

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
April 8, 2014**

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

2. ROLL CALL

Directors Present: Croucher, Lopez and Robak

Directors Absent: Gonzalez (out of town on business) and Thompson (out of town on vacation)

Staff Present: General Manager Mark Watton, Attorney Richard Romero, 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 Croucher, and seconded by Director Robak and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF MARCH 11, 2014

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

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

to approve the minutes of the regular meeting of March 11, 2014.

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 CALENDAR

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 pulled item 6d, APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH AECOM TECHNICAL SERVICES, INC. FOR THE OTAY MESA DESALINATION CONVEYANCE AND DISINFECTION SYSTEM PROJECT IN AN AMOUNT NOT-TO-EXCEED \$136,409; AND EXTEND THE CONTRACT COMPLETION DATE TO JUNE 30, 2018; and 6e, AWARD A CONSULTING SERVICES CONTRACT TO SILVA SILVA INTERNATIONAL LLC (SSI) FOR PROFESSIONAL CONSULTING WORK RELATED TO THE OTAY MESA DESALINATION CONVEYANCE AND DISINFECTION SYSTEM PROJECT IN AN AMOUNT NOT-TO-EXCEED \$115,000 FOR FISCAL YEARS 2014, 2015, AND 2016; for discussion.

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

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

to approve the following consent calendar items:

- a) AWARD A CONTRACT TO LAYFIELD ENVIRONMENTAL SYSTEMS CORPORATION FOR THE MAINTENANCE OF FLOATING COVERS IN AN AMOUNT NOT-TO-EXCEED \$108,800. THE CONTRACT WILL BE FOR ONE YEAR, WITH FOUR (4) ONE-YEAR OPTIONS FOR RENEWAL AT THE DISTRICT'S DISCRETION
- b) ADOPT RESOLUTION NO. 4231 DESIGNATING SPECIFIC STAFF POSITIONS TO BE AUTHORIZED AS AGENTS TO DEAL WITH THE STATE OF CALIFORNIA, OFFICE OF EMERGENCY SERVICES, ON THE DISTRICT'S BEHALF IN ALL MATTERS PERTAINING TO DISASTER ASSISTANCE
- c) ADOPT RESOLUTION NO. 4228, AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A REMARKETING AGREEMENT WITH MITSUBISHI UFJ SECURITIES (USA), INC. TO ACT AS THE

DISTRICT'S REMARKETING AGENT FOR ITS 1996 VARIABLE RATE
CERTIFICATES OF PARTICIPATION

President Lopez presented item 6d for discussion:

- d) APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH AECOM TECHNICAL SERVICES, INC. FOR THE OTAY MESA DESALINATION CONVEYANCE AND DISINFECTION SYSTEM PROJECT IN AN AMOUNT NOT-TO-EXCEED \$136,409; AND EXTEND THE CONTRACT COMPLETION DATE TO JUNE 30, 2018

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that staff is requesting that the board authorize amendment number one to the District's existing contract with AECOM Technical Services, Inc. for the design of the Otay Mesa Desalination Conveyance and Disinfection System Project in an amount not-to-exceed \$136,409 and to extend the contract completion date to June 30, 2018.

Ms. Coburn-Boyd stated that AECOM was awarded a professional engineering services contract for the Otay Mesa Desalination Conveyance and Disinfection System Project on Nov. 3, 2010 in an amount not-to-exceed \$3,910,297, and the contract was to be completed by the end of Fiscal Year 2016. However, AECOM's work was restricted to miscellaneous studies until January 24, 2013 when AECOM was authorized to initiate work on the preliminary design of the pipeline, pump station, and disinfection facility, along with the environmental surveys and studies for CEQA/NEPA compliance. She indicated that project management of this effort is required for an additional six months until the start of the final design phase at a cost of \$30,000. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of Ms. Coburn-Boyd's report.

Director Robak commented that the Rosarito Desalination Project can be described as a balancing act; the District is expending funds in the anticipation of certain things moving forward in Mexico. He inquired the status of the project on Mexico's side of the border. General Manager Watton indicated that an informational report, item 9b, will be presented regarding the status of the project later on the agenda. He stated the staff report provides status on the project and fairly outlines where it currently stands. Also included with the staff report is a report from KPMG, commissioned by NSC Agua, which provides the status of the financials for the project.

Ms. Coburn-Boyd indicated that the District needs to accomplish the environmental work in order to progress the Presidential Permit application which requires a long lead time. She stated that it is very much a balancing act and the District needs to keep moving forward as it is possible that the District could get to the point where it needs to build the pipeline, but it has not yet received the permit on the necessary environmental work. This would stall the project.

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

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

to approve staffs' recommendation.

President Lopez presented item 6e for discussion:

- e) AWARD A CONSULTING SERVICES CONTRACT TO SILVA SILVA INTERNATIONAL LLC (SSI) FOR PROFESSIONAL CONSULTING WORK RELATED TO THE OTAY MESA DESALINATION CONVEYANCE AND DISINFECTION SYSTEM PROJECT IN AN AMOUNT NOT-TO-EXCEED \$115,000 FOR FISCAL YEARS 2014, 2015, AND 2016 (ENDING JUNE 30, 2016)

Engineering Manager Bob Kennedy indicated that the current agreement with SSI was approved by the Board on May 2, 2012 for \$96,000 and the agreement is scheduled to expire on June 30, 2014. SSI has been providing consulting services to the District since March 17, 2011. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of Mr. Kennedy's report.

Director Robak inquired what Mr. Silva will be doing for the District in the near term. General Manager Watton indicated that attached to staffs' report is a copy of the agreement which indicates the "scope of work" on the technical and regulatory issues that Mr. Silva will accomplish for the District. Mr. Silva is uniquely qualified because of his past employment and knowledge of the California Department of Public Health (CDPH), having been a Presidential appointee to the Environmental Protection Agency (EPA), and having worked on the border issues with the International Boundary and Water Commission (IBWC). He indicated that the District will be working with these three agencies to assure the successful outcome of the project. Similar to the environmental work, the work with these agencies must be accomplished to acquire the Presidential Permit. Additionally, the CDPH will be moving under the State Water Quality Control Board (SWQCB) which Mr. Silva is very familiar with.

In response to an inquiry from Director Croucher, staff indicated that the project is part of the CIP budget and the transfers to the appropriate funds are approved by the board each year when the budget is approved.

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

Ayes: Directors Croucher, Lopez and Robak

Noes: None
Abstain: None
Absent: Gonzalez and Thompson

to approve staffs' recommendation.

ACTION ITEMS

8. ADMINISTRATION, FINANCE AND INFORMATION TECHNOLOGY

- a) ADOPT RESOLUTION NO. 4232 APPROVING THE FORM OF DOCUMENTS REQUIRED FOR EXTENDING THE LETTER OF CREDIT WITH UNION BANK FOR THE 1996 VARIABLE RATE CERTIFICATES OF PARTICIPATION; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE RELATED FIRST AMENDMENT TO THE REIMBURSEMENT AGREEMENT AND THE UNION BANK FEE LETTER

Finance Manager Kevin Koeppen indicated that staff is requesting that the board approve Resolution No. 4232 approving the form of documents required for extending the Union Bank Letter of Credit related to the 1996 Variable Rate Certificates of Participation. The current letter of credit will expire on June 29, 2014 and in order for the variable rate debt to remain on the market a bank must provide a letter of credit to guarantee the debt payments to the certificate holders.

He indicated that staff reviewed the option to convert the variable rate issuance to a fixed rate, which would eliminate the need for a line of credit based on the inexpensive borrowing cost and limited exposure to rising interest rates. However, it was determined that it is not cost effective to convert the issuance to a fixed rate. He noted, by the District having some level of variable rate debt, it serves as a hedge against lower interest income which has served the District well over the years.

He also indicated that the debt is callable at any time, so staff reviewed the option of paying down or off the variable rate debt. Staff concluded that to do so would bring the reserve levels below target or result in the need to issue a small amount of debt which is not cost effective. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of Mr. Koeppen's report.

General Manager Watton indicated that the committee placed this item on the action calendar to highlight the District's variable rate debt and what is required to maintain it. In response to an inquiry from President Lopez, Mr. Koeppen indicated that Director Thompson's comment at the committee meeting was more with reference to the remarketing agreement (item 6c on the consent calendar) with Mitsubishi UFJ Securities, Inc. Director Thompson suggested that staff request that Mitsubishi waive the \$5,000 cost for legal fees, which Mitsubishi has agreed to do.

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

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

to approve staffs' recommendation.

9. BOARD

a) DISCUSSION OF THE 2014 BOARD MEETING CALENDAR

There were no changes to the board meeting calendar.

INFORMATIONAL ITEMS

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

a) REPORT ON DIRECTORS EXPENSES FOR THE 2ND QUARTER OF FY 2014

Director Croucher requested for future reports on board member expenses that they be simplified. He commented that there was a time when board expenses were scrutinized and that this was no longer the case. He suggested that staff provide a report that simply summarizes board member expenses, similar to CWA's report.

b) INFORMATIONAL OVERVIEW REPORT ON THE ROSARITO DESALINATION PLANT PROJECT

Chief of Engineering Rod Posada indicated that in February 2014, the Desalination Project Committee requested an overview of the Rosarito Desalination Plant Project which would include an update on NSC Agua, the District's due diligence, the cost of desalinated water and an assessment of the benefits and disadvantages of a seawater desalination project. Staff prepared this report in response to the committee's request. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of Mr. Posada's report.

General Manager Watton indicated that the committee had also inquired how likely the per acre foot cost from the Rosarito Desalination Project would be within a price point that makes sense or close to the cost of imported water. Staff researched the cost of desalinated water from plants around the world to test

NSC Agua's acre foot cost estimate. Based on the average cost of desalinated water worldwide, it is a reasonable assumption that the cost will be close to the cost of imported water.

General Manager Watton shared that the Governor of Baja has made statements to the press about his interest in getting desalination projects going in the State of Baja to assure their economy is not impacted by water shortage issues. Mexico also seems to be focused on Minute 319 and the possibility that they could monetize the water from the Colorado River that they do not take delivery of once the Desalination Plant is on line. The Governor of Baja has also appointed one of his cabinet secretaries to work with NSC Agua on the desalination plant. He indicated that there seems to be growing support for an alternative water supply like desalinated water.

Attached to staffs' report is a letter from KPMG which discusses the feasibility of financing the Rosarito Desalination Project and if it could attract the financing necessary to bring the project to fruition. KPMG concludes in their letter that the project could attract the money necessary to complete the project and in a preliminary review of the business plan for the project, KPMG agrees that it is a viable project. It is not a "done deal", but is proceeding down a track that is feasible. General Manager Watton indicated that at the appropriate time, a water purchase agreement will be signed with both Mexico and Otay WD.

In response to an inquiry from Director Lopez, General Manager Watton stated that Minute 319 only references desalination and is more of a mechanism to potentially free up Colorado River water on the Mexican side (Mexican entitlement water) of the border. It doesn't discuss whether the Desalination Project will be a public or private project. He indicated that Mexico does not have the funds for a public project. They are looking for a private project and are trying to determine what that private project would look like.

General Manager Watton indicated, in response to comments from Director Robak, that the District would need to have a more in depth review of the Sydney Desalination Plant. The project proposed in Rosarito is much different than the Sydney Plant. The Rosarito plant will be base loaded and will have a different cost structure and price point. He indicated that the question for KPMG, given the same set of circumstances, is if they would make the same recommendation.

c) FY 2013-2014 MID-YEAR STRATEGIC PLAN UPDATE REPORT

Chief of Information Technology Geoff Stevens reported on the Fiscal Year 2014 mid-year Strategic Plan update. He indicated at the end of the 2nd quarter for FY 2014, the results for the objectives is below target at 74% (the target is 90%) and the performance measures exceeded the target at 91%. He stated that the Strategic Plan objectives were below target due to timing issues with several projects where deliverables are being delayed into the next quarter. Please reference the Committee Action notes (Attachment A) attached to staffs' report for the details of Mr. Steven's report.

President Lopez inquired if the District had a measure for change orders. Chief of Information Technology Stevens indicated that the District did have a measure and the District was over target (target is 5%) on the first quarter and under target in the second quarter.

REPORTS

11. GENERAL MANAGER'S REPORT

General Manager Watton introduced new employee, Mr. Kent Payne, who is the District's new Purchasing Manager. He will be replacing Mr. Steve Dobrawa who will be retiring in May 2014.

He then presented information from his report which included Mitsubishi UFJ Securities, Inc. agreeing to waive the legal fees associated with the substitution of the Remarketing Agent for the 1996 COPs, the large meter testing program, and the upcoming Developer Meeting.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton provided an update on CWA matters and indicated that CWA's board had voted to delay the vote on a policy that would delineate how the Carlsbad Desalination Project would be included in CWA's water rate. He indicated that the vote was positive for the Otay WD and that District staff would be working with the City of San Diego to develop options for an equitable rate structure (for the Carlsbad Desalination Project) that can be blended into CWA's rate structure. It is hoped that the developed options can then be proposed to CWA by November of this year.

He noted that Director Croucher, as a member of the Fiscal Sustainability Task Force, was instrumental in the outcome of the vote on the policy. He stated that Director Croucher did not always get the committee members backing with regard to the rates for the Desalination Project, but he was always there reminding them of the alternatives and of the differing opinion. This helped in the final analysis and in CWA's board voting to delay the vote on the policy.

Director Croucher indicated that General Manager Watton was very instrumental as well in getting the vote delayed at CWA. He stated that is encouraging to know that the process works and he commended staff for their work on this issue.

12. DIRECTORS' REPORTS/REQUESTS

Director Robak shared that he had attended the Butterfly Festival at the Water Conservation Garden this past Saturday. He stated that he has attended many events at the Garden, but felt this was the most well attended. He indicated that the Garden has confirmed that the Butterfly Festival received record attendance.

He also shared that he was reading an article from the publication *Water Reuse and Desalination* on Direct Potable Reuse. The article's author, Dr. Joseph Cartruvo, feels that the City of San Diego's plan to construct a pipeline from the North City Treatment Plant to the San Vicente reservoir would be a waste of money. Dr. Cartruvo is a very well respected expert in this area and his article is basically questioning placing ultra-pure water in with untreated water.

Director Robak also commented that the District had been awarded with a Certificate of Excellence from the Special District's Leadership Foundation for transparency. He stated that the District has discussed, in the past, live streaming the District's meetings on the website. He stated he would like the District to revisit this possibility.

Director Croucher acknowledged President Lopez' attendance of MWD's past meetings on rates and indicated that CWA is encouraging other Directors and staff to attend as well. He stated that CWA will provide transportation to the meetings in Los Angeles. He also shared that former CWA Director and the District's vending machine vendor, Mr. John Johnson, is going through some health issues and asked that everyone keep him in their thoughts.

13. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of March 2014 (a list of meetings he attended is attached). He highlighted with regard to the Metro Commission meeting that the Commission tabled the vote on the South Bay Water Reclamation Plant/Demineralization Project due to an inconsistency. It is expected to be placed on the agenda for the next Metro Commission meeting. He also shared that Ms. Elyssa Robertson, Principal Biologist, REC Consultants, Inc., is the newly elected Board President at the Water Conservation Garden.

14. CLOSED SESSION

The board recessed to closed session at 4:52 p.m. to discuss the following matter:

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

2 CASES

The board reconvened at 5:16 p.m. and the District's Attorney, Mr. Richard Romero, reported that the board met in closed session and took no reportable actions.

15. BOARD PACKET ORIENTATION

Assistant Chief of Administration and Information Technology Adolfo Segura indicated that the board had requested earlier in the year for staff to evaluate the use of iPads for a paperless agenda system that would reduce the use of paper and streamline the board agenda process. Staff has evaluated, and is currently evaluating, a number of paperless solutions including Novus Solutions, Granicus, Board Docs, etc. He indicated that the cost for these software solutions start at approximately \$4,000 to \$20,000 with recurring fees of \$4,000 to \$7,000 plus the cost of administrative overhead. He indicated that staff also evaluated the use of iAnnotate, a simple, but effective \$10 application. The iAnnotate application allows functional searches, mark up of documents, and is compatible with almost all mail and cloud based storage systems. He stated that a demonstration of the application was provided the members of the Finance Administration and Communications Committee and it was well received. Given the existing technology that is owned by the District, staff is recommending, should the board decide to move forward with a paperless solution for board/committee packets, the use of iPads at a cost of \$550 per iPad and the license cost of \$10 per iPad for a total cost of \$560. Staff also reviewed projected savings if the District moved to a paperless solution and projected that through the reduced use of paper, toner, copier, staff time, etc., the District would save approximately \$6,000 per year. He noted that if the proposed devices are issued to view the District's board documents electronically, that the devices would be subject to the Brown Act and the Public Records Request Act. He presented a video highlighting the features of iAnnotate.

General Manager Watton indicated that the District has a solution already for circulating documents electronically internally for review. The software is owned by the District and there is no need to buy or lease such software. The functionality that the board is seeking, the ability to make notes, etc., are available through the iAnnotate application. It is felt that iAnnotate provides a good solution.

President Lopez indicated that Director Thompson's interest was the ability to take notes directly on the electronic board documents, highlight verbiage and be able to refer back to these notes and highlights. He stated that iAnnotate provides these features and the District will also save money by utilizing iAnnotate for this functionality.

Assistant Chief Segura indicated that it is a powerful tool and, if Directors' wish, they can add video and voice memos as well. He also indicated that there are a number of key benefits that have not been presented.

It was discussed that Directors may choose to utilize their own iPads or one issued by the District. Directors can try the new software and provide feedback to staff if it meets their needs.

Director Robak indicated that he is encouraged that the District is heading in this direction. He stated that he has viewed Board Docs and his first impression of the software is that it is an easier tool than Adobe Professional or iAnnotate. He

indicated that software like Granicus and Board Docs provide an interface for the public to the District's board documents. He indicated that he felt that Board Docs was a more robust program. He stated that he was supportive of cost effectiveness, but he would like something more interactive; like including hyperlinks, etc. He indicated that what was presented today is a good start, but he would like to see something more robust.

Assistant Chief Segura indicated one of the District's initiatives is to make over the Otay WD's public website. Possibly adding a mobile application and some social elements to facilitate community outreach and vice versa. Staff will bring back to the board a proof of concept that is very budget conscious.

Attorney Romero noted that the District's board packet must be somewhat static due to Brown Act restrictions. The same documents/information presented to the board must be available to the public as well. Thus, information available through hyperlinks in the board documents must also be available to the public. There was further discussion of the possibility that the information in the hyperlinked websites could no longer exist in the future. General Manager Watton inquired what would be the impact if a member of the public requested the documents the board utilized to make a decision and the hyperlinked information, at the time of the request, no longer existed. General Manager Watton asked Attorney Romero to do research regarding hyperlinks in board documents and what the implications are for the District's record keeping requirements.

The board supported moving forward with a paperless system and the use of iPads and the iAnnotate application for receiving and reviewing the board materials.

16. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:44 p.m.

President

ATTEST:

District Secretary

**President's Report
April 8, 2014 Board Meeting**

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

- 1) **March 6: Attended a meeting of the Metro Commission** (see attached agenda)
- 2) **March 11:**
 - a. **Met with the District's Proposed Negotiator, Rick Bolanos**, Managing Partner with Liebert Cassidy Whitmore. Attendees: Director Thompson and General Manager Watton
 - b. **Attended the District's Regular Board Meeting**
- 3) **March 12: Attended a meeting of the Water Conservation Garden** (see attached copy of agenda)
- 4) **March 14: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the March Committee meetings.
- 5) **March 17: Attended the District's Desalination Project Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the April board meeting.
- 6) **March 18: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the April board meeting.
- 7) **March 29: Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the April Board Meeting.