

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
October 4, 2017**

1. The meeting was called to order by President Robak at 3:32 p.m.

2. ROLL CALL

Directors Present: Croucher, Gastelum, Robak, Smith and Thompson

Staff Present: General Manager Mark Watton, General Counsel Daniel Shinoff, Chief of Engineering Rod Posada, Chief Financial Officer Joe Beachem, Chief of Administration Adolfo Segura, Chief of Operations Pedro Porrás, Asst. Chief of Operations Jose Martinez, Assistant Chief of Finance Kevin Koeppen, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

Director Croucher made a motion to approve the agenda with an amendment to move the Closed Session discussion up on the agenda to follow the Public Hearing on Rates and Charges. Director Gastelum seconded the motion and it carried with the following vote:

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

to approve the agenda as amended above.

5. APPROVE THE MINUTES OF THE REGULAR BOARD MEETINGS OF JUNE 7, 2017 AND JULY 5, 2017

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

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

to approve the minutes of the regular board meetings of June 7, 2017 and July 5, 2017.

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

Mr. Larry Olds of El Cajon indicated that the District had a former Communications Officer who would provide training through a program he called a "Water College." He held evening classes for customers and customers found the classes worthwhile. He stated customers received information on where San Diego County's water supply comes from, how it is charged, etc. He stated that he felt that this would be a good program to bring back.

Director Croucher indicated that he liked that concept and shared that the San Diego County Water Authority (CWA) has a similar program called the "Citizens Academy." This program reviews the same information. He stated there is another program that is specific to Home Owners' Associations, the Conservation Action Committee, which was started by the late Ms. Nora Jaeschke. He indicated that he did agree that the District could provide something more local that is specific to the Otay Water District.

PUBLIC HEARING

7. PUBLIC HEARING ON RATES AND CHARGES

THE BOARD WILL BE HOLDING A PUBLIC HEARING TO CONSIDER THE PROPOSED RATES AND CHARGES TO BE IMPLEMENTED IN THE FISCAL YEAR 2017-2018 OPERATING AND CAPITAL BUDGET AND TO AUTHORIZE, FOR A PERIOD OF FIVE YEARS, THE PASS-THROUGH OF COST INCREASES FROM WATER WHOLESALERS AND DISTRICT RATE INCREASES NOT-TO-EXCEED 10 PERCENT ANNUALLY FOR ALL COSTS OTHER THAN PASS-THROUGH COSTS. THE BOARD INVITES THE PUBLIC TO PROVIDE COMMENTS ON THE PROPOSED RATES AND CHARGES.

- a) APPROVE THE PROPOSED RATES AND CHARGES TO BE IMPLEMENTED IN THE FISCAL YEAR 2017-2018 OPERATING AND CAPITAL BUDGET; ADOPT ORDINANCE NO. 566 AMENDING SECTION 25, CONDITIONS FOR WATER SERVICE; SECTION 38, SERVICE FOR FIRE PROTECTION SYSTEMS, AND APPENDIX A, SCHEDULE OF FEES OF THE DISTRICT'S CODE OF ORDINANCES; AUTHORIZE, FOR A PERIOD OF FIVE-YEARS, THE PASS-THROUGH OF COST INCREASES FROM WATER WHOLESALERS; AND AUTHORIZE, FOR A PERIOD OF FIVE-YEARS, DISTRICT RATE INCREASES NOT-TO-EXCEED 10 PERCENT ANNUALLY, FOR ALL COSTS OTHER THAN PASS-TROUGH COSTS.

Assistant Chief of Finance Kevin Koeppen indicated that he will be presenting on the proposed rate changes. He stated he would be reviewing the changes in the water rate structure and hear public comments. At the close of the public hearing

staff is requesting that the board approve Ordinance No. 566 to adopt the rate, fee, and charge increases to water billed beginning January 1, 2018 which could apply to usage as early as the end of December 2017; authorize for a period of five (5) years, all future pass-through increases or decreases to cover changes to water rates, fees and charges from the Districts suppliers; and authorize for a period of five (5) years, overall water rate increases in addition to the pass-through increases, not to exceed 10% per year of all costs other than pass-through costs.

Mr. Koeppen reviewed Proposition 218 and its requirements for rate setting and the water rate structures for both potable and recycled (please reference the attached presentation). He noted that the District would have the third lowest potable water rate among the 22 CWA member agencies with an average bill of \$76.49 for customers using 12 units of water a month (3/4" meter).

In response to an inquiry from Director Thompson, Mr. Tom Gould, HDR Engineering, Inc., who performed the Cost of Service Study (COSS) indicated that there are three components to a rate study:

1. An analysis that determines the total revenue required by the utility to properly operate
2. Cost allocation study (COSS)
3. Rates

He stated costs are allocated on a proportional basis to the various customer groups served by the District. He used the three tiers determined for residential customers as an example:

Tier 1: 1 to 10 *units	\$3.05/unit (indoor use)
Tier 2: 11-22 units	\$5.44/unit (outdoor use)
Tier 3: 23 +	\$7.03/unit (other use)

*a unit of water is 748 gallons

Each tier is made of two types of costs:

- Total flow of water on the system (75% of cost)
- Capacity or peak demands on the system (25% of cost)

He indicated the peak demand is what drives the cost differences between the tiers. The customers who create greater peak demands on the system should pay a greater proportion of the demand related cost (capacity) of the system. He noted that it was proposed that the first and second tiers of the former four (4) tier residential rate schedule be collapsed into one (1) tier as it was determined there was no significant difference in the peak use characteristics of these customers.

Staff confirmed in response to an inquiry from Director Croucher that 12 units is the average monthly water use of the District customers.

Director Smith indicated that the District is asking approval for the next five (5) years, rate increases up to 10% for internal expenses. He inquired what is projected for the next five (5) years. Assistant Chief of Finance Koeppen indicated that the estimated increases is 4% for the next four (4) to five (5) years. He stated the average rate increase over the last five (5) years is 5.6% and the District notifies its customers each year of the proposed rate increases. The board, each year, needs to vote on the rate increase as part of the budget process as well.

Mr. Koeppen noted that over the last four (4) to five (5) years, 96% of the rate increase has been due to water supplier increases. Of the District's 5.6% proposed rate increase, 5.3% is due to supplier increases. Director Croucher noted that the representatives at CWA are trying to work with the agencies and MWD to keep cost increases to a minimum.

General Manager Watton indicated that the District was able to absorb the water supplier increases internally through cost cutting and this is the reason a 0% water rate increase is proposed.

In response to President Robak's inquiry concerning why the District does not have a conservation tier, Mr. Gould indicated that Proposition 218, a voter initiative, requires that rates be based on cost. The District could not justify the cost basis for the current conservation tier that is in place today. Further impacting that tier is the reduced overall consumption over the years due to the drought. He stated, in order for the District to comply with Proposition 218 (rates be cost based), it had to compress the first and second tiers into one tier.

The Public Hearing was opened at 3:59 p.m. Ms. Sharon Quinn of Spring Valley indicated that she has recently retired and is on a fixed income. She stated that her bill has tripled over the last 13 years. She indicated that she was concerned as, although users cut their consumption, it would not reduce their rates as reduced consumption would decrease revenues which then would require that rates be increased. She inquired if there are any existing plans for someone on a limited income.

The public hearing was closed at 4:03 p.m. Director Croucher stated that Ms. Quinn's comments represents more than just herself. He indicated this is the same frustration that's being voiced with regard to cable and electricity costs and new taxes. He stated that this is the reason this board is in place. This board needs to assure the District has safe and reliable water supplies at a reasonable cost for its customers. This is a difficult job and the board has continued to ask the tough questions and to work with CWA, MWD and other areas to assure we are operating as efficiently as possible and representing our constituents.. He stated he does support staffs' recommendation and acknowledges the frustration, not just by the board, but by the people the board members represent. He stated their concerns are not falling onto deaf ears and the board is taking their comments into consideration.

Director Thompson thanked staff and the consultant for their work on the rates. He noted that two-thirds of his constituents would be receiving a rate increase, principally, because it is a large section of the District where many are using close to five (5) units of water per month. He indicated that some rates are going up (small water users) and some are going down, however, customers do not really understand the impact of the rate changes to them until they receive their bill. He stated that he felt this is the reason that many customers are not attending today's meeting and he expects that he will hear from his constituents after the rate changes are implemented. He indicated he understands the rationale of the proposed rate changes, but feels that indoor water use should be more reasonably priced and that there was some room to have less of an impact on conserving customers while still proposing a rate structure that is defensible. He stated he respected the work staff has done, but he was not happy with the outcome. He indicated he would like to see the State legislature provide for a lifeline rate for public agencies similar to private utilities. He noted that he had voted against the rate changes at the last board workshop and likely would be voting against the proposed rate changes today.

Director Gastelum stated that he felt that if the conservation rate was eliminated, water use will go up. He indicated because of this, he does feel that water rates should go up based on the savings of the average customer. General Manager Watton indicated that water use is up for the summer, but it is uncertain if this will continue. It is dependent on the weather pattern (rain vs. no rain).

Director Croucher indicated that he wished staff to follow-up on Mr. Larry Olds (speaker during public participation portion of meeting) suggestion to possibly produce a video that explains the process of how water rates are developed and the impact when water use/sales goes down. When use decrease, so do revenues and the District has fixed costs and water and sewer facilities to maintain. He suggested the video include information on what happens when the District defers maintenance as well.

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

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

to approve staffs' recommendation.

President Robak closed the public hearing at 4:18 p.m.

8. CLOSED SESSION

The board recessed to closed session at 4:18 p.m. to discuss the following matters:

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

BLALOCK vs. OTAY WATER DISTRICT; CASE NO. 37-2016-00013542-CU-OR-CTL

- b) CONFERENCE WITH LABOR NEGOTIATORS [GOVERNMENT CODE §54957.6]

AGENCY DESIGNATED REPRESENTATIVES: MARK ROBAK AND TIM SMITH

EMPLOYEE ORGANIZATION: OTAY WATER DISTRICT EMPLOYEES' ASSOCIATION

AND

ALL REPRESENTED AND UNREPRESENTED PERSONNEL INCLUDING MANAGEMENT AND CONFIDENTIAL EMPLOYEES

- c) CONFERENCE WITH REAL PROPERTY NEGOTIATORS
[GOVERNMENT CODE §54956.8]

PROPERTY: SALT CREEK GOLF COURSE
525 HUNTE PARKWAY
CHULA VISTA, CA 91914

AGENCY NEGOTIATOR: MARK WATTON, GENERAL MANAGER

NEGOTIATING PARTIES: BILL McWETHY, PACIFIC HOSPITALITY GROUP

UNDER NEGOTIATIONS: INSTRUCT NEGOTIATOR CONCERNING PRICE, TERMS OF PAYMENT, OR BOTH, FOR THE PURCHASE, SALE AND/OR LEASE OF THE PROPERTY.

Director Croucher left at 4:30 p.m.

The board reconvened from closed session at 5:53 p.m. General Counsel Dan Shinoff indicated that the board met in closed session and took no reportable actions.

CONSENT CALENDAR

9. 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 Thompson, seconded by Director Smith and carried with the following vote:

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

to approve the following consent calendar items:

- a) AWARD TWO (2) PROFESSIONAL AS-NEEDED ENGINEERING DESIGN SERVICES CONTRACTS WITH NV5, INC. AND MICHAEL BAKER INTERNATIONAL, INC., EACH IN THE AMOUNT NOT-TO-EXCEED \$600,000 DURING FISCAL YEARS 2018 AND 2019 (ENDING JUNE 30, 2019)
- b) AWARD TWO (2) AS-NEEDED GEOTECHNICAL ENGINEERING SERVICES CONTRACTS WITH GEOCON, INC. AND NINYO & MOORE GEOTECHNICAL AND ENVIRONMENTAL SCIENCES CONSULTANTS, INC., EACH IN AN AMOUNT NOT-TO-EXCEED \$175,000. THE TOTAL AMOUNT OF THE TWO (2) CONTRACTS WILL NOT EXCEED \$175,000 DURING FISCAL YEARS 2018, 2019, AND 2020
- c) AWARD A CONSTRUCTION CONTRACT TO SIMPSON SANDBLASTING AND SPECIAL COATINGS, INC. FOR THE 980-2 RESERVOIR INTERIOR/EXTERIOR COATINGS AND UPGRADES PROJECT IN AN AMOUNT NOT-TO-EXCEED \$1,146,327
- d) ADOPT ORDINANCE NO. 565 AMENDING SECTION 31, TEMPORARY WATER SERVICE, OF THE DISTRICT'S CODE OF ORDINANCES

ACTION ITEMS

10. BOARD

- a) DISCUSSION OF 2017 BOARD MEETING CALENDAR

There were no changes to the board meeting calendar.

INFORMATIONAL ITEM

11. THE FOLLOWING ITEM IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEM:

The Board waived presentations of the following informational items.

- a) BOARD OF DIRECTORS' EXPENSES FOR FISCAL YEAR 2017
- b) LEGISLATIVE UPDATE
- c) FISCAL YEAR 2017 YEAR-END REPORT FOR THE DISTRICT'S FISCAL YEARS 2015-2018 STRATEGIC PLAN

REPORTS

The board waived presentation of the following reports:

- GENERAL MANAGER'S REPORT
- CWA REPORT
- DIRECTORS' REPORTS/REQUESTS
- PRESIDENT'S REPORT

12. ADJOURNMENT

With no further business to come before the Board, President Robak adjourned the meeting at 5:55 p.m.

President

ATTEST:

District Secretary

**President's Report
Mark Robak
October 4, 2017
Board Meeting**

#	Date	Meeting	Purpose
1	1-Sep	Board Agenda Briefing	Met with General Manager Watton & General Counsel Shinoff to review items that will be presented at September Board Meeting.
2	5-Sep	Tour of District Project with Staff	Tour with District Staff of the Vista Vereda Pipeline Project
3	6-Sep	OWD Regular Board Meeting	Monthly board meeting
4	7-Sep	Metro JPA Meeting	Monthly commission meeting
5	8-Sep	SD East County Chamber First Friday Breakfast Meeting	Represented the District at the meeting
6	11-Sep	WCG JPA Board Meeting	Discussed WCG Operating Agreement and Governance
7	13-Sep	California Special Districts Association (CSDA) Tour	Tour of three key regional water facilities
8	14-Sep	Ad Hoc Employee Negotiations Committee	Discussed labor negotiations
9	15-Sep	South County Economic Development Council (SCEDC)	Attended Economic Summit hosted by SCEDC
10	16-Sep	Committee Agenda Briefing	Met with General Manager Watton to review items that will be presented at the September committee meetings
11	18-Sep	Ad Hoc Salt Creek Golf Course Development Committee	Discussed terms for the purchase, sale and/or lease of the golf course property

12	19-Sep	Finance, Administration and Communications Committee	Reviewed items that will be presented at the October board meeting.
13	22-Sep	OWD Special Board Meeting	Discussed General Manager's Performance Review
14	25-Sep	Board Agenda Briefing	Met with General Manager Watton & Attorney Blumenfeld to review items that will be presented at October Board Meeting.
15	26-Sep	East County Chamber Government Affairs & Infrastructure Committee	Discussed water issues
16	28-Sep	SCEDC	SCEDC's 13th Annual South County Elected Officials Reception
17	30-Sep	YMCA Branding Event	Represented District at the YMCA Community Event