

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
September 4, 2013**

1. The meeting was called to order by President Lopez at 3:35 p.m.

2. ROLL CALL

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

Directors Absent: None

Staff Present: General Manager Mark Watton, General Counsel Dan Shinoff, Asst. GM German Alvarez, Chief of Engineering Rod Posada, Chief Financial Officer Joe Beachem, 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

District Secretary Susan Cruz indicated with regard to item 8a, APPROVE AND UPHOLD STAFFS' DECISION TO IMPOSE A FINE OF \$5,000 TO SEAWORLD, d.b.a. AQUATICA SAN DIEGO, FOR AN ILLEGAL CONNECTION TO A FIRE HYDRANT, that the customer has requested that the item be pulled from the board agenda as they no longer wish to appeal the imposed penalty fee.

President Lopez indicated that there is also another request to move item 8b, APPROVE RESOLUTION NO. 4216 SUPPORTING THE METRO WASTEWATER JOINT POWERS AUTHORITY'S GOAL TO DEVELOP A LONG-RANGE REGIONAL WATER REUSE PLAN THAT INCLUDES INDIRECT POTABLE REUSE AND RESULTS IN A SMALLER SECONDARY EQUIVALENT POINT LOMA WASTEWATER TREATMENT PLANT, to the top of the agenda as the presenter, Mr. Scott Tulloch, City of Chula Vista Assistant City Manager, has another scheduled appointment he must attend following his presentation to the Otay WD. President Lopez indicated that item 8b will be presented following the *Public Participation* portion of the meeting.

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 approve the agenda with item 8a deleted from the agenda and 8b moved to follow the *Public Participation* portion of the meeting.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF AUGUST 7, 2013

A motion was made by Director Thompson, seconded by Director Lopez 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 regular meeting of August 7, 2013.

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.

President Lopez presented item 8b for discussion:

- b) APPROVE RESOLUTION NO. 4216 SUPPORTING THE METRO WASTEWATER JOINT POWERS AUTHORITY'S GOAL TO DEVELOP A LONG-RANGE REGIONAL WATER REUSE PLAN THAT INCLUDES INDIRECT POTABLE REUSE AND RESULTS IN A SMALLER SECONDARY EQUIVALENT POINT LOMA WASTEWATER TREATMENT PLANT

Mr. Scott Tulloch, City of Chula Vista Assistant City Manager, indicated that he is representing the Metro Wastewater JPA (JPA) of which Otay WD is a member. The JPA makes up about 35% of the Metro Wastewater system flow and, thus, would incur 35% of any capital debt financing and operating costs. He indicated that he wished to speak on two multi-billion dollar issues that face this region.

1. Create new water supply resources with the preference that it be local and diversified.
2. Avoid the upgrading of the Point Loma Wastewater Treatment Plant (PLWTP) to Secondary saving the region billions of dollars.

He stated that there is increasing pressure to convert the PLWTP to Secondary Treatment. The capital debt financing cost to convert the plant would be approximately \$3.5 billion. Also, Secondary Treatment requires a large use of electricity and the estimated operating cost would be approximately \$44 million annually. The JPA feels there is a way to combine the two (2) regional issues

into one solution that would avoid having to upgrade the PLWTP to Secondary Treatment.

The solution is to support the idea of Potable Reuse. Taking waste water that has been treated to irrigation level quality and treating it further to drinking water level quality. By doing this, the region could offload approximately 100 MGD from the PLWTP for 20 years. It is felt by offloading the plant by 100 MGD, it would make the plant the equivalent of Secondary Treatment and would avoid the \$3.5 billion cost to upgrade the plant.

Mr. Tulloch noted that these two issues are not the only issues ratepayers face in this region. There are many other water and sewer capital infrastructure projects to be completed and by offloading the PLWTP, it would take the need to convert the plant to Secondary Treatment off the list.

He stated that the cost of water is increasing along with demand as the region continues to see population growth. He indicated that the workhorse of the region's sewer system is the PLWTP which treats 240 MGD. The region also has two other reclamation plants:

1. North City Water Reclamation Plant (NCWRP) which treats 30 MGD
2. South Bay Water Reclamation Plant (SBWRP) which treats 15 MGD

There are two ocean outfall locations. One is located in Point Loma and the other in the South Bay.

He reviewed the different levels of wastewater treatment:

- Primary Treatment removes 65% of solids
- Advanced Primary Treatment (PLWTP) removes 87-88% of solids
- Secondary Treatment removes 90% of solids
- Tertiary Treatment (NCWRP & SBWRP) removes 99% of Solids

The Clean Water Act, which was passed in 1972, required:

- Permits for all Wastewater Treatment Plants
- Secondary Level Treatment

Several years later, the Act was amended to allow for Modified Permits and Waivers that allows Treatment Plants to process at a level less than Secondary. This is the permit that PLWTP operates at now. As the plant discharges to the ocean (which provides for much dilution), it can operate at less than Secondary Treatment and still protect the ocean environment.

He stated that Wastewater Treatment Plants must renew their permits every five (5) years. The City of San Diego had applied for a Modified Permit, but later withdrew the application. The timeframe to acquire a Modified Permit under the

Clean Water Act then expired and the Environmental Protection Agency (EPA) and other agencies sued the City of San Diego because the PLWTP was not operating at a Secondary Level. Following litigation between the City and the agencies, the Ocean Pollution Reduction Act (OPRA) was passed and provided the City of San Diego an opportunity to apply for a Modified Permit (Waiver). The City received the permit, but in return the City had to agree to build 45 MGD of Water Reclamation Capacity and this is the reason the city built the NCWRP and SBWRP.

He indicated that the City must apply every five (5) years for a Modified Permit (Waiver). The current permit will expire on July 31, 2015. In order to get the Environmental Community's support for the Waiver, the City of San Diego has agreed to perform several studies:

- A study to confirm that it would be very costly to convert the SBWRP to Secondary Level Treatment.
- A study that looked at the Ocean monitoring programs to assure that they are comprehensive.
- A study on recycled/repurified water.

The application to renew the permit must be submitted six (6) months early (January 2015) and the application takes about one (1) year to complete. The City will be working in completing the application in the next few months and is the reason the issue must be addressed now.

The City of San Diego has completed the recycled water study in response to the environmental community's request. In the study, it reviewed the possibility of a project producing 83 MGD of indirect potable reuse by building advanced water purification facilities next to the two (2) water reclamation plants and the Harbor Drive site. These plants would discharge into either the San Vicente or Otay Mesa Reservoirs. If this is combined with the planned diversion of wastewater flow to the SBWRP, it would offload almost 100 MGD from the PLWTP.

The City also completed a 1 MGD demonstration project which proved that it is possible to scale up a water purification plant to industrial level and that it can consistently produce water that is similar to distilled water. This is much better quality than the regions normal sources of raw water.

He stated that the design capacity for the PLWTP is 240 MGD. The current permit allows the discharge of up to 13,598 Metric Tons of Solids (TSS MER) per year into the ocean. Currently, with the production of 240 MGD, the PLWTP is discharging 9,942 TSS MER per year. The JPA Members are suggesting that the plant not be converted to Secondary Level Treatment (leave it as a Chemically Enhanced Primary Plant) and reduce the flow to 140 MGD by off-loading through potable reuse, which will provide for the same approximate discharge of 9975 TSS MER. This is the equivalent to Secondary level treatment. If the JPA members are able to convince the regulators that the

PLWTP should not be upgraded, then the water produced from the plant would be in the range of \$500 to \$800 AF.

The JPA members are recommending the following:

- Create long range (≈20 year) Regional Water Reuse Program focused on potable water reuse (support potable reuse) that:
  - Provides new, local, sustainable water supply (≈83 MGD)
  - Offloads PLWTP to ≈143 MGD
- Obtain Legislation to permit Smaller PLWTP (≈143 MGD) at Advanced Primary Level that:
  - Avoids billions of dollars in capital, financing, energy and operating costs
  - Continues to protect the ocean environment

In response to an inquiry from Director Robak, Mr. Tulloch indicated that because of the proposed reduction in the PLWTP production (less 100 MGD), the emissions would be less than 9,942 TSS MER per year (this would be the cap as opposed to the current 13,598 TSS MER). He stated that the region needs the PLWTP's production and will build the remaining water resources needed for the region via the water purification plants. The permit, thus, would be to cap the emissions as opposed to the flow. This would be less costly, still protect the ocean and provides 100 MGD of water resource for the region via potable reuse.

Chief Financial Officer Beachem responded to an inquiry from Director Croucher that the impact of this project has not yet been incorporated into the Otay WD's rates as it is not certain what the impact will be. Mr. Tulloch indicated that the JPA members are currently are working to get consensus on the direction and legislation for the PLWTP. Actual costs and the impact to rates can then be determined once there is consensus.

It was indicated that by changing the description of recycled water from "Toilet to Tap" to "Potable Reuse" it has turned around the public's perception from 25% ten (10) years ago to approximately 73% public support through outreach programs to educate the public. It was noted that there is more public support for Potable Reuse if the water is filtered through natural flow, such as flowing through the Colorado River.

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 Resolution No. 4216 supporting the Metro Wastewater Joint Powers Authority's goal to develop a long-range regional water reuse plan that includes indirect potable reuse and results in a smaller secondary equivalent PLWTP.

## PUBLIC HEARING

### 7. PUBLIC HEARING ON RATE INCREASES

THE BOARD WILL BE HOLDING A PUBLIC HEARING TO CONSIDER THE PROPOSED RATE INCREASES TO BE IMPLEMENTED IN THE FISCAL YEAR 2013-2014 OPERATING AND CAPITAL BUDGET. THE BOARD INVITES THE PUBLIC TO PROVIDE COMMENTS ON THE PROPOSED INCREASES

Accounting Manager Rita Bell reviewed the findings of the Cost of Service Study for water and sewer rates and the cost drivers necessitating the rate increases. She indicated the Cost of Service is performed to determine changes to rates, fees and charges that are necessary in order to ensure equity among customer classes based on cost of service and to ensure compliance with industry standards. The rates are set to recover sufficient revenues to operate and maintain water and sewer systems. Staff is proposing a water and sewer rate increase to pass through all costs from water and sewer providers (MWD & CWA for potable water, City of San Diego for Recycled Water, and City and County of San Diego for Sewer Services) and authorize rate increases due to internal reasons not to exceed 10% per year for a 5-year period.

Ms. Bell indicated that a 7.5% rate increase for potable and recycled customers is required to:

- Fund \$7.8 million of transfers to maintain reserves and finance the District's CIP
- Rebuild the Debt Coverage Ratio to 134%
- Raise rates to pass-through rate increases by CWA and MWD
- Maintaining the district's relative position with other water providers

Staff is also proposing a 7.9% increase for sewer customers to fund the estimated \$14 million in Sewer Replacement and Rehabilitation projects planned through FY 2019.

She reviewed in detail the proposed water (potable and recycled) and sewer rate structures in detail that included meter equivalencies, adjusting the tiers and break points, creating a recycled commercial rate, and updating the fire service fee (please see attached copy of presentation for details).

She also reviewed the cost drivers for the proposed rate increases which included the increases from the District's water wholesalers. It is estimated that the average increase from the District's water wholesalers is 7.5% annually through 2018. The pass-through increases include MWD's 5% increase and CWA's 4.3% increase. The increase also includes the impact of the cost of the Carlsbad Desalination Project.

Ms. Bell indicated that the water rate increase is proposed to take effect with water billed on or after January 1, 2014 and may apply to water used as early as the beginning of December 2013. For a typical single-family residential water customer using 14 units per month (14 hundred cubic feet or 10,472 gallons of water), their water bill will increase by \$4.08 per month which will place Otay WD as the tenth lowest cost water service provider among the 23 local agencies.

The average sewer rate increase proposed among the classes is 7.9% through 2018. This rate increase will also take effect with sewer services billed on or after January 1, 2014, and may apply to services provided as early as the beginning of December 2013. For a single-family residential customer with a ¾" meter, the typical monthly bill will increase \$6.20 per month mainly due to more equitably allocating costs between customer classes. The monthly system fee for both .75" and 1" meters for single-family residential customers is proposed to be \$14.38 per month from \$13.30 and \$19.40 respectively and the usage fee will be increased to \$2.35 per month from \$1.92. Ms. Bell noted that the monthly system fee, per the Cost of Service Study, proposes that the fee be increased to \$15.68. Staffs' recommendation is to phase-in the increase (\$14.38 per month in FY 2014) and the difference will be recaptured in the next two fiscal years. She indicated that by not increasing to the full cost in the first year, it will help smooth the rate for sewer customers. She stated that the proposed increase will place the Otay WD as the sixth lowest cost sewer service provider among the local agencies for a typical single-family sewer customer utilizing 14 units of water.

She reviewed the various efforts the District has done to control internal costs which included reducing Labor and Benefits costs, Administrative Expenses, and Materials and Maintenance costs by \$118,100 (comparing the FY 2013 budget to the FY 2014 budget). She stated that 95% of the budgeted rate increase is due to the District's suppliers' rate increases and 5% is due to internal increases to maintain the District's debt coverage ratio and reserve funding levels.

Ms. Bell noted that the District has decreased its employee count by 31.75 FTEs or 18.2% from 2007 to 2014. The cumulative cost savings due to staff reduction is \$14.1 million over the seven years. She stated the District has been able to reduce employee headcount through outsourcing non-core functions and enhancing efficiencies through automation, such as, the implementation of the AMR program which provides for automated reading of meters versus manual reading. Another measure of the District's efforts to increase efficiency is through the number of employees to customer accounts. The District has increased its number of customer accounts to employee from 301 customers per employee in 2007 to 380 in 2014, a 26.2% increase.

She stated that neighboring water agencies are facing similar increases in costs and rate increases. The proposed rate increases will allow the District to maintain its debt coverage ratio to lower borrowing costs and ensure compliance with bond covenants. It will also allow for the maintenance of reserve levels in compliance with the District's Reserve Policy to ensure financial security and the District's credit rating. She noted that the District's costs have been managed effectively by implementing efficiencies that minimize rate increases. With the recommended action on rates, staff is also requesting that the board approve the consolidation of the District's Improvement

District's (IDs) by detaching ID 25 and annexing it into ID 20. Also detaching ID 19 and annexing it into ID 22. She stated that there is no debt associated with the IDs and, thus, there is no purpose to retain the two IDs. The fees are identical for the customers in the IDs and consolidating the IDs will allow the District to eliminate two IDs which will enhance efficiency. The consolidation must be handled through the Proposition 218 process and staff is recommending that it be processed in conjunction with the proposed rate increases.

Staff is recommending that the board consider:

- Approving Ordinance No. 539 to adopt the rate, fee and charge increases to water and sewer billed beginning January 1, 2014 and it may apply to usage as early as the beginning of December 2013.
- Authorizing, for a period of five years, all future pass-through increases or decreases to cover changes to water and sewer rates, fees or charges from the District's suppliers.
- Authorizing, for a period of five years, overall average water and sewer rate increases in addition to the pass-through increases, not-to-exceed 10% per year of all costs other than pass-through costs.
- Detach parcels within ID 25 and annexing to ID 20
- Detach parcels within ID 19 and annexing to ID 22
- Authorizing staff to submit the appropriate forms and fees required to complete the Board action with the State Board of Equalization and the County of San Diego.

Public Comments:

Ms. Bonnie Price of Spring Valley indicated that she was happy to see that staff has managed to keep the District's average customer bill in the mid to low end compared to other local agencies. She stated, however, she disagrees with the District's proposed rate increases. She stated that she realizes 95% of the increase is outside the District's control, but those on fixed incomes would be impacted greatly by increases that exceed their own lack of increases in social security and pension. She stated that those who are working also do not receive such a great increase in their salary and wages. She indicated that they understand that there will be a need to have rate increases due to extended drought and global warming. However, she suggested the District must look long term to bring costs under better control for the citizens of its service area. She also suggested a merger of the water agencies with one centralized agency to gain some economies of scale for overhead costs. She urged the District to look for alternate water supply sources and thanked the board for their attention and thoughts with regard to her suggestions.

Ms. Susan Thornton-Zetino of Chula Vista indicated that she is not a customer of Otay WD, but is representing her mother who is a customer. She commented on the time the public hearing was held and inquired with regard to the *Notices of Public Hearing* if they were also mailed to customers in Spanish as she felt that the majority of the District's

customers were Spanish speakers. She also inquired on percentage of residential customers and the total number of customers.

Staff indicated that the notices were not sent in Spanish and residential customers represent 94% of the customers, but they do not comprise the majority of water sales. The District has approximately 49,000 connections and must hear from a majority of its customers indicating their opposition to the rate increases. Otherwise, it becomes an option for the board to approve the proposed rate increases. Ms. Thornton-Zetino indicated that she felt that customers are not really notified and are not aware that their rates were going to increase.

District Secretary Susan Cruz indicated that the District has received 65 additional protest letters at today's board meeting. The total protests received is 117, the total acceptable protests, with the 65 letters received today, is 108.

Director Robak indicated that for a number of years the District has had to deal with rate increases. He stated that costs are going up with every vendor; cable, etc. He indicated that it is hard to dispute that we have increased costs and the District must find a way to pay them. He stated that one of things that is near and dear to his heart is consolidating the 24 local agencies. He noted that there are historical reasons why we have 24 agencies, but there is no longer a reason for them now. He noted that there was a functional consolidation between two agencies in the north part of the County where they consolidated administrative costs. The two agencies are not nearly as large as Otay WD, but they have saved money. He stated that he read an article that indicated another agency in the north County, Rancho Santa Fe Irrigation District (RSF), is also looking at consolidation to potentially save money. In the article it suggests that a potential District that RSF might consolidate with is Olivenhain Municipal Water District (OMWD). According to OMWD, the consolidation with RSF would likely not work as they have their own water. He noted that, per the chart presented by staff comparing water rates among the local agencies, there is only a less than 1% difference in their monthly average bill. He also noted in comparing sewer rates between Otay WD and the County of San Diego, there is a 33% difference in the rate, where Otay WD is higher cost agency now. The explanation provided for the rate disparity is that the County's rate is artificially low and that it cannot be sustained. He said it is difficult to decide what is the truth. He stated the reality is we do need to do something to hold costs down, not that we have not tried to do so, but maybe the District could look at consolidation.

General Manager Watton indicated with regard to the article and the possible consolidation of RSF and OMWD, he believes they were directing the comment to their source of water cost. RSF has rights to well water and OMWD receives its water from CWA. How the different sources get translated into customer cost is different.

Director Robak inquired what benefit the District gets from the Metro Commission. He understands that the District sends its overflow to the Metro Commission. He inquired if staff has looked at how the District's customers can get benefit from utilizing the District's Ralph Chapman Water Reclamation Plant (RCWRP). Staff indicated that the RCWRP does lower the overall sewer cost, so the sewer customers do receive benefit

from the plant. It was also indicated that staff has been looking at expanding the plant and adding sludge handling in the future to reduce the overall cost and insulate the District from Metro Commission increases.

Director Robak further inquired if there is a way to measure how much effluent a customer is sending to the sewer system. Staff indicated that they are not aware of any technology that would be suitable to measuring such flow.

Director Croucher commented with regard to the phase-in of the sewer rate increase that he would rather pay now than pay over a several years as customers end up paying a little more to make up for difference. He also inquired if the request for the five-year pass through of wholesaler increases included the increases in power cost. Staff indicated that it did not as power is a District operational cost. It was noted that SDG&E had indicated that there would be four (4) 2.5% increases in FY 2014 which compounds to slightly more than 10%. The 10% increase in power cost is built into the budget.

Director Croucher indicated that many don't realize the value of something until they no longer have it. He stated water is getting very expensive, but if we do not have the water, it is then that we realize its true value. The District does want to keep the cost as low as possible, but it also wants to be fiscally sound.

He also shared that one of the reasons the District voted no on the Carlsbad Desalination Project is because they still cannot provide the District the cost of the water from the project. Thus, the District cannot evaluate how the cost of the project will impact its customers.

He commented with regard to the radiation from the debris from Japan related to their nuclear plant meltdown, that it was reported that it will increase radiation along our shoreline. He inquired how it will affect desalinated water. It was discussed that the radiation is more of a background radiation and it may go higher, but it is still within the acceptable limits. Staff will research this issue further.

Director Thompson indicated that the District has held a workshop to review its budget with board and has been discussing, over the last six (6) months, how it can respond to the need for increases. He stated that he does agree with the concept of mergers and he felt that there are creative ways to merge agencies. Agencies could be merged through Joint Powers Authorities where all agency rights are maintained and provides for the streamlining of administration. He stated that he strongly supports any efforts to try and reduce public costs. He noted that the District has worked to reduce staffing (18.2% over the last seven years) through staff efforts. He stated that there has been some misinformation about what drives the District's costs. He stated that the board has a very watchful eye on employee costs, while also assuring that the District is competitive and has the ability to maintain good staff long term.

He stated with regard to looking for new resources of water that he believes the District is very progressive. The District is currently exploring the potential of acquiring desalinated water from the proposed Rosarito Beach Desalination Plant in Mexico. This

is very significant as the plant will provide for a long term steady water supply resource at a reasonable cost.

He noted that the District's General Manager worked very diligently on the water transfer agreement with the Imperial Irrigation District which provided for a secure water supply resource at a reasonable cost. He stated the water agencies have diversified considerably to assure that the region has the best quality sources of water at reasonable rates. He also indicated the District was one of the most vocal opponents of the Carlsbad Desalination Plant Project and voted against the project. The District felt that while it provides for a diversified supply, the cost was quite expensive at twice the current cost of water. He explained, because the District is a member of the consortium (CWA) interested in acquiring the Carlsbad Desalination Plant Project, it must buy a certain portion of the water, though it voted against the supply. He stated that he wished to share with the members of the public that these are part of the many issues the District must respond to.

Director Thompson indicated that he had asked during the District's budget workshop why Multi-Family customers do not receive the same water savings rate that Single-Family residential customers receive when they conserve. He indicated that staff reviewed this issue, but he is not sure that the District has done enough to equalize/make it more fair to Multi-Family customers. He also indicated that he agreed that the District should figure out how the District can provide the rate increase notices in Spanish.

Director Thompson indicated that he felt staff is doing the best job that they can to keep costs down and that the District is run in a very businesslike fashion. He stated that he supports the proposed rate increases while being very mindful of the District's job to continue to look out for its ratepayers.

Director Gonzalez indicated that he agreed with some of Director Thompson's comments and with Director Robak's comments regarding the rising cost for cable, telephone, etc. He noted that when he is not home, he is still paying for his cable services. He stated that costs are rising everywhere, even the coffee we purchase outside. He indicated that the majority of water is used outdoor in single-family homes and he would like to see the District explore the use grey water for use on residential lawns. He also suggested that ratepayers look at the District's water conservation programs. He utilized one of the programs to remove a part of his lawn and replaced it with water efficient plants which has reduced his water use outdoor. He indicated that the District is managed as a business and it is always looking at ways to keep rates low for its customers.

Director Lopez indicated that the District has discussed the budget at workshops and committee meetings and has addressed these issues. He indicated that the District has very competent finance personnel and throughout its operations. He noted the awards that line the District's walls are all from the District's peers recognizing the District's excellence. The District strives to maintain this high accountability. It has a strong Strategic Plan which can be found on the District's website. The District works very hard to assure there are no spikes in the rates, while assuring it is prepared for the

future. He commended staff and Directors for their questions. He stated that he also fully supported the recommended rates proposed by staff.

Director Robak indicated that he will be voting "no" on the proposed rate increases. He stated that the board is in agreement that the District has very competent staff. He indicated if the Board had provided direction to staff to find a way to avoid increases, they may have been able to do so. He stated that he does not know that, but he would venture to say that it may have been done. He stated somehow the District needs to find a way to control costs either through consolidation or other means.

Director Thompson inquired if Director Robak believed it is prudent or imprudent for the rate increases to go forward and if it is not prudent, what does he suggest as the alternative. Director Robak indicated that he suggests that the District control costs in other ways, like staff or benefit reductions. He stated that the Ad Hoc Committee of this board offered a renewal of the Employee Memorandum of Understanding (MOU) which was not brought to the full board. The employees had an opportunity to vote on the MOU before he had known about it.

Director Croucher indicated, for clarification, that the employees took a 0% increase. It was an extension of the MOU without any increases.

Director Thompson commented that if three (3) members of the board felt the same as Director Robak, that the District's credit rating would be impacted. He asked staff to comment on this issue.

Chief Financial Officer Beachem indicated that it is likely that the District's credit rating will be impacted adversely. He stated that Standard & Poor's currently has the District on "watch" which is related to the District's debt coverage ratio. The proposed rates would bring the District back to its target of 150%. If the rates are not approved, then the District's credit rating would go down causing the District's borrowing cost to increase long term. The District would need to pay more to borrow money. General Manager Watton indicated that staff discussed this with the board last budget cycle as staff wished to mitigate some of the increases to rates. Staff purposely took the debt coverage ratio to the "edge" knowing that the District would be put on credit watch. Staff anticipated that in the next budget cycle, rate increases would be proposed that would bring the District back into its target level, close to the time when it would need to borrow or refinance.

- a) APPROVE THE IMPLEMENTATION OF RATE CHANGES AS PROPOSED FOR THE FISCAL YEAR 2013-2014 OPERATING AND CAPITAL BUDGET THROUGH THE ADOPTION OF ORDINANCE NO. 539 AMENDING SECTION 25, CONDITIONS FOR WATER SERVICE; SECTION 31, TEMPORARY WATER SERVICE; SECTION 34, ISSUANCE AND PAYMENT OF WATER BILLS; SECTION 38, SERVICE FOR FIRE PROTECTION SYSTEMS; SECTION 53, FEES, RATES, CHARGES AND CONDITIONS FOR SEWER SERVICE; AND APPENDIX A, SCHEDULE OF FEES OF THE DISTRICT'S CODE OF ORDINANCES; AUTHORIZE, FOR A PERIOD OF FIVE-YEARS, THE

PASS-THROUGH OF COST INCREASES FROM WATER WHOLESALERS AND SEWER SERVICE PROVIDERS; AUTHORIZE DISTRICT RATE INCREASES, FOR A PERIOD OF FIVE YEARS, NOT-TO-EXCEED 10% ANNUALLY; AND AUTHORIZE THE DETACHMENT OF PARCELS WITHIN IMPROVEMENT DISTRICTS (IDs) 19 AND 25 TO BE ANNEXED INTO IDs 22 AND 20 RESPECTIVELY

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

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

to approve staffs' recommendation.

#### CONSENT CALENDAR

8. 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 pulled item 7a, DECLARE FOUR (4) PARCELS OF PROPERTY AS SURPLUS AND AUTHORIZE THE GENERAL MANAGER TO DISPOSE OF THE PARCELS IN THE BEST INTEREST OF THE DISTRICT, 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 consent calendar items:

- a) APPROVE A PROFESSIONAL AS-NEEDED LAND SURVEYING SERVICES CONTRACT WITH AIRX UTILITY SURVEYOR, INC. AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH AIRX IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR A PERIOD OF TWO (2) FISCAL YEARS (FY 2014 AND FY 2015)
- b) APPROVE RESOLUTION NO. 4217 AMENDING THE DISTRICT'S DEBT POLICY

President Lopez presented item 7c for discussion:

- c) DECLARE FOUR (4) PARCELS OF PROPERTY AS SURPLUS AND AUTHORIZE THE GENERAL MANAGER TO DISPOSE OF THE PARCELS IN THE BEST INTEREST OF THE DISTRICT

Director Robak wished to assure, in terms of the appraisal, that they are done properly. General Manager Watton indicated that there is a process to declare property surplus. If the board declares the parcels surplus at today's meeting, the properties will be appraised and staff would present the appraisals to the board prior to the properties being sold.

Director Croucher commented with regard to the parcel located on Sweetwater Springs Boulevard that it is the property that the District has been discussing with The Point HOA an easement for an access road. He asked how the sale of the property would impact the HOA for emergency access. General Manager Watton indicated that there are two interested parties in the parcel, an apartment complex owner and the HOA. Staff will notify both parties of the District's intention to sell the parcel. Director Croucher requested that staff speak with the interested parties before selling the property to assure that the District does not impact their negotiations. He suggested that the Sweetwater Springs Boulevard parcel be held and brought back to a future meeting following discussions with the interested parties.

Upon a motion 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 approve the declaration of the parcels surplus with the exception of APN No. 505-230-51-00 and that this parcel be brought back to a future meeting.

ACTION ITEMS

9. ENGINEERING AND WATER OPERATIONS

The board recessed to closed session at 5:44 p.m. and reconvened at 6:28 p.m.

- a) APPROVE CHANGE ORDER NO. 2 TO THE EXISTING CONTRACT WITH SEPULVEDA CONSTRUCTION FOR A CREDIT IN THE AMOUNT OF <\$8,972.14> FOR THE 30-INCH HUNTE PARKWAY POTABLE WATER PIPELINE PROJECT

The board waived presentation and 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
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Noes: None  
Abstain: None  
Absent: None

to approve staffs' recommendation.

- b) APPROVE CHANGE ORDER NOS. 3 AND 4 TO THE EXISTING CONTRACT WITH SEPULVEDA CONSTRUCTION IN THE AMOUNTS OF \$52,642.88 AND \$28,427.49 RESPECTIVELY FOR THE 944-1R RECYCLED WATER PUMP STATION UPGRADES AND SYSTEM ENHANCEMENTS PROJECT

The board waived presentation and a motion was made by Director Croucher, seconded by Director Lopez and carried with the following vote:

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

to approve staffs' recommendation.

#### 10. BOARD

- a) DISCUSSION OF 2013 BOARD MEETING CALENDAR

Director Croucher recommended that if staff has time sensitive items that they be presented at the October and November board meetings as it is anticipated that the December meeting may be cancelled.

There were no changes to the board meeting calendar.

#### 11. INFORMATIONAL ITEMS

- a) REPORT ON DIRECTORS' EXPENSES FOR THE 4<sup>TH</sup> QUARTER OF FISCAL YEAR 2013

The board waived presentation and recommended that the report be received and filed.

- b) FOURTH QUARTER OF FISCAL YEAR 2013 CAPITAL IMPROVEMENT PROGRAM REPORT

Engineering Manager Dan Martin provided a report on the Fourth Quarter Fiscal Year 2013 Capital Improvement Program. Please reference the Committee Action notes (Attachment A) attached to staff's report for the details of his report.

In response to several comments from Director Robak, Director Croucher recommended that staff research the benefits of contracting with consultants and outsourcing construction management to determine if it would be better for District staff to manage projects in order to save the money.

## REPORTS

### 12. GENERAL MANAGER'S REPORT

General Manager Watton indicated it was Consolidated Ltd. 40<sup>th</sup> Anniversary and shared a copy of their Water Desalination Report publication which included a photo with Mr. John Tonner.

General Manager Watton presented additional information from his report that included the District's Landscape Contest, Education Programs, and IRS Auditing the 2007 COPS. Mr. Watton noted that the IRS sent a notice indicating that the District has been randomly selected for an audit on its 2007 COPS. He indicated that this is a standard procedure. Mr. Watton also commented on the District's water purchases and indicated that purchases were within budget.

### SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton provided handouts regarding the MWD rate litigation and the Bay Delta Conservation Project. He stated that CWA has not taken a position on the Tunnel Project and is requesting that different variables be responsibly studied before moving forward with the project. He noted that Governor Brown's administration has started a campaign for the Tunnel Project as his office has already provided a presentation to Padre Dam MWD's board. It was discussed that the Tunnel Project will cost approximately \$15 billion and it is anticipated that the Agriculture agencies will campaign for 10% (\$1.5 billion) of the project's cost and the remaining 90% (\$13.5 billion) will go to MET. This would significantly affect water rates if the Tunnel Project is approved.

Director Croucher indicated that CWA has change its meeting schedule so that committee meetings begin at 8:00 a.m. instead of 9:00 a.m., and formal board meetings will begin at 2:00 p.m. to allow members to provide an update of their agencies. He stated with regard to the Carlsbad Desalination Project, that CWA continues to look into the transportation pipeline from the Carlsbad Plant to CWA's system. He provided an update on the San Vicente Project that involves different power options and indicated that CWA members have requested an update on completed power projects, specifically the Lake Hodges project, before they take action on the San Vicente Project.

### 13. DIRECTORS' REPORTS/REQUESTS

Director Thompson indicated that he had completed several online trainings and commended staff for ensuring that directors completed mandatory training. He

shared that President Lopez joined him in volunteering at the San Diego Port Tenants Association's Operation Clean Sweep 2013, as well as other staff members, Armando Buelna, Bob Kennedy, Oscar Ramirez and his family. A presentation of the event was shown to the board members.

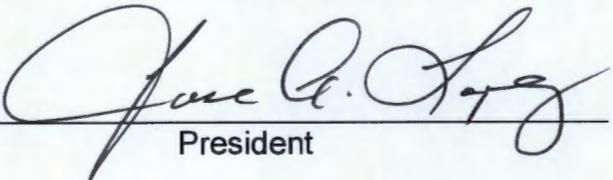
Director Gonzalez reported that he completed Sexual Harassment Training and Brown Act Training seminars.

14. PRESIDENT'S REPORT

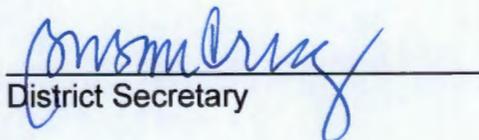
President Lopez reported on meetings he attended during the month of August 2013 (a list of meetings he attended is attached).

15. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 7:03 p.m.

  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
District Secretary

**President's Report**  
**September 4, 2013 Board Meeting**

**A) Meetings attended during the Month of August 2013:**

1) **August 1:**

a. **Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the August Board Meeting.

b. **Attended a meeting of the Metro Commission:**

i. The Commission took action on a Joint Resolution supporting development of a long range Regional Water Reuse Plan and Secondary Equivalency for the Pt. Loma Wastewater Treatment Plant (see attached copy of agenda).

2) **August 7: Attended the District's Regular Board Meeting**

3) **August 9: Attended a Seminar, "Board's Role in Finance & Fiscal Accountability."** The seminar was held at Vista Irrigation District.

4) **August 13: Participated in a Webinar, "Understanding Board Member & District Liability Issues."**

5) **August 14:**

a. **Committee Agenda Briefing.** Conference call with General Manager Watton to review items that will be presented at the August Committee meetings.

b. **Development of Agenda for Joint Water Summit Meeting.** Attended a meeting to discuss the agenda for a Joint Water Summit meeting hosted by Sweetwater Authority.

6) **August 21: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the September board meeting.

7) **August 27: Attended a Joint Water Summit Meeting hosted by Sweetwater Authority.** The meeting was attended by the City of Chula Vista Mayor Cheryl Cox, City of National City Mayor Ron Morrison, County Board of Supervisor Greg Cox, and the Chairs/Vice Chairs from Otay WD and Sweetwater

Authority. The attendees from Otay WD were President Lopez, Vice President Thompson and General Manager Watton (see attached copy of agenda).

- 8) **August 30: Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the September Board Meeting.