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MINUTES OF THE  
BOARD OF DIRECTORS REGULAR MEETING  
OTAY WATER DISTRICT  
AUGUST 16, 2000

1. The meeting was called to order by President Price at 3:33 p.m. in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley, CA.

DIRECTORS PRESENT: Directors Price, Inocentes, Laudner, Poveda and Watton

DIRECTORS ABSENT: None

STAFF PRESENT: General Manager Griego  
General Counsel Harron  
Operations Department Head Mahanke  
Human Resources Manager Sarno  
Finance Department Head Chambers  
Engineering Manager Mumford  
Government Affairs Admin. Bartlett-May  
District Secretary Smith  
Others per attached list ( 4 public members and 9 students)

2. Upon conclusion of the Pledge of Allegiance, a motion was made by Director Poveda, seconded by Director Inocentes and unanimously carried to approve the Agenda.

3. A motion was made by Director Laudner, seconded by Director Watton and unanimously carried to approve the Minutes of August 2, 2000.

4. A motion was made by Director Inocentes, seconded by Director Poveda and unanimously carried to approve the demands as listed.

5. President Price asked if anyone in the audience wished to be heard on an item not on today's Agenda. No one wished to be heard.

6. President Price presented

RESOLUTION NO. 3868

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF OTAY WATER DISTRICT EXPRESSING

1 APPRECIATION TO ELAINE HENDERSON FOR  
2 TEN YEARS OF SERVICE TO THE DISTRICT

3 A motion was made by Director Watton, seconded by Director Poveda  
4 and unanimously carried to adopt Resolution No. 3868. Finance Department  
5 Head Chambers presented the Resolution to Ms. Henderson and thanked her  
6 for her years of service.

7 7. President Price presented the Consent Calendar. A motion was  
8 made by Director Poveda, seconded by Director Laudner and unanimously car-  
9 ried to approve the following items on the Consent Calendar:  
10

- 11 a) AWARD OF A CONSTRUCTION CONTRACT TO TC CON-  
12 STRUCTION, INC. IN AN AMOUNT OF \$4,151,000 FOR  
13 CONSTRUCTION OF THE 711-3 RESERVOIR, PHASE II  
14 PROJECT (CIP W192)
- 15 b) AUTHORIZATION FOR GENERAL MANAGER TO EXECUTE AN  
16 AGREEMENT WITH ASL CONSULTING ENGINEERS FOR PRO-  
17 FESSONAL SERVICES FOR PHASE II CONSTRUCTION ON  
18 THE 711-3 RESERVOIR IN AN AMOUNT OF \$80,743 (CIP W192)
- 19 c) AUTHORIZATION FOR GENERAL MANGER TO EXECUTE AN  
20 AGREEMENT WITH BOYLE ENGINEERING CORPORATION IN  
21 AN AMOUNT OF \$45,800 FOR DESIGN SERVICES FOR THE  
22 520-3 RESERVOIR ROOF REPAIR PROJECT (CIP W268)
- 23 d) ADOPTION OF RESOLUTION PROPOSING ANNEXATION OF  
24 HILLSDALE RANCH TO ID 18 AND RESOLUTION OF INTENT  
25 FOR EXCLUSION OF PROPERTY FROM AD 4

26 RESOLUTION NO. 3869

27 A RESOLUTION OF THE BOARD OF DIRECTORS  
28 OF OTAY WATER DISTRICT PROPOSING THE  
29 ANNEXATION OF HILLSDALE RANCH TO ID 18  
(FN 0210-20-220)

RESOLUTION NO. 3871

RESOLUTION OF THE BOARD OF DIRECTORS  
OF OTAY WATER DISTRICT DECLARING ITS  
INTENTION TO EXCLUDE HILLSDALE RANCH  
FROM AD 4 (FN 0210-20-220)

1           8.       Engineering Manager Mumford said in April, 2000, Staff brought a  
2 change order to the Board for the Dictionary Hill project to adjust JSA's contract  
3 for removal of certain pipe and appurtenances from the project. He stated in  
4 the previous change order, an incorrect price for the 24" pipe had been used.  
5 The price negotiated for the pipe was \$155 per foot as opposed to the \$135 fig-  
6 ure used in Change Order 16. Mr. Mumford stated that Change Order 21 is to  
7 rectify the error in Change Order 16.  
8  
9

10           A motion was made by Director Watton, seconded by Director Laudner  
11 and unanimously carried to authorize the General Manager to execute Change  
12 Order No. 21 in the amount of \$66,054.54 with JSA Engineering, Inc. for the  
13 Dictionary Hill improvements.  
14

15           9.       General Manager Griego stated that AFFORD wanted an affirma-  
16 tive response from all of the participating agencies regarding formation of a  
17 JPA. AFFORD feels a JPA will increase their leverage with the Metro Commis-  
18 sion. Director Laudner said there was a discussion at Metro and the main issue  
19 was that the JPA would be allowed to issue bonds and that Otay would be a  
20 minor player in bond participation.  
21

22           There was discussion regarding why the City of Chula Vista was not  
23 supporting the JPA, the question of possible increased liability, what purpose  
24 the JPA would serve different than what AFFORD is now serving and also  
25 whether the City of San Diego was receptive to the JPA being formed. General  
26 Counsel Harron stated that the JPA would be an independent entity and Otay  
27 would not have any derivative liability. General Manager Griego stated that he  
28 would contact John Lippitt, from the City of Chula Vista, and Dave Schlesinger,  
29

1 from the City of San Diego, to find out any concerns they may have regarding  
2 the JPA. The Board requested this item be brought back to a future meeting  
3 stating the pros and cons of the JPA vs. AFFORD.

4 10. General Manager Griego stated that Staff wanted to bring the  
5 Board up-to-date on the initiatives Staff had taken to reduce energy use.

6  
7 Operations Department Head Mahanke said some of the programs  
8 implemented include off-peak pumping, contracting with energy service provid-  
9 ers, SCADA system, pump efficiency and testing and using premium efficiency  
10 motors.

11  
12 Facilities Maintenance Supervisor Duff gave a presentation highlighting  
13 the implemented programs' results. Some additional programs implemented  
14 included variable frequency drivers, ball valves, changing the facility lighting at  
15 the treatment plant, operations and administration buildings. Currently our  
16 contracts with energy service providers through ACWA have expired and new  
17 negotiations will continue in late October.

18  
19 Operations Department Head Mahanke stated that Staff estimates  
20 without these cost-saving programs, the energy bill would be more than twice  
21 what is currently being paid.

22  
23 General Manager Griego stated that there are predictions the energy  
24 charges are going to continue to increase. He said one possible option would  
25 be to try and contract a set amount for energy fees for a six-to-12-month period,  
26 or we could wait to see what happens with SDG&E and whether there is any  
27 government intervention. He said Staff was asking the Board's permission to  
28 research what is available and present a recommendation to the Board.  
29

1 General Manager Griego said that he was very pleased with the on-  
2 going initiatives that Staff had taken and that these initiatives were not because  
3 of the recent shortages but due to good business strategies. He complimented  
4 Operations Department Head Mahanke and his Staff on their efforts.

5  
6 11. General Manager Griego stated at the CWA General Managers  
7 Meeting during the last two months they have been reviewing the results of the  
8 rate study. The General Managers are going to recommend to the CWA Board  
9 that the cost of transportation be tied down. They are also going to recommend  
10 that the review be taken incrementally rather than all at once.

11  
12 Mr. Greigo stated that this was on the Agenda because the dialogue  
13 regarding rates will be starting with the CWA Board and our Board needs to  
14 provide Staff direction and guidance on how to proceed. He stated it appears  
15 that the different options are shareholder, point to point and zonal. He stated  
16 most people are looking at the shareholder method.

17  
18 Finance Department Head Chambers said Staff has been waiting for  
19 numbers from CWA to see what kind of an impact it will have on the budget.

20  
21 There was discussion regarding the shareholder method giving the most  
22 comfort to most districts since it doesn't completely unbundle supply and trans-  
23 portation and that the point-to-point method doesn't address the issue regarding  
24 the agencies that rolled off the system when necessary in order to give more  
25 water to the districts that needed it in the north. The shareholder method also  
26 allows agencies to sell their unneeded capacity to agencies that have growth  
27 and need additional water. Director Watton said it was important to see if the  
28 numbers work for Otay as well as CWA, to make sure the method keep things  
29 at the Authority the way it needs to be and allows it to do its business.

1 General Manager Griego stated that Staff would return with progress  
2 reports to the Board as information is available from CWA.

3 12. Finance Department Head Chambers stated that due to the  
4 abnormally warm winter, the District sold more water than expected. The Dis-  
5 trict also experienced tremendous growth. Between the warm weather and  
6 growth, the District sold 11.5% more units of water than budgeted which  
7 amounted to excess revenue of \$1,000,000. The District also received a  
8 \$400,000 rebate from San Diego County Water Authority because of its growth  
9 revenue. Staff is recommending to the Board a \$1,400,000 rebate to the  
10 customers as a credit on the water bill. This method was previously used with  
11 the rebates in 1997 and 1998 and would appear on the September billings.  
12

13  
14 Director Watton said that Metropolitan is over collecting \$175,000,000,  
15 \$49,000,000 of it from the San Diego area. He stated that Otay would be in line  
16 for a \$2,800,000 refund if Met would refund its over collection.  
17

18 Ms. Chambers stated the rate stabilization fund balance as of June 30,  
19 2000 was attached to the Staff Report. Staff was recommending the District  
20 hold some cash in reserve due to the potential impact of \$4,000,000 for the  
21 Emergency Storage Project on the budget, and increased electrical costs that  
22 could be an additional \$1,000,000 over budget.  
23

24 A motion was made by Director Laudner, seconded by Director Poveda  
25 to approve a rebate of \$1,400,000 for potable water customers to be effective  
26 with the September 2000 water statements.  
27

28 Director Inocentes stated he supports the rebate but believes there is too  
29 much money in reserves for the District. There was a discussion regarding the  
District's reserves, Malcolm Pirnie's review of the District and report to be

1 generated in the next 35-40 days. There was also discussion about if the  
2 reserves amount was found to be in excess and needed to be reduced, that it  
3 would be developer money, not ratepayer money.

4 President Price stated there was a motion and second on the table and  
5 asked for a vote. The motion to approve the rebate was unanimously carried.  
6

7 13. President Price stated the next item was review and approval of  
8 the Employment Agreement with Robert Griego, General Manager. There was  
9 a discussion regarding the Board's right or obligation to guarantee salary and  
10 benefits for the General Manager in case of discharge by a future Board, the  
11 ability of the District to attract professionals with exceptional administrative  
12 abilities and stability.  
13

14 Director Poveda stated he wanted to amend the Employment Agreement  
15 presented to increase the number of vacation days to 24 and increase the  
16 termination without cause period to 18 months.  
17

18 Director Inocentes recommended bringing this item back in six to 12  
19 months, after Mr. Griego had been with the District for a longer period.  
20

21 There was further discussion about industry standards outside of the  
22 District and the current politicizing of the water district. Director Watton stated  
23 that if there were other unrepresented employees who felt targeted, the Board  
24 should afford them some security due to the present unusual circumstances.

25 Director Watton recommended making the initial period 18 months,  
26 reduced each year by one month, to a minimum of 12 months. Director Poveda  
27 reiterated that the contract section in question was talking about dismissal with-  
28 out cause, not if the General Manager didn't exercise his duties or responsibili-  
29 ties.

1 Director Laudner stated he felt it was irresponsible to enter into a con-  
2 tract for 18 months.

3 A motion was made by Director Poveda, seconded by Director Watton to  
4 approve the contract, as amended, with the initial period of 18 months for termi-  
5 nation without cause, reduced one month for each year employed to a minimum  
6 of 12 months, and increasing the number of vacation days to 24. The motion  
7 carried with Directors Laudner and Inocentes voting no.  
8

9 14. Director Inocentes excused himself at 4:55 p.m. The Board  
10 recessed at 4:55 p.m. and reconvened at 5:12 p.m.  
11

12 15. President Price asked if there were any items to be considered  
13 under Directors' Travel. There were no items for consideration.

14 16. Human Resources Manager Sarno presented the Administrative  
15 Services Department Report. (Staff Report attached). Director Laudner asked  
16 why there were only four external applicants and no internal applicants listed on  
17 the Engineering Department Head vacancy. Mr. Sarno stated the report was  
18 completed prior to the end of the filing period and that as of the deadline there  
19 were 10 applicants and one internal candidate.  
20

21 Mr. Sarno said that there were no lost-time accidents last year and in  
22 recognition of this accomplishment there will be a breakfast for the Operations  
23 Staff and a luncheon for Administrative Staff on Wednesday, August 23<sup>rd</sup>.  
24

25 17. Operations Department Head Mahanke presented his report (Staff  
26 Report attached). Mr. Mahanke said that the District was setting a record every  
27 month for water sales, over 3,500 acre feet last month. He said under shared  
28 resources, the District had assisted Sweetwater Authority with a disinfection  
29 problem and also they had borrowed the D-6 dozer to do some work.

1           18.     Engineering Manager Mumford presented the monthly Engineer-  
2     ing Department Report (Staff Report attached). He stated at the last meeting a  
3     request was made for an update on emergency storage. The District's 10-days  
4     emergency storage is sufficient until 2005 and then there are several projects  
5     planned. The 630 Reservoir planned for next year in North District will carry us  
6     through 2010. Once the lower Otay pump is in place, the District can take  
7     water from the City of San Diego and that will get us beyond 2010 for the  
8     Central Area because of sharing water due to the Interconnect. In July they  
9     started grading for another 2,500 units in Otay Ranch between Olympic Park-  
10    way and East Palomar. Also in July we received a check from the Bureau of  
11    Reclamation for \$129,000 for water reclamation projects planned.

14           19.     Finance Department Head Chambers presented the monthly  
15    report (Staff Report attached). Ms. Chambers stated that what was presented  
16    was a pre-audit report.

18           20.     General Manager Griego stated that there was some discussion  
19    at the Manager's Meeting regarding the Mexico connection and capacity. He  
20    said that he spoke with Larry Gardner regarding negotiations for treated water  
21    from the City of San Diego. He will try and meet with Mr. Gardner and Mr.  
22    Schlesinger to reach closure with the negotiations.

24           Director Watton stated that over the last few years construction agree-  
25    ments and acceptances have been listed under the General Manager's Report  
26    and requested they be placed on the Agenda again. He feels that unless the  
27    IID transfer comes to fruition and CWA gets some relief regarding preferential  
28    rights with Los Angeles, he doesn't know how we are going to sustain the  
29    growth. It is time to start highlighting the construction contracts and talk with

1 the developers and City Council about initiating some things. There was dis-  
2 cussion about developers demanding water for large subdivisions and the  
3 question of availability. There was also discussion regarding the Newhall case  
4 where the Court overturned the approval of the development based on failure to  
5 identify where the water would be supplied from.  
6

7 After this discussion General Manager Griego stated Staff would discuss  
8 with the City of Chula Vista the water availability issue.

9 21. Director Watton stated that the Met and CWA Meetings were next  
10 week and he didn't have anything to report at this time.  
11

12 22. Director Poveda said he will not be running for re-election. He  
13 thinks the District is in great shape as far as the administrative team and would  
14 like to see a discussion about contracts for some of the management team.  
15

16 Director Price stated she will truly miss working with Director Poveda on  
17 the Board. She distributed Initiative 35, and asked that it be put on the next  
18 Agenda for review and a decision as to whether to support it.

19 23. With no further business to come before the Board, the meeting  
20 was adjourned at 5:45 p.m.  
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ATTEST:

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President

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District Secretary