

1 MINUTES OF THE
2 BOARD OF DIRECTORS REGULAR MEETING
3 OTAY WATER DISTRICT
4 SEPTEMBER 16, 1998

5 1. The meeting was called to order by President Poveda at 1:33 p.m.
6
7 in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley,
8 California.

9 DIRECTORS PRESENT: Directors Poveda, Laudner, Price and
10 Watton

11 DIRECTORS ABSENT: Director Inocentes (arrived at 1:33 p.m.)

12 STAFF PRESENT: Operations Dept Head Mahanke
13 Engineering Depart Head Stanton
14 Finance Dept Head Chambers
15 Admin Dept Head Alvarez
16 Attorney Harron
17 District Secretary Bartlett-May
18 Public Affairs Administrator Cassens
19 Others as per attached list

20 2. After the pledge of allegiance, a motion was made by Director Wat-
21 ton, seconded by Director Laudner, and unanimously carried, to approve the
22 agenda.

23 3. A motion was made by Director Watton, seconded by Director
24 Price, and unanimously carried, to approve the Minutes of the Regular Meeting of
25 August 19, 1998 and the Minutes of the Regular Meeting of September 2, 1998.

26 4. After discussion, a motion was made by Director Poveda, seconded
27 by Director Laudner, and unanimously carried, to approve the Demands as listed.

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29 5. President Poveda presented

RESOLUTION NO. 3760

A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT EXPRESSING APPRECIATION TO ANGELA E. MYERS FOR TEN YEARS OF SERVICE TO THE DISTRICT

A motion was made by Director Inocentes, seconded by Director Price, and unanimously carried, to adopt Resolution No. 3760.

Finance Department Head Chambers presented the resolution to Ms. Myers and stated that she had started at the District in Customer Service and was a backup in Information Systems before moving in the Accounting Department. Ms. Myers also obtained her AA degree while at the District.

President Poveda thanked Ms. Myers for her years of service and her hard work.

6. President Poveda inquired if anyone in the audience desired to address the Board on any item not on the agenda. No one wished to be heard.

7. A motion was made by Director Watton, seconded by Director Inocentes, and unanimously carried, to adopt the following items on the Consent Calendar:

a) RESOLUTION OF ANNEXATION

RESOLUTION NO. 3761

A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY WATER DISTRICT FIXING TERMS AND CONDITIONS FOR THE ANNEXATION TO IMPROVEMENT DISTRICT NO. 18 OF THOSE LANDS DESCRIBED AS "APN 517-111-30, DAWSON ANNEXATION" AND ANNEXING SAID PROPERTY TO IMPROVEMENT DISTRICT NO. 18 (WO 8862- DIV. 5)

- b) DENIAL OF CLAIM BY PACIFIC BELL
- c) INFORMATIONAL REPORT ON NEGOTIATED CONSTRUCTION CONTRACTS UNDER \$25,000
- d) RECOMMENDATION TO CONTINUE WITH DISTRICT'S CURRENT WATER THEFT POLICY
- e) CONTRACTING OPPORTUNITIES CENTER REQUEST FOR \$4,200 FOR OCTOBER 1, 1998 TO SEPTEMBER 30, 1999
- f) AUTHORIZATION FOR GENERAL MANAGER TO INCREASE THE AS-NEEDED ENGINEERING SERVICES CONTRACT 96-97 LIMIT TO \$370,000 TO POWELL AND ASSOCIATES AND EXECUTE TASK ORDER NO. 4 FOR \$9,538 TO FINALIZE THE POINTE SAMP

8. Attorney Harron stated that a District inspector saw an unauthorized connection to a District fire service at a job on Tierra Del Rey. The inspector immediately disconnected the hose and notified Joe Luna of Luna Bonita Plumbing that there would be a \$500 fine for the unauthorized connection. No water was used before the hose was disconnected. This connection was made before the RP device on the fire service, thus creating a potential cross-connection problem. He stated Mr. Luna is here today to address the Board.

Mr. Luna stated that he has been working on this project for two months and always used the meter on the fire hydrant for water before. He stated he did connect the hose to this fire service but no water was used. He stated he made a mistake and asked the Board to waive the \$500 fine.

1 Director Inocentes stated this fine would have been \$1,000 just a
2 short while ago but the Board took action to reduce it to \$500 if no water
3 was used.

4 Director Poveda stated that as a public agency, the District is re-
5 sponsible to all constituents and while Mr. Luna's intent may not have been
6 to make an unauthorized connection, one was made and it is the Board's
7 intention to deter this practice.

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9 A motion was made by Director Poveda, seconded by Director
10 Laudner, and unanimously carried, to charge Luna Bonita Plumbing \$500
11 for the unauthorized connection.
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13 9. Finance Department Head Chambers stated she would like
14 to discuss with the Board the objectives desired in selecting an investment
15 advisor and possible changes to the District's investment policy. She re-
16 viewed the primary objectives of the current investment policy. They are, in
17 order of importance, safety of principal, liquidity to meet operating require-
18 ments, and return on investments. The benefits that would be desired from
19 the internal or external manager would be to increase diversification while
20 providing sufficient liquidity to meet demands, and increase the return on
21 the investments enough to outweigh the cost of the manager. Additionally,
22 an external manager would have greater access to markets, i.e. banker's
23 acceptance and commercial paper, could perform research for unsecured
24 debt instruments, would provide economies of scale with multiple custom-
25 ers, complement internal resources and increase internal controls. Invest-
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1 ment advisors can be given discretionary and/or non-discretionary author-
2 ity. Discretionary authority would provide the manager the opportunity to
3 execute investment transactions subject to the investment policy and non-
4 discretionary authority would require the manager to obtain approval for in-
5 dividual transactions. The main risk of discretionary authority is the loss of
6 control which can be mitigated by the investment policy and the agreement
7 with the investment advisor. An investment advisory agreement provides
8 specific instructions including risk parameters, allowable investment in-
9 struments, strategies and reporting requirements. The reporting require-
10 ments would include a summary of portfolio holdings, investment perform-
11 ance reports, the total return for the period, maturity/duration indicators,
12 complete transaction summaries and mark-to-market reports. Ms. Cham-
13 bers stated the next step would be to evaluate the responses to the RFP,
14 choose final candidates to interview, execute a formal agreement and re-
15 vise the investment policy.
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19 Director Poveda inquired what the practice is at other water dis-
20 tricts.
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22 Ms. Chambers stated she has only seen non-discretionary authority
23 given to investment managers at other agencies with similar sized portfo-
24 lios as Otay.
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26 Director Watton stated the County Water Authority has 1 1/2 full time
27 staff people doing their investing. He stated at one time there was discus-
28 sion of the CWA and other agencies sharing a staff person.
29

1 Ms. Chambers stated she does not anticipate that having an invest-
2 ment manager will save her time since she will spend the same amount of
3 time reviewing the investments.

4 Director Inocentes inquired if the Finance Committee is going to be
5 involved in this issue.

6
7 Ms. Chambers stated she would like the Finance Committee to re-
8 view the responses to the RFP and select those they would like the District
9 to interview. The RFP went out August 20 and is due September 25.
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11 Director Poveda stated a decision needs to be made as to how
12 much of the District's portfolio the manager would be given.

13 Ms. Chambers stated a lot of her time is spent monitoring day-to-
14 day cash to make sure there is enough to meet the demands and payroll.
15 The investment manager would be handling a portion of the portfolio that
16 Staff does not have constant interaction with or is needed for immediate
17 cash. She stated she could have the funds that are available in LAIF be-
18 cause she can move in and out in 24 hours. The replacement reserve fund
19 could also be allocated to the manager. The Board could allocate anything
20 greater than two years to the manager. She would expect that in the con-
21 tract the manager would want a term for about three years to give enough
22 time to show that they can produce results.
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26 Director Watton stated he is not opposed to this concept but would
27 like to continue exploring the option of sharing a staff member with CWA
28 and/or other agencies and share the cost.
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1 Director Price inquired if the District is obligated to award since the
2 RFP has been sent out.

3 Ms. Chambers stated an award does not have to be made. The
4 RFP states that the District is contemplating this but there is no commit-
5 ment.
6

7 Director Inocentes requested Ms. Chambers provide a document
8 showing which method (discretionary or non-discretionary) other agencies,
9 Districts and municipalities use and what their performance has been. He
10 asked which method most agencies use.
11

12 Ms. Chambers stated mostly non-discretionary authority is given.

13 Director Inocentes asked if RFPs were sent to anyone outside the
14 water industry.
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16 Ms. Chambers stated the government code is very restrictive and
17 the investors must be licensed in California to invest public funds. She
18 asked in the RFPs for the managers experience in handling public funds
19 and how much has been for water districts.
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21 Director Inocentes inquired if some managers do discretionary and
22 non-discretionary managing.

23 Ms. Chambers stated she did not see that because most water
24 agencies do not have a large enough portfolio. She stated the money the
25 District invests in LAIF is discretionary because they invest it without Dis-
26 trict approval. That fund is limited at this time to \$20 million.
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1 Director Watton stated whether the District gets its own investment
2 manager or shares a manager with other agencies, this needs to be done.

3 Director Inocentes inquired how the investors are compensated.

4 Ms. Chambers stated they are usually paid on basis points or per-
5 centage basis of how much they are managing. She stated she would ex-
6 pect that the extra return on the investments would be enough under their
7 management to cover their fees.
8

9 Director Inocentes inquired what percentage these managers might
10 ask for.
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12 Ms. Chambers stated these fees usually range between 15 and 40
13 basis points. It is wide spread because of the different services they offer.
14 The more money they are given to manage, the lower the number of basis
15 points. She stated her understanding is that LAIF is limited to charging .5%
16 of earnings.
17

18 Director Poveda he sees the issues before the Board as being: 1)
19 discretionary versus non-discretionary, 2) the dollar amount, 3) the length of
20 the contract, and 4) the fees and the return. Before any of these are con-
21 sidered the Board needs to decide whether it wants an outside manager or
22 sharing a position with other districts.
23

24 Ms. Chambers stated she could bring this back to the Board or meet
25 with the Finance Committee when the RFP responses are back.
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27 Director Watton stated he would like to see some additional infor-
28 mation as well regarding the costs involved with staff.
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1 Ms. Chambers stated she did not see her role changing but this
2 could have the impact of reducing workload on other staff members who
3 are doing the monitoring of the interest, doing the general ledger account-
4 ing records, etc.

5
6 Director Watton stated he would want to see what added costs
7 might be around more active staff management to see if it would be better
8 to use outside expertise for a projected return and see if the projections
9 come true as opposed to an internal cost.

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11 Ms. Chambers stated she would bring this back to the Board.

12 10. Administrative Services Department Head Alvarez presented his
13 Department's monthly report. He stated that over 450 applications have been
14 screened this month. A sub-committee is being formed to begin fact finding for
15 negotiations next year as well as selection of a consultant for the classification and
16 compensation study. The Year 2000 project team continues to meet and is on
17 schedule.

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19 11. Operations Department Head Mahanke presented his Department's
20 monthly report. He pointed out that over the last two months an average of one bil-
21 lion gallons of water a month has gone through the distribution system. Also the
22 SCADA system is on target to be completed within the budget and on time. He
23 stated the energy savings has been approximately 5% as promised by New En-
24 ergy Ventures through the energy savings contracts on 13 of the largest accounts.

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26 12. Engineering Department Head Stanton presented his monthly Engi-
27 neering and Planning Department Report and the monthly status report for CIP
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1 projects. Mr. Stanton stated meter sales are above projections indicating an in-
2 crease in development activity. He stated that the Audubon signature people will
3 be making a site visit to the Use Area on October 29. That afternoon, there will be
4 a technical working committee. If any of the Directors wish to attend they should let
5 the District Secretary know.
6

7 13. Finance Department Head Chambers presented the monthly finance
8 reports. She reported that water sales are under budget by 1.7%.

9 14. Attorney Harron presented the monthly General Counsel report. He
10 reported that he spoke to the Deputy City Attorney in San Francisco regarding the
11 Stull v. Bank of America case. This case will be moving to the second stage soon
12 and will involve voluminous research. They are requesting a second \$5,000 to
13 fund this part of the case. He reported that GTE has expressed interest in negoti-
14 ating a lease for a cellular antenna at the East "H" Street site where Nextel just ob-
15 tained a lease. He reported that KURS radio delivered a draft lease today.
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18 Director Inocentes inquired about the noticing of the meetings with KURS
19 per the Brown Act.
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21 Attorney Harron stated as a precaution, Staff noticed the meeting to be held
22 this Friday with the KURS radio representatives and the City of Chula Vista. If Di-
23 rector Inocentes attends, all future meetings will have to be noticed. It was his im-
24 pression after speaking to Directors Inocentes and Poveda that Director Inocentes
25 would not be the alternate on this committee.
26

27 Director Poveda stated it was his understanding that after the committee
28 was appointed at the last meeting there was concern about serial meetings if the
29

1 alternate attended. If an alternate is deemed necessary, then future meetings must
2 be noticed.

3 Attorney Harron stated the Brown Act states that standing committee meet-
4 ings must be noticed but ad hoc committee meetings do not have to be noticed if
5 there is less than a quorum of the Board on the Committee. He stated it was his
6 impression that Director Inocentes would probably not attend the Friday meeting,
7 but the meeting was noticed to give him the opportunity to attend if he wished.
8

9 Director Inocentes stated as the alternate he did not intend to participate
10 much if at all. He inquired if there had been a meeting the previous Friday with
11 KURS representatives.
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13 Attorney Harron stated there was no committee meeting but KURS repre-
14 sentatives did meet with him to discuss the lease agreement.
15

16 Director Poveda stated there was a concern that the meetings could be de-
17 layed if they did not coincide with the Directors' schedules and he did not want to
18 delay the process. He told Mr. Lewinger to move forward and scheduled meetings
19 even if committee members were not available. He inquired if it were possible to
20 schedule the meetings so that 72 hour notice could be provided.
21

22 Engineering Department Head Stanton stated it is Engineering's intent to
23 inform the three committee members when the meetings will be held and depend-
24 ing on the decision made today, they may or may not have to be noticed. He
25 stated he did not think noticing meetings is a big deal and all the other engineering
26 committee meetings are noticed.
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1 Director Poveda stated there is the concern that having to post the meet-
2 ings could potentially delay the process and he would like to use 72 hours notice
3 instead of 24 hours because that would not set well with the public. He asked if
4 meetings are being planned so that a 72 hour notice could be given.
5

6 Mike Coleman stated the meetings should be planned adequately to pro-
7 vide for the notice.
8

9 Director Inocentes stated he was expecting the employee survey to be on
10 today's agenda. He inquired if Attorney Harron was still in charge of the survey.
11

12 Attorney Harron stated he is not in charge of the survey. The survey is be-
13 ing done by Larry Marion, Patti Lynn and Jennifer Dreyer and no one from Staff is
14 working with them. They took there direction from the Board and they intend to re-
15 port at the next Board meeting. They have not shared any of the information with
16 staff.

17 Director Inocentes inquired why it was no on today's agenda.

18 Attorney Harron stated it was scheduled to be discussed today, but then
19 General Manager Lewinger realized he would not be present at this meeting and
20 he asked that it be placed on the next agenda.
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22 Director Inocentes asked if the only reason it was being held up is because
23 the General Manager is not here today.
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25 Attorney Harron stated he did not know if that was the only reason. He had
26 the feeling that the consultants had a lot of data they were working with and they
27 welcomed the time as well.
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1 Director Inocentes stated the survey was completed about 30 days ago and
2 he recalled last time the survey was done and back to the Board very quickly.

3 Director Poveda stated a discussion was held at the Personnel Committee
4 meeting about placing the survey on the October 7 meeting. He stated he would
5 have a problem holding it off any later than October 7.
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7 Director Poveda inquired about the Duncan vs. Otay case.

8 Attorney Harron stated a closed session would be placed on the next
9 agenda to discuss the case.
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11 15. Public Affairs Administrator Cassens stated the flyers attached to
12 his report were prepared by the PR firm for the Interconnect pipeline project.
13 There is a list of contacts that these communications will be sent to. He inquired if
14 there was anyone the Board would like to add to the list.
15

16 Director Watton suggested the planning groups and commissions in the
17 area should be added.

18 16. Director Watton stated that the rate increase being discussed by
19 CWA ended up being \$5 an acre foot. He reported that Metropolitan is taking a
20 strident position regarding the Bay-Delta water quality issues. CWA is waiting to
21 see how developments unfold before rattling any sabers even though CWA is in
22 agreement with Metropolitan. He also reported that Metropolitan's Board was
23 given an update on the Eastside Reservoir which is now \$250 million over budget
24 but is on time.
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26 17. President Poveda called a recess at 3:05 p.m. The meeting was
27 reconvened at 3:15 p.m.
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18. Director Inocentes reported on his attendance at the Central and Western Basin's bar-b-que which was underwritten by consultants. He took a tour of their treatment plant. He distributed a copy of a booklet they did for their water conservation program which is targeted to middle schools. He thought the District might want to use something similar in its education program.

Director Price reported on her attendance at the employee luncheon, the P & M Breakfast, the Water Conservation Garden Steering Committee, and Vista Irrigation District's groundbreaking ceremony.

Director Laudner reported he attended the P & M Breakfast last Tuesday, a class on the Metro AFFORD reorganization, and a LAFCO meeting.

19. The Board went into Closed Session at 3:23 p.m. to discuss the real property transaction involving the District's Use Area. The meeting was reconvened in Open Session at 3:45 p.m.

20. With no further business to come before the Board, the meeting was adjourned at 3:46 p.m.

President

ATTEST:

District Secretary