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MINUTES OF THE
BOARD OF DIRECTORS REGULAR MEETING
OTAY WATER DISTRICT
NOVEMBER 15, 2000

1. The meeting was called to order by President Price at 1:46 p.m. in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley, CA.

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

DIRECTORS ABSENT: Director Watton (arrived at 1:53 p.m.)

STAFF PRESENT: General Manager Griego
General Counsel Harron
Operations Department Head Mahanke
Admin. Services Department Head Alvarez
Finance Department Head Chambers
Engineering Department Head Peasley
Government Affairs Admin. Bartlett-May
Assistant District Secretary Sanders
Others per attached list (5 public members)

2. Upon conclusion of the Pledge of Allegiance, President Price noted the agenda items which were amended: On Agenda Item 10, Attachment A, the Water Resource Planning Specialist was listed originally as 24 pay grade and it should be 25. There is an additional listing to Agenda Item 14, Directors' Travel Request. President Price also pointed out the additional closed session item scheduled regarding personnel matters. No other changes were noted. A motion was made by Director Poveda, seconded by Director Laudner and unanimously carried to approve the Agenda, as amended.

3. A motion was made by Director Laudner, seconded by Director Inocentes and unanimously carried to approve the Minutes of November 1, 2000.

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

1 8. President Price stated that at a prior meeting, the Board took
2 action to increase the General Manager's signatory limit for expenditures from
3 \$15,000 to \$25,000. Director Price recommended rescinding the prior action of
4 the Board and, if necessary, the General Manager can bring the item to the new
5 Board in January 2001.
6

7 A motion was made by Director Laudner, seconded by Director Price and
8 carried, with Director Inocentes voting "no," to remove the item increasing the
9 General Manager's signing authority to \$25,000.
10

11 9. President Price stated that Policy 15, Agenda Item 8(e), regarding
12 the allowable amount of meal per diem should be in alignment with the policy
13 set by the Board.
14

15 Director Price addressed the use of District credit cards, petty cash and
16 expenditures stating that the current expense form does not reflect the amount
17 charged to a District credit card. General Manager Griego stated that when the
18 expenses are reported, Staff would include receipts for anything charged.
19

20 A motion was made by Director Poveda, seconded by Director Watton
21 and unanimously carried to approve Exhibits A, B and C as amended attached
22 to Policy 15, stating there will not be reimbursement for meal per diem beyond
23 the current established criteria. Director Price stated that the motion should
24 also include Policy Number 34, page 4 of 8 where taxes and gratuities are
25 discussed. The taxes and gratuities are inclusive within those per diem
26 amounts.
27

28 10. President Price asked that Agenda Item 8(f) regarding an
29 agreement with Utility Management Company contract be discussed. Director
Price asked if more than one company was taken into consideration before

1 making the final decision. Operations Department Head Mahanke stated that
2 this company approached the District and no other companies have been
3 researched. General Manager Griego stated there are other organizations that
4 provide this service, including SDG&E, and that Staff will check other
5 opportunities and place it on a future agenda with a recommendation.
6

7 A motion was made by Director Price, seconded by Director Watton and
8 unanimously carried to table the agreement with Utility Management Company
9 for future consideration.

10 11. President Price stated the Adoption of Resolution No. 3886
11 changing the Board Meeting date in December was pulled by Director Laudner.
12 After discussion, no action was taken to change the Board meeting dates in
13 December.
14

15 12. President Price opened discussion regarding award of
16 construction contract for the 520-3 Reservoir Roof Membrane installation
17 project, CIP W268 to DenBoer Engineering in the amount of \$1,308,904. Mr.
18 Doug DenBoer, owner of DenBoer Engineering and Construction, the company
19 Staff recommended awarding the contract to, addressed the Board regarding
20 his concern about the bid protest from American Restoration and Construction.
21
22

23 Mr. Dan Hamilton, representing American Restoration and Construction,
24 said that Denboer Engineering and Construction is not certified by Sika to
25 perform waterproofing work on the project.
26

27 Engineering Department Head Peasley stated the specifications require
28 the sealant applicator to be certified in writing by Sika, the sealant
29 manufacturer, to be a qualified and competent, experienced firm. Denboer has
been given opportunities to provide a letter from Sika verifying certification, but

1 the District has still not received that information. The District received a letter
2 from Sika for the second low bidder, American Restoration and Construction.
3 There was discussion that Staff wants a company experienced in performing
4 waterproofing on reservoir interiors and that Staff is recommending award of the
5 contract to American Restoration and Construction based on Denboer's failure
6 to obtain the certification letter from Sika. General Manager Griego
7 recommended that this item be withdrawn at this time. General Counsel Harron
8 recommended the project be rebid.
9

10 13. Administrative Services Department Head Alvarez discussed the
11 recommendations in the staff report presented by the General Manager at the
12 workshop of October 11, 2000. He stated that it affected a number of positions:
13 two reclasses, three positions deleted, one reduction in number of hours
14 worked and seven title changes and that there would be no impact on Staff.
15 The fiscal impact is a net savings of approximately \$250,000.
16
17

18 A motion was made by Director Price, seconded by Director Watton and
19 carried, with Director Laudner voting "no," to approve the reclassifications,
20 deletions and title changes to District staffing.
21

22 14. Operations Department Head Mahanke requested approval to
23 enter into the best offer available for purchase of electrical power. ACWA said
24 it would be mid-December before they would have the details worked out with
25 the ESPs and have a contract available. Mr. Mahanke said that Enron has a
26 6.9 cent block rate, New Energy has a 5.9 cent block rate and Strategic Energy
27 has a ceiling maximum price. The problem with a ceiling price is that it is
28 unknown as to what you will pay for energy where you can budget for a fixed or
29 block rate.

1 He stated Idecore Energy was also contacted but they are not interested
2 in contracting with the District due to the District's small usage. SDG&E will be
3 able to buy block power in the future but doesn't have a number for the cost.
4 Staff is recommending a 5-year contract. After discussion, a motion was made
5 by Director Watton, seconded by Director Poveda and unanimously carried to
6 allow Staff to enter into a contract for power for the best offer available.
7

8 15. General Counsel Harron reported that the District's procedures for
9 approving installation of wireless communication facilities have been
10 standardized and the rental amount per site is \$2,000 per month. Other leases
11 the District has entered into that have been ad hoc are KURS Radio, the golf
12 course lease and construction companies who have wanted to use vacant
13 parcels for mobilization. In each case, the District does some form of an
14 appraisal of the property and calculates the rental value as 1/10 of the fee value
15 per year. MIA appraisers have done the appraisals but small appraisals have
16 been done in-house. For every lease, the Board has final approval.
17
18

19 There was discussion regarding feedback on electromagnetic radiation
20 and that it is minimal on antennas.
21

22 Mr. Harron was asked about the sale of the Otay Ranch property. He
23 stated their offer is contingent upon removal of the lease and that Otay Ranch is
24 now considering making an offer subject to the lease. Otay Ranch has said it
25 will provide comps for the area but have not done so to date.
26

27 Director Price asked since the District has a process in place for leases,
28 if there is a need for a policy. Mr. Harron stated that a policy wouldn't fit every
29 situation so the procedure the District uses makes sense. He suggested only
obtaining appraisals on property when appropriate.

1 16. Director Laudner stated that the Board has been accused of
2 spending too much money and wanted to address Directors' compensation,
3 reimbursement of expenses and group insurance benefits. Director Price
4 stated this would also include deletion of Section D of Policy 8.

5 A motion was made by Director Laudner, seconded by Director Price and
6 carried, with Director Inocentes voting "no," to reduce Directors' per diem to \$50
7 per meeting with a maximum of two meetings per month and cancels the
8 Directors' insurance effective as of January 1, 2001. The Board concurred that
9 there should be a press release informing the public that the Board is being
10 responsive to their wishes to lower the Directors' expenses. Director Price
11 stated that another issue that should be included with the above policy changes
12 is the use of District laptop computers by Directors and having access to the
13 computer loan program. Mr. Harron stated that an ordinance should be
14 amended that accomplishes these items rather than just a motion.
15

16 17. President Price presented Directors' travel. A motion was made
17 by Director Poveda, seconded by Director Watton and carried, with Director
18 Inocentes voting "no," to approve the Directors' travel requests, as amended.
19

20 18. Administrative Services Head Alvarez presented his report (Staff
21 Report attached). He reported staffing changes made in October and reported
22 the Water Conservation Garden had 800 visitors in October which totals over
23 3,300 for the fiscal year. He stated the Operations Staff and Safety Manager,
24 Dave Burbeau, were involved in making a 12-minute ACWA/JPIA safety film for
25 agencies that want to start a rescue team. Director Price stated Staff should be
26 recognized and the District should be proud that Otay is participating in this
27 program.
28
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1 19. Operations Department Head Mahanke presented his report (Staff
2 Report attached). He stated that over the last couple of years, Engineering and
3 six other agencies have worked to compile a standard specifications manual for
4 potable and recycled water and sewer facilities. By setting standard
5 specifications for water agencies, contractors will be able to know they can
6 install pipelines in the same way for every shared resource agency. It will also
7 allow water agencies to purchase items in bulk. The Standard Specifications
8 Manual will be effective March 1, 2001 and available next Friday.
9

10 20. Engineering Department Head Peasley presented the monthly
11 Engineering Department Report (Staff Report attached). He stated the District
12 has had an increase in meter sales.
13

14 Mr. Peasley reported that the 711-3 Reservoir in the Use Area is
15 receiving water intrusion and Engineering is working to remedy the situation
16 and bring a solution to the Board. A barrier or membrane to protect the potable
17 water from the ground water might be the best solution. Mr. Peasley stated the
18 geology experts are working to determine the best solution for the least cost.
19

20 21. Finance Department Head Chambers presented the monthly
21 finance report (Staff Report attached). Ms. Chambers stated the financial
22 reports are organized in the same format as the annual financial statements
23 prepared by the auditors. It is Staff's intention to keep the Board informed, as
24 well as the public, of the District's financial condition based on generally
25 accepted industry standards. The statements include the balance sheet, the
26 income statement and the statement of cash flows. She said the revenues
27 report shows water sales down in comparison to 1999 due to the \$1.5 million
28 rebate. Water sales are up but cost for power is also up.
29

1 Director Price stated that a newly elected Director had stated in
2 campaign brochures that he would rebate \$45 million to customers and asked
3 where the funding would come from. Ms. Chambers stated that she didn't know
4 and said that after reading the information distributed, she believed the refund
5 would be to ratepayers and developers and by including developers that would
6 mean a refund of capacity fees.
7

8 22. Mr. Harron presented the General Counsel Report (Staff Report
9 attached). He stated regarding the Buena Vista Pump Station, the surety is
10 going to hire a general contractor, Orion Construction, to complete the work.
11 The appraisal and property values for the District for insurance purposes have
12 been completed and are estimated in the \$70 million range. District employees
13 met with City staff and they are now considering the San Diego Interconnect
14 Master Agreement. By using each other's systems, it would eliminate the need
15 for redundancy and save ratepayers money.
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18 Mr. Harron stated the county wants to install some monitor wells at the
19 Ralph W. Chapman Water Reclamation Facility to check for flow escaping the
20 former landfill. We don't want them to go into our easement because we have
21 pipelines there and plans for future pipelines. At this point, Staff is staking out
22 our easement so they can find an alternate location that won't involve the use of
23 the District's property.
24

25 Mr. Harron mentioned the Utility Cost Management v. Indian Wells Water
26 District case regarding schools challenging water rates saying there is a capital
27 component that is not allowed by state law. East Bay Mud won its case in
28 appellant court but Indian Wells Water District lost its case, which gives two
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1 conflicting decisions in the appellant courts. The Supreme Court is now
2 reviewing it and we expect they will find in the water districts' favor.

3 23. General Manager Griego stated that there was a General
4 Managers meeting at CWA yesterday. Director Watton is a part of a
5 subcommittee that will be setting up the foundation, principles and guidelines
6 for determining the rate structure to be developed.
7

8 24. Director Inocentes questioned some of the actions taken at the
9 meeting regarding leniency on travel and tightening of certain policies. He
10 stressed the importance of creating a calm atmosphere and not instilling
11 hysteria in the staff.
12

13 25. The Board took a brief recess at 3:04 p.m.

14 26. The Board reconvened at 3:15 p.m. Director Laudner asked
15 General Manager Griego about the employee total compensation
16 reimbursement. General Manager Griego stated the payment was contingent
17 upon an audit. The auditors were concerned about guidelines for creating the
18 fund. Director Laudner asked that the process be expedited.
19

20 27. The Board adjourned into closed session at 3:21 p.m. The Board
21 reconvened from closed session at 3:56 p.m. There was no action taken by the
22 Board on the Atlas Homes litigation.
23

24 Regarding personnel issues, the Board approved 4-year contracts for
25 Department Heads and the General Counsel effective January 1, 2001. The
26 Board also stated that Staff should initiate the process to place at-will
27 employees into the Confidential Group. The Board affirmed these instructions
28 with Directors Price, Poveda, Watton and Launder voting "yes" and Director
29 Inocentes voting "no."

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Director Price requested that there be a closed session at the next Board meeting to conduct a performance evaluation on General Manager Griego and General Counsel Harron. Director Poveda stated that this action was initiated by the Board President.

28. With no further business to come before the Board, the meeting was adjourned at 4:04 p.m.

President

ATTEST:

District Secretary