

1 MINUTES OF THE
2 SPECIAL MEETING OF THE BOARD OF DIRECTORS
3 OTAY WATER DISTRICT
4 July 11, 2001

5 1. General Manager Griego called the meeting to order at 3:30 p.m.
6 in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley,
7 California.

8 DIRECTORS PRESENT: Bonilla, Cardenas Croucher, Inocentes and
9 Lopez

10 STAFF PRESENT: General Manager Griego
11 Chief of Engineering and Water Ops.
12 Gunstinson
13 Chief of Administrative Svcs. and Finance
14 Alvarez
15 Special Counsel Garcia
16 District Secretary Cruz
17 Others per attached list

18 Upon conclusion of the Pledge of Allegiance, General Manager Griego
19 presented the agenda for approval. He indicated that staff would like to
20 withdraw items number 5, Presentation of Employee of the Quarter, and 9(d),
21 Approval of MOU for the Water Conservation Garden.

22 Director Inocentes asked about the order of the agenda with regard to
23 the closed session portion being placed at the top of the agenda. He asked the
24 reason for the change as he was concerned about keeping the public waiting.
25 General Manager Griego indicated that they would like to deal with those issues
26 first, thus, the agenda has been organized accordingly.

27 Director Cardenas requested that item 9(e), Report Regarding
28 Immigration Costs for Senior GIS Analyst, be pulled from the consent calendar
29 for discussion. Director Croucher asked if Item 9(g), Denial of Claim from
Nancy Smith, would be discussed in closed session.

Approval
of
Agenda

1 A motion was made by President Bonilla, seconded by Director Lopez
2 and carried with the following vote:

3 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
4 Lopez
5 Noes: None

6 to approve the agenda with the withdrawal of items 5 and 9(d) and items 9(e)
7 and 9(g) pulled from the consent calendar for discussion.

8 2. General Manager Griego presented the demands for approval.
9 Director Cardenas asked about the list of "early release" checks. Mr. Griego
10 indicated that the list is being provided in response to the Board's request that a
11 list be provided of those checks released prior to Board approval.
12

Approval
of
Demands

13 Director Cardenas asked for clarification on the following checks:

- 14 - Petty Cash Custodian. Is this a full list of the petty cash
15 reimbursements or are there others? Accounting Manager Joe
16 Beachem indicated that the list is complete.
- 17 - Petty Cash Custodian, luncheon for Griego, Alvarez and Garcia.
18 Is the District charged for Mr. Garcia's time during the luncheon?
19 Mr. Garcia indicated that it would depend on what business is
20 being discussed. He stated that if the District is charged for his
21 time, then it would be itemized on his firm's invoice.
- 22 - First Bankcard (Check No. 97678) - Fuel, Lodging and Business
23 Meetings. General Manager Griego indicated those were his
24 charges.
25
- 26 - Western Graphics - Postage, Water Quality Report. Is this for
27 the Consumer Confidence Report? General Manager Griego
28 responded "yes."
29

- 1 - The Arens Group-Real Estate (Check No. 97730) - Auld Golf
2 Course Lease. Chief of Administrative Services and Finance
3 Alvarez stated that this was for an appraisal for the golf course.
4 Director Bonilla asked that the appraisal be brought back to the
5 Board for review.
6
7 - Chief Supply (Check No. 97748) – OWD Badges (5). This
8 check in the amount of \$294.99 was for badges that were
9 ordered for the Directors.
10
11 - Terry McComas, Reimbursement Lunch – Partnering
12 Presentation (Check No. 97803). Mr. Alvarez explained that this
13 was for a luncheon meeting with other water agencies to
14 encourage them to participate in the Water Conservation
15 Garden. The lunch was sponsored by the Water Garden Board
16 and includes staff from Helix Water District, Otay and
17 Cuycumaca College.
18
19 - Union Bank of California (Check No. 97861) - administrative
20 fees for the bonds. Director Cardenas stated that he would like
21 a full report on costs associated with the bonds. Specifically, a
22 report that states what the basic net is to the District.
23

24 Director Bonilla asked Accounting Manager Beachem if this was normal
25 procedure for the District to release checks early. Mr. Beachem stated that it is
26 normal procedure.
27

28 A motion was made by President Bonilla, seconded by Director
29 Inocentes and carried with the following vote:

1 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
2 Lopez
3 Noes: None

4 to approve the demands with Director Cardenas stating exception to Check No.
5 97730 in the amount of \$1,875 until an appraisal report for the Auld Golf Course
6 is provided to him.

7 3. A motion was made by Director Bonilla, seconded by Director
8 Croucher and carried with the following vote:

9 Ayes: Directors Bonilla, Cardenas, Inocentes, Lopez and
10 Croucher
11 Noes: None

12 to approve the minutes of the regular meeting of June 20, 2001.

13 4. General Manager Griego asked if anyone in the audience wished
14 to be heard on any item. No one wished to be heard.

15 5. General Manager Griego indicated that the Board would be
16 convening into closed session to discuss the following items:

- 18 a) PUBLIC EMPLOYEE APPOINTMENT – TITLE: GENERAL
19 MANAGER (GOVERNMENT CODE §54957)
- 20 b) PENDING LITIGATION – GOVERNMENT CODE §54956.9(b)(2)
 - 21 i) OTAY WATER DISTRICT v. TREPTE
 - 22 c) POTENTIAL LITIGATION - GOVERNMENT CODE §54956.9
 - 23 i) ARCHER WESTERN v. OTAY WATER DISTRICT
 - 24 ii) NANCY SMITH v. OTAY WATER DISTRICT

25 Mr. Griego indicated that following the closed session meeting, the Board would
26 report on any actions taken in closed session. The Board convened into closed
27 session a 4:50 p.m.

29 6. The Board reconvened at 5:52 p.m. Special Counsel Bonifacio
Garcia reported that the Board met in closed session to consider the

Approval
of
Minutes

Public
Participa-
tion

Closed
Session

1 appointment of a public employee for the position of General Manager. On a
2 motion by Director Bonilla, seconded by Director Inocentes and carried with the
3 following vote:

4 Ayes: Directors Bonilla, Croucher, Inocentes and Lopez
5 Noes: Director Cardenas

6
7 to appoint Robert Griego as General Manager on the terms and conditions of
8 his current contract dated March 23, 2001. He stated that there were no other
9 reportable actions taken by the Board in closed session.

10 7. General Manager Griego indicated that the next items to be
11 discussed were Item Nos. 9(e), Report Regarding Immigration Costs for Senior
12 GIS Analyst and 9(g), Denial of Claim from Nancy Smith, pulled from the
13 consent calendar.
14

15 A motion was made by Director Inocentes, seconded by Director Bonilla
16 and carried with the following vote:

17
18 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
19 Lopez
20 Noes: None

21 to approve the consent calendar withdrawing Item No. 9(e) and 9(g).

22 8. General Manager Griego stated that the first item for discussion is
23 Item 9(e), Report Regarding Immigration Costs for Senior GIS Analyst. Mr.
24 Alvarez stated that staff was asked to report back to the Board regarding the
25 process that was followed for the approval and appointment the the Senior GIS
26 Analyst. The report has been prepared which includes the nature of the
27 recruitment and expenses that were incurred as part of the process. Director
28 Cardenas stated that he is making a public records request at this time for all
29 documents pertaining to the law firm retained and the INS documents and fees

Approval
of
Consent
Calendar

Discus-
sion re
Sr. GIS
Analyst

1 paid in the hiring of the Senior GIS Analyst. He specified all documents to
2 mean all invoices and a report of all the people and all the expenses that the
3 District has paid pertaining to this issue.

4 9. General Manager Griego stated that the next item is Item 9(g)
5 Denial of Claim of Nancy Smith. Director Croucher stated this item was
6 discussed in closed session so there is no need for further discussion.
7

Denial of
Claim of
Nancy
Smith

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

10 Ayes: Directors Bonilla, Croucher, Inocentes and Lopez
11 Noes: Director Cardenas

12 to deny the claim of Nancy Smith against the District.

13 10. General Manager Griego stated that the next item on the agenda
14 is Item 10(a), Rebate Status Report and Direction Regarding Rebate Credit to
15 Reclamation Customers. He stated that Patrice Milkovich requested to address
16 the Board regarding this item.
17

Rebate
Status
Report

18 Patrice Milkovich, representing the U.S. Olympic Training Center,
19 thanked the Board for the rebate to non-residential potable water customers
20 and she understands that staff will be bringing a report to the Board this
21 evening to discuss a rebate for the reclaimed customers. Her request is to urge
22 the Board to consider inclusion of the reclaimed customers in the rebate.
23

24 Although the reclaimed customers are receiving a price break on the unit price,
25 85 percent of a significant amount of reclaimed water is being used to irrigate
26 the sport fields and turfs at the Olympic Training Center. She hopes that the
27 equitable rebate process will be applied across the board regardless of whether
28 or not it is potable or non-potable water.
29

1 Financial Services Manager Kris White stated that the action at the last
2 Board meeting was to approve a rebate for the non-residential customers. She
3 stated that staff is applying credits to the non-residential customers accounts.
4 Attached to the staff report for Item 10(b) is a list of the top 100 non-residential
5 water consumers. To date, the Board has approved \$8.5 million in rebates to
6 our permanent potable customers. The customers who have been omitted are
7 the temporary customers and the reclaimed customers. The Board, at the last
8 meeting, requested that staff provide information regarding reclaimed
9 customers. That information is contained in the staff report along with the dollar
10 amounts associated with giving a similar rebate to the reclaimed customers. A
11 100 percent rebate for the reclaimed customers would be approximately
12 \$426,000. An 85 percent level, which is what we charge our reclaimed
13 customers, then it drops the rebate to \$362,000. Ms. White stated that there
14 was action taken earlier this year to reduce the energy fee for the reclaimed
15 customers and so in fact, they are realizing savings every month of
16 approximately \$100,000 a year.

17
18
19
20 Mr. Griego stated that staff needs direction as to the Board's decision
21 regarding a rebate for the reclaimed customers.
22

23 Director Cardenas inquired as to the \$5 million rate reduction. Ms. White
24 stated that once the budget is approved, then at that time, the rate reduction will
25 be addressed. Director Cardenas asked if the rate reduction will be within this
26 fiscal year. Ms. White responded "yes, if so directed."
27

28 Director Croucher stated that at this point and in light of the energy fees
29 and the cost associated with the reclaimed water , he will not support the rebate

1 to reclaimed customers because of the 10 percent reduction reclaimed
2 customers have already received.

3 Ms. Milkovich addressed the comment by Director Croucher. She stated
4 that the 10 percent reduction is a new reduction, it's not retro. Over the last
5 three years, the Olympic Training Center has paid a significant price and the
6 expense of going through a conservation effort to protect our natural resources.
7

8 The center is faced oftentimes with higher increased fees to support the
9 reclaimed system. It was not a choice as a user to utilize the reclaimed system.

10 The center is required to go through health department checks, replace filters
11 and screens and pop-up heads on the sprinkler system. The reduction does
12 not cover the expenses associated with maintaining the reclaimed system.
13

14 There should be more of a positive incentive to use reclaimed water when you
15 are benefiting the environment, which is the intent of the Training Center. She
16 argued that the pool of monies paid prior to April 1, 2001, for the previous three
17 years, is the money that should be considered for the rebate.
18

19 Director Lopez asked Ms. White if the District had included all customers
20 in the \$5 million rebate, would we be faced with the additional \$3.5 million
21 increase on the rebate. Ms. White stated that if the District had given an
22 across-the-board rebate to all ratepayers, the additional costs would not have
23 been expended. He stated that if the top 100 companies would have been
24 included in the initial \$5 million rebate, the rebate for these customers would
25 have been much less than that amount received. He stated that the Board is
26 attempting to move more cautiously regarding additional monies to be rebated.
27
28

29 Director Cardenas stated that he supports the rebate for reclaimed water
customers.

1 Director Croucher stated that at the present time, the District is not
2 financially in a position to continue the rebates. His position is that the District
3 should reevaluate rebates for the recycled water program at a later time and
4 possibly consider lowering the rates for the recycled water customers.

5
6 11. General Manager Griego stated that the next item on the agenda
7 is Item No. 10(b) discussion of the 2001/2002 budget. CWA rates will be
8 discussed first then the recycled water purchase agreement and finally,
9 presentation of the budget.

10
11 Ms. White presented a presentation on the revenue and rate
12 restructuring at the County Water Authority (CWA). She stated that since the
13 Fall of 1998, CWA has reviewed its revenue and rate structure and has moved
14 from a "postage-stamp" rate to a cost of service model (Cost of Service
15 Allocation Model "COSAM"). The costs were broken down into four categories:
16 supply, storage, customer service and transportation. A method was set up to
17 allocate those various cost centers to the member agencies. There was
18 detailed discussion regarding CWA's rate model. In April, the member
19 agencies were given the latest revised model of COSAM for review.
20

21
22 The member agencies then met with CWA staff to present their findings
23 and concerns. On June 25, CWA staff met with their rate city subcommittee to
24 share these concerns with member agencies. The concerns for the agencies
25 that have their own lakes are that they are being negatively impacted by the
26 way the model currently works. CWA was looking for some way to compensate
27 those agencies for their seasonal demands.
28

29 She stated that the impact on Otay will be financially significant. CWA is
considering how the impact might be offset by a hybrid approach on allocating

Discus-
sion of
CWA
Rates

1 transportation. There is also consideration to phase in the model over a five
2 year period so that agencies such as Otay will not be impacted as heavily the
3 first year.

4 Another approach would be to use excess reserves. Most of their
5 revenues will be fixed revenue so there's no need for large reserves. CWA is
6 considering rebating the excess reserves to the districts to assist with any
7 financial burden that might occur.
8

9 There will also be an additional cost for implementation and maintenance
10 of the new rate structure system, not just for CWA staff but also for the member
11 agencies to make sure that they're being billed properly based upon all the data
12 that will go into this model.
13

14 Target dates were set to discuss all the outstanding issues at CWA. The
15 model will be revised to incorporate the seasonal rebates. Once the model is
16 revised, they will again meet with the member agencies to allow them to review
17 the model.
18

19 In August, CWA wants the Board to consider an allocation model for
20 transportation. They will also be recalculating the reserve requirements – what
21 do the reserve levels need to be?
22

23 There was also discussion of other options for our water supply. What
24 other options are out there besides Metropolitan? The discussion of supply
25 also included reliability of the water source or the source of the water, where it
26 comes from. Future facilities were discussed. Who is going to pay for future
27 facilities? Is it agencies that are going to benefit or is the District as a
28 regionalism going to pay for those facilities?
29

1 Policies will be reviewed and revised by the CWA Board in October to
2 put together a development implementation plan in November with a target date
3 of July 2002 as the date for the rate structure to be implemented.

4 Otay will be less impacted by CWA's rate structure by becoming less
5 reliant on CWA for our potable water supply by expanding our reclamation
6 system. The less demand Otay puts on CWA, the lower Otay's cost will be.
7 The negative outlook is that Otay does not have any open reservoirs or lakes.
8 Otay purchases 100 percent of our treated water supply. Otay is also the
9 furthest distance from MWD's delivery point therefore, Otay's transportation
10 cost is higher. Because Otay doesn't have a lot of storage other than
11 operational storage, we have little control over our peaking factors. When the
12 demand is there, we need to get the water through. Other agencies that have
13 reservoirs are able to moderate their peaks so that they're lower. If their water
14 levels are lower, that tends to make Otay's higher as far as their percentage of
15 the share. What does all this mean to Otay's rates? Currently, we are paying a
16 postage-stamp rate of \$90 per acre foot. In October 2000, one of the options in
17 the rate model was a point-to-point method that would raise the \$90 to \$367 for
18 Otay. Since then, we've looked at the net share model, which is the current
19 model CWA Board is reviewing, that reduces Otay's per acre foot to \$130.
20
21
22
23

24 Director Inocentes stated it is important for Otay to be active in MWD and
25 CWA meetings.

26
27 12. General Manager Griego stated that the next item on the agenda
28 is Item 10(b)(ii) Recycled Water Purchase Agreement that Otay has been
29 negotiating with the City of San Diego.

Discussion
of Recycled
Water
Purchase
Agreement
with the
City of San
Diego

1 Assistant Chief of Engineering Mehdi Abrabian presented an
2 informational update to the Board regarding the status of the agreement with
3 the City of San Diego. He stated the South Bay Reclamation Plant, that is
4 presently being constructed at Dairy Mart Road and Monument Road, is part of
5 the recycled water purchase agreement with the City.
6

7 The South Bay Reclamation Plant is a 15 million gallons per day (15
8 MGD) reclamation plant that is presently being constructed by the City of San
9 Diego. Later this year, the plant will be completed and in the initial stage, it will
10 produce about 5 MGD which 3 MG can be available for Otay. The City needs
11 about 2 MG. The next project being undertaken by the City of San Diego is a
12 design built facility that will increase the capacity of the reclamation plant from
13 the 5 MGD to 15 MGD by the end of 2003. At that time, Otay may have as
14 much as 12 MGD available for Otay. This project basically depends on the use
15 of imported water by about 16 percent by the year 2020. An aerial photo was
16 shown of the South Bay Reclamation Plant. He stated that this is the only
17 portion within Otay Water District where we can apply a recycled water system.
18
19

20 Engineering is presently updating Otay's Water Resources Master Plan
21 and continually updating the District's future demand. The ultimate demand will
22 be about 5.3 MGD in the central area and about 1.3 MGD in the Otay Mesa
23 area. Otay's reclamation plant only produces about 1.1 MGD of recycled water.
24

25 A slide was shown of Otay's present recycled water facility and pipelines.
26 The first 4000 feet of the South Bay Reclamation Plant pipeline was constructed
27 by the City of San Diego. The two facilities that will convey raw sewage to the
28 South Bay Plant is the Otay Pump Station being constructed by the City of San
29 Diego and the Grove Avenue Pump Station. This design built facility will be

1 completed by the year 2003. The segment that Otay needs to construct to
2 convey the water is basically from the terminals at the Dairy Mart plant to 450
3 feet elevation in the central area.

4 The present conditions of the agreement are being introduced to Otay by
5 the Director of the water department, Larry Gardner, and staff has been
6 negotiating this agreement continuously for the past several years. The offer
7 presently is about \$350 an acre foot and this price is subject to review every
8 two years. The term of this agreement is 20 years. Otay, in the past, has ask
9 for a 50 year agreement. There will be a one-time capacity charge of \$2.2
10 million for the 8 MGD delivery of that plant. Otay Water District also has to
11 construct the first segment, the north/south segment from Dairy Mart Road to
12 the 450 feet elevation, at a cost of \$17 million. Otay will guarantee the
13 purchase of a yearly contract amount that is adjusted on a bi-weekly basis.
14 Basically, Otay requests a demand of how much recycled water we need and
15 modify that as Otay ramps up or ramps down on a monthly basis. Also, the City
16 would want to limit Otay to 8 MGD as opposed to the 12 MGD that Otay is
17 requesting.
18
19
20

21 The last condition to the agreement from the City is that if Otay finds third
22 customers, Otay will have to limit our fee by 10 percent over our cost that we
23 get from the City.
24

25 He stated that Otay is still negotiating with the City. This is just an
26 update.
27

28 General Manager Griego stated this information was to give the Board
29 an idea of where Otay currently stood on this matter. The next step will be to
meet with Larry Gardner at the City. Mr. Griego believes Otay can better the

1 agreement with the City. The City did get their parameters established by the
2 City Council but as he understands, they were given some discretion in terms of
3 working with Otay because Otay does not have a connection and will have to
4 make that investment. He has heard that the City of San Diego is collaborating
5 with the City of Chula Vista to absorb water services into each of their
6 jurisdictions and have had meetings with Director Cardenas regarding this
7 issue.
8

9 Mr. Griego stated that Otay has made a big investment in recycled water
10 for many years. He has met with each of the developers and the first question
11 they ask is what is going to happen with the recycled water program. The
12 developers were told by Director Cardenas that the District was getting out of
13 the recycled water business. Developers have invested almost \$21 million in
14 that system. Mr. Griego assured the developers that Otay is not getting out of
15 the recycled water business and Otay is still in the process of negotiating an
16 agreement with the City.
17
18

19 He also stated that he has been contacted by several other private
20 companies regarding recycled water inquiring as to whether Otay will proceed
21 or not proceed because they have an interest in buying the recycled water.
22 These companies also expressed an interest in possibly taking on the
23 responsibility of installing the pipelines.
24

25 Accounting Manager Joe Beachem presented the budget analysis
26 portion of the presentation stating that staff needs to look at the costs of the
27 recycled water purchase agreement. Otay's financing and engineering
28 departements, with some input from the City of San Diego, have put together a
29 cost analysis scenario of the program.

1 Mr. Beachem presented a spreadsheet showing how Otay will recover its
2 investments. There was detailed discussion and explanation of the
3 spreadsheet analysis. He stated that in the year 2045, when the system will
4 reach maturity, what is the projection of our income and cash balance.

5 The City anticipates that the price to Otay will be \$350 per acre foot for
6 the next ten years but is subject to negotiation every two years. Director
7 Inocentes asked for clarification regarding the figures on the spreadsheet. He
8 asked if the purchase price of \$350 per acre foot is subject to review every two
9 years, is the City saying that it anticipates or that Otay will be guaranteed no
10 increases for ten years. Mr. Beachem stated that it is only anticipated and if
11 Otay gets a guarantee, it will be part of the negotiations. Director Inocentes
12 asked if there would be a cap. Mr. Beachem stated that again, that would be
13 part of the negotiations. Right now, the City does not list any cap. There is no
14 agreement as of yet that would identify a cap. He reiterated that this is a
15 preliminary analysis of the costs.

16 Mr. Beachem pointed out on the spreadsheet that if the price is adjusted
17 down by \$10, changing the price from \$350 per acre foot to \$340, it reduces the
18 overall payback to 37 years. He pointed out a second option if there is a two
19 percent increase every year. Otay's payback would extend beyond 60 years.
20 At that time, there would be a negative balance in 2045 of \$1.7 million. If it is
21 negotiated, the payback can be dropped to 35 years.

22 He stated that the \$350 per acre foot assumes that the City will not
23 receive any grant money from the Bureau of Reclamation. Our analysis
24 assumes that Otay will receive grant money from the Bureau of Reclamation.
25 The Bureau of Reclamation pays 25 percent of all the facilities that are put into

1 the ground. This is a year-by-year funding from the Federal Bureau. The City
2 is attempting to obtain those funds. The funding reduces the cost to \$160 per
3 acre foot in future years. If the District does not receive the funding, that
4 increases the payback period by 17 years.

5 He stated that we have received a realistic demand from Engineering of
6 how much water Otay will be selling in the future.

8 The next item to be addressed is how quickly will the price to the
9 ratepayers increase. Right now, the assumption is a 2.6% increase per year
10 over the next five years and that's using budget information that will be
11 presented to the Board. Then, thereafter, a 4% increase per year. With all of
12 the variables that can change, the best estimate is that Otay's payback period
13 will be 38 years. There are numerous variables involved including CWA and
14 Metropolitan Water District increasing their rates substantially.

17 Director Croucher stated that with the 2.6% per year increase for the first
18 five years and 4% per year thereafter, we need to reach a negotiation where we
19 can't go over 10% because if they keep their rates even, we would hit the 10%.

20 Mr. Beachem stated that the 10% is if Otay sells to people who are not our
21 customers so they are limiting our profit to these external parties. He stated
22 that there are numerous variables involved wherein CWA's increases could be
23 substantial. Metropolitan is also looking at those same issues and again, what
24 happens with CWA and Metropolitan flows to Otay so that 4% may not be out
25 the realm of a reasonable increase.

28 Director Croucher asked if there had been an increase in Otay's potable
29 water rates in the past three years. Mr. Beachem confirmed that Otay has not

1 increased its rates due to Otay's expenses. Ms. White stated that the last time
2 rates were increased was July 1998.

3 Mr. Abrabian concluded the presentation by stating that it is the Board's
4 decision to approve the recycled water purchase agreement with the City. As
5 pointed out in the presentation, there are several variables which will affect the
6 payback including the rate. This is a good program regionally to reduce the
7 dependence on imported water. For Otay, it reduces the need for imported
8 water by about 16 percent. In 1994, the Board established a goal to become 40
9 percent independent of outside water sources and to utilize local water
10 systems.
11
12

13 To date, the cost Otay and developers have invested in the recycled
14 system is about \$19 million. Finally, it is staff's recommendation to the Board
15 that Otay sign the agreement with the City but to request that they eliminate the
16 capacity fee because some of that fee is covered through their sewer system. It
17 is also recommended that Otay request the City maintain the fee at \$350 per
18 acre foot for at least the first 10 years.
19

20 Mr. Griego stated that if Otay is going to stay in the recycled water
21 business, this is a very critical step to making that program successful.
22

23 Director Inocentes stated that the 38 year payback program period is too
24 long. He feels that Otay should still negotiate with the City. He asked Special
25 Counsel Garcia if the Board could go into closed session at the next meeting
26 and give staff direction on what the Board wants along the lines of negotiation
27 with the City. He stated he does not want to speak publicly and let the City
28 know his position as far as negotiating further with them because he does not
29 like the agreement. Special Counsel Garcia stated that if there is a real estate

1 element involved, it can be discussed in closed session. If there is no real
2 estate element involved, it cannot be discussed in closed session. Some
3 contracts have to be discussed in open session. There is a limit (dollar amount)
4 for contracts to be discussed in closed session. He stated he will research the
5 matter and make a recommendation to the Board in terms of how to go forward.
6
7 There was discussion regarding setting up committee meetings to review the
8 agreement. Committee meetings are public meetings as well.

9 Director Inocentes stated that this issue is critical and very important to
10 Otay and it is one that he would want all the Directors to understand and give
11 input on. Director Bonilla stated that this is an important issue for the future of
12 the District. Mr. Griego stated that staff will set up a briefing for two members of
13 the Board to discuss this matter. Special Counsel Garcia stated that if there are
14 only two members of the Board participating in the discuss, then it's not
15 considered a meeting.
16
17

18 13. General Manager Greigo stated that the next item on the agenda
19 is Item 10(b)(iii) Budget Presentation/Adoption. He stated that he would like to
20 present this item at a Budget Workshop. He asked that the Board not adopt
21 this item tonight and it will be brought back to the next meeting.
22

23 There was a brief recess at 6:50 p.m. The Board reconvened at 6:55
24 p.m. Mr. Griego stated that the Budget Presentation/Adoption is tabled for this
25 evening and will be brought back after a Board committee reviews it and there
26 is feedback from the Board. At that time, we will schedule a meeting to adopt
27 the budget.
28

29 Director Cardenas left the Board meeting at 6:55 p.m.

Discussion
of
2001/2002
Budget

1 14. General Manager Griego stated that the next item on the agenda
2 is Item 11(a) Appointment of New Board Representative to Water Conservation
3 Garden Authority. He stated that Director Inocentes is the representative from
4 Otay and Director Lopez is the alternate. Director Lopez has been attending
5 the Garden meetings and the action before the Board today is for the roles to
6 be reversed naming Director Lopez as the Garden representative for Otay
7 Water District and Director Inocentes as the alternate.
8

9 A motion was made by Director Inocentes, seconded by Director Lopez
10 and carried with the following vote:
11

12 Ayes: Directors Inocentes, Lopez, Bonilla and Croucher
13 Noes: None
14 Absent: Director Cardenas

15 to appoint Director Lopez as representative for Otay Water District to the Water
16 Conservation Garden Authority with Director Inocentes as an alternate
17 representative.

18 15. General Manager Griego stated that the next item on the agenda
19 is Item 11(b) Discussion of Nomination of Board Representative to Association
20 of California Water Agencies Region 10 Board. Each year Otay is asked to
21 nominate a candidate. The item was tabled to be brought back at a future
22 meeting.
23

24 16. General Manager Griego stated that the next item on the agenda
25 is Item 11(c) Discussion of Procedures to Adjourn Meetings – Section 1.05 of
26 the Code of Ordinances. He stated that this is an item requested by Director
27 Cardenas. Director Cardenas left the meeting at 6:55 p.m. Director Inocentes
28 stated that the Code of Ordinances currently reads that a Board meeting is
29 terminated through an action of the Board. Special Counsel Garcia stated that

Appoint-
ment of
Director
Lopez as
Otay Rep to
Water
Conserva-
tion Garden

Discussion
of Code of
Ordinances
Section
1.05

1 the Code provides for the Vice President to assume the duties of the President
2 when the President is not present. With respect to this issue, this provides
3 three ways for a meeting to be adjourned: one, by Board action; second, by
4 emergency; or third, when the Board President determines that there is cause
5 for adjournment. There was discussion regarding situations and the authority of
6 the President to adjourn the meetings. It was agreed that the Ordinance as it
7 currently reads is acceptable. No action was taken.
8

9 17. General Manager Griego indicated that the next item on the
10 agenda is Item 12(a) Notification that the General Manager Intends to Fill
11 District Vacancies. He stated that attached to the staff report is a list of
12 vacancies that have existed for several months. The fact that these positions
13 are still vacant are starting to impact staff's ability to carry out their duties and
14 responsibilities. The Board had indicated in the past that they did not want any
15 positions filled, however, in order for staff to move forward to carry out the
16 directions of the Board, he is requesting the Board's approval to fill these
17 positions. Director Croucher stated that he would support filling these positions
18 but prior to the Board's approval, he would like the committee consisting of
19 himself, Director Inocentes and General Manager Griego meet to clarify some
20 of the issues surrounding the positions to be filled. Special Counsel Garcia
21 stated that no motion is needed by the Board for the General Manager to take
22 action to fill these positions. The General Manager has authority under Policy
23 12 to take action to fill these positions. He stated that technically, there is no
24 freeze on hiring. There was a request by Board members that the General
25 Manager "hold off" on hiring.
26
27
28
29

Discussion
of GM to Fill
District
Vacancies

1 18. General Manager Griego indicated that the next item on the
2 agenda is Item 12(b) Schedule of Special Board Meeting on July 25, 2001. He
3 stated that there are some scheduling conflicts for the first meeting in August. It
4 is suggested that the August 1 meeting be moved to the end of July. There is
5 also more time needed to complete the budget process. It was agreed that
6 Monday, July 23, 2001 at 3:30 p.m. would be the date for the next Board
7 meeting. The Budget Workshop will be held the same date at 1:00 p.m..

Reschedule
August
Board
Meeting

9 19. General Manager Griego stated that the next item on the agenda
10 is Directors' Reports/Requests. Director Inocentes stated that last Friday he
11 attended the Chula Vista Mayor's Breakfast. The speaker was from the
12 National Water Research Institute. The program was informative. He stated
13 that he has been elected to the Filipino Chamber of Commerce Executive
14 Committee as their auditor. There is an installation dinner set for August 4. All
15 the Directors are invited. His hope is that Otay will continue to support the
16 Filipino Chamber.

Directors'
Reports

17 Director Inocentes reported that he attended the Metropolitan Water
18 District (MWD) committee meetings in late June on rate structures. He
19 obtained copies of MWD budget. He also presented materials and information
20 obtained from the MWD meetings.

21 Director Lopez commended staff for the preparation and presentation of
22 materials and staff reports that keep the Board informed.

23 Director Bonilla asked General Manager Griego and other Board
24 members if they had received any reports from Director Cardenas concerning
25 CWA meetings he has attended. No reports have been forthcoming.

20. With no further business to come before the Board, President

Bonilla adjourned the meeting at 7:30 p.m.

President

ATTEST:

District Secretary