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MINUTES OF THE
BOARD OF DIRECTORS REGULAR MEETING
OTAY WATER DISTRICT

May 12, 1999

1. The meeting was called to order by Vice-President Price at 1:34 p.m. in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley, California.

DIRECTORS PRESENT: Directors Laudner, Price, Watton,
Inocentes, and Poveda (arrived 1:58)

DIRECTORS ABSENT: None

STAFF PRESENT: Acting General Manager Harron
Operations Dept Head Mahanke
Admin Services Dept Head Alvarez
Engineering Dept Head Stanton
Finance Dept Head Chambers
District Secretary Bartlett-May
Public Affairs Administrator Cassens
Others as per attached list

2. After the Pledge of Allegiance, a motion was made by Director Inocentes, seconded by Director Laudner, and unanimously carried, to approve the agenda.

3. A motion was made by Director Laudner, seconded by Director Inocentes, and unanimously carried to approve the minutes of the Regular Meeting of April 21 and the minutes of the Special Meeting of April 28, 1999.

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

5. Vice-President Price inquired if anyone in the audience desired to address the Board on any item not on the agenda. No one wished to be heard.

1 6. Director Inocentes pulled Item 8c from the Consent Calendar.
2
3 Director Laudner pulled Item 8d from the Consent Calendar. Director Price pulled
4 Items 8e and 8f from the Consent Calendar.

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

7 a) RESOLUTION NO. 3802

8 A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
9 OTAY WATER DISTRICT PROVIDING WORKERS'
10 COMPENSATION FOR VOLUNTEER PERSONNEL AT
11 THE WATER CONSERVATION GARDEN

12 b) ORDINANCE NO. 476

13 AN ORDINANCE OF THE BOARD OF DIRECTORS OF
14 THE OTAY WATER DISTRICT AMENDING THE CODE OF
15 ORDINANCES SECTION 28.04, PERTAINING TO METER
16 FEE REFUND AND SECTION 33.05, PERTAINING TO
17 REMOVAL OF METERS

18 7. Director Inocentes stated he had pulled the item regarding the land
19 adjacent to the 30 MG reservoir because he was surprised to see Staff's
20 recommendation to sell the property.

21 Acting General Manager Harron stated this property was originally
22 designated in the Master Plan for a reservoir but since the District entered into the
23 agreement with the City of San Diego, this reservoir will not be necessary. He
24 stated Staff felt it was a good time to declare it surplus which is only the first step in
25 selling it. It has to be offered to other public agencies after it is declared surplus.
26 He stated the property has not had an appraisal done but it is worth more now
27 because of the development surrounding it.
28
29

1 Director Inocentes inquired if the District is still planning a central
2 operations yard.

3 Mr. Harron stated it is but this property would not make a good site. The
4 District can purchase another site or go in with another agency for a joint site.
5

6 Director Inocentes stated this depends on timing and he does not see the
7 urgency to do this now.

8 Mr. Harron stated Staff is only asking to declare the property surplus and
9 would come back to the Board for a decision regarding whether to sell it or not.
10

11 Director Watton stated the value should be looked at with and without the
12 leasehold but he feels this is premature at this point. This is a premier piece of
13 property and the District may be better served by waiting.
14

15 Director Laudner stated he agreed and would like to see the Master Plan
16 revised to reflect this change.

17 Mr. Harron stated Staff would determine when the property would be most
18 valuable, before or after the leasehold expires.
19

20 Operations Department Head Mahanke inquired how the Board felt about
21 fencing the property.

22 A motion was made by Director Laudner, seconded by Director Watton,
23 and unanimously carried, to not consider selling the property at this time.
24

25 A motion was made by Director Watton, seconded by Director Laudner,
26 and unanimously carried, to not fence the excess property around the KURS
27 antennas.
28
29

1 8. Director Laudner stated he pulled the item regarding the
2 funding program agreement with Atlas Homes because he is puzzled as to
3 why the District is giving Atlas Homes \$148,000 for an easement.
4

5 Acting General Manager Harron stated it was agreed that Atlas
6 Homes would return land to the District for two reservoir sites and the
7 District would release a \$148,000 refund owed to the District through a
8 prior agreement with The Pointe.
9

10 Director Laudner inquired about the value of the two reservoir sites.

11 Engineering Department Head Stanton stated an appraisal had
12 been done but it was based on the District owning the property and was
13 appraised at \$500 per acre. He stated the previous General Manager had
14 executed this agreement with Atlas Homes.
15

16 Director Inocentes inquired if this had been done without Board
17 approval.
18

19 Mr. Harron stated he believed it had come to the Board.

20 Director Watton inquired if the reservoir sites benefit the
21 development.
22

23 Mr. Stanton stated they do but the District has not given them credit
24 because they are paying for this through the capacity fees. He stated there
25 are four reservoir sites; the 657, the 1004 and two for the 850 zones. The
26 1004 site was an exchange of land and the developer paid all the relocation
27 costs.
28

29 Director Laudner stated his concern is that there is no dollar value
for the land to compare against the \$148,000.

1 Mr. Stanton stated it was felt appraisals for similar parcels were in
2 this area and he was trying to avoid having another appraisal performed.

3 Director Inocentes stated he did not have enough information before
4 him today to make a decision.

5 Mr. Harron stated two reservoir sites for \$148,000 is a good deal.
6 The agreement changed every time Staff negotiated and so there is a long,
7 complicated history to this issue.
8

9 Director Laudner stated the original agreement was different and he
10 thinks it got changed without Board approval.
11

12 Mr. Stanton stated the original agreement was the \$148,000 and at
13 some future point when they had the two sites, the district would give them
14 the appraised value back. He feels this is a good deal because of the
15 appraisals on surrounding property. There was a staff report to the Board.
16

17 Director Watton stated Staff should make that appraiser come back
18 and do another appraisal at no cost. He would just like a better paper trail
19 so that if someone in the future looks at this, they can understand it.
20

21 Director Poveda arrived at 1:58 p.m.

22 Director Price inquired about the EIR.

23 Mr. Stanton stated the EIR did not address the water facilities. The
24 District will have to do an EIR on these facilities but since they were
25 identified in the Master EIR, he does not anticipate any problem.
26

27 Mr. Harron stated this item will be brought back to the next meeting
28 with additional information.
29

1 9. Director Price stated she pulled the item regarding the automated
2 meter reading because she would like to hear more about it.

3 Elaine Henderson, Customer Service Supervisor, stated this is a test so
4 the District can make sure this technology will suit its needs.
5

6 Director Price inquired if the District will be the first to use this.

7 Ms. Henderson stated no other District in the immediate area is using this
8 technology.
9

10 Director Price stated she is very excited about this and looks forward to
11 seeing the results.

12 10. Director Price stated she pulled the City of Chula Vista sewer billing
13 item because she is upset about the 6% per year increase for the next three years
14 and since the District does the billing she wants to voice her concern. She
15 inquired if there would be any more phone calls that Staff will have to answer
16 because of this.
17

18 Finance Department Head Chambers stated it would not have a significant
19 impact and the District does have the City of Chula Vista's phone number on the
20 bill so the customer can call them directly.
21

22 Mr. Harron stated every water agency except Otay is raising the sewer
23 fees. Otay has not had to because of reclaimed water sales.
24

25 Director Price inquired if the Board had an interest in writing to the City to
26 express its concern.

27 Director Watton stated this is provided for in the agreement reached with
28 the City of Chula Vista and he does not think a few more phone calls is worth
29 opening this up again.

1 Director Price stated she would like to review the cost to the District
2 compared to what Chula Vista pays for this service.

3 Ms. Chambers stated she would bring that forward at a future meeting.
4

5 11. Acting General Manager Harron stated Staff had Jim Swanson, its
6 insurance broker, go to the private market for a quote for an insurance package
7 including general liability, property, auto, errors and omissions and boiler and
8 machinery with an increased umbrella to \$20 million. ACWA JPIA was also asked
9 to bid. Both policies have extensive coverage. The difference was the bid from
10 Coregis was \$149,000 general liability with zero deductible while the JPIA bid was
11 \$196,000 with a \$25,000 deductible. This was the basis for Staff's
12 recommendation to choose Coregis.
13
14

15 Director Price stated the \$25,000 deductible was included in the \$196,000
16 premium.
17

18 Mr. Dan Klaff, the CEO of the JPIA stated the \$25,000 is a self insurance
19 retention. In calculating this they forecast what they think they will need, then four
20 years later they go back and see what actual needs were and refund if they have
21 collected too much or bill if they have collected too little. They have recently made
22 changes that would make billing less likely. They calculate \$33,000 in losses
23 below the \$25,000. They will collect that up front and it will come back with interest
24 in four years. He stated the JPIA collects a deposit premium for each member
25 projecting what it believes the cost would be for that member for the entire length
26 of time that the policy period remains open. In the liability program that is roughly
27 nine to ten years. They take that money and over that period of time they pay the
28 claims and when that period is finally closed, they calculate to see if they have too
29

1 much or too little. Rather than waiting until the ten year period is over, they do this
2 analysis annually. In the past they have sometimes billed and sometimes refunded
3 but their members have stated that they do not like getting billed so they created a
4 separate fund collected as part of the premium. Members can then borrow
5 against that fund so that if any member's individual fund rises to more than 50% of
6 the deposit premium, they will get a refund. By the same token members are
7 allowed to borrow against that fund to an amount equal to 50% of the deposit
8 premium. They have done this to create stability over the long run in the program
9 so that members do not have the up and down fluctuations that JPIA has had
10 historically. Their most recent five year history returned \$9 million for four out of the
11 five years but the fifth year a \$1 million bill had to be sent out. The other issue he
12 wanted to address is coverage. He stated they analyzed the District's current
13 policy and produced the coverage comparison table that they included with their
14 information. He stated Mr. John Gilstrap would go over this page by page and
15 show the Board where in the Coregis policy certain items are excluded. If there is
16 something else that exists that they have not received that gives this coverage
17 back, they are unaware of it.

22 Mr. Gilstrap, the Member Services Manager for JPIA, stated he went
23 through the Coregis policy and did a detailed analysis of the property, liability,
24 errors and omissions, and boiler and machinery coverage.

26 Mr. Gilstrap stated Mr. Harron gave the Board the premium quote for \$20
27 million umbrella so that the Board could compare apples to apples but the JPIA
28 program has three options; \$5 million, \$20 million and \$50 million. He stated JPIA
29 feels for a District of Otay's size and complexity, it is seriously under insured at a

1 \$20 million limit. The additional cost for a \$50 million limit is a little less than
2 \$1,000. In the experience calculations the District had an average of \$14,000 in
3 claims per year over a three year period.
4

5 Director Price asked Mr. Harron if that is true.

6 Mr. Harron stated the breakdown in claims that was provided includes
7 everything and it was under \$120,000 including claims under the property and
8 physical damage.
9

10 Mr. Gilstrap stated at this time he is talking about general and auto liability
11 only. The \$14,000 is only the earliest three years of the last four because they
12 don't count the current year. The impact of that is that out of the \$33,000 that they
13 will collect each year, the District would definitely be getting almost all of that back
14 if it continues to have such a low amount of claims. He stated under the wrongful
15 acts coverage, one of the significant exclusions is for knowingly committed
16 wrongful acts. Knowingly committed wrongful acts, in particular with employment
17 practices claims, can be a major exclusion because most employment practices
18 claims such as discrimination, harassment, and wrongful termination are difficult to
19 do in a negligent manner. They are almost always done as an intentional act.
20

21 Coregis would provide defense coverage up to the point where a trier of fact would
22 determine that it was an intentional act and at that point the coverage would cease.
23

24 The JPIA program does provide intentional acts coverage for employment
25 practices liability. This is a significant exposure because in the JPIA pool's
26 experience, employment practices claims account for about 15% of every claim
27 dollar they pay out. He stated the annotated comment regarding the inverse
28 condemnation indicates that Coregis covers this but unless there is some
29

1 additional endorsement that they did not get a copy of or that is being changed on
2 the renewal, Exclusion G on page 2 of the Errors and Omissions coverage,
3 specifically excludes any eminent domain, adverse taking, or inverse
4 condemnation. Inverse condemnation is probably the most significant source of
5 losses for public water agencies.
6

7 Director Watton asked for an example.

8 Mr. Gilstrap explained that inverse condemnation arises out of the taking of
9 private property. This could be a water line break that floods a home. Rather than
10 pursue a suit through negligence where they would have to show a dangerous
11 condition of public property, they would probably come after the District under an
12 inverse condemnation action where they only have to show the District caused the
13 damage to the home. One of the most expensive parts of inverse condemnation is
14 payment of the plaintiff's attorney's fees on top of actual damages. Another
15 example would be if the District built a reservoir that the neighbors feel diminishes
16 the value of their property, that would be another inverse condemnation.
17
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20 Director Watton inquired if JPIA has paid claims like that.

21 Mr. Gilstrap said they had.

22 Mr. Gilstrap stated that inverse condemnation is excluded under the general
23 liability policy. There is an annotated comment that pollution is covered but while
24 there is pollution coverage it is only for disinfectant releases of chlorine and
25 sodium hypochloride so it is a very limited form of coverage. The JPIA's coverage
26 is for any type of pollution that arises out of a sudden and accidental event. The
27 JPIA also does not consider as pollutants any water treatment chemical. The
28 significant differences on the property program are in the sub-limits. The JPIA's
29

1 program has very few sub-limits and what they do have is generally much higher
2 than what is provided in the current policy. Major differences have to do with
3 earthquake and flood. There are absolute earthquake and flood exclusions in the
4 current policy. JPIA also has an exclusion but they define it differently; they only
5 exclude actual seismic activity. They do cover landslides, mudslides, erosion,
6 subsidence, etc. For flood they also only exclude actual flood losses that are
7 caused by rising bodies of water. Surface water or water that backs up through
8 the sewer is covered. The Coregis policy excludes surface water and does
9 provide coverage for sewer backup but with a \$25,000 limit. He inquired if there
10 are any other points the Directors would like to have clarified.
11
12

13
14 Director Price stated she went through the limits for each program. There
15 were 17 items under JPIA for which there is absolutely no limit on the coverage
16 and under Coregis there were none that had no limit value of the coverage. She
17 also noted that there is a significant difference in the carrier ratings that the District
18 might want to consider.
19

20 Director Watton inquired if the JPIA lays off anything on other carriers?

21 Mr. Gilstrap stated they pool in the liability program for the first \$500,000 in
22 losses. By pooling they mean that the District is responsible for the first \$25,000
23 of losses which they collect in the premium. From \$25,000 up to \$500,000 the
24 District shares in the losses of the other 291 members of the pool. The District
25 would share in a proportion to its payroll compared to the total payroll. The payroll
26 now is \$250 million compared to Otay's payroll of \$7 million so it's a small portion
27 of what the pool losses are. The amount between \$500,000 and \$50 million is laid
28 off to the Insurance Company of the State of Pennsylvania.
29

1 Mr. Klaff stated the \$50 million is per loss per occurrence per member. The
2 District could have ten \$50 million losses in a single policy year.

3 Director Watton asked how the \$500,000 works.

4 Mr. Gilstrap stated that works the same way.

5 Director Watton stated what he is getting at is the retrospective premium
6 adjustments. He asked if the District would be adjusted within only those member
7 agencies which have the \$25,000 deductible or within the 291 member pool.
8

9 Mr. Gilstrap stated the District would only share in the losses that are above
10 that \$25,000 so since they do have members who have a \$2,500 SIR and the
11 District would not participate in any of their losses.
12

13 Director Watton asked what proportion would be under \$25,000.

14 Mr. Andy Sells, the JPIA CFO, stated that of the 291 members, 20 have an
15 SIR of \$25,000 or greater and the remaining 270 or so have less than \$25,000.
16

17 Director Watton stated he is trying to assess where the District is sitting
18 with this pool because the way he understands this those losses which he was just
19 told are \$500,000 per occurrence, the District could have a run of occurrences of
20 \$500,000 or less, then JPIA goes back to the pool.
21

22 Mr. Klaff stated there is a stop loss for three occurrences per year.

23 Director Watton stated so that makes a \$1.5 million exposure within that
24 group per year.
25

26 Mr. Gilstrap stated that there would also be a multiple program discount so
27 that if the District were to join the property and the liability programs, they would
28 give the District a 5% discount off the workers compensation premium which
29 would save the District between \$5,000 and \$7,000.

1 Director Watton inquired if the \$1.5 million potential for the year is
2 apportioned equally to the members by proportion of payroll.

3 Mr. Gilstrap stated proportionate to the District's payroll to the total
4 program.
5

6 Director Watton stated that would mean if there was a loss year, the District
7 would be in for about \$30,000.
8

9 Mr. Sells stated JPIA would have already collected that as part of the
10 deposit premium. From the deposit premium of \$195,000, JPIA looks at what the
11 District's losses were below \$25,000. Historically, they have averaged \$14,000.
12 Then they look at all the losses between \$25,000 and \$500,000 which historically
13 has been about \$3 million and the District's portion of that would be about 2%.
14

15 Director Watton stated it is his understanding that if JPIA lays off the risk,
16 with a stop loss of \$1.5 million, when that number is reached, that is laid off to
17 another insurance company for a premium.
18

19 Mr. Sells stated in JPIA's general liability program, they collect around \$11
20 million a year from the 291 members. Of that they use about \$2.5 million for the
21 various insurance coverages they have such as the stop loss. The remaining
22 funds are used to pay claims of the pool members. Those funds are invested to
23 offset the general administration expenses. Another 10% or about \$1 million per
24 year is placed into the pool that members can borrow against. The rest of the
25 money is used to pay claims. If there is money left over when the policy period
26 closes, that money is refunded, and if there is not enough money, they would have
27 to bill, although with this new practice of borrowing against other policy years, they
28 probably won't have to be sending bills.
29

1 Director Watton stated he is used to paying a premium and he is trying to
2 figure out how this works. He asked if the District joins this year and it
3 experiences a good year and next year the District gets a bid that is enough lower
4 that the District would be interested in moving to a regular commercial carrier,
5 what is the District's liability or tail with the JPIA?
6

7 Mr. Gilstrap stated when the District joins the program, there is an initial
8 three year commitment.
9

10 Director Watton stated what if the District makes this choice at the end of
11 the three years.

12 Mr. Gilstrap stated the District could exit but it would still be responsible for
13 any retrospective premium adjustment on the years that the District participated
14 until they are closed. This is typically nine to ten years for a liability program.
15

16 Director Watton stated so the District would really be in for ten years.

17 Mr. Sells stated the District would be in until the policy year closes. A policy
18 year is until all claims are settled. If there is a claim in litigation that goes on for
19 five to eight years, the policy year would not close until that claim is settled.
20

21 Director Watton asked if the District has claims similar to its previous years
22 and it wants to get out of JPIA at the end of the third year, and there are no
23 outstanding claims or litigation, where would the District be in regard to JPIA.
24

25 Mr. Gilstrap stated it could be another member's claim that causes the
26 policy year to stay open.

27 Director Inocentes stated the policy year would close whenever all the
28 claims are resolved whether that's five years or ten years.
29

1 Mr. Jim Swanson, the District's insurance agent for the last six years, stated
2 the District was with Hartford for the first five years and with Coregis the last year.
3 He stated he did need to correct some inaccuracies. He did not have an
4 opportunity to analyze the JPIA program so he is taking their coverages at face
5 value. He stated failure to supply is fully covered, there is no limitation as there is
6 with the JPIA policy. Inverse condemnation, disinfectant release, pollution,
7 employment practices liability, and pesticide and herbicide application are all
8 covered under the Coregis policy. The advantages of the Coregis program is that
9 there is a guaranteed cost. It is also offered as a guaranteed rate for three years.
10 Prior acts coverage for current and past directors is covered by Coregis but not
11 under the JPIA program. The property deductible for Coregis is a little lower than
12 JPIA. Within the policy limit that JPIA has, there is a limit for cost of defense. This
13 means that lawyers fees go into the cost for a claim so that if something is settled
14 for \$1 million and it costs another \$1 million to adjudicate, it's a \$2 million loss.
15 Defense is outside the limits of the \$20 million. There are advantages to having a
16 local agent and he is only 10 minutes away. Coregis specializes in public entities
17 and have since 1939 so they know what is going on with water districts. Six years
18 ago the District was paying approximately \$285,000 a year for liability with a
19 \$50,000 SIR. There was no pollution liability, coverage for directors and officers E
20 & O and other coverages. During the past six years all these coverages have
21 been added and the deductible has gone from \$50,000 to 0 and the premium has
22 been cut in half. He feels he has done a good job for the District and would be
23 happy to answer any questions.

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29
Director Watton inquired about the time line for this.

1 Acting General Manager Harron stated the current policy expires the last
2 day of May.

3 Director Watton stated he is asking because from a strictly economic
4 standpoint the Coregis program looks good. He has an analysis partly in
5 handwriting and the representatives disagreeing about coverage so he needs to
6 be able to sort through this.
7

8 Director Inocentes pointed out that there is a Board meeting next week.
9

10 Mr. Swanson stated that for many years the District has had \$10 million
11 coverage and to his knowledge the largest single loss that has been paid for any
12 water district is \$9.8 million.
13

14 Director Price inquired if he had looked at Westminster's reservoir failures.

15 Mr. Swanson stated he had not seen figures on that yet.

16 Director Watton stated for fair comparison Mr. Swanson should get a figure
17 for \$50 million.
18

19 Director Price stated there is another aspect regarding services that should
20 be addressed. She stated being ten minutes away is great but she doesn't know
21 that the District needs someone on the spot. A phone call to Citrus Heights or the
22 people JPIA has in the area works just as well. There are a number of services
23 that JPIA does provide at no cost to its member agencies from which the District
24 has benefited through its workers compensation program. They offer workshops
25 for directors, supervisors, managers, etc. She has a list she would be happy to
26 share with the Board. She stated she would like to see some specific examples of
27 services that Mr. Swanson has provided this District. She thinks service is a big
28 part of the premium.
29

1 Director Poveda inquired if the District's commitment to Coregis would be
2 for three years.

3 Mr. Swanson stated there is no commitment to stay with their program but
4 the premium is guaranteed for three years.
5

6 Director Poveda stated he will continue this item to the next Board meeting.

7 Director Inocentes stated he would request that information be submitted
8 promptly because he does not want to see any handwriting because things are
9 coming in at the last minute.
10

11 Mr. Harron stated they were very good about getting things in on time.
12 What happened was once he had received it he only had time to put it on the
13 report and submit it. He stated between that time and the meeting itself he had a
14 chance to go through and add their comments to it and that's why the Board got
15 some last second information. He hoped they would be able to compare apples to
16 apples but the JPIA representatives were looking at last year's policy rather than
17 this year's proposal and Mr. Swanson didn't have anything to look at from JPIA
18 until he received their submittal.
19
20

21 Director Price reiterated her request for a list of services provided by
22 Coregis.
23

24 12. Mr. Bart Mumford, Manager of Integrated Resource Planning and
25 Environmental, gave the Board a presentation regarding Change Order No. 4 to
26 the RECON Professional Services Contract. He stated Staff is requesting the
27 Board authorize an increase in RECON's 96-97 contract limit from \$200,000 to
28 \$227,000 and authorize an increase in the task order limit from \$75,000 to
29 \$92,000. The Task Order Change No. 4 with RECON would be in the amount of

1 \$26,678.08. He reviewed the background and stated that the EPA clean Air Act
2 mandates an Accidental Release Prevention program (ARP). Senate Bill 1889
3 merged the State's Risk Management and Prevention Program and the ARP into
4 the California Accidental Release Prevention program (CalARP) in 1996. The
5 San Diego County Department of Environmental Health, Hazardous Materials
6 Division (HMD) implements the CalARP program in San Diego County. The use
7 of chlorine gas at the Chapman Water Recycling Facility mandates completion of
8 a Risk Management Plan which must be submitted to the EPA and HMD by June
9 21, 1999. The EPA CalARP rule changes require preparation of a CalARP/EPA
10 public document for public distribution, preparation of a Process Safety
11 Management document to meet OSHA requirements, and a revision of the Offsite
12 Consequence Analysis to the reduced "zone of vulnerability." The current
13 approved task order amount for the RMP is \$64,140. The proposed total,
14 including Task Order Change No. 4, is \$91,819. This will exceed the \$150,000
15 budgeted for fiscal year 99. Funds from the total project budget at \$5,850,000 for
16 future year (40 years) will be used to cover expenditures.

21 Director Laudner stated he had a problem with this fourth change order and
22 he would be voting no.

24 A motion was made by Director Inocentes, seconded by Director Poveda,
25 and carried, with Director Laudner voting No, and Director Price abstaining
26 because she was out of the room during the discussion, to authorize the General
27 Manager to execute Task Order Change No. 4 in the amount of \$26,678.08 with
28 RECON to complete the District's Risk Management Plan at the Chapman
29

1 Recycling Facility and increase RECON's contract limit from \$200,000 to
2 \$227,000 for the 96-97 two-year contract.

3 13. Acting General Manager Harron stated that the Board originally
4 approved \$3 million for the Conservation Garden between Helix and Otay with the
5 understanding that any donations would be subtracted from that amount.

6
7 Sometime in the course of the construction, it became apparent to Staff that it
8 would exceed the \$3 million and it was thought that there was an agreement that
9 the \$3 million would be in addition to the donations and work has continued under
10 that understanding. Reports have been made to the Garden Board that the project
11 was on budget based on the assumption that the donations were on top of the \$3
12 million. In April, Staff determined that the Garden budget would exceed the \$3
13 million plus the donations. Dave Cecil of Highland Partners reported that at the
14 last Garden Board meeting. Staff was faced with the need to open the Garden on
15 May 15 and it was a situation where the Garden Board really did not have much
16 choice but to approve moving forward. It is now necessary to obtain the approval
17 of the Helix and Otay Boards after the fact to appropriate more money to finish the
18 Garden with the hope that the Districts will be reimbursed some of that with
19 donations that have been pledged but not collected and a possible deduct from
20 the landscaping contractor since the Sheriff provided inmates to help with the
21 planting.
22
23
24
25

26 Mr. Cecil stated work would not have stopped, the issue became that there
27 were some items that were not contracted for and the Garden was out of funds.
28 Those items were tile, flagstone, AC paving, etc.
29

1 Director Poveda stated as he recalled, originally the District's General
2 Manager promised that this Garden would come in at \$3 million or below and it
3 has evolved so that the donations would not offset the \$3 million. At the last
4 Garden Board meeting this was a surprise that the Garden was now over budget
5 using the donations on top of the \$3 million because at the previous meeting it was
6 reported by Highland that the Garden was within budget and had a surplus of
7 \$40,000. At the last meeting, the Garden Board was told each agency would have
8 to put up \$144,000. There was considerable discussion at the Garden Board
9 meeting that he will not go into today but he feels there really is no choice at this
10 point. The reason it is \$144,000 is because the Garden Board did not want to
11 take for granted that all the pledges would be collected.
12
13
14

15 Director Inocentes inquired if there were any changes to the last numbers
16 provided at the last Garden Board meeting or if these are the final numbers.
17

18 Mr. Cecil stated those numbers were still good and are final.

19 Director Inocentes stated one of the selling points for him originally was the
20 fact that the donations might reduce the \$1.5 commitment by the District and now
21 with contributions the District is being asked to contribute more. He realizes there
22 is nothing that can be done because the District is obligated to complete the
23 project but he is not happy with the way this has turned out.
24

25 Director Price stated she was also surprised about the overage but was
26 even more surprised to be told the former General Manager had indicated that he
27 had told the Board that the \$1.5 million contribution did not include the donations.
28 She stated she could not recall any time that statement was made to her. She is
29

1 disappointed that the District is not where it should be and she hopes that when
2 everyone sees what a wonderful Garden it is, the donations will be rejuvenated.

3 Director Poveda stated he is still supportive of the Garden even though he
4 is not happy with the overruns.

5
6 Director Inocentes stated in his mind the budget is about \$600,000 over
7 and that is what makes him really unhappy.

8
9 A motion was made by Director Poveda, seconded by Director Watton,
10 and unanimously carried to authorize the expenditure of an additional \$144,000
11 from the Water conservation Account for the completion of the construction of the
12 Water Conservation Garden.

13
14 14. Project Manager Mitch Young updated the Board on the Central
15 Area and Otay Mesa Interconnection project progress. He showed a video of
16 work on the site.

17
18 Director Price stated she is very pleased with the percentage of change
19 orders on the project. She stated tours of the project should be held for Helix,
20 CWA, and other agencies which might be interested in this project.

21
22 Mr. Glen Vita of Montgomery Watson, updated the Board on the outreach
23 program. He reported, excluding the pipe and valves, the EBE participation is
24 now 17% of the total project.

25
26 15. Finance Department Head Chambers presented the monthly finance
27 report. The District currently has \$367,00 excess revenue.

28
29 16. Acting General Manager Harron presented a plaque to Ms.
Chambers recognizing her completion of the requirements of the California
Municipal Treasurer's Association to be a Certified California District Treasurer.

1 He also stated that the date for interviewing candidates for the general
2 manager's position has been moved to June 18.

3 He reported that he spoke with Larry Gardener of the City of San Diego
4 and he was told that the City is proceeding with the Western Water agreement.
5 Zach McReynolds of Western Water told Mr. Harron that the City had given him a
6 copy of an agreement and Mr. McReynolds had no problem with the agreement as
7 written by the City.
8

9
10 17. Director Watton reported the Eastside Reservoir project overrun
11 was still a hot topic. The Executive Committee is still trying to determine who knew
12 what and when. Another topic being discussed is the Metropolitan governance
13 issue and the bill Senator Polanco is working on.
14

15 18. Director Inocentes reported on his attendance at the ACWA
16 conference. He thought it was one of the better conferences held.
17

18 Director Price stated she also thought the ACWA conference was much
19 improved. She attended the JPIA pre-conference and will share the information
20 she obtained there. She reported that she was elected to the JPIA Board and that
21 the JPIA will pay all her expenses related to this.
22

23 She also reported on her attendance at the ACWA Region 10 meeting and
24 shared the list of priority legislative items.

25 Director Laudner reported he attended the ACWA conference but he does
26 not like holding it in Lake Tahoe.
27

28 Director Poveda stated he is looking forward to the Water Conservation
29 Garden opening and that he and Shirley Massie will be interviewed by Rod Luck
tomorrow morning regarding the Garden.

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19. The Board went into closed session at 4:15 p.m. to discuss a real property transaction, personnel, and negotiations. The meeting was reconvened in open session at 5:30 p.m.

20. With no further business to come before the Board, the meeting was adjourned at 5:30 p.m.

President

ATTEST:

District Secretary