bolthouse, is doing an excellent job. He stated that he expected a positive report from him when he presents his report at the District's next board meeting. He also shared that he

attended the Bonita Festival on October 6 and that the District had strong interest from its customers. He commended the staff volunteers – Armando Buelna, Bob Kennedy, Dan Martin, Richard Namba and Marinelli McCormack – for their work in staffing the District’s booth.

13. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 4:48 p.m.

President

ATTEST:

District Secretary

President's Report
October 9, 2012 Board Meeting

A) Meetings attended during the Month of September 2012:

- 1) **September 5:** Attended the District's Regular Board Meeting
- 2) **September 11:** Attended the District's Board Workshop/Special Board Meeting. The board received an update on legislative matters.
- 3) **September 12:** Attended the Water Conservation Garden Board Meeting (copy of agenda attached).
- 4) **September 14:** Committee Agenda Briefing. Met with General Manager Watton to review items that will be presented at the September Committee meetings.
- 5) **September 17:** Attended a meeting of the Finance, Administration and Communications Committee.
 - a) Reviewed, discussed, and made recommendation on items that will be presented at the October board meeting.
- 6) **September 20:** Met with **Supervisor Greg Cox** to discuss the North/South District Interconnect Pipeline Project.
Attendees: Mark Watton, Rod Posada, Jeff Marchioro
- 7) **September 22:** Attended the District's Employee Picnic.
- 8) **October 1:** Board Agenda Briefing. Met with General Manager Watton and General Counsel Daniel Shinoff to review items that will be presented at the October Board meeting.