

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

1. The meeting was called to order by President Thompson at 3:36 p.m.

2. ROLL CALL

Directors Present: Lopez, Robak, Smith and Thompson

Directors Absent: Croucher (out-of-town on preplanned vacation)

Staff Present: General Manager Mark Watton, Attorney Jeanne Blumenfeld, Asst. General Manager German Alvarez, Chief Financial Officer Joe Beachem, Chief of Administration and Information Technology Adolfo Segura, Chief of Operations Pedro Porras, 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 Thompson 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 APRIL 6, 2016 AND MAY 4, 2016

A motion was made by Director Smith, 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 approve the minutes of the regular board meetings of April 6, 2016 and May 4, 2016.

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:

President Thompson pulled items 6f, REQUEST THAT THE BOARD OF DIRECTORS CONSIDER PLACING A PERMANENT MORATORIUM ON THE INSTALLATION OF NEW RECYCLED WATER FACILITIES ON OTAY MESA, for discussion.

A motion was made by Director Smith, 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 approve the following consent calendar items:

- a) APPROVE A SECOND AMENDMENT TO CALTRANS UTILITY AGREEMENT NUMBER 33622 FOR THE SR 11/125/905 CONNECTOR RAMPS BLOW OFF RELOCATION PROJECT IN THE AMOUNT OF \$847.79
- b) APPROVE A THIRD AMENDMENT TO THE CAROLLO ENGINEERS, INC. PROFESSIONAL ENGINEERING SERVICES CONTRACT FOR DESIGN AND CONSTRUCTION SUPPORT OF THE 870-2 PUMP STATION PROJECT IN AN AMOUNT NOT-TO-EXCEED \$42,700
- c) APPROVE A FIVE (5) YEAR AGREEMENT (THREE [3] YEARS WITH TWO [2] ADDITIONAL YEARS AT THE DISTRICT'S OPTION) WITH ALLIANT INSURANCE SERVICES, INC. (ALLIANT) FOR BENEFIT CONSULTING AND BROKER SERVICES IN AN AMOUNT NOT-TO-EXCEED \$148,480 AND IDENTIFYING ALLIANT AS THE DISTRICT'S BROKER OF RECORD
- d) ADOPT RESOLUTION NO. 4309 UPDATING BOARD OF DIRECTORS POLICY NO. 22, DRUG-FREE WORKPLACE POLICY AND PROCEDURE, TO CHANGE THE RANDOM TESTING PERCENTAGES

FOR ALL EMPLOYEES SUBJECT TO THIS POLICY AND REVISE THE DEFINITION OF SAFETY-SENSITIVE DUTIES

- e) ADOPT RESOLUTION NO. 4308 AMENDING BOARD OF DIRECTORS POLICY NO. 35, THE MEDICAL RESERVE FUND FOR DISTRICT RETIREES, OF THE DISTRICT'S CODE OF ORDINANCES TO REFLECT THE CURRENT PROCESSES AND PROCEDURES FOR THE MEDICAL RESERVE FUND

President Thompson presented item 6f for discussion:

- f) REQUEST THAT THE BOARD OF DIRECTORS CONSIDER PLACING A PERMANENT MORATORIUM ON THE INSTALLATION OF NEW RECYCLED WATER FACILITIES ON OTAY MESA

Engineering Manager Dan Martin provided an update on the activities following the placement of a temporary moratorium on the installation of new recycled water facilities in the Otay Mesa area. He indicated that this item recommends placing a *permanent* moratorium on the installation of recycled facilities in the Otay Mesa area. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Mr. Martin's report.

In response to an inquiry from Director Smith, Mr. Martin indicated that the developers installed the recycled water infrastructure for their Otay Mesa developments in good faith that the District would be able to deliver recycled water to the system. The capacity fees for the San Diego County Water Authority (CWA) were not collected when the meters were installed as the meters were for recycled water. The 16.4 miles of recycled infrastructure, from a cost basis, more than offsets the cost of the capacity fees. It was indicated that the District does not have plans to go back and collect the capacity fees. Staff has indicated that the cost value (\$1.3 million) of the capacity fees is noted within the staff report and this is what would be paid to the CWA to convert the recycled meters to potable. The District would also need to return grant monies (\$950,000) received for the recycled system to the Bureau of Reclamation. These costs have been factored into the evaluation of placing a permanent moratorium on the installation of new recycled water facilities in the Otay Mesa area.

President Thompson inquired if there was anything that would need to be waived (ie., a fee structure) within the District's Code of Ordinances when the District pays CWA the capacity fees and the recycled meters are designated as potable. He stated that before the District did anything, he felt the District should review this.

Director Smith inquired if the District had enough recycled water to serve the existing recycled customers in the Otay Mesa area. He commented that if the District did, then all the recycled meters would not need to be converted to potable which would save the District from paying the capacity fees. It was

indicated that the recycled system in the Otay Mesa area is currently being served potable water. General Manager Watton indicated that staff has not looked into that yet and in further discussions it was indicated that the review would also need to include the recycled water capacity fees that were paid by the District and the cost for maintenance of the backflow system which is required for the service of recycled water.

Director Smith also indicated that he felt the cost for the lost opportunity to sell recycled water in the Otay Mesa area should be factored in as well. He indicated that once the District makes the decision to place a permanent moratorium in the area, the system will never become cost feasible. Because of this fact, he wished for the Board to have an opportunity to discuss this item before a decision was made. He noted that other agencies have had to make a similar decision. The City of San Diego determined, through feasibility studies, that recycled water was not their answer and that direct potable reuse was a better option. He noted that in California, it is not just the cost to consider, but there is also the responsibility to conserve water by reusing it. He indicated that this is a difficult decision to make long term and inquired what the advantage was in the District designating a permanent moratorium. General Manager Watton indicated that the water use in the Otay Mesa area is fairly well set (industrial development, low water use landscaping, etc.) and, thus, the estimated recycled water needs in the area would be about 1,200 acre feet (AF) annually. The low amount of water needed for the area versus the cost (\$30 million) to install a separate recycled system and streets, outweighed the cost to provide recycled water. Thus, the cost to install and maintain a whole separate system does not make sense.

Staff indicated that another advantage of a permanent moratorium is that backflow testing would not be required and the District would not have to maintain a separate recycled system in the Otay Mesa area, thus, there would be savings over time.

Director Robak indicated that he felt that he did not see any reason why the temporary moratorium could not be extended for another two (2) years and the District could revisit this issue after the two (2) years. He stated that it did not seem like the right thing to do when the State is still in a drought. He indicated he understood the practical aspect of the moratorium, but at the same time, he did not see a compelling need for it.

A motion was made by Director Robak, seconded by Director Smith to continue the temporary moratorium for another two (2) years.

President Thompson indicated that he felt that there was a benefit for extending the temporary moratorium and he felt that business owners could be provided time to thoroughly review this proposal. He suggested that this item be tabled for another 60 days which would provide time for those impacted by this item to more thoroughly review the implications of this proposal and provide their comments. He asked that staff include those comments in their report to the board.

Director Robak indicated that he was not against tabling this issue for another 60 days and withdrew his motion to continue the temporary moratorium for another two (2) years.

A motion was made by President Thompson, seconded by Director Robak to table this item for 60 days to allow staff to contact interested parties in the Otay Mesa area and allow these parties time to review the implications of the moratorium and provide their comments. In further discussions, President Thompson amended his motion to table this item for 90 days instead. Director Robak accepted the amendment and the motion carried with the following vote:

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

ACTION ITEMS

8. ENGINEERING AND WATER OPERATIONS

- a) APPROVE THE WATER SUPPLY ASSESSMENT REPORT DATED MAY 2016 FOR THE OTAY 250 SUNROAD EAST OTAY MESA BUSINESS PARK SPECIFIC PLAN AMENDMENT PROJECT, AS REQUIRED BY SENATE BILLS 610 AND 221

Environmental Compliance Specialist Lisa Coburn-Boyd stated her presentation describes the Water Supply Assessment and Verification Report (WSAVR) prepared for the Otay 250 Sunroad East Otay Mesa Business Park Specific Plan Amendment Project. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Ms. Coburn-Boyd's report.

Director Smith noted that the County of San Diego had approved the land use changes and had encouraged the development of residential homes in the area. It was discussed that this made sense as there are many jobs in the Otay Mesa area and not many homes and, thus, it would help with commuter traffic.

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

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

to approve staff's recommendation.

9. FINANCE, ADMINISTRATION AND INFORMATION TECHNOLOGY

- a) ADOPT RESOLUTION NO. 4310 DECLARING AN END TO WATER SHORTAGE RESPONSE LEVEL 2- SUPPLY ALERT CONDITION; AND
- b) ADOPT ORDINANCE NO. 556 AMENDING SECTION 39, WATER SHORTAGE RESPONSE PROGRAM, OF THE DISTRICT'S CODE OF ORDINANCES

Customer Service Manager Andrea Carey indicated that she is requesting that the board adopt Resolution No. 4310 declaring an end to Water Shortage Response Level 2. She stated this action would take the District out of all water shortage response levels. Please reference the Committee Action notes attached to staff's report (Attachment A) for the details of Ms. Carey's report.

President Thompson suggested that items 8a, ADOPT RESOLUTION NO. 4310 DECLARING AN END TO WATER SHORTAGE RESPONSE LEVEL 2- SUPPLY ALERT CONDITION, and 8b, ADOPT ORDINANCE NO. 556 AMENDING SECTION 39, WATER SHORTAGE RESPONSE PROGRAM, OF THE DISTRICT'S CODE OF ORDINANCES, be acted on by the board together.

Director Smith inquired why the District is suggesting to end the water shortage response as opposed to going to a Level 1 response level. Ms. Carey indicated that the County has stated that our region has ample supplies to meet our needs over the next three (3) years and it is felt that we are not at a Shortage Level 1 which requests a conservation level of 10%. She stated that most of the restrictions in Level 1 are voluntary with the exception of the watering restrictions which the District feels is no longer appropriate.

It was indicated that customers are updated/informed on the current water shortage levels through mailers, the District's website, and through the District's customer service staff when they call the customer call center.

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

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

to approve staff's recommendation for both agenda items 8a and 8b.

10. BOARD

- a) DISCUSSION OF THE 2016 BOARD MEETING CALENDAR

President Thompson indicated that he will not be available to attend the July Finance, Administration and Communications Committee meeting and asked

Director Robak to attend the meeting on his behalf. Director Robak indicated that he would be available to attend the meeting.

There were no changes to the board meeting calendar.

REPORTS

11. GENERAL MANAGER'S REPORT

General Manager's Report

General Manager Watton reviewed some handouts that were placed on the dias for each member of the board. He stated with regard to the National Resources Defense Council (NRDC) report, "What's in your Water? Flint and Beyond," that there has been a series of news releases and articles about problems in water systems around the Country. However, this report makes it seem that all water districts have lead in their water and that they are not properly performing the testing and reporting within their Consumer Confidence Reports. He stated that this is really mischaracterization of the majority of water utilities in California, including the Otay Water District. The District does all the rigorous testing and reports the outcome of this testing to the California Department of Drinking Water. He stated that the District is not picking up any lead or copper in these tests and any reports that water districts are not doing the testing properly or are lying about the testing is absolutely false for our region.

General Manager Watton also presented information from his report which included information on the workshop regarding doing business with the Otay WD, recruitments and new hires, the new SCADA System, the Rosarito Desalination Project, inspections by the Air Pollution Control District, lead and copper testing of the District's water system, and the status of water conservation.

In response to an inquiry from President Thompson, Customer Service Manager Andrea Carey indicated that the District has two collections agencies. Financial Credit Network (FCN) is the contingency collection agency (second phase collections agency) and customers forwarded to FCN are those which the District does not have a forwarding address for and are difficult to locate. It was noted that the District works with customers who are in arrears and, thus, the District has very few collection accounts. Accounts are forwarded to collections twice a month and the last time accounts were sent to collections, there were only five (5) forwarded. General Manager Watton indicated that the FCN agreement was executed under the General Manager's authority in response to another inquiry from President Thompson.

CWA Report

General Manager Watton indicated that CWA officer nominations are coming up in August and the officers are elected and take their offices in October. Director

Croucher will be nominated for the secretary position, which would put him in the rotation for the position of CWA Chair four years from now.

12. DIRECTORS' REPORTS/REQUESTS

Director Lopez indicated besides the regular District board and committee meetings that he attends, he attended a Metro Commission meeting where the commission's budget was discussed.

Director Smith also indicated that besides the regular District committee and board meetings, he attended a meeting at Sweetwater Authority on June 29, 2016 to discuss the upcoming Chula Vista Interagency meeting. He also shared that he has changed his Otay Water District water bill payment to automatically pay on his credit card as he understands that this provides savings to the District. He indicated that it also supports the District's encouragement of customers to utilize the auto pay method.

Director Robak stated that he attended the Water Conservation Garden (Garden) Board Meeting and Ms. Elyssa Robertson, Executive Director, is working on moving the Garden towards a more focused direction. He stated they also discussed the future agency funding for the Garden. He noted that he saw the District's insert regarding lead in the water and he commended staff for doing a good job in educating the District's customers about the testing the District does to assure the safety of the water it delivers.

13. PRESIDENT'S REPORT

President Thompson presented his report on meetings he attended during the month of June 2016 (his report is attached). He noted that he attended the City of Chula Vista Development Forum on June 9, 2016. He stated that Developers reviewed their building plans for Chula Vista and the forum was well attended with about 125 persons in attendance. He asked that staff inform the board of future developer forums as it is an informative meeting sponsored by the City.

He indicated that he also attended a meeting of the Garden members and they had discussed the original intent was that the water agencies contributions would remain the same and the Garden would grow other funding. He indicated that there has been a push from a couple members of the Garden (CWA and Sweetwater Authority) to reduce agency funding. The Garden is taking this suggestion seriously and it is expected that a three-year horizon proposal will be presented soon that would work towards reducing agency contributions. He stated that he felt the Garden has good leadership with the new Executive Director and feels the Garden is in good hands.

He also indicated that he wished to thank Director Croucher for his service to the public. He stated that not only does Director Croucher serve on the boards of the Otay Water District and CWA, he is also very busy fighting fires. He stated that he seems to have a limitless capacity and dedication to give back to the public.

He lastly shared that he has approximately four months before his seat is up for election on the Otay Water District board and he wished to dedicate the remaining months of his term to his sister, Ms. Cynthia Thompson, who recently passed away.

14. CLOSED SESSION

The board recessed to closed session at 5:12 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

Director Robak left at 5:15 p.m. and did not participate in the closed session discussion.

The board reconvened at 6:12 p.m. and Attorney Jeanne Blumenfeld reported that the board met in closed session and took no reportable actions.

15. ADJOURNMENT

With no further business to come before the Board, President Thompson adjourned the meeting at 6:12 p.m.

President

ATTEST:

District Secretary

President's Report
July 6, 2016 Board Meeting

A) Meetings attended during the Month of June 2016:

- 1) **June 1: OWD Regular Board Meeting**
- 2) **June 8: Attended a meeting of the Water Conservation Garden JPA.**
- 3) **June 9: Attended the City of Chula Vista Development Forum**
- 4) **June 16: Met with City of Chula Vista City Manager, Gary Halbert.** Discussed items mutual to both the City and the District and provided an update on District issues.
Attendee: General Manager Watton
- 5) **June 17: Committee Agenda Briefing.** Met with General Manager Watton to review items that will be presented at the June committee meetings.
- 6) **June 22: Attended the District's Finance, Administration and Communications Committee.** Reviewed, discussed, and made recommendation on items that will be presented at the July board meeting.
- 7) **June 27: Met with Water Conservation Garden JPA Members and Executive Director.** Discussed future funding of the WCG.
- 8) **June 29: Met with Sweetwater Authority.** Discussed issues for the City of Chula Vista Interagency Task Force.
Attendees: Director Smith and General Manager Watton.