

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
May 7, 2014**

1. The meeting was called to order by President Lopez at 3:40 p.m.

2. ROLL CALL

Directors Present: Gonzalez, Lopez, Robak and Thompson

Directors Absent: Croucher (Work Commitment)

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

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR MEETING OF APRIL 8, 2014

A motion was made by Director Lopez, seconded by Director Robak and failed with the following vote:

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

Directors Gonzalez and Thompson indicated that they did not attend the April 8, 2014 board meeting and wished to abstain. The minutes will be presented for consideration at the next regular board meeting scheduled on June 4, 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 Thompson pulled items 6a, APPROVE AN AGREEMENT WITH KIRK PAVING IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR AS-NEEDED ASPHALT PAVING SERVICES FROM JULY 1, 2014 THROUGH JUNE 30, 2015; 6b, AWARD A PROFESSIONAL ENGINEERING DESIGN SERVICES CONTRACT TO RICK ENGINEERING COMPANY FOR THE DESIGN AND CONSTRUCTION SUPPORT OF THE CAMPO ROAD SEWER MAIN REPLACEMENT PROJECT IN AN AMOUNT NOT-TO-EXCEED \$805,705; and 6d, RECEIVE THE DISTRICT'S INVESTMENT POLICY, BOARD OF DIRECTORS POLICY NO. 27, FOR REVIEW AND ADOPT RESOLUTION NO. 4233 REDELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607; for discussion.

Director Robak pulled item 6e, APPROVE THE UPDATED WATER SUPPLY ASSESSMENT AND VERIFICATION REPORT DATED JANUARY 2014 FOR THE OTAY RANCH RESORT VILLAGE PROJECT AS REQUIRED BY SENATE BILLS 610 AND 221; for discussion.

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

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

to approve the following consent calendar items:

- c) DECLARE A LIST OF IDENTIFIED VEHICLES AND EQUIPMENT AS SURPLUS TO THE DISTRICT'S NEEDS
- f) REAFFIRM RESOLUTION OF INTENTION, NOS. 4219 AND 4220, INITIATING THE PROCESS FOR THE EXCLUSION OF PARCELS WITHIN IMPROVEMENT DISTRICT'S (IDs) 19 AND 25 AND ALSO AMEND THESE RESOLUTIONS TO REVISE THE DATE OF THE

PUBLIC HEARING TO JUNE 4, 2014, TO RECEIVE PUBLIC COMMENTS REGARDING THE DISTRICT'S INTENTION TO ANNEX THE EXCLUDED PARCELS IN IDs 19 AND 25 INTO IDs 22 AND 20, RESPECTFULLY

President Lopez presented item 6a for discussion:

- a) APPROVE AN AGREEMENT WITH KIRK PAVING IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR AS-NEEDED ASPHALT PAVING SERVICES FROM JULY 1, 2014 THROUGH JUNE 30, 2015

Director Thompson waived staff's presentation and commented that he wished to have a general idea of where the District's vendors are located; if local firms or firms from other regions were submitting bid proposals for District projects. He requested, for future staff reports, that staff indicate if firms are local or not. Utility Services Manager Jose Martinez stated that all the firms who submitted bid proposals for this specific project were local firms.

Director Thompson inquired how the weighting is determined in the scoring of the bids. Utility Services Manager Martinez referenced Attachment B to staffs' report and indicated that the weighted scores are based on the frequency that the District requires a particular type of service performed (i.e., Asphalt Paving 0" to 6", Satin Seal, etc.). Based on how often the District utilizes a particular service, a weighted value of 1 to 10 is assigned to the various services with 10 being the most often and 1 the least often. Mr. Martinez noted that the weights and scores result in the lowest bid which is equivalent to the lowest cost.

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

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

to approve staffs' recommendation.

President Lopez presented item 6b for discussion:

- b) AWARD A PROFESSIONAL ENGINEERING DESIGN SERVICES CONTRACT TO RICK ENGINEERING COMPANY FOR THE DESIGN AND CONSTRUCTION SUPPORT OF THE CAMPO ROAD SEWER MAIN REPLACEMENT PROJECT IN AN AMOUNT NOT-TO-EXCEED \$805,705

Director Thompson waived staff's presentation and inquired if there was a change of services that influenced Rick Engineering's fee decrease of approximately \$180,000 from its original bid. Engineering Manager Bob

Kennedy stated no, there was no change in service. At Director Thompson's request, Engineering Manager Kennedy explained the District's Request for Proposal (RFP) selection process. He stated that after staff evaluates and scores all written proposals and interviews candidates, they open bid proposals that are submitted separately from RFPs. After determining that Rick Engineering had the highest score for their services, the District was able to negotiate fees with Rick Engineering that resulted in a fee decrease of approximately \$180,000. It was noted that the selection of a vendor in a RFP process is not based on the lowest bidder. Engineering Manager Kennedy stated that the District selects a vendor based on their extensive and direct experience in the project area, comprehensive understanding of the scope of work, proposed method to accomplish the work, and best overall value.

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

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

to approve staffs' recommendation.

- d) RECEIVE THE DISTRICT'S INVESTMENT POLICY, BOARD OF DIRECTORS POLICY NO. 27, FOR REVIEW AND ADOPT RESOLUTION NO. 4233 REDELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICE IN ACCORDANCE WITH GOVERNMENT CODE SECTION 53607

Director Thompson inquired regarding the difference between eligible investments for Indenture versus the District's policy. He asked if an Indenture gives authorization for an investment that is not consistent with the District's policy, does it require the District to potentially amend its policy. He also noted that the District has delegated investments to a Trustee and inquired if the Trustee can invest those funds.

Finance Manager Kevin Koeppen indicated that the Trustee makes investments under the direction and authorization of the District. Historically the District has invested in relation to the policy and not necessarily the indenture. The investment decisions for those funds have been policy based.

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

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

Absent: Director Croucher

to approve staffs' recommendation.

- e) APPROVE THE UPDATED WATER SUPPLY ASSESSMENT AND VERIFICATION REPORT DATED JANUARY 2014 FOR THE OTAY RANCH RESORT VILLAGE PROJECT AS REQUIRED BY SENATE BILLS 610 AND 221

In response to a question from Director Robak, Environmental Specialist Lisa Coburn-Boyd stated that recycled water will not be used for the Otay Ranch Resort Village Project. General Manager Watton stated that District staff has tried to advocate for recycled water for the Project and believes that the city of San Diego should be able to provide recycled water since it has an urban interceptor near the project area that surrounds the lake to catch run-off flows from the development. However, the city of San Diego removed the recycled water service from the project plans because the City was concerned about salt loading from the project area into the Otay Reservoir. The city of San Diego believes this problem would be exacerbated by the proposed use of recycled water to irrigate landscaping in the project area.

Director Thompson inquired if the city of San Diego has adequately looked at any mitigation or studies to possibly consider providing recycled water to the project area. He suggested that the District continue to advocate for recycled water and request that the city of San Diego look into all mitigation measures that are available. He believes that recycled water should be available as it is anticipated that the development will expand in this area in the future.

General Manager Watton stated that there is a plan to provide recycled water to the area in the future, which is tributary to the city of San Diego's Metro sewer. The Metro sewer includes a plan to provide water reuse and indirect potable reuse water that involves the Southbay plant. Eventually, it is contemplated that the Southbay will have indirect potable reuse (15 mgd). General Manager Watton believes that economically, placing a separate small plant near the Otay Ranch Resort Village Project does not make sense as a larger plant will be available in the future.

In response to a question from General Manager Watton, Engineering Manager Bob Kennedy stated that currently, the District has a permit with the Regional Quality Control Board (RQWCB) that allows it to use recycled water from a hydrological unit. This development is not within the District's permit and would have to modify our regional permit to allow the District to use recycled water from the hydrological unit. The RQWCB will defer to the city of San Diego to allow that change, but the city of San Diego has indicated that they would not allow any users in the basin to utilize recycled water. Engineering Manager Kennedy also indicated that the city of San Diego would not issue a permit for the District's easement allowing the District to construct a recycled water pipeline. It was noted that the city of San Diego already has water quality problems in the basin

and plans to install a demand at the Regional South Bay Reclamation Facility to remove salt from recycled water because it already exceeds the limited standards.

General Manager Watton indicated that the District requested from the developer a letter stating that the city of San Diego was opposed to recycled water for the Project. This letter, which is attached to the staff report, is intended to be used during the District's discussions with the city of San Diego as it negotiates the amount of recycled water it is obligated to purchase from the City.

Director Robak indicated that he supports the project but recommended to table the Water Supply Assessment and Verification Report (WSA&V) until the city of San Diego provides a solution to the recycled water issues. He believes that it is important to advocate for recycled water for the subject area, especially during a time when the state is experiencing drought issues. He stated that it would be beneficial to everyone, not just for this Project alone, to establish recycled water for the area.

Director Thompson stated that tabling the WSA&V Report is not an appropriate action since staff already made a determination that there is sufficient potable water supply for the project. However, he believes that the District should request that staff look at the recycled water issues and research solutions to the problems.

Engineering Manager Kennedy stated that Senate Bills 610 and 221 does mandate the District to prepare a WSA&V Report to be included in the California Environmental Quality Act (CEQA) environmental documentation within 90 days of the City's and County's request. Mr. Kennedy noted that May 8, 2014 was the deadline to respond to the agencies.

Mr. Sean Kilkenny from Otay Ranch New Homes addressed the board with an update of the project's progress. He reported that his firm submitted its fifth screen check Environmental Impact Report (EIR) to the city of San Diego and expects to receive comments in approximately 2-3 weeks. After the EIR is completed, the firm will update technical reports and schedule a public review in September 2014, and then a 45-day public review will follow in October 2014. It is anticipated that the planning commissioner and the Board of Supervisors will have a final review late next year in 2015. Mr. Kilkenny clarified that the previous WSA&V was approved for potable water with a footnote indicating that the developer will continue to work with the city of San Diego to try and obtain recycled water. He noted that the city of San Diego required the developer to research the environmental impacts (i.e. nitrate and phosphate levels) on the overall quality of the water when using potable water for the project. He deferred to Mr. Scott Molloy to provide additional information regarding the results of the environmental impacts from the Project.

Mr. Scott Molloy from Baldwin and Sons, Inc. stated that the environmental impact report showed that over time there would be a salt increase using potable

water in the reservoir. He stated that the salt level is already above the city of San Diego's standard for TMDL, and believes that this is why the City is concerned about using recycled water for the project.

General Manager Watton stated that the overall picture shows a sufficient amount of potable water supply for the Project. The District can go to the Regional Quality Water Control Board and advocate for recycled water, but the city of San Diego will be opposed to it because of all of its documented reasons which includes the reservoir being classified as an impaired body of water.

In response to a question from Director Thompson, General Manager Mark Watton stated it is anticipated that the Rosarito Desalination Project will supply water to the Otay Mesa Area, which includes this Project.

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

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

to approve staffs' recommendation.

ACTION ITEMS

8. BOARD

a) DISCUSSION OF THE 2014 BOARD MEETING CALENDAR

There were no changes to the board meeting calendar.

REPORTS

9. GENERAL MANAGER'S REPORT

General Manager Watton presented a letter to the board from the District's auditor, Teaman, Ramirez & Smith, Inc. (TRS), that provided information on the firm's responsibility under the *U.S. Generally Accepted Auditing Standards and Government Auditing Standards*. Also provided to the board was a copy of the Federal Register Notice dated, May 1, 2014, that included a Notice of Receipt of an Application by Otay Water District requesting the issuance of a Presidential Permit authorizing the construction, connection, operation, and maintenance of a cross-border pipeline facility for the importation of desalinated water on the border of the United States and Mexico. General Manager Watton indicated that the State Department has been contacted by environmental groups with questions about the desalination project. He stated that he believes that the

project is getting interest because of its publication in the Federal Register Notice.

He then presented information from his report which included the District's Employee Picnic and Holiday Dinner, the hiring of a Purchasing & Facilities Manager and an Information Technology Manager, NIMS/SEMS/ICS Program Review/Training, Water and Sewer Capacity and Annexation Fee Study, MWD's increase of the turfgrass removal incentive, and the Best in District Landscape Contest winners George and Donna McWalter of Spring Valley who reside in Director Croucher's division.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton 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 reported that CWA will soon be considering an item on pump/storage which he believes will be complicated because of the indirect potable reuse (IPR) and the studies related to IPR. Mr. Watton stated that the District was advocating that the pump/storage item be postponed until the District had a better handle on IPR and the kind of studies that are needed for the lake in San Vicente. He believes that the city of San Diego and CWA are working together on a protocol, but at this time there is no agreement between the two on how the pump/storage project will move forward. Mr. Watton reported that CWA will be considering its budget soon and indicated that the District's Chief Financial Officer has met with CWA's financial staff to get a better understanding of what to anticipate with CWA's proposed rates. District staff will provide more information on CWA's proposed rates at the May 19, 2014 Budget Workshop.

10. DIRECTORS' REPORTS/REQUESTS

Director Robak shared that he attended the Spring Garden Festival at the Water Conservation Garden this past Saturday and stated that he plans to establish a garden at his home with the help of a professional landscape consultant. He also shared his thoughts about the recycled water issue in the south bay area and stated that he is very empathetic to the ongoing drought issues. He believes that recycled water is very important to pursue considering the magnitude of the impact on the drought that the State is experiencing.

Director Thompson reported that he attended the City of Chula Vista Community Forum on water conditions and acknowledged Councilmember Mary Salas' attendance at the Forum. He stated that he was impressed with the number of attendees at the meeting. He indicated they discussed the drought and the state of water in the South Bay. He commended Communications Officer Armando Buelna on the good job he did on presenting the District's plans to deal with future water supplies, which included information on the District's desalination project.

Director Thompson also reported that he, President Lopez, and General Manager Watton met to discuss the renewal of the District's contract with the Water Conservation Garden and assigning an alternate on the Garden's board. He would like the District to continue maintaining a good relationship with the Garden.

Director Gonzalez shared that he participated as a judge in a WaterReuse Association Science and Engineering Contest where high school students presented their projects. He was impressed with the intelligence of the students and stated that there were projects presented on desalination and some comparing different types of laundry detergents which are harmless when mixed into water. The water can then be reused to water plants/landscapes. He stated that he enjoyed participating in the event and believes that it is important to educate the younger generation about drought and how to reuse water.

Director Gonzalez also reported that there was work being done near the Eastlake Clubhouse in Chula Vista and complimented the District's traffic crew for doing a great job in directing traffic in the area.

Director Gonzalez also shared that he attended the City of Chula Vista Community Forum for water awareness and stated that there was a good turnout. He also shared that the City of Chula Vista will be holding its Annual Lemon Festival and noted that participating in the City's events is a great way to keep up with what's going on in the community.

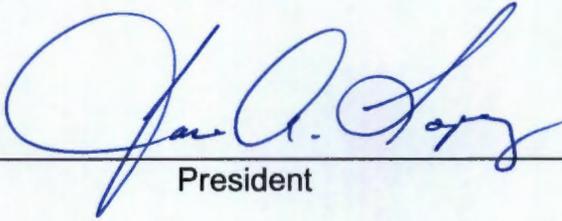
Director Thompson indicated that there will be a class at Southwestern College called California Friendly Landscape sponsored by the County Water Authority. He requested that this information be posted on the District's website. District Secretary Susan Cruz stated that information concerning the class is currently not available, but will be provided on the District's website once a class is scheduled and information is available.

11. PRESIDENT'S REPORT

President Lopez reported on meetings he attended during the month of April 2014 (a list of meetings he attended is attached). He highlighted with regard to a meeting of the Water Conservation Garden Outreach Committee that the Committee is considering recruiting more agency members, increasing community outreach, and obtaining more funding for the Garden. He also shared that he met with the new CESPT Director Alfonso Alvarez Juan along with District staff and they discussed the Rosarito Desalination Project and CESPT's process for transporting water. He also reported that at the next Metro Wastewater JPA meeting, there are plans to discuss the demineralization plant in the South Bay area.

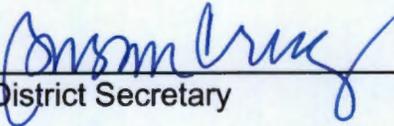
12. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 4:47 p.m.



President

ATTEST:



District Secretary

President's Report
May 7, 2014 Board Meeting

A) Meetings attended during the Month of April 2014:

- 1) **April 8: Attended the District's Regular Board Meeting**
- 2) **April 14: Attended a Meeting to Discuss the Water Conservation Garden.** Attendees: Director Thompson and General Manager Watton
- 3) **April 15: Attended a meeting of the Ad Hoc Employee Negotiations Committee.** Discussed negotiations matters.
- 4) **April 16: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the April Committee meetings.
- 5) **April 21: Met with Diputado Jaime Bonilla of Mexico.** Discussed issues related to the Rosarito Desalination Project. Attendees: General Manager Watton
- 6) **April 22: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the May board meeting.
- 7) **April 25: Met with new CESPT Director Alfonso Alvarez Juan.** Attendees: General Manager Watton, Chief of Engineering Posada, Chief of Operations Porras and the District's Binational Consultant Hector Mares
- 8) **April 28: Attended the Water Conservation Garden Outreach Committee Meeting.**
- 9) **April 29: City of Chula Vista Community Forum on Water Conditions in the City of Chula Vista.** Attendees: Directors Thompson and Gonzalez, General Manager Watton and Communications Officer Buelna
- 10) **April 30: Attended the Metro Commission's Finance Committee**
(see attached copy of agenda)