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MINUTES OF THE
MEETING OF THE BOARD OF DIRECTORS
OTAY WATER DISTRICT
July 18, 2001

1. The meeting was called to order by General Manager Griego at 3:30 p.m. in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley, CA.

DIRECTORS PRESENT: Bonilla, Cardenas Croucher, Inocentes and Lopez

STAFF PRESENT: General Manager Griego
Chief of Engineering and Water Ops.
Gunstinson
Chief of Administrative Svcs. and Finance
Alvarez
Special Counsel Garcia
District Secretary Cruz
Others per attached list

Upon conclusion of the Pledge of Allegiance, General Manager Griego presented the agenda for approval. He indicated that the documents for agenda items 4 (Minutes of the Special Meeting of June 28, 2001) and 10b (Policy 14, Use of District Vehicles) have minor revisions and revised copies of these documents have been placed on the dais for each Director. General Manager Griego asked District Secretary, Susan Cruz, to note the changes to the minutes. Ms. Cruz indicated that on page 10, a sentence was added (lines 22 and 23) which reads, "It was noted that this would not apply to typical recurring operational expenses (ie., electricity, phones, fuel, etc.)." She also noted that minor typographical errors were also corrected.

Approval
of
Agenda

1 Director Cardenas requested that items 10a, 10d, 10f and 10g be pulled
2 from the consent calendar for discussion. Director Cardenas also requested
3 that item 10b be pulled and tabled.

4 Director Croucher requested that item 10h also be pulled for discussion.

5 A motion was made by Director Lopez, seconded by Director Cardenas
6 and carried with the following vote:
7

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

11 to approve the agenda with item 10a, 10d, 10f, 10g and 10h pulled for
12 discussion and item 10b pulled and tabled for another meeting.

13 2. General Manager Griego presented the minutes of the special
14 meeting of June 28, 2001 for approval.

Approval
of
Minutes

15 A motion was made by Director Inocentes, seconded by Director Lopez
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 minutes with the changes as noted above in section number 1.

22 3. General Manager Griego presented the demands for approval.

23 Director Cardenas requested clarification on the following items:

Approval
of
Demands

24 - ESRI, Inc., Processor 4 SQL Server/Lic, and Hewlett Packard
25 Co., Serv. Maint/HP3000 Comp System; were these for the GIS
26 program. Mr. Geoff Stevens indicated that the check to ESRI,
27 Inc. was for the GIS database software (ARC SDE). He
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1 indicated that it was to replace the Oracle product which had
2 been planned to be used at one time and allows us to take the
3 GIS shape files and convert them to a database file so they may
4 be used with Microsoft Sequel. The Hewlett Packard check is
5 for the yearly maintenance contract (HP3000) for the hardware,
6 software, network, printers we use for printing the bills and the
7 terminals. Director Cardenas asked when staff would be
8 bringing to the Board the new system. Mr. Stevens indicated
9 that at the moment, staff is investigating the customer
10 information system and the financial system software which
11 would need to be moved from the HP3000 platform. He
12 indicated that, at this time, he could not provide an exact date,
13 however, staff is in the midst of working on this project.
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- 18 - JP Morgan Securities, Inc., Qtrly. Remarketing Fee; Mr. Joe
19 Beachem indicated that this is for our variable rate certificates of
20 participation (debt bonds) which are sold on a weekly basis. He
21 stated that because the certificates of participation are at a
22 variable rate, they are re-sold on a weekly basis so the District
23 may get a current rate on them each week. He indicated that JP
24 Morgan is the firm which handles this service for the District.
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1 - PRM Consulting, Garden/Business Plan; Director Cardenas
2 indicated that he thought the work with this firm had been halted.
3 General Manager Griego indicated that this is work which PRM
4 Consulting had already completed. Ms. Terry McComas
5 indicated that the consulting contract was for a retainer of
6 \$4,000 per month with a maximum of \$8,000 for the total
7 contract to write a business plan for the Water Conservation
8 Garden. Ms. McComas indicated that the Garden Business
9 Plan had been completed. Mr. German Alvarez clarified that
10 there was a \$4,000 earlier payment. The Water Conservation
11 Garden did pay \$2,000 of the first \$4,000 paid to PRM
12 Consulting. The check listed on today's demands list is the final
13 payment for a total of \$8,000 (the contract amount). Helix Water
14 District, however, felt that this contract should be an Otay
15 obligation as they were not consulted with regard to the
16 contracting of a consultant to handle the business plan. Helix
17 felt that their share of \$2,000 was reasonable and that Otay
18 should pay the balance of \$6,000. As PRM Consulting had
19 satisfied the terms of the contract, the District was obligated and
20 did pay their invoice.
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25 Director Cardenas asked if there were any other such
26 contracts in which Helix was not consulted. Both General
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Manager Griego and Mr. Alvarez indicated that they were not aware of any others.

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

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

to approve the demands as listed. Director Cardenas voted to approve the demands as listed with the exception of check #98014 for PRM Consulting.

4. Mr. Jim Gunstinson presented the Thomas R. Buhl Employee of the Quarter Award to Marc Davis. Mr. Gunstinson indicated that Mr. Davis has been with the District for 10 years and is currently working as a Utility Worker in Water Operations. Mr. Gunstinson indicated that Mr. Davis received very impressive nominations for this award which noted his excellent people skills, initiative, performance, safety awareness and service. He indicated that the District was very lucky to have Mr. Davis as an employee and that we congratulate him on his selection as the Employee of the Quarter. Mr. Gunstinson also introduced Mr. Davis' wife, Debbie.

Mr. Davis thanked the District for the ten years he has had at the District and indicated that he hoped to have another ten "quality" years of service.

Director Cardenas indicated that as a General Manager of the District he had an opportunity to watch the operations staff in action and he was impressed with how hard he worked. He indicated that he appreciates him being with the District and congratulated him on the good work.

Employee of the Quarter Award

Public Participation

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

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

- a) PENDING LITIGATION – GOVERNMENT CODE §54956.9(b)(2) BONILLA v. OTAY WATER DISTRICT
- b) PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE – GOVERNMENT CODE §54957

Director Cardenas asked Special Counsel Garcia if the District would have any legal problems with regard to item 6b, as it does not list a position title or name. Special Counsel Garcia indicated that under the circumstance which we are discussing and with the appropriate notice being given, there is no obligation to state the name or position.

Director Inocentes asked that for future meetings, if it would be possible that the closed session portion of the meeting be placed at the end of the agenda for the publics' convenience. It was agreed that staff would do so. The Board adjourned into closed session at 3:51 p.m.

The Board reconvened at 4:47 p.m. Special Counsel Garcia indicated that the Board gave direction to counsel, but took no reportable action with regard to item 8a. He indicated that with respect to item 8b, by a motion made by President Bonilla, seconded by Director Lopez and carried with the following vote:

- Ayes: Directors Bonilla, Croucher and Lopez
- Noes: Directors Cardenas and Inocentes

to dismiss the Auditor, Ruben Rodriguez.

Closed
Session

1 Special Counsel Garcia indicated that there were no other actions taken
2 in closed session.

3 7. General Manager Griego indicated that the next item is the
4 adoption of resolution number 3919, fixing water and sewer availabilitiy charges
5 for fiscal year 2001-2002. Director Cardenas indicated that he noted that the
6 charge of \$10.00/acre and has been for sometime. He asked why such an item
7 would be placed on the consent calendar when the District could possibly raise
8 or lower the parcel tax. He indicated that he noted that there was no analysis
9 on how the rate would affect the District's budget. Ms. Kris White indicated that
10 as long as she has been with the District (10 years) she has not seen an
11 increase in the rate. She indicated that because there was not increase in the
12 rate, it was placed on the consent calendar. She stated that the District is
13 required to have a certified resolution for the County Auditor's office each year.
14 Director Cardenas indicated that he hoped that it was recognized that this was
15 a revenue stream for the District and that it was included in the model used by
16 the District for fiscal planning. Ms. White indicated that the availability fees
17 were included in the model. She indicated that the District receives
18 approximately \$1.2 million in availability fees which is used to fund the District's
19 capital budget. She stated that half goes to the capital replacement reserve
20 and the other half stays within each of the improvement Districts that the fees
21 are collected. Director Cardenas requested a copy (hard copy or disk) of the
22 product that is produced when the model is run. He indicated that he would like
23 to see how the District had determined not to raise its availability fees. He
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Adoption of
Resolution
3919,
Fixing
Water and
Sewer
Availability
Charges

1 stated that at some point in time, the District will need to raise rates and it would
2 be helpful to have knowledge of what the District's revenue streams are so the
3 Board would be more informed when they need to make such a decision.

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

7 Ayes: Directors Bonilla, Croucher, Inocentes and Lopez
8 Noes: Directors Cardenas

9 to adopt resolution 3919 fixing water and sewer availability charges for fiscal
10 year 2001-2002.

11 Director Cardenas wished to note for the record that he had voted "no"
12 because he felt that the Board was not provided enough information to make an
13 educated decision.

15 8. General Manager Griego indicated the next item for discussion is
16 the adoption of resolution 3929 to establish tax rates for Improvement District
17 27 (ID 27) for fiscal year 2001-2002. Director Cardenas indicated that he had
18 the same comments for this item. He indicated that staff is requesting that the
19 District drop its tax rate to \$.02 for ID 27 which will generate \$570,200 in
20 revenue. Director Cardenas said he noted in the staff report that the annual
21 debt service payment is \$842,000. He asked if the reduction would not cause a
22 deficit? Ms. White indicated that at the moment there is \$1 million in the fund.
23 She stated that the reason the fund was built to that level is that the property
24 taxes are paid in September and April and because of this payment schedule,
25 the fund was usually driven into a deficit balance. Ms. White indicated that now
26 that the fund has a good beginning balance, the District is able to drop the rate
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Adoption of
Resolution
3929,
Establishing
Tax Rates
for ID 27

1 to \$.02 and keep the fund in a positive cash flow. She indicated also that due to
2 the large growth in ID 27, the District is collecting a bigger tax base which
3 allows the District to lower the rate. Director Cardenas asked if staff would
4 have made the recommendation to suspend the tax knowing that the District
5 had \$1 million in the fund. Ms. White indicated that staff looks at the tax rate as
6 on-going throughout the life of the debt, and based upon the growth, in the next
7 four (4) years the tax rate will need to stay at \$.02. She stated that following the
8 four (4) years, the District may be able to drop the rate to \$.015 and this rate
9 would be sustained until the last year of its debt service.
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12 A motion was made by Director Lopez, seconded by Director Inocentes
13 and carried with the following vote:

14 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
15 Lopez
16 Noes: None

17 to adopt resolution 3929 establishing tax rates for ID 27 for fiscal year 2001-
18 2002.

19 9. General Manager Griego indicated the next item is the
20 authorization for the General Manager to execute an amendment with Cox PCS
21 Assets for the Installation of a communications facility at Improvement District
22 10's (ID 10) reservior site (Item 10f) and to execute an agreement amendment
23 with Crown Castle for the installation of an additional facility at ID 10 (Item 10g).
24 Director Cardenas indicated that prior to General Counsel Tom Harron leaving
25 the District, he had handled these issues. He asked who is currently taking
26 over such issues. Special Counsel Garcia indicated that his office was doing
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Authori-
zation for
GM to
Execute
Agreements
with COX
PCS and
Crown
Castle

1 so. He added that his office had negotiated the new lease agreements and was
2 able to obtain an increase for the District's portion.

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

5 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
6 Lopez
7 Noes: None

8 to authorize the General Manager to execute an agreement amendment with
9 Cox PCS Assets.

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

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

15 to authorize the General Manager to execute an agreement amendment with
16 Crown Castle.

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18 10. General Manager Griego indicated the next item on the agenda is
19 the authorization to declare equipment as surplus.

Declaring
Equipment
Surplused

20 Director Croucher indicated that he had requested to discuss this item as
21 he had an opportunity to speak to some of the District employees and had
22 looked at how we are currently surplusng District vehicles at the County's
23 Auction. He indicated that it seems the District receives less from the County
24 Auction than it would have if the vehicles had been purchased by District
25 employees. He indicated that what he would like to do with some of the
26 vehicles, he would like to see the employees have the opportunity to purchase
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1 the vehicles prior to them going to the County Auction at whatever the trade-in
2 value is of the vehicle. Director Cardenas indicated that he does agree that the
3 employees should have the opportunity to purchase the vehicles. He stated
4 that he would like to see, though, certain managerial level positions excluded
5 from the bidding process as he felt that certain managers have inside
6 information (ie., managers who's department actually run the process). He
7 indicated that he would like this Board to consider excluding those at the
8 Assistance Chief level or the managers below that level.
9

10 Director Croucher indicated that with Director Cardenas' comments, he
11 would support surplusung all items listed in the staff report with the exception of
12 the vehicles. He indicated that he would like staff to present to the Board a
13 report recommending how the District might provide the employees a chance to
14 purchase the surplusd vehicles at trade-in value.
15

16 Mr. Steve Dobrawa indicated that the disposal of the vehicles is dictated
17 in the District's purchasing manual. He indicated that the policy of the
18 purchasing manual is set by the Board and that one of the steps included in the
19 policy is that the employees are offered the opportunity to purchase District
20 equipment first. Mr. Dobrawa also indicated that the policy details who can bid
21 on the property. He stated that currently, the General Manager and the person
22 setting the pricing/minimum bid (Purchasing Manager, Steve Dobrawa) on the
23 property are excluded from bidding. He noted that the bids submitted by
24 employees are sealed in an envelope and are placed in a sealed box which are
25 then publicly opened and read. Mr. Dobrawa indicated that his
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1 recommendation would be that the Board direct staff to continue to use the
2 existing policies since it does specifically indicate that property is offered via a
3 bidding process to employees first. He stated that, secondly, the General
4 Manager has the discretion under the policy to exclude any employee he
5 deems necessary. He suggested that the Board might wish to give staff
6 direction on how the vehicles are valued. He indicated that currently the District
7 utilizes the Kelly Blue Book minus the cost for repairs. However, he noted, that
8 these vehicles are driven pretty hard.
9

10 Director Croucher suggested that rather than using the Kelly Blue Book,
11 he would like to set the minimum bid/price of the vehicles at trade-in value.
12

13 Director Cardenas suggested using the salvage value of the vehicles instead.

14 Mr. Joe Beachem indicated that the salvage value is the market value of the
15 vehicle at the time it is offered for sale. Director Inocentes recommended that
16 we use a valuation which can be documented, such as the Kelly Blue Book or
17 the Red Book. He stated that typically in the auto business, a trade-in vehicle is
18 not offered the Kelly Blue Book value. He stated that the rule of thumb in the
19 industry is somewhere between 70 and 80% of low Kelly Blue Book (most
20 recent edition). Director Croucher asked if the District could ask dealers to view
21 the vehicles and indicate the trade-in value. Mr. Dobrawa said it is possible, but
22 without a solid relationship with a dealership (the District doesn't do business
23 with just one dealership in particular), it might be difficult to get them to come
24 out to evaluate the vehicles.
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1 A motion was made by Director Croucher, seconded by Director
2 Inocentes and carried with the following vote:

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

6 to declare the items listed in the staff report as surplus with the exception of the
7 District vehicles and to request that staff bring back recommendations
8 according to the above discussion.

9 11. General Manager Griego indicated the next item is the adoption of
10 Resolution Number 3924 authorizing the deposit of excess funds in the San
11 Diego County Treasurer's Pooled Money Fund and approval of the modification
12 to the District's investment policy. Mr. Beachem indicated that staff is
13 recommending that the Board approve the Resolution. Staff believes that
14 investing into the County pool would be a prudent and timely investment. He
15 indicated that with the retirement of the Acting Chief of Finance, management
16 has reviewed the investment strategy and have listed three (3) options: 1)
17 place the District's portfolio with a money manager (third party); 2) manage the
18 investments in-house, or; 3) place the funds into pools. Mr. Beachem indicated
19 that, currently, the District uses a combination of in-house management and the
20 state pool. He noted that while the Acting Chief of Finance handled the
21 investment selections, she had spent time cross-training staff. He indicated that
22 the District has two staff members who have had experience in investments
23 who are CPA's and are very familiar with the issues. He indicated that if the
24 Board's direction is to stay with the current strategy, staff is prepared to
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Adoption of
Resolution
3924,
Authorizing
Deposit of
Excess
Funds in
the SD
County
Treasurer's
Pooled
Money
Fund

1 continue the strategy. Mr. Beachem added that, however, the District has an
2 immediate need to invest excess funds as the State pool has a maximum of
3 \$30 million dollars and the District currently has \$28 million invested. He
4 indicated that to give the Board an idea of how quickly funds flow into the
5 District, he stated that in June, the District had \$5 million in maturing
6 investments, it received \$2.2 million in water revenue, and more than \$2 million
7 in capacity fees. He indicated that close to \$10 million of funds had flowed into
8 the District with approximately \$3 million leaving for expenses, etc. Mr.
9 Beachem stated that this left approximately \$7 million to invest in the month of
10 June alone. He indicated that the County Pool would be another option for
11 investing, not only during this transition period, but also in the future; it will add
12 flexibility.
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15 Mr. Beachem indicated that staff has done an evaluation of the County
16 Pool and it was determined that it meets all the investment objectives as laid
17 out in the State Code (Safety, Liquidity and Return on Investment). He further
18 indicated that the County Pool was given the highest rating by Fitch and
19 Standards & Poors (AAAF rating). Mr. Beachem stated that by investing in the
20 pool it would provide the District greater deversification because its monies
21 would be spread over a broader number of investments. He indicated that the
22 County Pool has one of the best yeilds available. He stated that in a
23 decreasing interest rate environment, pools always have a higher rate of return
24 and in an increasing interest rate environment, they have a lower rate of return.
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1 He added that having the flexibility to invest in pools adds the to the Districts
2 ability to get a good return.

3 Director Cardenas asked what if the interest rates increase? Mr.
4 Beachem stated that the District would then want to move its investments
5 directly into the market. However, at this time, the pools are doing very well
6 and the District could gain at least half a point.

8 Director Cardenas indicated that staff is requesting that the Board
9 approve adding another pool to its investment portfolio. He asked if the pools
10 are no longer doing well, then what would staff do, move \$50 or \$60 million
11 dollars or whatever amount is in the pools. Mr. Beachem indicated that, yes,
12 the investments would be moved. He stated that including the County Pool as
13 an investment vehicle would provide the District flexibility, not only because we
14 are near the limit of the State Pool, but also in the future. He added that the
15 market is cyclical and today's market situation would occur again.

18 Director Cardenas indicated that he understood that the former Acting
19 Chief of Finance had made investments in commercial paper up to the limit
20 allowed by the District's policy and staff at this time, wishes to no longer do so
21 and, instead recommends that the District open a new account with the County.
22 Mr. Beachem indicated that, yes, at this time, the investment pool is the best
23 investment that the District can make. He indicated that the County Pool is a
24 very safe and liquid investment with a competitive yeild. He stated that it meets
25 our current needs for investment and also adds flexibility.
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1 Director Cardenas indicated that he did not see any comparison
2 information on how the pools returns compare to other investments. Mr.
3 Beachem indicated that he did have that information with him and as of the 13th
4 of this month, the State Pool had a return of 4.65% and the County Pool had a
5 return of 5.19%. He indicated that to compare the rates to treasuries you must
6 stay in the investment for five (5) years, which the District cannot, in order to get
7 a similar return. He indicated that agencies also have a little higher return than
8 treasuries, but again, because the pools lag the market, their returns are better
9 at this point in time. He added that Governments are actually maxed out their
10 pool funds because of the attractive returns.
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13 Director Cardenas indicated that he felt that he did not have enough
14 information to make a decision at this time. He indicated that there wasn't
15 comparative information in the staff report on commercial paper, market, etc.
16 Mr. Beachem indicated that he agreed, however, he does have information that
17 he can provide Director Cardenas. He stated that the District has a pressing
18 need at this time as it will be maxing out its State Pool account and will need
19 another vehicle to invest in. Director Cardenas indicated that the report did not
20 indicate how much money staff planned on moving. Mr. Beachem indicated
21 that staff is not planning on moving any monies immediately. He stated that as
22 investments mature, instead of investing back into the market, the monies will
23 be placed in the pool. Director Cardenas indicated that he agreed that 5.19%
24 vs. 4.65% return is an increase, however, he does not have a understanding of
25 what the District is planning to do. He indicated that he does support staffs
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1 efforts, but he feels that they need a little more information on how much money
2 is going to be moved, what the timeline is, etc. to make a decision.

3 Director Croucher indicated that he had some concerns as well. He
4 stated that he would be interested in knowing where the county sits with regard
5 to its credit rating, the history of its credit rating, and how the rating would affect
6 the District's returns. Director Cardenas asked how much time would the \$2
7 million (before the District maxes out the State Pool) allow? Mr. Beachem
8 indicated approximately two weeks. Director Cardenas indicated that the Board
9 is scheduled to meet the following week and asked if a report could be brought
10 back with additional information.
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13 Mr. Beachem indicated that he could address some of the concerns
14 Director Croucher had expressed. He indicated that the Orange County pool
15 had experienced a lot of trouble because they were leveraging their pool
16 approximately three (3) times the pool amount. It was this leveraging that
17 caused their problems. He stated that when the Orange County pool got into
18 trouble, it had caused a "scare" and a lot of cities and governments who had
19 invested their monies in government pools began to pull their investment. This
20 had caused liquidity issues. Mr. Beachem indicated that the San Diego County
21 Pool did not experience the same situation and had not incurred losses. He
22 stated they have the highest rating.
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25 Director Croucher indicated that the Fire Department in which he works
26 did experience losses from such pools. He stated that their department had lost
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1 income which affected their budget and that he would hate for the District to get
2 into the same situation.

3 Director Cardenas indicated that while the San Diego County has done a
4 good job in establishing a good rating he would still like to understand what the
5 Districts plan is. He asked that staff bring back to the next meeting the
6 additional information.
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8 General Manager Griego indicated that staff would be happy to bring back
9 the additional information the Board requests, however, it would be helpful if the
10 Board members can indicate to staff what information they need so staff can be
11 on target with their report.
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13 The following is a verbatim transcription of the minutes by request:

14 Director Cardenas: We had this discussion the other day Bob. You bring what
15 you think you need to tell us. Because if I am going to sit here and tell
16 you what to bring, that is the argument you and I had the other day Bob.
17 You said that it is not my place to tell you how to do it, its your job to do it
18 and bring back the information to the Board. So my recommendation to
19 you Joe is to bring me or the Board what you did...what you feel is
20 necessary for us to make that decision and I would be more than happy
21 to look at it.
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24 General Manager Griego: We've done that. Now you have asked for additional
25 information. So please tell us what additional information you need and
26 we'll provide it. This is a very pressing issue. We would not have
27 brought it here today if it wasn't important. We have a responsibility to
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1 invest these funds and there is an opportunity here to move it into a pool
2 that has the highest rating, an opportunity where we can gain at least a
3 point in interest in our investment and we have provided those facts.
4 What I need to know is specifically what other information you need and
5 we will bring it back so that we can get this issue resolved. Mr.
6 Cardenas you have a tendency to razzle dazzle every issue and it
7 creates a lot of frustration with the staff, creates a lot of work and I am
8 telling you right now, I am not going to let you razzle dazzle, ask
9 questions that have no answers or provide information that you don't
10 want answers. You just want to slow us down and we can't let that
11 happen. So if you provide us the information, the request and tell us
12 precisely what you need we will break our necks to get it to you. But just
13 don't ask a bunch of questions and tell us you do not have enough
14 information because I have not seen one single item that you ever have
15 any information. Second thing, you leave the meetings. So how can you
16 have information when you leave the meetings. Secondly you do not live
17 in the area and we can never get availability. So, you know, if you need
18 information, please ask us and we will provide it, but I am not going to let
19 you razzle dazzle the staff and ask for things that you don't care about
20 and don't even want the answers to.

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25 Director Cardenas: I'll repeat myself Joe, whatever information you think is
26 necessary for us to make a decision, bring it before the Board.
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1 President Bonilla: I would suggest that maybe you can meet with Bob and
2 Director Inocentes and handle those questions.

3 Director Croucher: I'll provide my questions in writing. My question to the
4 General Manager; by us holding it off until the 23, will it affect these...

5 General Manager Griego: No it won't.

6
7 Director Croucher: Then we can do it appropriately and have it included with
8 the budget on Monday.

9 President Bonilla: Whatever question you have, you will provide them to Bob
10 by tomorrow? This is all he is asking.

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12 Director Croucher: If I have anything that I think is pertinent, I'll be more than
13 willing to come down on my own time and meet with Joe. I do appreciate
14 the work you are doing Joe. I am trying to get up to speed and you are
15 probably having to explain things a little bit more for me just because I
16 am still on the learning curve and I apologize to staff for that, but I do
17 appreciate your patience and my concerns is that there is a substantial
18 amount of money here that is being moved around. I know that staff has
19 changed from who we had and I know you are jumping into this position
20 and I applaud you for that.

21
22 End of the verbatim transcription.

23
24 President Bonilla asked if there was a penalty for the early withdrawal of
25 the District's funds. Mr. Beachem indicated that there was not a withdrawal
26 penalty. It was noted that to withdraw the funds, the District would need only
27 wait 24 hours after the investment is made.
28
29

1 Director Cardenas asked if there is an administrative fee. Mr. Beachem
2 indicated that there is a fee, however, it is not charged for each such
3 transaction. Mr. Beachem noted that the administrative fee noted on a slide of
4 his presentation was for internal staff (time) costs.

5
6 12. General Manager Griego indicated the next item on the agenda is
7 the award of a construction contract for the 711 zone pipelines on East H Street
8 and Lane Avenue. Mr. Mehdi Arbabian indicated that this particular project was
9 brought before the Board in January, 2001. He stated that the pipeline project
10 was awarded to Mesa Construction Company who was unable to execute the
11 contract documents. He indicated the project was then awarded to the second
12 lowest bidder. He stated that, however, the time limit of 90 days had expired
13 and the contract could not be awarded. Mr. Arbabian indicated that the District
14 rebid the project in June 2001. He stated the lowest bid was received from
15 Filmex, Inc. He indicated that staff checked their records and the contractor
16 has provided a bid bond. He stated that Staff is recommending that the Board
17 award the project contract to Filmex, Inc. in the amount of \$1,037,845.
18
19

20 Director Croucher asked if there was a bond in place with this new
21 company which staff is recommending in the event they should not be able to
22 complete the project? Mr. Arbabian indicated that there was a bid bond
23 submitted with the first bid and that staff is discussing with legal counsel
24 whether to liquidate the original bid bond. He added that there is also a 10%
25 bid bond attached to Filmex, Inc.'s bid.
26
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Award a
Con-
struction
Contract:
711 Zone
Pipelines

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

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

6 to award the construction contract for the 711 zone pipeline in East H Street
7 and Lane Avenue to Filmex, Inc. in the amount of \$1,037,845.

8 13. General Manager Griego indicated that the next item is the award
9 of a construction contract for the completion of the Buena Vista Pump Station
10 upgrade project. Mr. Arbabian indicated that this is another construction project
11 in which the awarded contractor, Pacific Alliance, failed to complete the project.
12 He indicated that they had abandoned the project last August 2000. He stated
13 that staff has spoken with the surety company and has requested their
14 performance bond indicating that they must complete the project. Mr. Arbabian
15 indicated it took almost one year for a tendered offer to be received for the
16 completion of the project. He indicated that staff has reviewed the agreement
17 with legal counsel and all the conditions which staff wished stipulated in the
18 agreement was listed and that the surety company is paying the difference to
19 complete the project. He indicated that they have also selected a contractor,
20 HPS Plumbing, Inc., who will complete the job in the amount of \$630,022. He
21 indicated that staff is requesting that the Board authorize the General Manager
22 to enter into a tendered agreement that is offered by the original surety
23 company and award the construction contract for the completion of the Buena
24 Vista Pump station to HPS Plumbing, Inc.
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Award a
Con-
struction
Contract:
Buena Vista
Pump
Station

1 Director Croucher asked in the event a contractor does not finish a
2 project, does the District share that information with Southern California water
3 agencies so they are aware. Mr. Arbabian indicated that the District receives
4 from the City of San Diego a list of contractors who have been barred from
5 doing work for the City (of San Diego). He indicated that staff does check the
6 references of the contractor and other agencies to confirm that they are a
7 quality contractor at the time that the contract is awarded.
8

9 General Manager Griego asked what staff does when a contractor
10 doesn't perform on their contract; he asked if the District shared this information
11 with other agencies? Mr. Arbabian indicated that it does not. Director Croucher
12 indicated that it is something he would like to see shared with CWA and other
13 agencies.
14

15 Director Cardenas asked Special Counsel Garcia if providing such
16 reporting would cause legal problems? Special Counsel Garcia indicated that
17 the District should only note that it had a contract for a particular project and the
18 contractor had defaulted on the project.
19

20 A motion was made by Director Croucher, seconded by Director Lopez
21 and carried with the following vote:
22

23 Ayes: Directors Bonilla, Cardenas, Croucher, Inocentes and
24 Noes: Lopez
None

25 to award a construction contract for the completion of the Buena Vista Pump
26 Station upgrade project in the amount of \$630,022 to HPS Plumbing, Inc.
27
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1 14. General Manager Griego indicated the next item is Directors
2 Reports. Director Croucher reported that he and Director Inocentes had met
3 with the General Manager to go over some preliminary goals and objectives
4 which will be presented to the full Board for review and finalization. He
5 indicated that, at their request, they would like to try to have it facilitated with a
6 facilitator from the California Special Districts Association, headquartered in
7 Fallbrook.
8

9 Director Inocentes stated that he hoped that some of the actions taken
10 by the Board does not discourage any employee of the District to come forward
11 when they feel that something is not right. He indicated that he felt that the
12 issue with the Auditor was not over and that the State Judicial System would
13 inherit the review of this issue. He stated that he objected that President
14 Bonilla's personal attorney had oversight of the process and investigation of the
15 issue.
16
17

18 Director Lopez indicated that he wished to respond to Director Inocentes'
19 comments. He indicated that we should be aware that any hiring by the District
20 should go through the proper procedures (ie., like a background checks, etc.)
21 so issues do not arise at a later time which requires the District to take actions
22 similar to the situation mentioned by Director Inocentes. He indicated that the
23 District has learned from this situation and that we (the Board) should take
24 responsibility for all the actions which have taken place.
25

26 President Bonilla indicated that he welcomed the comments of Director
27 Inocentes since his intention are for the best interest of the District. He stated
28
29

1 that he was concerned that the District did not have representation at San
2 Diego County Water Authority (CWA) at the last two meetings and is aware that
3 Director Cardenas was unable to attend for personal reason. He asked Director
4 Cardenas if he could please provide a report on issues being discussed by
5 CWA at the next Board meeting.
6

7 Director Cardenas indicated that there are two issues currently being
8 discussed at CWA which affects the District which he has asked be agendized,
9 but was refused by the General Manager. He indicated those two items are
10 rates and litigation. He stated that the Board could not discuss the items when
11 they are not agendized. He stated that with regard to rates, the District has a
12 staff member who is competent and is doing a great job in presenting the issues
13 and it is up to this Board to decide what it will do about the new CWA rates. He
14 indicated that he had a discussion many months ago with President Bonilla that
15 he did not wish to sit on the CWA Board. However, President Bonillas indicated
16 that he (Director Cardenas) had the experience and it would be helpful to have
17 him represent the District at CWA. Director Cardenas indicated that he was
18 willing to give up the seat should the Board as a whole request it.
19
20
21

22 General Manager Griego indicated that he did not agree with Director
23 Cardenas with regard to his comments that he (General Manager Griego)
24 refused to agendize the CWA issues.

25 President Bonilla indicated that he did not recall that he had offered
26 Director Cardenas the CWA seat. He indicated, that he however, did not wish
27 to debate the issue.
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15. With no further business to come before the Board, President

Bonilla adjourned the meeting at 3:46 p.m.

President

ATTEST:

District Secretary