

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 11, 2014**

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

2. ROLL CALL

Directors Present: Gonzalez, Croucher, 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 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 Gonzalez, and seconded by Director Thompson and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF FEBRUARY 5, 2014

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

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

to approve the minutes of the regular meeting of February 5, 2014.

6. OVERVIEW OF 2014 LEGISLATIVE SESSION (CHRIS FRAHM AND ROSANNA CARVACHO, BROWNSTEIN HYATT FARBER AND SCHRECK)

Mss. Chris Frahm and Rosanna Carvacho of Brownstein Hyatt Farber and Schreck LLP attended the District's meeting to provide an update on bills of specific interest to the District and the activities that have occurred in Sacramento. Ms. Frahm indicated that former San Diego City Council member Ms. Toni Atkins was officially elected as the next California Assembly Speaker, which Ms. Frahm believes is an advantage to have a speaker who is familiar with the needs and interests of San Diegans. It was also indicated that Mr. Kevin DeLeon, another San Diegan, represents the 22nd Senate District. He was elected as the next Pro Tem President of the Senate.

Ms. Frahm stated that there are ten (10) water bonds that are being monitored and indicated that the 2014 Water Bond is \$11.14 billion. As negotiations continue for water bonds, it was noted that republicans are advocating more towards water storage projects, whereas the southern members are advocating for southern local water supply development. Ms. Frahm stated that one of the front runners in the Senate is the bill sponsored by Assemblymember Anthony Rendon.

Ms. Frahm reported that drought legislation was just passed by the Governor, which was introduced on March 3, 2014 and signed by March 8, 2014 in order to expedite funding to help with the drought issues in California. She stated that BHFS will research if any of the District's projects are eligible to receive funding from this fund.

Ms. Carvacho provided an update on AB 1331 by Assemblymember Rendon, which the bill was amended from \$6.5 billion to \$8 billion due to the increase in Water Storage Projects (\$1.5 billion to 2.5 billion). There was also an increase in Regional Water Projects/Recycled Water (\$1.5 billion to \$2 billion). A Water Bond Comparison as of March 2014 was provided to the board. Also provided to the board were a 2014 Tentative Legislative Calendar and a 27-page document that listed all the bills that BHFS is monitoring.

Ms. Carvacho indicated that AB 145 by Assemblymember Perea did not pass, but technically is still alive as it is now in the Senate Committee on Appropriations. The drinking water program was transferred from the Department of Public Health (DPH) to the State Water Resources Control Board (SWRCB). The Governor's Administration has moved the program to the SWRCB administratively, but the move has not yet occurred statutorily. It is believed that this bill is important as it will allow the drinking water program to be monitored under one entity as opposed to many entities where it can become disjointed.

With regards to the drought legislation, Ms. Carvacho indicated that it ties into the California Water Action Plan where many items were quickly moved forward.

Director Robak commented that BHFS' 27-page handout to the board indicates a position (i.e. Spot and No Position) on several bills. He inquired if those positions were recommendations of what the District's position should be. Ms. Frahm stated that BHFS's role is not to make any recommendations, but to provide legislation information to the District and receive any direction that the District may have for BHFS. The goal is to monitor as many bills that may have an impact on the District. There are several bills that the District believes are important to watch, such as the CA AB 145 (Drinking Water) by Assemblymember Perea, CA SB 1447 (Bay Delta Conservation Plan) by Assemblymember Fuller, CA SB 1250 (Safe, Clean and Reliable Drinking Water Supply Act) by Assemblymember Hueso and the water bonds.

In response to a question from Director Thompson, General Manager Mark Watton indicated that Senator Hueso's bill from last year has already been signed by the Governor. That bill was generated from the IPR and was created to establish timelines on the Health Department.

Director Robak commented that the governor recently signed a drought legislation that would allocate funds to help alleviate drought issues. He inquired if the San Diego region would receive any of those funds. Ms. Frahm stated that it would depend on what projects in San Diego would be eligible for funding. BHFS plans to get together with General Manager Watton to research if any of the District's projects are eligible to receive a portion of the funding.

7. 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.

8. CLOSED SESSION

The board recessed to closed session at 4:03 p.m. to discuss the following matter:

a) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION [GOVERNMENT CODE §54956.9]

1 CASE

b) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION [GOVERNMENT CODE §54956.9]

CITY OF CHULA VISTA; CITY OF EL CAJON, et. al. v. TRACY SANDOVAL in her official capacity as San Diego County Auditor-Controller, et. al.; CASE NO. 34-2014-80001723-CU-WM-GDS

- c) CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY DESIGNATED REPRESENTATIVES:
PRESIDENT LOPEZ AND DIRECTOR THOMPSON

EMPLOYEE ORGANIZATION:
OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION

AND

ALL REPRESENTED AND UNREPRESENTED PERSONNEL
INCLUDING MANAGEMENT AND CONFIDENTIAL EMPLOYEES

The board reconvened at 5:07 p.m. and the District's General Counsel, Dan Shinoff, reported that the board met in closed session and took no reportable actions.

CONSENT CALENDAR

- 9. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

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 following consent calendar items:

- a) APPROVE THE ELIMINATION OF THE COLLECTION OF BETTERMENT FEES FOR THE NORTH DISTRICT AND IMPROVEMENT DISTRICTS (ID) 9 AND 10; AND ADOPT ORDINANCE NO. 541 AMENDING SECTION 0.02 A, DEFINITIONS; SECTION 25.03 G, H AND I, DEFINITIONS OF WATER CATEGORIES, WATER RATES, CHARGES AND FEES; AND APPENDIX A OF THE DISTRICT'S CODE OF ORDINANCES TO REFLECT THESE CHANGES EFFECTIVE JANUARY 1, 2015
- b) ADOPT ORDINANCE NO. 542 AMENDING SECTION 2.01, AUTHORITY OF THE GENERAL MANAGER, OF THE DISTRICT'S CODE OF ORDINANCE WITH REGARD TO AMENDMENTS FOR THE LEASE OF DISTRICT REAL PROPERTY AND/OR SPACE ON DISTRICT FACILITIES

TO CELLULAR COMPANIES AND RELATED ENTITIES FOR
TELECOMMUNICATIONS PURPOSES

ACTION ITEMS

10. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY

- a) AUTHORIZE THE DISTRICT TO DECLARE A LEVEL I DROUGHT WATCH

Customer Service Manager Alice Mendez-Schomer stated that staff is recommending that the board declare a Water Shortage Response Level 1, Supply Watch Condition, which calls for voluntary conservation measure and direct staff to continue to educate customers about the benefits of water conservation through bill messaging and inserts, the customer newsletter, etc. Please reference the Committee Action notes (Attachment A) attached to staff's report for the details of Ms. Mendez-Schomer's report.

General Manager Mark Watton provided several handouts to the board that included a draft Press Release from the Otay Water District that will be mailed upon approval by the board.

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 authorization for the District to declare a Level I Drought Watch.

11. BOARD

- a) ADOPT RESOLUTION NOS. 4229 AND 4230 APPROVING THE REAPPOINTMENT OF MARK WATTON (SECOND SEAT) AND GARY CROUCHER (FIRST SEAT) AS THE DISTRICT'S REPRESENTATIVES TO THE SAN DIEGO COUNTY WATER AUTHORITY'S BOARD OF DIRECTORS

Upon a motion by Director Thompson, 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 adoption of Resolution Nos. 4229 and 4230, approving the reappointment of Mark Watton (Second Seat) and Gary Croucher (First Seat) as the District's representatives to the San Diego County Water Authority's Board of Directors.

b) DISCUSSION OF DRAFT FISCAL YEAR 2015-2017 STRATEGIC PLAN

Chief Information Officer Geoff Stevens provided a presentation to the board on the progress of the development of the 2015-2017 District Strategic Plan. Mr. Stevens stated that staff has been engaged in many activities in the drafting of the strategic plan, specifically reviewing other Districts' strategic plans and researching the current trends and key points in the industry. Staff also re-evaluated the District's mission and values and spent a significant amount of time defining the District's key challenge. Mr. Stevens' presented a Strategy Map and stated that the map was a useful tool in assisting staff in drafting the 2015-2017 District Strategic Plan. It was indicated that the District is considering adding an additional year to the Strategic Plan, Fiscal Years 2015-2018, depending on the scope of the plan. Please reference the Committee Action notes (Attachment A) attached to staffs' report for further details of Mr. Stevens' report.

This was an informational item and no action was taken by the board.

c) DISCUSSION OF THE 2014 BOARD MEETING CALENDAR

President Lopez and Director Thompson both indicated that they would not be able to attend the April 2, 2014 board meeting. President Lopez inquired of the member of the if they would be available to attend the April meeting if it were moved to April 8. All members of the board members indicated that they would be available to meet with the exception of Director Thompson.

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

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

to move the April board meeting to Tuesday, April 8, 2014.

INFORMATIONAL ITEMS

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

a) FISCAL YEAR 2014 SECOND QUARTER CAPITAL IMPROVEMENT PROGRAM REPORT

Engineering Manager Dan Martin provided an update on the District's second quarter of FY 2014 Capital Improvement Program. He indicated that the FY 2014 budget is broken into 63 projects totaling \$13.9 million. The overall expenditures for the second quarter are \$2.8 million which is approximately 20% of the FY 2014 budget. Please reference the Committee Action notes (Attachment A) attached to staff's report for the details of Mr. Martin's report.

In response to several questions from Director Thompson, Engineering Manager Dan Martin stated that the CIP expenditures are a little behind in the budgeted forecast due to several projects such as the Rosarito Beach Desalination project, the Otay Interconnect Pipeline project, and sewer projects that involve the acquisition of easements. Director Thompson requested that staff review the annual history of the CIP Budget Forecast vs. Expenditures in recent years to determine if actual expenditures are significantly below the budgeted target. Director Thompson explained that this may lead to a discussion on budgeting for the CIP and opportunities to maximize interest earnings on unexpended funds during the fiscal year. Director Thompson requested that staff bring the information to the Board at a future meeting.

In response to Director Thompson's comments, Chief Financial Officer Joe Beachem stated that the variance in projected spending has a minimal impact on the interest income but agreed that as the interest rates increase this impact would grow.

Director Croucher indicated that there are many challenges that affect the alignment of budgeted forecasts and actual expenditures, which has fluctuated over the years. He indicated that sometimes there are projects where the bidding process can be expedited, but then unanticipated problems, that are out of the District's control, can occur that result in delayed projects.

REPORTS

13. GENERAL MANAGER'S REPORT

General Manager Watton presented information from his report that included the SDRMA Longevity Distribution, RFID Access Control, District Strategic Plan, Budget Awards, and the Opening Ceremony of the Dorcas E. Utter Memorial Butterfly Pavillion. Mr. Watton also discussed the 30-Inch, 980 Zone, Hunte Parkway – Proctor Valley/Use Area and the 944-1R Recycled Water Pump Station Upgrades and System Enhancement Projects. These projects went into mediation on December 11, 2013 and the decision not to pursue further mediation was made on January 8, 2014. Mr. Watton indicated that the time provided within the contract for Sepulveda to file for arbitration expired on February 6, 2014. The District is closing both cases.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton provided an update on CWA's Fiscal Sustainability Task Force (FSTF) and its draft policy on rates. He stated that the District had some concerns about the policy, specifically the proposed rates and some of its implications. Mr. Watton indicated that there is progress on the matter as FSTF board members and their respective staffs have had an opportunity to carefully review the policy and discuss its impact to rates. He stated that the numbers in the policy are beginning to align. He thanked Director Croucher, who serves on the FSTF, for his efforts with the policy's progress.

Several handouts were provided to the board: San Diego County Water Authority's Annual Report, Drought Response Communications, Water Supply Conditions, Bay Delta Conservation Plan, and Fitch Affirms Otay Water District, CA's Water COPs at 'AA-'; Outlook Stable.

Director Croucher commented that San Diego, as a whole, has shown its efforts in maintaining valuable and diverse water resources to ensure water availability to its customers. He also thanked General Manager Mark Watton and Chief of Operations Pedro Porras for their immediate response to a leaking fire hydrant valve on Jamacha Road. He stated that the incident could have waited to be repaired during regular business hours, however, due to the state experiencing a drought emergency and the public's perception, he felt it was important for the matter to be immediately taken care of. He expressed his gratitude to Mr. Porras and his staff for responding to the incident within an hour.

14. DIRECTORS' REPORTS/REQUESTS

Director Robak stated that he provided a presentation at the CSDA Quarterly Meeting on Social Media and Twitter. He shared that he started a website (yestotap.org) that supports tap water and municipal water systems and indicated that there is an iPhone application that maps out, via GPS, the locations of drinking fountains. He also shared that he entered the San Diego County Water Authority's *Love your Water Smartphone* photo contest that began on March 22. Director Robak indicated that he felt it was a good move for the District to stay aligned with other agencies in declaring a drought level I emergency. He discussed his disappointment over the termination of the consolidation of Fallbrook Public Utility District (PUD) and the Rainbow Municipal Water District (MWD) as Rainbow MWD board members asked to withdraw from the cost-saving merger. The two agencies entered into a joint powers authority agreement last year. Rainbow MWD's withdrawal will become effective April 5.

Director Thompson commented that as a Water Conservation Garden board member, he began to practice water conservation by taking advantage of the Rain Barrel Rebate Program. This program provides a rebate of \$75 for each Rain Barrel purchased with a minimum purchase of four barrels. Director

Thompson stated that he bought four barrels and set them up at his property, and with the recent rain he was able to water his entire landscape.

Director Gonzalez indicated that he is interested in participating in the Rain Barrel Rebate Program.

15. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of February 2014 (a list of meetings he attended is attached). He highlighted that both he and Director Gonzalez attended the Chula Vista Chamber of Commerce Annual Installation Dinner on February 8. He also highlighted that Director Robak provided a presentation at the CSDA's Quarterly Dinner meeting on February 27.

16. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 6:09 p.m.

President

ATTEST:

District Secretary

**President's Report
March 11, 2014 Board Meeting**

A) Meetings attended during the Month of *February* 2014:

- 1) **February 5: Attended the District's Regular Board Meeting**
- 2) **February 6: Attended a meeting of the Metro Commission:** The Joint Resolution supporting the development of a long range Regional Water Reuse Plan and Secondary Equivalency for the Pt. Loma Wastewater Treatment Plant was brought back for possible action by the commission (see attached copy of agenda).
- 3) **February 8: Attended the Chula Vista Chamber of Commerce Annual Installation Dinner.** Attendees: Director Gonzalez, Chief Information Technology Geoff Stevens and Asst. Chief of Administration and Information Technology Adolfo Segura.
 - i. **Director Gonzalez** was honored with an award, the 2013 Rookie of the Year Award, and received recognition as the new chair of the Chula Vista Chamber of Commerce's International Business Committee.
- 4) **February 10: Attended MWD's Finance Committee Meeting.** Attended to protest MWD's proposed rate increase.
- 5) **February 13: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the February Committee meetings.
- 6) **February 19: Attended a meeting of the Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the March 2014 board meeting.
- 7) **February 25:**
 - a) **Attended a meeting of the Ad Hoc Employee Negotiations Committee.** Discussed upcoming negotiations for a successor Memorandum of Understanding (MOU) with the Otay Water District's Employee Association.
 - b) **Attended the City of Chula Vista Mayor Cox's State of the City Address.**
- 8) **February 26: Attended a meeting of the Metro Commission's Finance Committee.** Copy of agenda attached.
- 9) **February 27: Attended CSDA's Quarterly Dinner.** Director Robak provided a presentation on the Social Media Programs Twitter and Facebook. Attendees: Directors Robak and Thompson and Communications Officer Armando Buelna.
- 10) **February 28 Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the March Board Meeting.