MINUTES OF THE
SPECIAL BOARD OF DIRECTORS MEETING
OTAY WATER DISTRICT
July 21, 2004

1. The meeting was called to order by President Lewis at 4:30 p.m.

2. ROLL CALL

Directors Present: Breitfelder, Bonilla, Lewis and Lopez

Directors Absent: Croucher (Assisting with fighting the fires up north.)

Staff Present: Interim General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Operations Manny Magana, General Counsel Yuri Calderon, Chief Information Officer Geoff Stevens, Chief Financial Officer Joe Beachem, Chief of Engineering Mehdi Arbabian, Chief of Water Operations Pedro Porras, Chief Development Services Rod Posada, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

A motion was made by Director Breitfelder, seconded by Director Lewis and carried with the following vote:

Ayes:	Directors Breitfelder, Bonilla, Lewis and Lopez
Noes:	None
Abstain:	None
Absent:	Director Croucher,

to approve the agenda.

President Lewis indicated that the board will receive the Engineering and Water Operations item prior to the presentation of the Work Environment Review project.

5. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

No one wished to be heard.

6. ENGINEERING AND WATER OPERATIONS

a) AUTHORIZE STAFF TO NEGOTIATE AND ACQUIRE THE NECESSARY EASEMENTS FOR THE 30" RECYCLED WATER PIPELINE, 450-1 RESERVOIR, AND 680-1 PUMP STATION

Mr. Mehdi Arbabian indicated staff is requesting that the Board authorize the General Manager to forward an offer letter to the property owners along the 30" Recycled Water Pipeline to acquire additional easements. He presented a map noting 13 properties along the pipeline alignment that would require easement agreements. He noted the permanent and temporary easement square footage requirements for the project and indicated that the total cost to acquire the 13 easements was approximately $1.1 million. He stated that the cost was an estimate and that staff would do their best to negotiate with the property owners based on the actual appraised value of each parcel the exact square footage needed. He noted the estimated cost was between $10 and $20 per square foot.

A motion was made by Director Breitfelder, seconded by Director Lewis and carried with the following vote:

Ayes:	Directors Breitfelder, Bonilla, Lewis and Lopez
Noes:	None
Abstain:	None
Absent:	Director Croucher

to approve staffs' recommendation.

b) APPROVE AN AMENDMENT TO THE MASTER AGREEMENT WITH OTAY RIVER CONSTRUCTORS FOR THE STATE ROUTE 125 SOUTH UTILITY RELOCATIONS

Mr. Arbabian indicated that this item had been presented to the Board in February 2004 and the Board had approved a Master Agreement with Otay River Constructors, a design/build contractor for Caltrans. He stated that at that time, it was suggested that any subsequent amendments be presented to the Board for approval. He stated this was the first amendment to the Master Agreement which is consistent with the provisions outlined in the Master Agreement. He noted that the amendment agreement has been reviewed by Legal Counsel and staff is requesting that the Board authorize the execution of an amendment in the amount of $90,000 to the Master Agreement.

Mr. Arbabian indicated that this item had been presented to the Engineering and Water Operations Committee in June 2004 and staff had received the committee's concurrence to move forward with staff recommendation.

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

Ayes:	Directors Breitfelder, Bonilla, Lewis and Lopez
Noes:	None

Abstain: None
Absent: Director Croucher,

to approve staffs' recommendation.

7. DISCUSSION AND PRESENTATION OF WORK ENVIRONMENT REVIEW PROJECT

Interim General Manager Watton introduced Ms. Trudy Sopp, The Centre for Organization Effectiveness, whose organization handled the Work Environment Review. He indicated that following the Board review at this afternoon's meeting, the employees groups would have an in depth review the next day, July 22. He stated the review had some "good news," some things that were neutral and things that would require some attention. He stated it was identified that there are things that we will need to work on "across the organization." He stated that it is hoped that the Work Environment Review would serve as a tool to move forward at the District.

Ms. Sopp introduced the team from The Centre for Organization Effectiveness, Ms. Linda Shoob who served as the project leader and Ms. Keren Stashower. She indicated that they were experts in survey analysis, data feedback and organizational intervention. She stated that Ms. Shoob would provide an overview of their presentation, Ms. Stashower would present the survey data and the interpretation of the data, and they would close with recommendations.

Ms. Shoob indicated the purpose of the study was to assess the organizational factors (systems, procedures and processes, policies and practices, resources and programs) that contribute to employees' perceptions of their workplace and provide recommendations as to what might be done to continue ongoing organizational and work environment improvements at the District. She noted that the data gathering had commenced in March and was completed in July. She stated that the review process was designed to have a high level of involvement and that 98% of the District's employees completed the questionnaire. She indicated that this was an incredibly high response rate which indicates that the District can have a very high level of confidence in the data.

She noted that an extensive amount of documentation was reviewed (policies, performance management manuals, history, previous reports on the organization, etc.) for this project. She noted that they had utilized a five-step methodology/process which they would discuss later in the presentation and received internal Otay guidance. She also noted that the review was initiated by Otay in response to LAFCO Municipal Service Review Determination 8.14 to "measure and address employee satisfaction."

Ms. Shoob reviewed the five-step process which included, gathering the data, compiling and analyzing the data, integrating the data into the Work Environment Review Report, making recommendations for continued improvement and delivering feedback presentations to multiple groups. She noted that the project guidance was

provided by two sources: 1) Steering Committee (linked to the Labor/Management Committee; and 2) The Project Manager for Otay, Ms. Kelli Williamson, Human Resources.

Ms. Shoob noted that they utilized four data gathering tools; interviews, focus groups, questionnaire administration and document review. She noted that the questionnaire itself had 46 scaled questions, a five point rating scale (strongly disagree to strongly agree) and two open-ended narrative opinion questions. She turned the floor over to Ms. Stashower to present the survey data and the interpretation of the data.

Ms. Stashower indicated that most of her presentation would be on the quantitative data as it best represents every voice at the District. She indicated that they were very impressed and felt it was a step in the right direction with the candidness of the employees at all levels.

She reviewed the questionnaire and indicated that the scores represent the percentage of respondents selecting a 4 or 5 (agree or strongly agree). She noted that this was the current standard in survey analysis. She noted that high scores are noted in blue and are determined at 75% or higher (75% of employees agree or strongly agree with a particular statement) and red denotes low scores, 40% or lower agreed or highly agreed. She stated that regression analysis notes which items most predict employees perception that, “the District provides a good work environment for employees.” Those items that they felt were most important to employees and how the District scored on those items.

She again noted that 98% of employees responded to the questionnaire which was an incredibly high response rate. She stated that this statistic means that this is valid data with no or very little error. She stated that this data represents what employees think and feel. She noted that 107 employees answered the open-ended question of, “provide best example of something improved/going right.” She noted that again this was a very high response rate. She also shared that 127 answered the question, “most important issue/barrier to address” which translated into 335 separate thoughts, 14 take-home the open-ended questionnaires were received, respondents that did not answer the “general information” questions were included in the totals, and all questionnaires and write-in responses were included in the data.

Ms. Stashower reviewed the responses to the questionnaire and noted that 59% agree that the District provides a good work environment for employees, 57% represents the overall rate of employee satisfaction as a District employee and 86% agree that the District does an effective job in meeting customer needs. She noted that this was a strong finding and stronger than in other large organizations; that employees believe that the “District” does an effective job in meeting customer needs.

She reviewed each dimension:

Dimension I: Systems, Policies and Practices:

She noted that employees rated highly that the District promotes safety in the work place, understands the District's policies and procedures, is aware of performance objectives and what is expected of them and that employees are held accountable for the quality of their work. She stated areas the employees rated low were sufficient opportunities for advancement (hiring and promotion), good performance recognition and that the Board directs policy matters rather than administrative matters. She noted that these were areas needing improvement.

Dimension II: Future Direction / Change Readiness:

Ms. Stashower indicated that employees rated highly that they believe employees in their department are willing to change to improve the services the District delivers. She stated that this was the second most significant finding and that there is an incredible sense of commitment to the District by employees at all levels (I and my peers are committed to the District). She stated this was not only reflected in the surveys, but in interviews, focus group discussions and qualitative statements.

She noted that employees rated low the statement, "Employees are clear on the District's goals and future direction." She indicated that though the District has a great Strategic Plan in place, employees may not be clear on how it relates to them or how their role fits into the plan.

Dimension III: Management / Teamwork / Culture

She noted that this dimension showed the greatest need for improvement. In whole, it was indicated that there was room for improvement in management practices with regard to decision-making, conflict resolution and differences in opinion.

She noted that employees had rated highly that there was good teamwork among employees in their group. She stated that employees really believe that individuals in their workgroup are solid and they work well together. She noted that this came through in the interviews as well.

She stated that on the other side, as noted above, Employees rated the following items low:

- Members of management work together as a team.
- Differences of opinion are handled well and resolved.
- Management actions are consistent with what they say.

- I believe District management considers the effect on employees before making important decisions.
- The Board provides effective leadership that results in a positive work environment.

Ms. Stashower indicated if there was anything that the District needs to focus on, it would be this area. Creating an open environment for discussion where conflicts can be resolved and put to rest and decision-making forums which allows for input from throughout the organization.

Dimension IV: Communication / Information Sharing:

Ms. Stashower indicated that this is the second area that they see as requiring improvement. She noted there were no high scoring items in this area; however, the two low scoring items had to do with communication of information and explanation of changes. She indicated that she believes that this relates to decision-making involvement, hearing of employee opinions and the resolution of conflict. She indicated that there is some sense that the District needs larger forums for updates about what is happening at the District, that information be shared more freely and that employees hear it from the organization first before it is read somewhere else.

Dimension V: Workplace Tangibles / Physical Environment:

Ms. Stashower indicated that this area is probably the third strength of the organization. She stated that the management team had put a lot of effort into establishing policies, practices and processes that represent an effective organization. She stated that employees agree that the District has a good benefits package and this was very important to them. Ms. Stashower stated that this was one of things that was very predictive of overall satisfaction. She stated that the District has good facilities and people have the equipment and resources they need to do their jobs. They believe in each other and believe that they have what it takes to get the job done. She stated that there are some slightly low scoring items in this category, however, she would not consider this a category for major attention at this time.

Dimension VI: Customer Service:

She stated the survey results with regard to this item was also reflected in the focus groups and interviews. She stated that employees felt the District does an effective job in meeting customer needs and that they believe that employees go the extra mile to deliver quality service to each other and to customers.

Ms. Stashower summed that there are certainly some areas for work and some areas of strength. She stated that attention needs to be placed on the following items to move forward:

- The District offers a good benefits package.
- Employees in my department are willing to change to improve the services we deliver.
- I believe that the District has an exciting future.
- Morale in my department is good.
- Employees are clear on the District's goals and future direction.
- Management actions are consistent with what they say.
- I believe District management considers the effect on employees before making important decisions.

She stated that some of the items are already high scoring (the first two items) and that the District is already doing well in these areas. She stated that there are several items that fall out and need some attention; management, teamwork and culture.

Ms. Stashower then reviewed the results by department, level and length of employment. She indicated that the Admin / IT / GM Office had the most positive perception of the work environment. She indicated that they scored higher on 90% of all questions (all but 5). She indicated that they were significantly more satisfied at a higher level than folks in other departments. There was a notable exception however, with regard to the question, "there is good teamwork among the employees in my group," which was scored by these employees at 76% versus 85-100% by other departments.

She stated that Operations and Engineering have the least positive perceptions of the work environment. These employees marked there surveys lower on 53% of the survey questions than their counterparts in Finance and Admin / IT / GM Office grouping. She noted that there was a difference between Finance and all others with regard to some intra-departmental questions, regarding how our department operates, and may represent an area for future investigation.

Ms. Stashower reviewed graphs depicting differences between departments in response to survey questions. She also noted the differences between levels in their response to the survey. She noted that the Chiefs, Asst. General Managers and the General Manager were the most satisfied in the District. She noted that this was typical, senior level employees generally rate the highest with regard to satisfaction because they feel closest to the actual work being done and have more control over this work. She also noted that Supervisors answered 63% of the questions more positively than managers and that employees were the lowest scoring group on 72% of all questions. She stated that it was unusual that supervisors scored higher than managers and that this may be an area for more investigation.

She indicated that there was some work to be done on the amount of difference between the Chief, Asst. General Managers and General Manager level and the employee level. She indicated that this gap has never been seen before and is worthy of some attention. They recommend that the District work on closing that gap.

She noted that the surveys also indicate that employees, who have been with the District for a shorter period of time, were generally more satisfied and report more positive perceptions of the work environment. She noted that this was not unusual, but was not always true in other organizations. She stated that, what was unusual was that employees who have been at the District 15 to 20 years reported the lowest satisfaction and the least favorable impressions of the work environment. She stated that difference is the most notable.

Ms. Stashower indicated that she also wished to share comments from employees that would help the District understand the areas requiring improvement. She indicated that the quotes presented (see attached presentation) were selected because they represented neither a strong opinion on either side, but from somewhere in the middle. Some of the positive comments included:

- We are well positioned for the future.
- Seems like the Board is better and the tension is less than in the past.
- Employee morale, although still not as high as it could be, is improving.

Ms. Stashower indicated that employee comments point to areas for improvement and she noted some key points:

> There is some concern at all levels, and it is not insignificant, regarding the hiring and promotion practices. She stated that concerns are not with regard to the written policy, but the implementation of that policy that employees question. She stated that there is a sense that there may be reasons why some employees are hired or promoted that are not related to the policy itself, that it may be who they know and whether they are “in” or “out” that predicts whether or not they get a promotion rather than through the merit of their work.
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> She indicated that there is some level of tension between the employees and management. She stated that the tension is causing distress in the work environment, even though there are some employees who do not feel strongly one way or the other. She stated that this tension, in itself, gives rise to the concerns regarding hiring, promotion and other issues.
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> She stated that there are some concerns at all levels, whether or not there would be retribution for taking an action they think is right (i.e., speaking out, making a tough decision, speaking an alternative voice, etc.). She stated that there are actions by management that have been interpreted by employees thatcause them to believe that “maybe I should not say anything.” There are also actions that employees have taken that have made

management question if they can make the tough decisions for the District and do their job as a manager.

Ms. Stashower also noted the comments below by employees and indicated that Ms. Sopp would expand on their relevance to the District's cultural environment.

- Critics of the organization may be credible, but their approach is not credible. This approach causes the top to hunker down, and then the disgruntled group is kept alive because management does something that feeds right into this cycle.

- I wish we could live peacefully amongst ourselves. If the different extremes could sit down and talk to resolve the differences, it would be better.

Ms. Sopp indicated that from the interviews they conducted, the survey responses to open ended questions, newspaper articles and their observation of the District in the last four months, they noted patterns that have a cycle. She indicated that they named this cycle the "causal loop." She stated that everyone in the organization (board, management and employee association) is involved in the causal loop. She indicated that the pattern of behavior in the causal loop is driven by beliefs and assumptions that each group has about one another. She indicated that the outside environment also contributes to the causal loop.

She provided an example of a causal loop that might occur at the District. She indicated that behaviors cause reactions that are unintended and, thus creates a looping cycle.

1. The Otay Board takes an action.
2. The newspaper reports on the action.
3. The article causes the District management to take an action internally.
4. The management action causes employees to react to the action (with regard to morale, suspicion, etc.)
5. The newspaper reports on employees' reaction.
6. The article puts pressure on the Otay Board to take more action.

Ms. Sopp indicated that the examples help point out what drives the actions and patterns within the organization, which then creates the culture, policies and rewards within the organization. She stated should they have an opportunity; this is an issue that they would like to discuss and work with management to address. She then turned the floor over to Ms. Shoob to present their recommendations.

Ms. Shoob indicated that before presenting their recommendations, she would like to provide a summary review of their findings:

- The GM and the GM's Office have developed a Strategic Plan to guide the organization and address future needs.

- The District has made significant improvements in providing employees the tools, policies, programs and internal processes to ensure an effective organization.

- The District provides high quality services to customers. Employees at all levels are committed to this mission and proud of the work they do.

- The Board, Management and the Association all play a role in the "causal-loop" cycle of behavior that permeates the organization.

- There are notable differences in the perceptions of the work environment as seen from (1) management and employees and (2) newer employees and long-term employees.

- There are notable differences in perception, experience and satisfaction with the work environment across departments.

- Employees want to have more timely communication and involvement in decision-making processes on issues that impact them.

- There are wide ranging perceptions about the hiring and promotion processes and practices. This a key equity issue for employees at all levels.

Ms. Shoob indicated that their recommendations are consistent with goals already in place through the organizational Strategic Planning process (the asterisk below denotes these recommendations).

At the Organizational Level:

1. Establish/Renew Communication Forums*
    - Newsletters, Town Hall Meetings, GM/AGM Conversations

•Create an Activities Committee (cross-functional):

- All Hands Events (Potlucks, etc.)
- Create Employee Appreciation Activities
- Annual Community Volunteer Event

•Maintain the Labor/Management Committee*

4. Communicate the Strategic Plan

5. Ensure Sufficient Training for OIS
6. Research Benchmarks for "Best-in-Class Utility" Designation

At the Departmental Level:

1. Establish and Communicate Department-level Mission and Roles
2. Conduct Departmental Teambuilding Efforts, where needed*
3. Conduct Inter-Departmental Teambuilding, where needed*
4. Establish Department Performance Metrics/ Standards*

5. HR Specific Recommendations:
    - Align/enhance performance evaluation system to new “culture” expectations
    - Conduct a training needs assessment and establish multi-leveled training course options*
    - Support Leadership Academy development and delivery*
    - Renew employee recognition/reward activities*
    - Ensure consistency in all HR processes and practices (e.g., promotion)*

At the Management/Supervisory Level:

1. Establish a Management/Supervisory Training Academy Managing Change, Leadership Concepts, Building Teams, Coaching, Performance Management, Communication Styles and Skills, etc.
2. Create a Forum for Managers and Supervisors to Informally connect and build relationships
3. Work with the Management Team to identify ways they can be more involved in their management and leadership roles
4. Establish meaningful performance metrics that align with the Strategic Plan
5. Develop comprehensive communication processes that effectively channels communication up, down, and laterally*

At the Executive Level:

1. Conduct an Executive Workshop to focus on:
    - Action steps from work environment review and a systematic method to continue to monitor and improve the organization on an ongoing basis
    - Establish specific performance metrics, aligned with Strategic Plan
    - Teambuilding among the Executive Team

2. Immediately develop steps to increase the presence of the General Manager and all executives. Create more conversations with all employees about the vision and future

3. Make “Culture Change” a Major Initiative:
    - Clarify/communicate the future vision
    - Get feedback from employees on how to change the perceived “culture of retribution”; establish new principles of interacting
    - Establish management practices to create a more inclusive environment (e.g., employees are heard, mechanisms are in place for employee consideration in decision making, there is more regular communication across all levels and departments and “respectful treatment” is perceived throughout the workplace)

- Establish and monitor a system to ensure the recommendations from the WER are implemented and improvements are measured

At the Board Level

1. Conduct a Board Workshop/Retreat to focus on:
    - Board governance: latest trends, research, current concepts
    - Role clarification: expectations/clarification on role of board members and GM
    - Ground rules: establish ground rules for interactions among Board members and with employees

2. Establish a system to ensure that training on the Brown Act, the State of California Conflict of Interest, Policies and Ethics training is conducted each year. The emphasis should be on Special Districts.

Director Breitfelder asked if they could elaborate more on the follow-up to the Work Environment Review. Ms. Shoob indicated that the most immediate follow-up they would recommend would be to schedule a couple of preliminary sessions of the leadership or management team to develop an action plan to prioritize and allocate resources to respond to their recommendations outlined above.

Director Breitfelder asked if they would recommend resurveying periodically to chart the District's progress. Ms. Shoob indicated that that would be their methodology and would recommend resurveying in eighteen to twenty-four months. She noted that if the organization resurveyed with a different survey, we still would not have gap analysis information to base the results on. If you resurvey with the same survey, you would be measuring for the same information.

Director Lopez asked if there was anything discussed in committee that President Lewis would like to share with the Board. President Lewis indicated that the committee discussed the approach, philosophy and clarification on the foundation that The Centre would take to conduct the review. He stated that The Centre was selected based on recommendations from other organizations that have utilized their services and based on their ethics and integrity. He stated that he felt that their process was very well organized and professional and that he felt comfortable with the results. He stated that the committee did not have time to delve deeper into the recommendations and that was the next step. He stated that he does feel that we have received very good recommendations.

Director Lopez indicated that he has had experience in similar organizational reviews and in organizational development, himself being a facilitator. He stated that, based on his experience, he felt the information presented at today's meeting was quality work. He commended The Centre for their work and in how the process was handled. He stated that some of the issues that staff had brought to his attention before leaving the President's seat (culture, promotions, etc.) had been addressed in the Work Environment Review. He stated that the District does need to reevaluate the District's progress in eighteen months, which would be similar to

what other organizations have done. Director Lopez thanked The Centre for their work.

President Lewis asked if The Centre could share more about the mechanism they used to encourage open and honest responses to the survey questions. Ms. Shoob indicated that they assured employees participating in the one-on-one interviews, focus group interviews and the survey process that their comments would be confidential and that they would not be printed verbatim. She stated that they had also scheduled the survey completion meetings so that all meetings would occur on the same day, “back-to-back,” so the surveys would be collected together. Employees sealed their surveys in envelopes and placed them into a ballot box. Prior to the survey completion meeting, informational meetings were also held with employees to explain the process, answer questions and receive employee feedback. Ms. Shoob indicated that they felt very confident that employees were very honest in their responses to the survey, one-on-one interviews and in the focus group interviews.

Director Breitfelder indicated that it is very common that some of the employees comments seem to be a little contradictory. He indicated that he speculates that individuals interpret questions a little differently. He asked what could be done in the future to flesh out and reconcile the information.

Ms. Stashower indicated that many of the questions that were chosen for the survey came out of a collection of questions she has been utilizing for public service agencies for a number years. She stated that they are well tested in terms of having a standard interpretation from employees at different levels. She said that it could happen, however, it is hard to know if they have interpreted the questions differently. She stated that as the organization talks about the results, any differences in how things are seen, or what we would like to do with the information, or what is important to act on first or last will begin to be discussed. She stated that hopefully the data provides an opportunity to begin conversations and is not the end point. She stated the conversation should be, “where do we go next?”

Director Breitfelder asked if The Centre would be available for subsequent discussions on the actual implementation of the recommendations and possibly enhancements. Ms. Stashower indicated that, yes, they hope that several of their recommendations would include facilitated conversations. She stated that this would assure effective, open dialogue. She noted that they are recommending this at the board level, the executive team level and the Labor/Management Committee. She stated that they would be presenting this same presentation to the District’s employees the following day and hope this will bring about some formal conversations.

Interim General Manager Mark Watton indicated that he has already had conversations with Ms. Sopp to put together a work plan for subsequent follow-up for staff and the Board via a workshop if they had an interest. He stated the implementation of the work plan for staff would be immediate and for the Board, when a workshop could be scheduled.

He also shared that one of the items the District needs to work on is breaking the "causal cycle." He stated this would involve all levels. He also noted that the District has an excellent Strategic Plan and staff needs to develop a proposal to roll out the plan organization-wide and get employee involvement in the implementation of the plan. He stated that by doing so, it would insure the success of the Strategic Plan. He stated that everyone throughout the organization has work to follow-up on the Work Environment Review in developing an action plan for positive change and results in the organization.

President Lewis thanked The Centre for their work and professionalism. He stated that he encourages staff to work hard to create the action plan and to work toward a common good. He also encouraged the Board to support staff in the development of the action plan and stated that he was taking the first step and would be scheduling a workshop for the board. He stated that the Work Environment Review has been very helpful and informative and he thanked all who participated in the process.

8. ADJOURNMENT

With no further business to come before the Board, President Lewis adjourned the meeting in at 6:02 p.m.

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President

ATTEST:

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District Secretary