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MINUTES OF THE
BOARD OF DIRECTORS REGULAR MEETING
OTAY WATER DISTRICT

May 19, 1999

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1. The meeting was called to order by President Poveda at 1:39 p.m. in the District Boardroom, 2554 Sweetwater Springs Boulevard, Spring Valley, California.

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DIRECTORS PRESENT: Directors Laudner, Price, Poveda and Inocentes (arrived 1:45)

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DIRECTORS ABSENT: Director Watton

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

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

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3. A motion was made by Director Laudner, seconded by Director Price, and unanimously carried, to approve the Demands as listed.

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4. 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.

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5. Director Price stated she would like to pull Items 6c and 6d from the consent calendar.

1 A motion was made by Director Laudner, seconded by Director Price, and
2 unanimously carried, to adopt the following items on the Consent Calendar:

- 3 a) REQUEST FOR APPROVAL TO LEASE BACKUP HP 3000
4 COMPUTER FOR Y2K TESTING
- 5 b) AUTHORIZATION TO EXECUTE NEW LOCAL RESOURCES
6 PROGRAM AGREEMENT WITH METROPOLITAN WATER
7 DISTRICT AND THE COUNTY WATER AUTHORITY

8 Acting General Manager Harron stated he would like to thank Kris White for
9 all the work she put into the Local Resources Agreement. He stated she saved the
10 District approximately \$100,000 through her diligent effort.

11
12 6. Director Price stated she pulled Item 6c because she had asked
13 Acting General Manager Harron about a few items regarding the building issues
14 and he was going to research them.

15 Mr. Harron stated one of the items was the kiosk in the lobby. This was to
16 contain a computer with an information program for customers.

17
18 Mr. Stanton stated the plan was to have a touch screen set up where a
19 customer could choose information on topics such as conservation and maybe
20 eventually information regarding their account.

21
22 Director Price stated there are many interactive programs such as the one
23 Sweetwater is looking at and she would like Staff to look into those. She stated
24 the other question she had regarded the operable walls in the remodel.

25
26 Acting General Manager Harron stated the purpose for the walls was to
27 divide the training room so that two sessions could be held simultaneously. He
28 stated this was already contracted for.

29

1 Acting General Manager Harron stated Director Price's other question was
2 regarding the roofing item. He stated this was roofing for the old building and was
3 not part of the remodel. Staff knew the old building would have to be reroofed
4 eventually and it is time now.
5

6 The last question was regarding the wall outside the front entryway. Mr.
7 Stanton stated it is Staff's intent to restrain it the same color to get rid of the mottled
8 effect and then seal it to keep it waterproof.
9

10 Director Poveda inquired what the \$10,000 was intended to purchase as
11 far as a computer for the kiosk.
12

13 Mr. Stanton stated that was just a guess as to the expense of hardware and
14 software. Staff has not investigated this too much further because it needs to be a
15 joint project with Administrative Services to come up with a computer. A few
16 months ago when this was discussed it was felt that a video cassette and viewer
17 could be used but the ultimate intent was a interactive computer. He stated this
18 would come back to the Board before any funds were expended.
19

20 Director Inocentes arrived at 1:45 p.m.

21 Public Affairs Coordinator Cassens stated Metropolitan Water District had
22 a kiosk at the Garden opening that included a touch screen and a water IQ test.
23 This is brand new and costs between \$9,000 and \$15,000 depending on the kind
24 of structure that it would be housed in. He stated there will probably be something
25 much more sophisticated at a lower price in the next few years.
26

27 7. Director Price stated she pulled Item 6d because she questioned
28 Assembly Bill 60 and had requested Acting General Manager Harron call ACWA
29 to get clarification.

1 Mr. Harron stated he had talked to ACWA and the Bill does exclude
2 collective bargaining units which means the District would not be affected.

3 A motion was made by Director Price, seconded by Director Poveda, and
4
5 unanimously carried, to authorize the Acting General Manager to send letters on
6 behalf of the District supporting the ACWA positions as outlined.

7 8. Director Poveda presented

8
9 RESOLUTION NO. 3804

10 A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY
11 WATER DISTRICT PROCLAIMING MAY WATER AWARENESS
12 MONTH

13 A motion was made by Director Price, seconded by Director Inocentes and
14 unanimously carried, to adopt Resolution No. 3804.

15 Ms. Jan Tubiolo, the Water Conservation Coordinator, stated as part of
16 Water Awareness Month, the District participates in a poster contest, the CBO
17 program, the Water Conservation Garden opening, and the placement of books in
18 the local high schools. There were 96 entries submitted for the poster contest and
19 today Staff will be presenting the winners.

20
21 Director Poveda stated there were two categories, Grades K-3rd, and
22 Grades 3rd through 6th. He stated Otay employees selected the winners from each
23 category. The winning posters will be displayed in the lobby during May. The
24 winners will receive ribbons, special certificates and \$100 US Savings Bonds.
25 The winning posters will be submitted to Metropolitan to be entered into its
26
27 contest.
28
29

1 Mr. Tubiolo introduced Ms. Pam Rega, the School Education
2 Representative. She stated Ms. Rega is responsible for the success of this
3 program.
4

5 Ms. Rega introduced Timmy Egan, the winner in the K-3rd grade category.
6 Timmy is a first grader from Rancho San Diego Elementary School.

7 Ms. Rega stated there were two winners in the 4th through 6th grade
8 category. They are Alexandra Schwarz, a fourth grader from Rancho San Diego
9 Elementary School, and Daniel Buenaventura, a fourth grader from Tiffany
10 Elementary School.
11

12 Ms. Rega stated the District also had a winner in Metropolitan Water
13 District's annual sticker contest. Out of 800 designs submitted, 12 were chosen.
14 The winner is Kelly Hansen, a third grader from Jamul Intermediate School. Kelly
15 received a special certificate, a T-shirt, a \$50 US Savings Bond and copies of her
16 sticker from MWD. The District will be awarding her with another \$50 US Savings
17 Bond.
18

19
20 Director Poveda stated on behalf of the Board he would like to thank all the
21 winners, parents, teachers and others in the audience who participated and
22 helped the District spread the word about water conservation.
23

24 9. Ms. Tubiolo stated the Community based organization ultra-low flush
25 toilet distribution program is another program the District has had for several years
26 where community groups and schools assist the District in distributing toilets to
27 low-income and senior citizens. Today the District will recognize the Puente
28 Project of Southwestern College for their participation in this distribution program.
29

1 Director Poveda stated he is familiar with the Puente program and the
2 great things they do in terms of getting students to go on to the University of
3 California. He presented Mr. David Ramirez, the Puente counselor at
4 Southwestern, with the Certificate of Recognition. Southwestern College received
5 a check for \$2,145 for its participation. The students distributed 156 toilets.
6

7 10. Acting General Manager Harron stated the insurance issue was
8 brought back because there were two items left unresolved at the last meeting.
9 One was coverage and Mr. Swanson has submitted a document regarding the
10 coverages Coregis provides. The other issue was the umbrella amount and Mr.
11 Swanson obtained a premium quote of \$20,000 for \$50 million coverage so it
12 could be compared to the JPIA quote including \$50 million coverage. Staff is still
13 recommending that \$20 million is sufficient for the District.
14
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16 Director Price stated the District has over \$100 million in reserve and it
17 seems appropriate to her that the District needs to consider the \$50 million
18 coverage. Also, in looking at the documentation submitted to the District, the letter
19 is addressed to Mr. David Bentley of North Marin Water District and she is
20 confused as to why it was not addressed to the District.
21

22 Mr. Swanson stated that S.N. Potter, the managing general agent for
23 Coregis, wrote a letter to North Marin explaining the identical coverages and that
24 is why he submitted it as an example of what is included in the Coregis program.
25

26 Director Price stated she learned that the District is currently one of two
27 agencies in San Diego County that is not currently covered by JPIA for property
28 and liability. Olivenhain is the other District . She feels there must be some
29 benefit to being a member of a pool that specifically applies to water districts.

1 Director Poveda stated he did not think the District should close itself off
2 from coverage from other entities. He is very concerned about the uncertainty of
3 the tail end carry over. This is a three year commitment which can stretch up to
4 eight years on claims. He feels the District does not need the \$50 million
5 coverage.
6

7 Director Inocentes stated the Board is entrusted with the assets of the
8 District and he does not feel he wants to play the odds so he would prefer the \$50
9 million coverage. He has seen the District be penny wise and pound foolish and
10 he does not think this is an area where this should be done. He is not concerned
11 about the tail end from JPIA because they have a track record that shows that the
12 odds are it is not something to be concerned about. He stated he could live with
13 either one but his preference is JPIA. He stated once the deductible is added the
14 difference is really not \$46,000.
15

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17 Director Price stated she wished she could explain it better, but at this point
18 she is not able to, but there is not this hanging risk of being nailed with coverage
19 cost. There is an excess carrier that picks up costs and the District would be
20 pooled with agencies with similar loss levels.
21

22 Mr. Harron stated last week the JPIA representatives mentioned that it was
23 either \$1.5 million or \$3 million that the JPIA kept itself and it reinsured the rest of
24 it, but he called them this week to follow up and he was told it is actually \$6 million.
25 This is spread among the pool based upon the agencies payroll and the District's
26 exposure would be approximately \$30,000.
27
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1 Director Laudner stated his first concern is the rate payers and there is a
2 \$46,000 savings with Coregis. He does not understand why there is such a
3 difference.
4

5 Mr. Harron stated there is currently a buyer's market in insurance which has
6 caused the District to get some extraordinary insurance deals within the private
7 market. JPIA is not a competitor so they work on a different premise. It really
8 comes down to the fact that the insurance companies are investing their money in
9 the stock market but if things go bad he could see the District going with JPIA.
10

11 Director Price stated at \$50 million coverage, the savings with Coregis
12 would be \$27,000.
13

14 Mr. Harron stated for the last six years he has talked to a lot of brokers
15 trying to get the District's business and for twenty years he has been reading
16 verdicts and trial trends which provide the ultimate decisions in court rooms in San
17 Diego County and Statewide. He feels \$20 million is a lot of coverage and he
18 would feel comfortable with the \$11 million coverage the District had until this year.
19 He has never seen any case come near \$20 million in twenty years. None of the
20 brokers trying to sell the District insurance every suggested the District was
21 underinsured.
22

23 Director Price stated the premium increase from \$20 million to \$50 million
24 from Coregis was \$20,000 and ACWA JPIA was less than \$1,000.
25

26 Mr. Harron stated it is possible Coregis could have gotten a better premium
27 quote if they had had more time.
28

29 Director Poveda stated he feels the District should go with Coregis
because even at \$50 million the savings to the rate payer is \$27,000, there is

1 uncertainty with JPIA, and Coregis has annual coverage so it can be revisited next
2 year.

3 Mr. Swanson stated the \$50 million coverage that is offered by ACWA
4 includes defense costs while the \$20 million coverage from Coregis is benefits
5 only and includes no defense costs. He stated the largest settlement according to
6 the SDRMA is \$9.8 million not including the Westminster reservoir failure. He
7 spoke with Westminster and was informed that there were no law suits filed and it
8 is strictly property damage so it will probably not reach anywhere near \$10 million.
9 He stated he was not aware that Olivenhain and Otay were the only two districts
10 not in ACWA JPIA. He stated he thought Padre Dam was with Coregis and he
11 knows that Sweetwater Authority has given their one year notice to get out of JPIA
12 next year.

13 Director Inocentes stated with 33,000 meters the extra premium is \$1.00 to
14 \$1.25 per meter or \$.10 per month.

15 Director Poveda stated that's true but the Board had a lot of discussion
16 about the \$1 Infrastructure Access Charge from the CWA and when you add \$.10
17 or \$1.00 it adds up and he would hate to use that argument here.

18 Director Inocentes stated he feels that is comparing apples with oranges
19 because here he is talking about protecting the assets of the District.

20 Director Poveda stated that is assuming the District goes with the \$50
21 million but that is not the only issue with him. The other issues are being able to
22 get in and out annually which cannot be done with JPIA and the risk factor.

23 Director Price stated you get what you pay for and there are limits on the
24 Coregis coverage where there are none with JPIA. She stated even though it has

1 been said there is no deductible with Coregis, they have items with 25% of loss or
2 \$50,000 which sounds like a deductible to her.

3 Mr. Swanson stated most of the items that Ms. Price stated have limits are
4 not limits but additional coverage over and above the \$70 million property
5 coverage. There is better coverage provided under other areas of the policy.
6

7 Director Laudner stated he would listen to Attorney Harron who says \$20
8 million is enough and the savings at \$20 million is \$46,000.
9

10 The Board recessed at 2:40 p.m.

11 The Board reconvened at 2:50 p.m.

12 Director Inocentes stated in the interest of the District and to make sure the
13 District has insurance coverage and the fact that this can be reviewed again next
14 year, he will support going with Coregis.
15

16 A motion was made by Director Inocentes, seconded by Director Poveda,
17 and carried, with Director Price voting no, to approve the bid from
18 Swanson/Coregis to provide insurance coverage for FY 1999-2000 at the \$20
19 million level.
20

21 Director Price thanked Mr. Swanson and requested a document showing
22 complete coverages with the District's name on it.
23

24 11. Pedro Porras, Civil Engineer, stated at the last Board meeting, the
25 agreement with Atlas Homes was deferred so Staff could return with more
26 historical data. He stated the original agreement entered into in 1992 provided
27 that the District would provide a .52 easement for \$148,000 or two reservoir sites.
28 The developer was to rebuild the access road and a retaining wall. The District
29 was to refund the value of the reservoir sites, not to exceed \$148,000. At that time

1 the developer paid the District the \$148,000. The Pointe development project
2 went dormant until 1998 when the Board approved the execution of a letter
3 agreement with The Pointe providing for acceptance of the quitclaim deeds for the
4 two original sites and two additional sites (1004 and 657). The current agreement
5 that Staff is requesting authorization for provides that Atlas Homes (the new
6 developer) will pay all capacity fees estimated at \$2,380,854, provide grant deeds
7 to the District for two parcels for two 850 reservoirs, the District will provide grant
8 deeds to Atlas homes for an existing 1004 reservoir site in exchange for a new
9 1004 site, and Atlas Homes will provide the grant deed for the 657 reservoir site
10 valued by the appraiser at \$176,000. The agreement also provides that Atlas
11 Homes will be credited with the \$148,000 for the 850 reservoir sites and
12 consideration of other value received, provide surety of \$400,000 to pay for the
13 developer's portion of the new 1004 reservoir. The bond is to be released in
14 \$2,000 increments as capacity fees are paid. The agreement also provides that
15 the developer perform the mass grading for the 657 reservoir at an estimated
16 savings of \$115,000. Capacity fees paid to date total \$114,050. He summarized
17 the value received for the 850 reservoir sites which were appraised at \$1,000, the
18 value of the 657 site which was appraised for \$176,000 and the construction value
19 of \$115,000. This totals \$292,000. This compares to the \$148,000 to be credited
20 to Atlas and the construction is \$106,000 for a retaining wall and some pipeline
21 issues. This totals \$254,000. For this the District obtains 4.26 acres compared to
22 a .52 easement and .54 acres for the developer. He stated Staff's
23 recommendation is to authorize the Acting General Manager to execute the
24 proposed funding program agreement with Atlas Homes.

1 Director Laudner stated he still feels the District is giving away the
2 \$148,000 because all the other items discussed would happen anyway.

3 Engineering Department Head Stanton stated the District would still have to
4 purchase the 657 site for \$176,000.

5 Director Price stated it appears to her that the District has already agreed
6 to do this.

7 Mr. Stanton stated the only agreement is the 1992 agreement. The Board
8 does not have to approve the agreement before them today but then the District
9 will not have the required reservoir sites.

10 Director Inocentes stated it appears to him that Staff has negotiated this
11 without coming to the Board.

12 Mr. Stanton stated in April of 1998, Staff came to the Board and described
13 to the Board the type of negotiations that would take place. It was not a
14 description of the full deal because at that time the deal was still evolving. Staff is
15 now coming back to see if the Board wants to approve the deal Staff is proposing.
16 This is not final until the Board approves this. The Board could say pay the
17 developer the \$1,000 for the 850 site, keep the \$148,000 and pay \$176,000 for
18 the 657 reservoir and not consider any construction value.

19 Director Laudner stated the developer is getting the easement for \$1,000
20 and the District is losing \$148,000.

21 Mr. Stanton stated the developer's commitment was to provide the District
22 property in exchange for the easement if the District wanted property. The 1992
23 agreement provided that if the District wanted the property for the 850 reservoir
24 site, the District would pay the developer the \$1,000 and keep the remaining

1 \$147,000. The District can agree to that but then it will have to pay the \$176,000
2 for the 657 reservoir site.

3
4 Director Inocentes stated he is just concerned about the way this was
5 brought to the Board and if Staff was informed earlier, this should have been
6 brought forward earlier.

7
8 Director Poveda stated he understands that there was an agreement in
9 1992 that the District could stick with but since both parties have negotiated and
10 agree to the new terms, he does not have a problem with that. The bottom line is
11 this deal saves the District money, and therefore the rate payers benefit.

12
13 A motion was made by Director Poveda, seconded by Director Inocentes,
14 and carried with Director Laudner voting no, to authorize the General Manager to
15 execute a funding program agreement with Atlas Homes.

16 12. Director Poveda presented

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18 RESOLUTION NO. 3805

19 A RESOLUTION OF THE BOARD OF DIRECTORS OF OTAY
20 WATER DISTRICT FIXING TERMS AND CONDITIONS FOR THE
21 ANNEXATION TO OTAY WATER DISTRICT IMPROVEMENT
22 DISTRICT NO. 18 OF THOSE LANDS DESCRIBED AS "HOLMES
23 ANNEXATION" AND ANNEXING SAID PROPERTY TO OTAY
24 WATER DISTRICT IMPROVEMENT
25 DISTRICT NO. 18 (WO 9023/DIV. 5)

26 The public hearing was opened at 3:17 p.m. No one wished to be heard.

27 The public hearing was closed at 3:18 p.m.

28 A motion was made by Director Inocentes, seconded by Director Laudner,
29 and unanimously carried, to adopt Resolution No. 3805.

1 13. Administrative Services Department Head Alvarez presented his
2 Department's monthly report. He stated that the vacancy report erroneously
3 indicates eight vacancies but it is five total.
4

5 14. Operations Department Head Mahanke presented his Department's
6 monthly report. He stated Staff assisted the Sweetwater Authority in making a
7 connection on Douglas Street, disinfecting reservoirs and loaned them a D6
8 dozer.
9

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11 15. Engineering Department Head Stanton presented his monthly
12 Engineering and Planning Department Report and the monthly status report for
13 CIP projects. He reported that Staff has a meeting scheduled with US Generating
14 and the City of San Diego this Friday to discuss the NO_x credits that they are
15 willing to make available if US Generating is willing to use recycled water as their
16 preferred cooling alternative
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19 Director Inocentes stated he could not attend this meeting but he would like
20 to know about future meetings.

21 Mr. Stanton stated progress will be reported to the Board.

22
23 16. Acting General Manager Harron stated he would like to publicly
24 thank four employees who went above and beyond for the Water Conservation
25 Garden but have not been recognized. They are Nancy Smith, Mona Favorite-Hill,
26 Helen Anton-Stohrel and Sean Prendergast.

27
28 He reported that the judge has signed the order in the Duncan case . The
29 case was ruled in the District's favor on every issue.

1 He reported that the Economic Study Group is holding a press conference
2 regarding their study. He is planning to discuss this with other local agencies.

3 Director Poveda stated he would like to get together with Sweetwater and
4 Helix to begin discussing this as soon as possible.

6 He stated the plans for the Simpson property in Jamul are causing concern
7 in that community and the District needs to address package treatment plants.

8 This will be placed on a future agenda for discussion.

10 17. Director Inocentes reported there is a new TV program called
11 Filipino TV and they have contacted him about doing a segment on what he does
12 including footage at the District.

14 Director Price stated she was very pleased with the Garden opening and
15 she thanked everyone who participated.

16 Director Laudner stated he appreciates all the effort put forth by everyone
17 and he feels the District got its monies worth.

19 Director Poveda stated he feels the same way. It was a great culmination
20 of the last eight to nine years. He also reported that he spoke with Dr. Garcia and
21 there have been hundreds of hits in terms of inquiries and requests for
22 applications for the general manager position so the interest is there. He will
23 speak with him again next week to see how many applications are submitted.

25 18. With no further business to come before the Board, the meeting was
26 adjourned at 3:40 p.m.

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President

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ATTEST:

District Secretary