

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
February 3, 2016**

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

2. ROLL CALL

Directors Present: Lopez, Robak, Smith and Thompson

Directors Absent: Director Croucher (out-of-town)

Staff Present: General Manager Mark Watton, General Counsel Dan Shinoff, Asst. General Manager 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 Lopez, and seconded by Director Robak and carried with the following vote:

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

to approve the agenda.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETINGS OF SEPTEMBER 2, 2015 AND NOVEMBER 4, 2015

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

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

to approve the minutes of the regular board meetings of September 2 and November 4, 2015.

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.

7. DEMONSTRATION OF THE GEOGRAPHICAL INFORMATION SYSTEM

Geographic Information System (GIS) Manager Ming Zhao provided a presentation on the District's GIS system and the benefits of its use. She indicated that GIS is a computer platform that allows staff to organize the District's information by layers; imagery, elevation, addresses, parcels, boundaries, and other utility information, such as, pump stations, reservoirs, pipelines, valves, fire hydrants, etc. She described the uses of the system which included asset inventory/location, maintenance, management and work activities. A demonstration of the system was then provided to the board.

In response to an inquiry from Director Smith, GIS Manager Zhao indicated that the parcel boundary information is the District's own and staff continually updates the information. She also noted that the District's information is highly accurate and SANGIS is requesting that the District share its information with them.

Engineering Construction Manager Brandon DiPietro and Water Utilities Supervisor Chad Thompson shared how their departments utilized the GIS in their day-to-day workflows.

Engineering Construction Manager Brandon DiPietro indicated in response to an inquiry from Director Lopez that the system ties inspection records to the person doing the actual inspection work. It was discussed that almost all working groups in the field have a laptop which allows them access to the District's GIS data from the field.

In response to an inquiry from Director Robak, GIS Manager Zhao indicated that the District only imports the 100 Year Flat Zone data and the hydraulic area from SANGIS as the District does not collect this data. The parcel data is very accurate as the District does its own control points and survey grades to locate its facilities.

Staff indicated, in response to an inquiry from Director Smith, that staff does utilize the GIS system for hydraulic modeling to design the District's systems.

Director Thompson inquired how the District is able to estimate ongoing maintenance and life cycle systems costs utilizing the GIS System. Chief of Information Technology Stevens indicated that staff is planning to implement another program called InfoMaster in Fiscal Year 2017 as part of the Asset

Management Program and in the following year (FY 2018), staff expects that it will start producing the reports for asset condition assessments, etc, that Director Thompson has referenced. Staff indicated, however, even without this program the District can determine maintenance requirements based on the age of an asset, the size of the pipe in critical service areas, etc. The new system, however, will help establish an automated business practice for asset management.

CONSENT CALENDAR

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

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

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

to approve the following consent calendar items:

- a) APPROVE CHANGE ORDER NO. 7 TO THE EXISTING CONTRACT WITH OLYMPUS AND ASSOCIATES, INC. IN THE CREDIT AMOUNT OF <\$87,259.87> FOR THE 944-1, 944-2, AND 458-2 RESERVOIR INTERIOR/EXTERIOR COATINGS AND UPGRADES PROJECT
- a) REJECT LOWEST BID BY GRFCO, INC. FOR BEING NON-RESPONSIVE FOR THE RANCHO SAN DIEGO BASIN SEWER REHABILITATION – PHASE I PROJECT (PROJECT); AND AWARD A CONSTRUCTION CONTRACT TO THE SECOND LOWEST BIDDER TRANSTAR PIPELINE, INC. FOR THE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$970,970
- a) APPROVE A PURCHASE ORDER TO ORANGE COAST DODGE IN THE AMOUNT OF \$114,542.00 FOR THE PURCHASE OF ONE (1) REPLACEMENT CLASS 4 UTILITY TRUCK AND DECLARE UNIT 154 SURPLUS
- a) APPROVE AN ENGAGEMENT LETTER WITH THE AUDITING FIRM OF TEAMAN, RAMIREZ AND SMITH, INC., TO PROVIDE AUDIT SERVICES TO THE DISTRICT FOR THE FISCAL YEAR ENDING JUNE 30, 2016
- a) ADOPT THE 2016 OTAY WATER DISTRICT LEGISLATIVE PROGRAM GUIDELINES

ACTION ITEMS

9. BOARD

- a) CAST VOTES FOR A REGULAR DISTRICT MEMBER AND AN ALTERNATE DISTRICT MEMBER ON LAFCO'S COMMISSION, EIGHT (8) POSITIONS ON LAFCO'S SPECIAL DISTRICTS ADVISORY COMMITTEE, AND TO EXTEND THE TERMS OF THE REGULAR DISTRICT MEMBER POSITIONS IN THE LAFCO SPECIAL DISTRICTS 2015 ELECTION

Director Robak indicated that he was encouraged to seek the Alternate Member position on LAFCO's Commission following the outcome of the proposed merger between Fallbrook PUD and Rainbow MWD. He stated LAFCO had voted against the merger of the two agencies and he felt that the vote was not based on fact and that the merger would have saved their ratepayers money. He indicated that he spoke at the California Special Districts Association caucus and had sent a letter to all the LAFCO member agencies requesting their support. A copy of the letter is on the dias for the board members reference. He indicated that he would like to request the board's support.

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

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

to cast the District's vote for the candidates recommended by LAFCO's Nominating Committee with the exception of the Alternate Member position and, instead, voting for Director Robak for the Alternate Member position.

- b) DISCUSSION OF THE 2016 BOARD MEETING CALENDAR

Director Lopez indicated that he will be unable to attend the March 2 board meeting as he will out of the Country traveling. Director Smith also reported that he would be unable to attend the June 1 board meeting as he will be out-of-town on that day.

There were no changes to the board meeting calendar.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton presented information from his report. He reported on the Moss vs. Otay WD lawsuit, recycled water fire hydrant installations, the

installation of vehicle charging stations at the administration building, conservation, and water purchases.

He also shared that he has provided handouts on the dias. The first is a letter to the State Water Resources Control Board (SWRCB) signed by President Thompson and a similar letter by the County Water Authority (CWA) to the SWRCB which makes some of the same points as the Otay WD letter. However, in their letter they raise the legal issues of the SWRCB's jurisdiction and authority to issue fines (Attachment A). Rainbow MWD was issued a fine by the SWRCB and they raised the same legal issues in their letter to the SWRCB. The SWRCB has since responded and essentially withdrew the fines.

The SWRCB did adopt revised regulations which provides credit for climate, growth and new water supply investments. However, there is an 8% limit on the credit and in order for an agency to receive the 8% credit, it must have at least 8% in conservation. The San Diego Region has already achieved the 8% credit limit with the Carlsbad Desalination Plant. CWA is advocating in their letter that the SWRCB provide full credit for the ongoing development of new water supplies. It is felt that the State Governor's water plan talks about developing new water supply resources, however, the SBRCB regulations do not allow the use of these new supplies. Therefore, what is the regions incentive to develop additional new supplies, such as, Potable Reuse, etc. when it cannot utilize the new water supplies from these programs? Further, the region is already at the 8% credit limit and, consequently, would not receive additional credit for developing these new resources.

He indicated that the State Governor has stated that once the snow pack reaches 150%, the drought will be over. The snow pack is currently at 130%. He also indicated that there is a memo from Brownstein, Hyatt, Farber and Schreck on the dias and it provides a good briefing on the discussion at a meeting of the Assembly Select Committee on Water Consumption and Alternative Sources (recycling and reuse).

He lastly shared regarding the CWA v. Metropolitan Water District (MWD) litigation that the judge ruled in CWA's favor on Preferential Rights and the Rate Structure Integrity provision where CWA is not allowed to receive the rebates on recycled water any longer. It is expected that the court's ruling on the matter will be filed in the summer or fall of 2017. There is still the potential that MWD will file a petition of appeal to the State Supreme Court. He indicated that once the matter completes through the appeals process, it is estimated the judgement will be in excess of \$300 million.

CWA Report

General Manager Watton indicated that MWD is finding that their treatment capacity is much greater than what is needed and that they need to make changes in order to keep their treatment rate as it is presently configured. Because less customers are utilizing the treatment process, the cost is

increasing. MWD had looked at its member agencies' 10 year rolling average water use and found that it was evenly distributed and did not wish to utilize it to determine the treatment rate. MWD also looked at water use from 15 years ago and noted that water purchased by CWA increased 25% and it seems they have decided that this is what they will be basing their treatment rate on. He indicated that CWA will not support San Diego paying an unequal share of MWD's treated water charge and there will likely be a lot of debate on the methodology that will be used to determine the treatment rate. General Manager Watton indicated that this will potentially be another challenge with MWD.

11. DIRECTORS' REPORTS/REQUESTS

Director Smith reported that he attended the AWWA Potable Reuse Symposium on January 26 where they discussed Indirect Potable Reuse (IPR). He stated that there are approximately 80 different planned IPR projects around the Country and many more unplanned IPR projects. He shared that they discussed a water agency in western Texas that could not deliver water to their customers as their wells and reservoirs had gone dry due to the drought. The agency developed a plan to provide Direct Potable Reuse (DPR) water to their customers from their wastewater treatment plant. Texas, however, received record rains before they could finish construction of the plant. They do, however, utilize the plant to collect data for the regulators. He stated that he felt it was a good conference. He also shared a graph he had drafted that depicted the District's budget, actual expenditures and the variance between the two. The trend is showing that the District's budget has started to recover in November 2015. He asked if the chart he presented could be added to the General Manager's Report so that the board could see the budget trend (budget versus actuals).

Director Lopez indicated that other than the regular Board and the Finance, Administration and Communications Committee meetings, he attended the Council of Water Utilities meeting on January 19.

Director Robak indicated approximately ten (10) years ago, he and Directors Lopez and Croucher, attended the National WateReuse Conference in St. Petersburg, Florida. He stated that they found that St. Petersburg has an extensive recycled water system which includes the utilization of recycled water in the front and back yards of all residential homes and all fire hydrants. He noted that the water is treated only to the Secondary Level and not to Tertiary Level and that they have had this program for 30 years now. He observed in the State of California it has been difficult to get a similar program approved, even to treating the water to the Tertiary Level. He indicated that he contacted the State Department of Water Resources to review the State of Florida model for recycled water use to help develop a model for the State of California. He indicated that he is frustrated that the State is unable to move forward with a recycled water program to this date. He also shared that the Water Conservation Garden (WCG) is close to selecting a new Executive Director. He indicated that he had taken a recent tour of the WCG and he felt that it has fallen into disrepair and that

he hopes the new Executive Director will put the focus on restoring the WCG so it is back to an attractive state.

12. PRESIDENT'S REPORT

President Thompson reported on meetings he attended during the month of January 2016 (a list of meetings he attended is attached).

13. CLOSED SESSION

The board recessed to closed session at 5:05 p.m. to discuss the following matter:

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

1 CASE

14. 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 5:40 p.m. and General Counsel Shinoff indicated that the board met in closed session and took no reportable actions.

15. ADJOURNMENT

With no further business to come before the Board, President Lopez adjourned the meeting at 5:40 p.m.

President

ATTEST:

District Secretary

President's Report
February 3, 2016 Board Meeting

A) Meetings attended during the Month of January 2016:

- 1) **January 6: OWD Regular Board Meeting**
- 2) **January 8: Attended the Otay Mesa Chamber of Commerce Board Meeting.** General Manager Watton presented on the City of San Diego's Recycled Water Rate Increase.
- 3) **January 11: Attended a meeting of the District's Ad Hoc Salt Creek Golf Course Development Committee.** Attendees: Director Lopez, General Manager Watton, Asst. General Manager Alvarez, Chief Financial Officer Beachem, Accounting Manager Koeppen and Mr. Gary London, The London Group Realty Advisors.
- 4) **January 14: Attended the Otay Mesa Property Owners Association Meeting.** General Manager Watton presented on the City of San Diego's Recycled Water Rate Increase.
- 5) **January 15: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the January committee meetings.
- 6) **January 19: Attended the Council of Water Utilities Meeting.** Dr. Wesley Schultz, California State University San Marcos, presented on the "Water Conservation Intern Program" and how to get people to change their behavior through messaging.
- 7) **January 20: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the February board meeting.
- 8) **January 25: Attended the City of Chula Vista Redevelopment Oversight Board Meeting.**
- 9) **January 30: Board Agenda Briefing.** Met with General Manager Watton and General Counsel Dan Shinoff to review items that will be presented at the February 3 Board Meeting. Director Lopez also attended.