

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING OF THE  
OTAY WATER DISTRICT  
January 6, 2016**

1. The meeting was called to order by President Lopez at 3:38 p.m.

2. ROLL CALL

Directors Present: Lopez, Smith and Thompson

Directors Absent: Croucher (due to a work commitment) and Robak (out-of-town)

Staff Present: General Manager Mark Watton, General Counsel Daniel Shinoff, Asst. GM German Alvarez, Chief of Engineering Rod Posada, Chief Financial Officer Joe Beachem, Chief of Information Technology Geoff Stevens, Chief of Operations Pedro Porras, Asst. Chief of Administration and Information Technology Adolfo Segura, Asst. Chief of Operations Jose Martinez, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. PRESENTATION OF RECOGNITION PLAQUE TO BOARD PRESIDENT

Vice President Thompson presented a recognition plaque on behalf of the Board of Directors and staff to Board President Lopez to thank him for his excellence in leadership and dedicated service to the District during the past year.

6. ELECTION OF BOARD PRESIDENT

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

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

to elect Director Thompson as President.

7. ELECTION OF VICE PRESIDENT

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

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

to elect Director Lopez as Vice President.

8. ELECTION OF BOARD TREASURER

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

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

to elect Director Smith as Treasurer.

9. ADJOURN OTAY WATER DISTRICT BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT FINANCING AUTHORITY BOARD MEETING

President Thompson adjourned the Otay Water District board meeting at 3:50p.m. and convened the Otay Water District Financing Authority board meeting.

10. ROLL CALL

Directors Present: Lopez, Smith and Thompson

Directors Absent: Croucher and Robak

11. RE-AFFIRM OFFICERS OF THE OTAY WATER DISTRICT FINANCING AUTHORITY

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

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

to elect Director Thompson as President, Director Lopez as Vice-President, General Manager Watton as Executive Director, Chief Financial Officer Joe Beachem as Treasurer/Auditor, and District Secretary Susan Cruz as Secretary.

12. ADJOURN OTAY DISTRICT FINANCING AUTHORITY BOARD MEETING AND CONVENE THE OTAY WATER DISTRICT BOARD MEETING

President Thompson adjourned the Otay District Financing Authority board meeting at 3:53p.m. and reconvened the Otay Water District board meeting.

13. APPROVE THE MINUTES OF THE BOARD MEETINGS OF JUNE 3, 2015 AND OCTOBER 7, 2015

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

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

to approve the minutes of the regular board meetings of June 3, 2015 and October 7, 2015.

14. 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.

15. PRESENTATION OF 2015 MILESTONE AWARD RECOGNIZING THE OTAY WATER DISTRICT FOR UTILIZING TARGET SOLUTIONS TO HELP KEEP ITS WORKFORCE SAFE SINCE 2000

Assistant Chief of Administration and Information Technology Adolfo Segura indicated that the District was recognized with a *Milestone 15 Year Award* at a recent annual public safety conference. The award recognizes the District's ongoing safety training commitment through the utilization of the Target Solutions online training system. Safety and Security Specialist Oscar Ramirez indicated that the District has been using the Target Solutions training system since 2000. As a member of the Special Districts Risk Management Association (SDRMA), the system is provided free of cost to the District. It allows the District to provide regulatory safety, policy, and continuing education certification training, and provides significant cost savings as District does not need to send employees to outside training.

### CONSENT CALENDAR

16. 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:

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

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

to approve the following consent calendar items:

- a) AWARD A CONSTRUCTION CONTRACT TO ADVANCED INDUSTRIAL SERVICES, INC. FOR THE 980-1 RESERVOIR INTERIOR/EXTERIOR COATINGS AND UPGRADES PROJECT IN AN AMOUNT NOT-TO-EXCEED \$876,500
- b) AWARD A PROFESSIONAL AS-NEEDED LAND SURVEYING SERVICES CONTRACT TO HUNSAKER AND ASSOCIATES SAN DIEGO, INC. IN AN AMOUNT NOT-TO-EXCEED \$175,000 FOR A PERIOD OF THREE (3) FISCAL YEARS (FY 2016 THROUGH FY 2018, ENDING JUNE 20, 2019)
- c) APPROVE A PURCHASE ORDER TO ROCKWELL ENGINEERING AND EQUIPMENT IN AN AMOUNT NOT-TO-EXCEED \$326,160 FOR THE PURCHASE OF TWO (2) REPLACEMENT PORTABLE WATER PUMPS AND DECLARE THE TWO (2) OLDER PUMPS SURPLUS

### ACTION ITEMS

17. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

a) APPROVE A FINE OF \$1,000 FOR METER TAMPERING AT 617 DIAMOND DRIVE IN CHULA VISTA (CAREY)

Customer Service Manager Andrea Carey indicated that staff is requesting that the board uphold staff's recommendation to impose a \$1,000 fine for meter tampering at 617 Diamond Drive in Chula Vista. Please reference the Committee Action notes (Attachment A) attached to the staff report for the details of Ms. Carey's report.

General Manager Watton indicated that Mr. Juan Calderon has written a letter of appeal and has acknowledged and apologized for his action. He stated that this is the first time a District's customer has admitted to his actions and he wished to note this to the board. He stated it is up to the board's discretion on how they wish to handle Mr. Calderon's appeal.

Director Smith indicated the District's Finance, Administration and Communications Committee discussed that they wished to assure customers are informed of the District's ability to detect meter tampering and asked staff to publicize this fact to the District's customers. Staff indicated that the information has been included in previous newsletters to customers and that the information will be published again in the newsletter.

There was discussion that the District does offer payment plans for up to one (1) year.

Mr. Calderon apologized for tampering with his meter and indicated that he regrets his actions. He requested that the board waive the fine as he is disabled and lives only on social security and would be unable to pay the fine.

The board thanked Mr. Calderon for his honesty. A motion was made to reduce the penalty to \$500.

The motion was made by Director Lopez, seconded by Director Smith and carried with the following vote:

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

to impose a penalty of \$500 (half the original penalty of \$1,000) to Mr. Calderon for tampering with his meter.

b) ADOPT ORDINANCE NO. 552 AMENDING APPENDIX A OF THE DISTRICT'S CODE OF ORDINANCES WITH THE APPROVED WATER RATE INCREASE TO BE EFFECTIVE ON MARCH 1, 2016

Finance Manager Rita Bell requested that the Board adopt Ordinance No. 552 to amend Appendix A of the District's Code of Ordinances with the approved water rate increase to be effective on March 1, 2016. Please reference the Committee Action notes (Attachment A) attached to the staff report for the details of Ms. Bell's report.

In response to an inquiry from Director Smith, Ms. Bell indicated that the District has two (2) fixed fees under the current rate structure:

1. MWD/CWA's fee which is passed through directly to the District's customers
2. District's System fee which pays for the District's fixed costs (i.e., reading meters, etc.)

The District also has variable fees:

1. Usage Fee
2. Energy Fee
3. Government Rate Fee

Because the Energy Fee and Government Rate Fee is tied directly to a cost, the only fees that the District can put the cost on is the Fixed System Fee or the Usage Fee. Best Management Practice 1.4 (BMP) recommends that fixed fees be set no higher than 30% of total revenues. She stated because the District had an unexpected increase in variable costs (recycled water rate increase from the City of San Diego and a drop in water sales), placing the increase on fixed fees would increase the District's fixed fees above the recommended 30% of total revenues to 37%. Thus, the increase will be placed on the Usage Fee which is a variable fee. There are no legal implications for placing the increase on the Usage fee, but having fixed fees higher than 30% would cause the District to lose its eligibility for some grant funding.

General Manager Watton indicated that there are discussions regarding Cost of Service Studies (COSS) Statewide. He stated that the way the industry is evolving, it is getting harder to meet the BMP 1.4 standard of fixed costs being no higher than 30% of total revenues and the District has been discussing performing a COSS. He indicated that the Board has the discretion to set the rate different from the BMP 1.4 standard, but there will be an impact to the District's eligibility for grant funding.

It was further discussed that it is a State agency, the California Urban Water Conservation Council, that sets the BMP standard. The board requested that

staff contact the agency to see if there are plans to change that standard and that staff also inquire what other agencies are doing.

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

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

to approve staffs' recommendation.

c) REJECT THE CLAIM BY DONICE AND DONITA BLALOCK

Finance Manager Kevin Koeppen indicated that staff is requesting that the Board reject the claim in the amount of \$300,000 submitted by Donice and Donita Blalock for damages to their residence caused by the Hillsdale Road water main break. He indicated that District Policy 29 requires that claims greater than \$10,000 be acted upon by the Board. He stated that it is the District's practice to deny such claims to begin the statute of limitations for bringing legal action in the matter. The claim has been forwarded to the District's liability insurer, Special Districts Risk Management Authority (SDRMA), for handling and they have directed the District to deny the claim due to the claims inclusion of losses that are not a direct result of the main break and losses, to date, which have not been substantiated. SDRMA has provided the Blalock's with a good faith offer of \$50,000 and a \$25,000 check to assist with any immediate financial burdens related to the break.

In response to an inquiry from Director Thompson, Finance Manager Kevin Koeppen indicated that following the rejection of the claim by the board, a rejection letter would be forwarded to Mr. and Mrs. Blalock. They would then have six (6) months to file a lawsuit. If the Blalock's decide to file a lawsuit, it would be handled through SDRMA as it is an insurance matter. SDRMA is currently working to settle the matter.

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

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

to approve staffs' recommendation.

18. BOARD

a) DISCUSSION OF THE 2016 BOARD MEETING CALENDAR

There were no changes to the board meeting calendar.

INFORMATIONAL ITEM

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

d) FIRST QUARTER OF FISCAL YEAR 2016 CAPITAL IMPROVEMENT PROGRAM UPDATE REPORT

Engineering Manager Dan Martin provided an update on the 1<sup>st</sup> quarter of the District's Capital Improvement Program. Please reference the Committee Action notes (Attachment A) attached to the staff report for the details of Mr. Martin's report.

In response to an inquiry from Director Lopez, Engineering Manager Martin indicated that the change order percentage last fiscal year was less than 5%. The target is 5%.

Engineering Manager Martin responded to an inquiry from Director Thompson indicating that the timing of each of the individual reservoir coatings will not impact the CIP as some tanks coatings will last longer than anticipated and some will last a little shorter. It was indicated that this is a critical tank in the 980 zone and the interior was scheduled for recoating in 2019. In evaluating the reservoir, however, it required a new interior coating now and, as it would be more cost effective, it was decided to do the exterior coating at the same time. It was noted that the exterior coating was last done in 1986. It was explained that this reservoir's interior coating just happened to require recoating earlier than scheduled, but other reservoirs will last longer than scheduled. The main goal is to keep the District's reservoirs maintained to extend its life which would, overall, provide savings.

e) REVIEW THE LATEST ACTUARIAL REPORT AND THE ACTUARIAL EVALUATION DETERMINING THE NET COST OR SAVINGS OF THE OTHER POST EMPLOYMENT BENEFIT PLAN ENHANCEMENT VERSUS THE INCREASED EMPLOYEE CONTRIBUTIONS TO PERS (KOEPPEN)

Finance Manager Kevin Koeppen reviewed the results of the actuarial studies related to the District's Other Post Employment Benefit Plan (OPEB). Please

reference the Committee Action notes (Attachment A) attached to the staff report for the details of Mr. Koeppen's report.

In response to an inquiry from Director Smith, Finance Manager Koeppen indicated that the enhancement to the OPEB Plan was offset by the District employees increasing their contribution to PERS in 2011. Employees' contributions to PERS increased from 1% to 8% over a two (2) year period as an offset to the OPEB healthcare enhancement benefit. The actuarial study on the District's OPEB fund performed by Bartel and Associates was questioned at the time. The District then had Milliman, Inc., the largest firm in the Country, review the actuary study performed by Bartel and Associates and they confirmed the assumptions used in the study were reasonable. General Manager Watton indicated that the District will be scheduling a Board Workshop to review this most recent Actuarial Study at the request of the District's Administration, Finance and Communications Committee.

It was discussed that the District had set aside a large fund prior to the trust for OPEB funds becoming available and the District was one of the first agencies to place their funds in a Trust once it did become available. The District was approximately 55% funded when the funds were placed in the Trust and it will be a 100% funded in the next few years. It was indicated that once the District is fully funded, the cost will substantially decrease.

Director Thompson indicated that he felt it would be a good idea to discuss, as part of next year's budget, whether the District should slow down the funding of the OPEB fund due to the impact of the drought on the District's budget.

## REPORTS

### 20. GENERAL MANAGER'S REPORT

#### SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that there are handouts on the dias for the members of the board which includes a powerpoint on the Bay Delta Conservation Plan/California WaterFix. He stated that CWA has not taken any action that would oppose or support the Bay Delta fix, but they have been asking a lot of questions regarding the viability of the finances. The Governor's Cabinet Secretary for the Department of Water Resources has asked that the public wait until all the information on the financial aspects of the plan be published before they cast their judgement on the plan. This was indicated approximately a year ago and the information has still not yet been published. Thus, it is difficult for the CWA to make judgement on whether to support the plan or not. He also shared that the CWA is being criticized by some of the MWD member agencies that they (CWA) are taking a position on the Bay Delta Plan when, in fact, the CWA has not. CWA Chair, Mr. Mark Weston, has written a letter to the Governor

stating that the CWA has not taken any position on the Bay Delta Plan. The CWA will continue to review the Plan as it becomes available.

General Manager Watton also indicated that a copy of the Water Desalination Report has been provided to the board on the dias and the report mentions that the Otay WD has signed an Letter of Interest with Consolidated Water Company. He noted that he has also forwarded a letter of interest to the State of Baja, Mexico, expressing the District's interest in purchasing water from the Rosarito Desalination Project.

General Manager Watton lastly presented information from his report that included health care reform, the recruitment for a Communications Officer due to an upcoming retirement and a Communications Representative, the District's hosting of the ESRI Roundtable, the Cost of Service Study, Sweetwater Authority's request for an emergency connection, the District' preparation for the El Niño weather.

Following General Manager Watton's report, Director Lopez requested a demonstration of the District's GIS system and how the District utilizes the system.

In response to an inquiry from Director Thompson, Finance Manager Rita Bell indicated that staff is reporting what has been budgeted for both potable and recycled water purchases and what the District is actually achieving. The District's budget accounts for seasonality, whereas the report to the State is a direct comparison of residential water consumption for 2013 and 2015. Thus, there is some variability. It was indicated in response to an inquiry from Director Smith that the District's residential customers achieved 19% conservation in the month of November (comparing November 2013 to November 2015) and that December's conservation percentage is not yet available. However, she stated that by looking at the water sales numbers, it is predicted December's savings will be lower than November's savings. Staff had anticipated that the savings would be less during the winter as much of the water savings is in customers' landscapes and less water is used in the landscape during the winter.

It was also discussed that the implementation of the rate increases on January 1 and March 1, 2016 should help counter the District's current negative revenue to expense ratio. It is expected that following the March 1 increase, the District will be back on budget.

## 21. DIRECTORS' REPORTS/REQUESTS

Director Smith indicated that in addition to his attendance of the Engineering, Operations and Water Resources Committee and the Regular Board Meeting last month, he attended the Carlsbad Desalination Plant Dedication on December 14, 2015. He indicated that Directors Lopez and Thompson also attended the

dedication and it was well attended by members from all over the State of California. He stated there was approximately 600 attendees and it was indicated that the plant was named after the former Mayor of Carlsbad, Mr. Bud Lewis. He stated that he understands that the Carlsbad Desalination Plant is the largest desalination plant in the western hemisphere.

Director Thompson indicated that the quality of the water received he is receiving at his home is very good. He stated that he had done a blind taste test with the members of his household and none could tell the difference between bottled drinking water and tap water. He also shared that he has purchased more rain barrels and he now has seven (7) barrels and they are all overflowing with water from the recent rains and he has plenty of water for his plants.

22. PRESIDENT'S REPORT

President Lopez reported on meetings that he attended during the months of November and December 2015 (a list of meetings he attended is attached).

23. CLOSED SESSION

The board recessed to closed session at 5:23 p.m. to discuss the following matters:

a) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9:

1 CASE

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

PATRICIA MOSS v. OTAY WATER DISTRICT, et. al.; CASE NO. 37-2014-00005818-CU-OE-CTL

24. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened from closed session at 6:34 p.m. and General Counsel Shinoff indicated that the board met in closed session and took no reportable actions.

25. ADJOURNMENT

With no further business to come before the Board, President Thompson adjourned the meeting at 6:34 p.m.

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President

ATTEST:

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District Secretary

**President's Report  
January 6, 2016 Board Meeting**

**A) Meetings attended during the Month of November 2015:**

- 1) **Nov 4: Attended the District's Regular Board Meeting.**
- 2) **Nov 17: Attended the City of San Diego Council Meeting to protest their recycled water rate increase during their rate hearing.** Attendee: Director Thompson, General Manater Watton, Communications Officer Buelna, District Consultant Susy Villegas.
- 3) **Nov 18: Attended the District's Sperial Board Meeting** to discuss the impact of the City of San Diego's recycled water rate increase and conservation due to the Governor's madate.

**B) Meetings attended during the Month of December 2015:**

- 1) **Dec 4: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the December FA&C and EO&WR Committee meetings.
- 2) **Dec 5: Attended the District's Employee Holiday Dinner.**
- 3) **Dec 7: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the January board meeting.
- 4) **Dec 8: Attended the District's Engineering, Operations and Water Resources Committee on Director Croucher's behalf.** Reviewed, discussed, and made recommendation on items that will be presented at the January board meeting.
- 5) **Dec 14: Attended the Carlsbad Desalination Plant Dedication Ceremony.** Attendees: Directors Robak, Smith and Thompson and General Manager Watton.
- 6) **Dec 15:**
  - a. **Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the January 6 Board Meeting.

b. **Attended the District's Special Board Meeting** to discuss a couple of closed session matters.