

1 form of recognition such as an annual luncheon to recognize all retirees within the
2 previous twelve month period.

3 Director Laudner stated the District used to have a party for each retiree
4 until it got the current Board.

5 Director Price stated she was not suggesting individual parties since the
6 District is a growing organization but she would like the Board to consider an
7 annual event. She stated if an employee does not wish to come before the Board
8 that's fine but they should be given some sort of framed certificate expressing
9 appreciation.
10

11 Director Poveda stated there would be some budget consideration and he
12 requested Staff come back to the Board with some parameters and a budget
13 item.
14

15 Director Laudner stated Bob Bertrand was one of the first people he met
16 when he came to work here and he knows where every valve and property corner
17 is in the District. Bob is a valuable employee and his leaving is a big loss to the
18 District.
19

20 A motion was made by Director Inocentes, seconded by Director Laudner,
21 and unanimously carried, to adopt Resolution 3793.
22

23 8. Director Price stated she pulled item 7b because she wanted to
24 know how the .3 MG set aside in the 1485-2 Reservoir for future growth impacts
25 the ten day outage requirement.
26

27 Engineering Department Head Stanton stated the design criteria for a
28 reservoir is that there be one maximum day in storage and it is also used as a kind
29 of emergency operating use. Staff includes that one maximum day in the ten day

1 calculation as well. It turns out that the one maximum day is equivalent to two days
2 of emergency storage.

3 Director Price inquired if Staff feels another reservoir will be built on this
4 site eventually.

5 Mr. Stanton stated the possibility is there but it is driven by growth and
6 since most of the large developments have disappeared, except Hidden Valley
7 Estates, the need for the reservoir may disappear as well.
8

9 A motion was made by Director Price, seconded by Director Inocentes,
10 and unanimously carried, to authorize the General Manager to award a design
11 service contract to Daniel Boyle Engineering, Inc., in the amount of \$132,700 for
12 the 1485-2 Reservoir.
13

14 9. Director Price stated she pulled Item 7c regarding Policy 23
15 because she had a question about why there were only two other agencies that
16 used a life expectancy for lift stations.
17

18 General Manager Lewinger stated nobody else has a policy like the District
19 has. This policy was implemented about 7 or 8 years ago when the Board took a
20 strong position that it did not want sewer lift stations but if they had to be built, there
21 would be consequences to the developer building them so that customers on the
22 same street would not end up paying different amounts. Language was included
23 that provided that the developer would have to pay for the replacement and
24 operation of the lift station for the life of the lift station. When a developer came
25 forward with the first one, the question was raised regarding what the definition of
26 "life" was. Staff reviewed other agencies and found that none of them had a
27 similar policy. Staff is therefore recommending that the life of the lift station be
28
29

1 considered to be 20 years. The developer will build the lift station, provide money
2 for replacement at the end of 20 years for another 20 years and for operation and
3 maintenance for 40 years. At the end of the 40 years, the replacement and
4 operation and maintenance costs fall on the rate payers.
5

6 Director Price asked if the station were still working well at the end of 20
7 years, would it still be replaced.
8

9 General Manager Lewinger stated it would only be replaced when
10 necessary and that could be more than 20 years. The developer puts money up
11 front to build it once and replace it once which could be 40 or 60 years. The
12 operation and maintenance would only be for 40 years.
13

14 A motion was made by Director Price, seconded by Director Poveda, and
15 unanimously carried, to direct Staff to modify Policy 23 to define the life of a sewer
16 lift station to be 20 years and to base the operation and maintenance and
17 replacement annuities required on twice the expected life of the facility.
18

19 10. Director Price stated she pulled Item 7d regarding the annual
20 contracts because the Staff Report mentions that Staff is recommending
21 continuing with the current program and adding a fifth consultant next year. She
22 asked if adding this fifth consultant is part of the recommendation being made
23 today.
24

25 General Manager Lewinger stated the request for the fifth consultant will
26 come up next year. The District is in the second year of a two year contract so
27 interviews will be conducted next year. Staff will come back next year and ask for
28 five consultants instead of four.
29

1 A motion was made by Director Poveda, seconded by Director Laudner,
2 and unanimously carried, to reaffirm continuing with the current annual consultant
3 program with two-year contracts and \$250,000 limits.
4

5 11. Director Laudner stated he pulled Item 7h regarding the veterans'
6 home because he objects to the District rate payers bankrolling the City of Chula
7 Vista. The agreement is between the City and the Veterans' Administration.
8

9 Attorney Harron stated Staff agrees and that is why fees were not waived.
10 The District has offered deferral agreements to customers before and Staff does
11 not consider it bankrolling but rather getting the payments in installments.
12

13 Director Inocentes stated he is not sure the District has done everything it
14 can do. Staff keeps making recommendations that there is nothing that can be
15 done to help the City with this veterans' home. There are a lot of veterans in the
16 District.
17

18 Attorney Harron stated the City of Chula Vista supports this deferral
19 agreement but they have asked that they be able to reserve the right to come back
20 to District Staff with some other arguments they wanted to raise that would allow us
21 to reconsider the position and Staff said they would support that with the Board.
22

23 Director Inocentes stated he has heard that Staff has dug in their heels and
24 said that there is no way to do this and he has only seen Staff recommendations
25 indicating Staff is opposed to waiving fees.
26

27 Attorney Harron stated Staff does not know of a way to waive fees and
28 there has been no suggestion as to how the District could do this that would be
29 legal. The reason is that there is the nexus law in California plus Prop 218 which
says that everybody has to pay their way so the District is not in a position where it

1 can subsidize one customer and tell another one they have to pay more. If the
2 District were to do that, the whole scheme that is used for fixing fees would be put
3 in jeopardy. The City of Chula Vista understands that and they are not challenging
4 that at all. They are saying they might have a couple theories that may allow us to
5 do it and Staff has said they would welcome hearing those but for now everyone
6 wants to go forward with the deferral agreement and reserve the right to raise the
7 other issues later.
8

9
10 Director Inocentes asked if there is something that could be done that
11 would be similar to what was done with the YMCA.

12 Attorney Harron stated with the YMCA the District agreed to in-kind
13 services so the value of the services was equal to the amount owed. This was
14 described to the City of Chula Vista but they have not attempted to do anything like
15 that yet but they may come back with something like that in the future.
16

17 Director Poveda stated waiving the fees would concern him but that is not
18 what is being done with this deferral agreement. There is precedence for deferral
19 agreements. He does not feel the District is not willing to cooperate. Just going
20 forward with the deferral shows good faith on the part of the District that it is trying
21 to work with the City. This item has been before the Board several times and has
22 been drawn out because Staff has been trying to brainstorm how it might
23 accommodate the City. He is not sure how the same type of arrangement that was
24 made for the YMCA could be done for the veterans' home because it is a much
25 larger amount of money. He feels Staff and the Board have been working to
26 resolve this issue with the City and supports the home since there are a lot of
27 veterans in this area.
28
29

1 Director Inocentes inquired if the Staff has investigated having the City pay
2 the difference in the water rate over a period of time.

3 General Manager Lewinger stated this is an agreement to make payments
4 over a period of time.
5

6 Director Poveda inquired if an arrangement could be made similar to the
7 one made with the Sheriff's Detention Facility where their water rate was
8 increased to pay for facilities.
9

10 Attorney Harron stated the proposal in that situation was that they take
11 reclaimed water but pay at the potable water rate to reimburse for the cost of
12 facilities.
13

14 General Manager Lewinger stated the issue with the City of Chula Vista
15 has not been paying an amount of money over a period of time, the issue is the
16 amount of money.
17

18 Director Inocentes stated this home is a very important project to the City
19 and the veterans and he would like to find a way to work this out.

20 Director Poveda inquired what Director Inocentes had in mind to work this
21 out.
22

23 Director Inocentes stated the District has been quite innovative when
24 working with other people to work these things out and he is just saying that all he
25 has ever gotten back from Staff is they are trying to work this out but he does not
26 know what the different options were that were looked at. He has heard things
27 coming back from the City that they are not really happy with the way we have
28 worked with them on this and he feels he is in the dark and does not have all the
29 information to show the District has done everything it can.

1 Director Poveda asked if Director Inocentes was suggesting the fees be
2 waived.

3 Director Inocentes stated he does not think the District has ever waived
4 fees in the past but found other ways to be innovative.
5

6 Director Poveda inquired if Attorney Harron was saying that the District
7 could not waive fees.

8 Attorney Harron stated that is true and the City is aware of that.
9

10 General Manager Lewinger stated the City has been presented with about
11 7 different ways they could offset these fees with in-kind services or waiving fees
12 the District owes them but they have rejected these options so they were not
13 included in the Staff Repor.
14

15 Director Inocentes stated there are five Directors with different
16 backgrounds who might be able to see something someone else hasn't.
17

18 Director Poveda stated as far as he understands this, the City is
19 comfortable with this with the caveat that they can continue to look at other options.

20 Director Inocentes stated he hopes Staff can find a better option in the
21 future but he would like to see the other options that were presented to the City.
22

23 Director Poveda stated he supports the deferral agreement but suggested
24 Staff list all the proposals made to Chula Vista for the Board to look at. He stated
25 the City of Chula Vista can come before the Board and offer whatever suggestions
26 they have for offsetting these fees because the Board is open to discussing that.
27

28 Mr. Bill Ayers, representing the San Diego County Veterans Advisory
29 Council and the United Veterans Council, stated that veterans are not just a state
or federal obligation but an obligation of America. He asked that the Board

1 approve the deferral agreement before them today even though it does not make
2 him happy he feels it will hold up the process to complete the home if it is not
3 approved today. He requested the Board consider some type of rate reduction in
4 continuing negotiations with the city.
5

6 Mr. Juan Arroyo, representing the City of Chula Vista, stated he is here to
7 support Staff's recommendation. Chula Vista Staff has been working with District
8 Staff for more than four months and he believes the agreement will allow the
9 project to move forward. They are concerned about delays but they would like to
10 reserve the right to continue negotiations with this Board. The project not only
11 benefits the veterans within the San Diego Region but it benefits veterans
12 throughout three counties.
13
14

15 Director Laudner stated he did not understand how this agreement would
16 delay the project because it is between the District and the City of Chula Vista.
17 The veterans home would still get water.
18

19 Mr. Arroyo stated the project is in process and needs meters this week and
20 this agreement needs to be in place.
21

22 Director Laudner stated there are already four 2-inch meters installed.

23 Mr. Arroyo stated more meters are needed this week.

24 General Manager Lewinger stated the project needs the balance of the
25 meters and the Board's policy is meters cannot be installed until capacity fees
26 have been paid.
27

28 Attorney Harron stated the problem is they do not have the cash to pay for
29 the meters and that is why they want to enter into this agreement.

1 Director Laudner stated it is the City that has the obligation to pay for the
2 meters.

3 Attorney Harron stated that is the problem. The City doe not have the funds
4 to pay the capacity fees.
5

6 Director Laudner stated this was a competition and Chula Vista won by
7 waiving all the fees and now they are asking the District to waive fees and that is
8 what he has a problem with.
9

10 Mr. Ayes stated the law is that if a City wants a veterans home, it must
11 donate and out of the 600 possible veterans home sites in San Diego County, not
12 one came forward until Chula Vista did.
13

14 Director Poveda thanked Mr. Ayers and Mr. Arroyo for addressing the
15 Board today. He stated both he and Director Laudner are veterans and he feels
16 the Board shares the concerns expressed about veterans.
17

18 A motion was made by Director Poveda, seconded by Director Price, and
19 carried, with Director Laudner voting No, to authorize the General Manager to
20 execute a deferral agreement for capacity and annexation fees for the Chula Vista
21 Veterans' Home.
22

23 12. Director Poveda stated he had a request to speak slip on Item 7e
24 from Mr. Dave Schlesinger.

25 Mr. Schlesinger, Director of the Metropolitan Wastewater Department of
26 the City of San Diego, stated he appreciates the Board's support of the
27 recommended agreement between the two agencies. He stated Otay is one of
28 the smaller participating members of the Metropolitan Wastewater System, but it
29 has been a leader in water reclamation. He and the District's General Manager

1 have had a lot of discussions over the last few years about this agreement and Mr.
2 Schlesinger found him to be a tough negotiator. He stated the District has paid for
3 a portion of the South Bay Water Reclamation Plant which he feels is a world-class
4 facility. The region has a \$100 million dollar investment in the plant which is well
5 under construction right now. The City is getting a little concerned because the
6 plant is going to be on line in less than two years and there is no other agency
7 other than Otoy that is willing to build a distribution system. He strongly
8 encouraged the Board to have Staff move forward with the U.S. Generating plant
9 because the City will have to start looking at alternatives fairly soon. He personally
10 would prefer to deal with a public agency although they have other public/private
11 partnerships which are interested in building a distribution system but because of
12 the District's leadership, he would strongly encourage the District to be the first
13 member to sign up. He stated he would also like to say that on behalf of the
14 Metropolitan Wastewater system he applauds Mr. Lewinger for the 8 years he has
15 worked with them. He has shown leadership among the participating agencies far
16 in excess of the size of the District and the system. He has been a long-term
17 visionary in terms of reclamation and recycling and he wishes him well.

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23 Director Price inquired if the District is now first on the list officially.

24 Mr. Schlesinger stated he has recommended that no contract be taken to
25 the City Council until and unless Otoy has said that it is not interested in signing an
26 agreement and they are now at the point where they would like to have an
27 agreement within the next couple of weeks or they will have to go to their
28 alternatives. They do not want to have the region sitting with this plant that can
29 produce reclaimed water and no way to distribute it. He stated Otoy would be the

1 first agreement that would go to the Council. The Board has approved the
2 agreement today only subject to other negotiations and a few terms that he would
3 recommend before both agencies can sign the agreement.
4

5 13. Attorney Harron stated there was no dispute on the facts of the Rain
6 for Rent water theft, the line was found directly off a fire hydrant port. He stated the
7 reason its before the Board today is because the person who is responsible for
8 this objected to the use of the word "theft". The District considers it theft if
9 someone takes water without authorization. He stated the District has taken a firm
10 stance to make the message clear to anyone that the District does consider this a
11 serious issue.
12

13
14 Mr. Leo Schempp of Rain for Rent stated the staff report failed to mention
15 that the water was being used to test a highline that is going to be conveying the
16 water district's water in a couple of weeks for the SR 54 project. The test itself to
17 check for leaks was made by the District inspector. Additionally, the line was 12
18 inches, not 14 inches, and the water was going to remain in the line and essentially
19 remain as part of the District's system. He does recognize that Mr. Quitiquit had a
20 procedural problem and loaded the line and was pressure testing it while waiting
21 for the inspector. This was in conformance with the requirements of the District.
22 He also came today to make sure this did not result in discipline against Mr.
23 Quitiquit because he is a very hard worker and he just got ahead of himself.
24
25

26 Director Price inquired if Staff agreed with the corrections Mr. Schempp
27 made to the Staff Report
28

29 Attorney Harron stated every developer who installs lines that are ultimately
dedicated to the District is working on their own property until the District accepts

1 it so he does not see any significance to that fact. The contractor was taking
2 District water to clean a line in order to get it accepted by the District.

3 Mr. Schemmp stated this project was not for a developer, it was for
4 Caltrans and the line was clean. The water was used to pressure test to make
5 sure when it was turned over to the District there would be no leaks or losses from
6 the system.
7

8 Director Poveda stated notwithstanding that, Mr. Schemmp admits the
9 water was taken.
10

11 Mr. Schemmp stated it is correct that Mr. Quitiquit did hook the hose up to
12 an unmetered port on the fire hydrant.

13 Director Poveda stated he assumes Mr. Quitiquit has some years of
14 experience in this business.
15

16 Mr. Schemmp stated there is a wide variation in how different districts
17 accomplish checking highlines and pressure testing.
18

19 Director Poveda stated he was referring to the fact that Mr. Quitiquit would
20 have known it was not correct procedure to hook directly to an unmetered fire
21 hydrant port. Someone has to pay for that water and the District goes through this
22 regularly.
23

24 Mr. Schemmp stated they could not deliver that highline to the District until it
25 was checked. He stated Mr. Quitiquit should have disconnected the hose that was
26 being used for dust control from the metered port and connected his hose to that.
27 He stated they don't agree essentially that this was theft, however, if you go with
28 the letter of the law here, he would just say they are apologetic.
29

1 A motion was made by Director Poveda, seconded by Director Laudner,
2 and unanimously carried, to deny the request to reduce the penalty for the
3 unauthorized water connection.
4

5 14. General Manager Lewinger stated Mr. Zach McReynolds, of
6 Western Water, the firm which submitted the proposal that is included in the Board
7 packet, is here today to make a presentation to the Board regarding that proposal.
8

9 Mr. McReynolds gave a brief description of Western Water Company which
10 was founded in 1904 as a gold mining company but is currently a public company
11 dealing in wholesale water supply and owning significant water reserves in the
12 Southwest. He stated the company is also extremely active in the Cal-Fed
13 program and has developed a leadership role in the developing water market. He
14 stated he has been discussing this proposal with Mr. Lewinger and those
15 discussions led to the term sheet that was part of the proposal. The proposal is for
16 5,000 acre feet of treated water to be delivered by December 31, 1999 at a
17 guaranteed savings to the District. He stated this proposal is for a one year
18 transfer to get the advantage of using the State's exemption from certain
19 requirements such as a full blown EIR/EIS. As part of the effort to move the water
20 market along they feel there should be a deadline to create pressure for people to
21 respond at other levels in the State so this can't go on and not get resolved. With
22 respect to pricing, they have tried to create a situation where if the water is
23 deliverable, there are guaranteed savings to the District. The reasons Otay would
24 want to enter into this agreement would be the cost savings to customers, to
25 diversify the source of water, to contribute to regional solutions, develop market
26 knowledge and promote development of a competitive water market. At this point
27
28
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1 they have identified three sources of supply in Northern and Central California to
2 make conveyance easier. Conveyance is the remaining hurdle in terms of how
3 there can be a fair and competitive water market. He stated one of the reasons he
4 has brought this proposal forward is they need to have a real transaction to resolve
5 the issue of unduly impacting all entities owning the conveyance system. His
6 experience in talking to Metropolitan Water District on the Santa Marguerita
7 transfer was they could only get so far talking in the abstract, they needed a real
8 transaction. The pricing formula proposed is based on early development of the
9 market which makes the customer take on a bit of the partnership role in trying to
10 move things forward. As a result, Western Water has put terms in the proposal to
11 try to address that issue. Otay will control this process in terms of what
12 approaches are made for conveyance or for water sources. Any contract that
13 would be entered into would give Otay veto power over the approach. Otay would
14 have no financial obligation unless the water is delivered and if the water is
15 delivered, it would cost less than purchasing it from CWA. The first priority would
16 be to give Otay a guaranteed discount. The second priority is for Western Water
17 to receive its capped margin and all total remaining benefit accrues to Otay. This
18 pricing structure gives the public agencies any big windfalls and shows that
19 Western Water intends to be a long-term business and it can live off the
20 reasonable margin on transactions over time. The process will be to take the
21 customer order, go through the petition process at the State Water Resources
22 Control Board, make the wheeling/exchange arrangements and have delivery
23 schedules. In summary he stated this water transfer would benefit the District
24 through cost savings, diversification of supplies, contributing to regional solutions,

1 gaining market knowledge and promoting the development of a competitive water
2 market. This project is consistent with regional cooperation on other transfers
3 such as the IID transfer. He stated these transfers take time. They started working
4 with Metropolitan on the Santa Marguerita transfer about this time last year and
5 they gave them a firm offer in June but they didn't close the deal until Christmas
6 Eve.
7

8 Director Poveda inquired if Mr. McReynolds felt it would take 6 to 12
9 months.
10

11 Mr. McReynolds stated he would hope the process would move faster but
12 his proposal indicates the water would be delivered by the end of January, 2000.
13

14 Director Laudner asked Director Watton what the County Water Authority
15 thinks of this.

16 Director Watton stated the way that Metropolitan is describing it is that it is
17 an exchange agreement in that water comes into their system somewhere and
18 they just guarantee delivery out the other end of their system somewhere. They do
19 not consider it anyone's water. The Santa Marguerita deal, while it was a
20 landmark deal, was not helpful to CWA at Metropolitan. The wheeling rate paid
21 was \$262 which is Metropolitan's posted rate, so in effect, for the CWA, that would
22 be paying for their equity twice. They have paid for the system and want to wheel it
23 on the margin, which they have paid for, and then if that kind of wheeling rate is
24 paid, CWA will have paid for that margin twice. He stated there are other firms in
25 the water market and the key is how to wheel it. Metropolitan has taken a firm
26 stand on their wheeling rate which Western Water acquiesced to essentially. He
27 understands Metropolitan's position because they want to protect that wheeling
28
29

1 rate so he is not critical that Western Water paid that amount, but he does not think
2 it is in Otay's best interest to do that. The Superior Court decision that is on
3 appeal is on that very issue and he would not want to do anything with Metropolitan
4 that would set a precedent against that. He would like Metropolitan to drop the
5 appeal so negotiations could result in taking CWA's equity in the system into
6 account.
7

8 Mr. McReynolds stated Western Water would not do that deal again, it was
9 basically shoved down their throat.
10

11 Director Watton stated another reason not to consider this at this time is
12 that Senator Peace has introduced legislation on wheeling with Western Water
13 and it is apparent that that bill will go through some iterations within the next 30 to
14 60 days. He feels before the District signs up for this type of deal, it would
15 behoove the Board to see how that is going and have some impact on that
16 legislation. While this is an interesting proposal set forth by Western Water, he just
17 does not think it is really in the District's interest to sign up in the next 60 days until
18 the wheeling bill has evolved and the District knows what happens with
19 Metropolitan. The CWA has taken the position that Metropolitan ought to be
20 wheeling this water with the equity of its member agencies in mind, i.e. San Diego
21 has paid in a certain amount that it ought to get credit for and the water ought to be
22 wheeled for a lot less than \$262. That is the way the State Water Project markets
23 its wheeling. Otay also has an equity position in the CWA system that it should
24 benefit from as well in the form of lower wheeling rates.
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29 Mr. McReynolds stated that is not completely at odds with what he had
expected. In the best of worlds it would be one to two months before they had

1 anything ready to consummate. He stated perhaps they could work out the outline
2 of the deal and make the decision at a later date.

3 Director Watton stated the District should consider a transaction at the
4 source and find out what the water will cost.

6 Mr. McReynolds stated if the District can find a more attractive conveyance,
7 even under the deal with Western Water, the District gets all the benefit of that.

9 Director Watton stated he is suggesting that with the equity position the
10 District has, it takes on that responsibility and the benefits of it. The filing with the
11 State Water Resources Board is not that difficult for a one-year deal.

12 Mr. McReynolds stated his experience is that no one has any idea how hard
13 it is to do one of these deals until they try to do one. It was no coincidence that it
14 took six months to do the last one.

16 Director Price stated she understands what Director Watton is saying but
17 she understands that this transfer would not occur in the name of Otay but in
18 Western Water's name.

20 Mr. McReynolds stated most agencies he has spoken to feel that if Western
21 Water wants to undertake the difficult process of doing this to deliver less
22 expensive water, the agency wants to know what is going on and have veto power
23 but they do not want to expend their staff time and energy on something they are
24 not sure is going to happen.

26 Director Price stated she made her comment because, in response to
27 Director Watton's comments about not wanting to give any more support to
28 Metropolitan's current policy on their wheeling rates, if the water were wheeled in
29 the name of Western Water then it really would not impact the District.

1 Director Watton stated you could argue the semantics but no matter whose
2 name it's wheeled in the District would feel the impact.

3 Director Price stated there is another bill by Senator Machado where he
4 talks about the clearinghouse and there could be a whole new level of bureaucracy
5 that could really delay any sort of transfer which is a real concern.
6

7 General Manager Lewinger inquired if Director Watton would feel more
8 comfortable if the terms specified that the wheeling rate paid to Metropolitan and
9 CWA must recognize the equity ownership in existing facilities.
10

11 Director Watton stated that is an element if the District moves forward. He
12 feels the District needs to look at a wider range, step back and look at the
13 emerging market, carefully consider the wheeling issues, and get better informed
14 before the District enters into any transaction. He does not doubt that Otay will be
15 in the water market, he just doesn't know when.
16

17 Director Inocentes inquired if the City of San Diego was considering this.
18

19 Mr. McReynolds stated they actually have four outstanding proposals, one
20 of which is with the City.

21 Director Inocentes inquired if everyone is basically at the same step in the
22 process.
23

24 Mr. McReynolds stated they have a signed contract with Santa Marguerita
25 for this year. They had a contract to move 10,000 acre feet last year but they only
26 moved 1,000 acre feet because of the Metropolitan price barrier. The City of San
27 Diego has a draft contract so they are further along than the District.
28

29 Director Watton stated he had spoken to Larry Gardner of the City's Utilities
Department and he is firm that the City will be in the transfer market but he wants

1 to make sure that they strike a bargain that gets the benefit of the equity of the
2 systems that the City has been investing in for years.

3 Mr. McReynolds stated that is consistent with the contract they are working
4 on.
5

6 Director Price stated she would be comfortable moving forward with the
7 negotiation process. She sees no reason to not consider the proposal and talking
8 points now because she doesn't think there will be any answers in a month and it
9 won't hurt the District to continue the dialogue with Western Water.
10

11 Director Inocentes stated he would like to have this type of deal for longer
12 than a year. He inquired if anyone had looked at one agency buying water from
13 Western Water and selling some of that water to another agency.
14

15 Mr. McReynolds stated they have not looked at that type of sale but in terms
16 of the longer term transactions, he feels that is the next step. The longer term
17 transactions will cost more up front because of the comprehensive environmental
18 review.
19

20 Director Watton inquired if the District had talked to any other companies
21 about these types of transfers.
22

23 Director Price stated the other companies should be invited but she feels
24 the least the District can do is continue discussions with Western Water.

25 Director Poveda stated he is unclear on what is being requested today.

26 Mr. McReynolds stated he would like to be able to talk to District Staff about
27 a specific contract with the idea that in a month or two, it might be brought back to
28 the Board.
29

1 Director Poveda stated he certainly supports water transfers, however, at
2 this time he is looking at some of the larger issues and he feels the District needs
3 to look at this on a larger and broader scale. He does not feel he has enough
4 information to understand how this deal might impact other issues.
5

6 Director Price stated if the District were to move forward with discussions it
7 would be in support of Peace's bill and send the message that Senator Peace
8 needs to make these transactions affordable. What Metropolitan is proposing
9 does not fit in the scheme of things and the way they move it may take the State
10 Legislature to come up with a wheeling rate for them. She is suggesting the
11 District continue the dialogue with Western Water and send out an RFP to invite
12 anyone to make such a proposal. She feels the Board would be sticking its head
13 in the sand not to do so.
14
15

16 Director Poveda stated the District is not closed off, he just wants to make
17 sure this deal is in sync with Otay's mission but with the region as well. He wants
18 to be clear that nothing Otay does impacts the entire region.
19

20 Director Price stated the City of San Diego is discussing a deal with
21 Western Water and she doesn't understand why Director Poveda does not feel
22 Otay should be doing the same.
23

24 Director Watton stated Western Water is discussing this with the City's
25 Staff just like they are at the District and he does not have a problem with that.
26

27 Director Laudner stated the proposal from Western Water states an order
28 is needed and he inquired if that means Western Water won't even talk to the
29 District unless its given an order.

1 Mr. McReynolds stated it only means that before he can go to Metropolitan
2 Water District or the Department of Water Resources, he would have to have an
3 order.
4

5 Director Watton stated the Colorado River transfer is the largest deal of this
6 kind and Western Water's deal with Santa Marguerita hurt CWA and he does not
7 want Otay to get into the same situation with this proposed transfer where it ends
8 up hurting the larger deal.
9

10 Mr. McReynolds stated that is why the contract gives the District veto
11 power. Santa Marguerita agreed with Western Water when they made their deal
12 but he feels its important that the public agency have control. He stated he would
13 not want to offend any public agency because they are his customers. When the
14 Santa Marguerita deal was done he had asked many leaders in the water industry
15 if it would hurt or help and generally people said while they did not like to see
16 anyone pay the \$262, if the deal had not gone through there would have been
17 stories about why it didn't happen suggesting Western Water was incompetent or
18 it wasn't real water or it wasn't sufficient quality when the only issue was price.
19 They lost \$110,000 on that deal but their Board felt it was worth that amount to
20 prove that Western Water could deliver the water. He stated he even had some
21 people from CWA telling Western Water to make the deal and some telling them
22 not to. He stated he felt it helped in some ways because this was the first time
23 they could take a concrete example to Sacramento and show that this works
24 except for the wheeling rate.
25
26
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28

29 Director Poveda stated he would like to see what the peripheral issues are
that might be impacted by this deal.

1 A motion was made by Director Poveda, seconded by Director Laudner,
2 and unanimously carried, to carry this item over to the April meeting with a follow
3 up report on the peripheral issues that might be impacted positively or negatively.
4

5 Director Price stated she would like to offer an alternate motion adding to
6 Director Poveda's motion to allow Staff to continue discussions with Western
7 Water until this is brought back at an April meeting.
8

9 Director Inocentes seconded Director Price's motion.

10 Director Watton stated he did not feel there should be a Board motion or
11 action taking a position until the other issues are discussed.
12

13 Director Poveda stated his motion would not preclude Staff from continuing
14 discussions with Western Water.

15 President Poveda called for the vote on the Director Price's alternate
16 motion. It failed for lack of a majority vote.
17

18 President Poveda called for the vote on his motion. The motion was
19 carried by a majority vote.

20 Mr. McReynolds stated the next step Western Water would take at their risk
21 and expense would be to put some of the concerns expressed today into specific
22 language in a contract that could be attached to the next report. He inquired if that
23 would be consistent with Director Poveda's motion.
24

25 Director Poveda stated that was fine.

26 15. Director Price left the meeting at 3:20 p.m.

27 16. President Poveda presented
28

29 RESOLUTION NO. 3794

1 A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY
2 WATER DISTRICT FIXING TERMS AND CONDITIONS FOR THE
3 ANNEXATION TO OTAY WATER DISTRICT SEWER
4 IMPROVEMENT DISTRICT OF THOSE LANDS DESCRIBED A
5 "HAUER ANNEXATION (APN 518-020-39)" AND ANNEXING SAID
6 PROPERTY TO OTAY WATER DISTRICT SEWER
7 IMPROVEMENT DISTRICT (WO 8989/DIV 5)

8 President Poveda opened the public hearing at 3:20 p.m. No one wished
9 to speak and the public hearing was closed at 3:21 p.m.

10 A motion was made by Director Watton, seconded by Director Inocentes,
11 and unanimously carried, to adopt Resolution No. 3794.

12 17. President Poveda called for a recess at 3:22 p.m. The meeting was
13 reconvened at 3:35 p.m. Director Price rejoined the meeting.

14 18. Administrative Services Department Head Alvarez presented his
15 Department's monthly report. He stated that there are currently five full-time
16 positions vacant. The wellness center will have its grand opening on March 31st at
17 2:30 p.m. He reported that the classification and compensation study is on
18 schedule with 23 individual interviews and 12 group interviews planned. He also
19 reported that ultra-low flow toilets will be distributed at Southwestern College on
20 April 10.

21 Director Price stated the home schooling program speaks well of the
22 District's program and she wanted to publicly commend Pam Rega for her efforts.

23 19. Operations Department Head Mahanke presented his Department's
24 monthly report. He reported that 1300 meters have been installed so far this year.
25 April 15 is a scheduled shut down and Staff will be pumping from the City of San
26 Diego at Telegraph Canyon Road. This shut down should only affect the Central
27 Area. He inquired if the Board would like to have the issue of fluoridation brought
28
29

1 to a future meeting. The Board concluded an information item in a General
2 Manager's report would be sufficient.

3 Director Inocentes inquired about the status of the chlorine conversion.
4

5 Mr. Mahanke stated Engineering has hired a consultant. The Regulatory
6 Reservoir will be converted first. District Staff has completed converting several
7 small sites.

8 Director Price stated she had an unbelievable experience playing the
9 rescue victim for the confined space rescue team. She stated the District has a
10 fine team and commended Dan Mahanke, Jim Gunstinson, Steve Kobler, Wayne
11 Schoen, Jason Cavender, Tadeo Vasquez, Gilbert Rubalcava, Gerard Chavarela,
12 Mike Phillips, Brian Chisnell and Jake Vaclavek. She also thanked Dave Burbeau
13 for providing safety training prior to the event and Mona Favorite-Hill for taking
14 excellent pictures.
15

16
17 20. Engineering Department Head Stanton presented his monthly
18 Engineering and Planning Department Report and the monthly status report for
19 CIP projects. He reported that Mary Saxton will be facilitating the outreach
20 program.
21

22 Director Price congratulated David Charles for his promotion.
23

24 21. Attorney Harron presented the monthly General Counsel report. He
25 reported that the search for a new general manager is progressing and he thanked
26 Mr. Lewinger for his cooperation through the transition. He reported that the
27 KURS radio station CUP was approved by the City of Chula Vista. He also
28 reported on his attendance at a League of Cities seminar where the Political
29 Reform Act was discussed. A point of emphasis at the conference was the role of

1 the public entity attorney and the fact that a public attorney cannot give confidential
2 advice to a public official.

3 22. Public Affairs Administrator Cassens reported he is preparing a
4 bulletin to be sent to commercial irrigation and construction customers to advise
5 them that if there is a problem during the shut down, they may be asked to get off
6 the system. He also reported on a water testing kit scam.

7
8 General Manager Lewinger reported that the golf course will be going to the
9 April 13 Chula Vista City Council meeting for approval of its CUP. He reported on
10 the Jamul Planning Group meeting which he attended with Director Laudner and
11 Mr. Stanton where there was discussion regarding the District's proposal to
12 investigate groundwater resources in the area.

13
14 Mr. Lewinger inquired if the Board had any modifications to the Director's
15 divisions maps that were distributed.

16
17 Director Poveda stated he would like the maps checked for accuracy and
18 have a special workshop sometime in April to discuss the boundaries.

19
20 Mr. Lewinger stated this was his last Board meeting and it has been a
21 pleasure serving the Board for almost 10 years.

22
23 Director Poveda stated the District is on the cutting edge and he attributes
24 that to the General Manager and the Department Heads' leadership.

25 23. Director Watton reported that the Economic Study Group will be
26 discussed at the County Water Authority meeting tomorrow. He stated MWD's
27 transition committee has met and there are three names being discussed for the
28 general manager's position. A special meeting will be held next Monday to
29

1 choose one. He also reported on Secretary Babbitt's speech at the Senate Select
2 Committee.

3 24. Director Inocentes reported on his attendance at the Urban Water
4 Institute Conference and its Board meeting. He stated that Bud Pocklington is
5 now a member of the Urban Water Institute. He also had an opportunity to attend
6 the West Basin Reclamation Plant round table discussion where Mike Machado
7 was a speaker. He attended the ACWA Legislative Conference where he spoke
8 with Mike Dymally who is now in the Senate Office of Research where he had the
9 job of analyzing the County Water Authority bill. He stated the Eastside Reservoir
10 tour was great.
11

12 Director Price thanked Nancy Smith for all the work she did putting together
13 the farewell party for Mr. Lewinger. She extended her appreciation to Mr.
14 Lewinger for bringing her on board and giving her a wonderful learning experience.
15

16 Director Laudner thanked Director Watton for sponsoring the Eastside
17 Reservoir Tour. He wished Mr. Lewinger good luck.
18

19 Director Poveda thanked Mr. Lewinger and wished him the best.
20

21 25. It was concluded there was no need to have the Closed Session
22 regarding potential litigation and that the labor negotiations closed session would
23 be held over to the meeting tomorrow morning.
24

25 26. With no further business to come before the Board, the meeting was
26 adjourned at 4:20 p.m. to March 25 at 8:00 a.m.
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President

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ATTEST:

District Secretary