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MINUTES OF THE
BOARD OF DIRECTORS REGULAR MEETING
OTAY WATER DISTRICT

June 16, 1999

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

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DIRECTORS PRESENT: Directors Laudner, Price, Poveda, Watton and Inocentes (arrived 1:36)

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DIRECTORS ABSENT: None

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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 Poveda, seconded by Director Price, and carried, with Director Laudner abstaining, to approve the Minutes of the Regular Meeting of June 2, 1999.

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

1 approvals. The Jamul community has a concern with sewer facilities being pro-
2 vided to this project because they do not want increased density in their area.
3
4 County Policy I-107 prevents sewer facilities other than a package treatment plant
5 to provide sewer service to this project. Hidden Valley Estates has already spent
6 \$503,000 for design of a package treatment plant. The development currently has
7 438 residential lots some of which flow into the Jamacha Basin and some which
8 flow to Proctor Valley. The project was first brought to the Board in 1989 when the
9 Board approved a reclamation facility in concept but made it clear that no com-
10 mitment to operate the treatment facility would be made until more information was
11 available. In 1991 the Board affirmed the conceptual approval with conditions that
12 were stated in a letter to the County. The conditions included the design and con-
13 struction of the treatment facility to the District's standards, long term operation
14 and maintenance costs to be paid for through an agreement with the developer,
15 and alternative options for sewer service were to remain open for Otay to pursue in
16 lieu of a treatment facility. In July of 1991 the County completed the Major Use
17 Permit which stated only that Otay would operate an on-site treatment plant. It was
18 also a condition that the customer sewer rates in the development were to be no
19 higher than other sewer customers. In May of 1992 the Board approved an
20 agreement for the developer to finance design of the plant with the condition that a
21 future agreement would be entered into for financing construction, rates equaliza-
22 tion, O&M costs and replacement reserve. By November of 1992 90% of the de-
23 sign was complete. In early 1993 all design efforts were halted because of the
24 economy. In early 1999 the project started up again and an interim sewer plan
25 was proposed for a holding basin and pump truck disposal before for the first 60+

1 homes. In the Spring of 1999 Staff requested the developer provide a SAMP to
2 address all water and sewer issues. The available options for providing sewer
3 service to the project include, individual septic systems (although there is appar-
4 ently high groundwater in this area), using the Chapman Water Recycling Facility
5 or a combination of that facility and a sewer main in Proctor Valley Road, or an on-
6 site wastewater treatment facility with an interim holding tank and an emergency
7 outfall. There are concerns regarding the concept of an interim holding tank. The
8 Board made it clear that no commitments or guarantees would be given for Otay to
9 operate an on-site treatment facility until all information was available. Conditions
10 were placed on the developer before a commitment would be made that included
11 reliability equivalent to the Jamacha Basin systems including fail safe, establish-
12 ment of a fund controlled by Otay to maintain sewer service rates no greater than
13 current customers' rates, and an annuity to fund O&M and replacement in perpetu-
14 ity established prior to sewer service to the first lot. Staff is recommending today
15 that the Board deny sewer service to Hidden Valley Estates by means of an inde-
16 pendent on-site wastewater treatment plant and authorize Staff to develop an ac-
17 ceptable alternative for sewer service for the project.
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23 Director Price stated she wanted to make sure she understood that Mr.
24 Peasley had stated that despite the fact that the District had included the condi-
25 tions for an on-site treatment plant in its letter to the County, the County failed to in-
26 clude those conditions in the Major Use Permit.

27 Mr. Peasley stated that is correct.
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1 Director Laudner stated this is not the same project that originally came be-
2 fore the Board because the original project had estate size lots. The Board did
3 not want an on-site treatment plant on this project.
4

5 Director Watton stated the County's I-107 Policy came about because of
6 the Singing Hills sewer extension. The community did not like it and mistrusted the
7 County zoning department. Otay did not want to be in the zoning or land use busi-
8 ness but the County Board of Supervisors did not have the guts to say no to the
9 project. When Hidden Valley Estates was before the Otay Board the Board never
10 said no but it did place such a cost on it that it could not have been done. It is un-
11 conscionable to require an on-site treatment facility when there is a treatment plant
12 within a mile that recycles water for a golf course. He thinks the County ought to let
13 the District sewer the project however it wants if it is going to allow the develop-
14 ment. He inquired if the County's permit might be defective because of the omis-
15 sion of the District's conditions.
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19 Mr. Harron stated the County can issue a permit without the District's in-
20 volvement but the District is not committed to sewer the project without its condi-
21 tions being met.
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23 Mr. Bill Schwartz, representing the developer, stated he is concerned that
24 the developer is caught between the District and the County. Before the project
25 was delayed because of the economy, a lot of time and money was spent design-
26 ing the on-site treatment plant and working out the details. They relied upon the
27 District's approvals and he understands there were conditions that apply but they
28 are now within a year of having to record a final map. He asked that the Board de-
29 fer any action and give the developer an opportunity to discuss this with Staff fur-

1 ther and bring something back to the Board. They were unprepared for Staff's
2 recommendation today. They thought this was basically a status report on the pro-
3 ject.
4

5 Mr. Joe LaCava representing the land owner, passed out a supplement to
6 the Staff Report. He stated some milestones were missed that he would like to
7 point out. He stated Rancho San Diego was the original developer and had ap-
8 plied to the District for sewer service from an on-site treatment plant but the Dis-
9 trict denied the request and the project was denied by the County Board of Super-
10 visors. When Hidden Valley Estates purchased the project and requested the
11 same sewer service, the District conditionally approved the request. With this ap-
12 proval in hand, they initiated the formal processing of the project through the
13 County. The SAMP and the EIR were prepared listing the on-site treatment plant
14 as the only alternative for sewer service. The District then retained Malcolm Pirnie
15 to design the plant at a cost of over \$500,000 to the developer and required the
16 developer to address interim sewer service. Hidden Valley Estates then pursued
17 completion of all construction documents and resolution of the District's conditions
18 but progress stopped in 1993 due to a downturn in the economy. The District is-
19 sued an updated will-serve letter in 1997 for a time extension of the tentative map
20 and in 1998 the developer re-started the project on a smaller scale. Discussions
21 have been ongoing with Staff regarding sewer service and sewer and water plans
22 for Unit 1 were submitted in December, 1998. He believes the Board carefully
23 considered the treatment plant and approved it with the conditions. The developer
24 spent funds in reliance upon this approval and is now requesting the Board reject
25 Staff's recommendation and reaffirm the Board's original approval of the on-site
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1 treatment plant. They are willing to change the MUP as supported by the Board
2 and the County.

3 Director Price inquired if the original design is adequate.

4 Engineering Department Head Stanton stated he would have to look at the
5 plans.
6

7 Ms. Lisa Renner, a resident of Jamul for 18 years, stated they do not want
8 sewer in Jamul. They are concerned that this will set a precedent and other devel-
9 opers will want the same thing and Jamul will lose its rural feeling.
10

11 Director Poveda stated Otay is a special district and it is the District's re-
12 sponsibility to provide sewer and water service efficiently. The District is not a
13 land use agency nor in the business of keeping Jamul rural. That is the County's
14 job and it appears they are unwilling to perform that job. He would like to defer this
15 back to Staff for further consideration of alternative methods for sewerage the pro-
16 ject.
17

18 Director Watton stated he supports Staff's recommendation to deny sewer
19 service through an on-site treatment plant. He stated the District's record is clear
20 that it wanted to explore other methods of providing sewer to the project and it was
21 the County that neglected to include this in the EIR. He feels this action is neces-
22 sary to make sure no one relies on any approvals by the District from this point
23 forward.
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25 Director Inocentes stated he would support Staff's recommendation as well
26 because if no decision is made today, it will only continue the same problems that
27 exist now.
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1 A motion was made by Director Watton, seconded by Director Inocentes,
2 and unanimously carried, to deny sewer service to Hidden Valley Estates via an
3 on-site treatment plant and continue discussions about an acceptable method of
4 providing sewer service.
5

6 Acting General Manager Harron stated the developer should get back to
7 the County and get the MUP changed. He stated Staff will continue to cooperate
8 by meeting with the developer and the County to resolve this issue.
9

10 Director Watton inquired about the Simpson property development.

11 Mr. Harron stated the developers of the Simpson property were told to go to
12 the County to find out what the land use is and how sewer service would be pro-
13 vided.
14

15 9. President Poveda recessed the meeting at 2:45 p.m. The meeting
16 was called to order at 3:00 p.m.

17 10. Engineer Jim Peasley stated he would begin the budget presenta-
18 tion today. He explained that the District's water supply comes from a combination
19 of imported water, recycled water, interconnections and groundwater. He re-
20 viewed the water supply goals to have 70% local water when the CWA pipeline is
21 in service and 40% local water when the CWA pipeline is out of service, to use re-
22 cycled water as a local water supply, have a minimum of five days of local water
23 and a maximum of five days from storage. He reviewed the local water supply and
24 the impact of growth on customer accounts, potable and recycled water, District
25 facilities and value of assets. He stated the assumptions used in preparation of
26 this budget include a long-term growth rate of 3%, a short-term growth rate of 6%
27 (2-3 years), 1% growth in the north district, development of the recycled water sys-
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1 tem, CWA rate increases treated as pass through, and staffing based on Board
2 policy regarding outsourcing. The budget goals were to have no increase in ca-
3 pacity fees or water and sewer rates, an operating budget increase not to exceed
4 customer growth, and a decline in the ratio of employees per 1000 customers. He
5 then summarized the capital improvement program which includes no increase in
6 the District-wide capacity fee, depleting cash in the CIP funds, a CIP total of \$37.7
7 million for FY 1999-2000, ultimate asset value in 1999 dollars of \$1.1 billion, a
8 growing number of facilities to operate and maintain, a growing number of ac-
9 counts to manage and a growing level of staff and equipment that will be required.

12 Rom Sarno, Human Resources Manager, then reviewed the staffing re-
13 quirements. The District currently has 149 regular full-time employees, eight regu-
14 lar part-time employees, one temporary employee, and four student interns. The
15 District requires six additional regular full-time employees, one additional tempo-
16 rary employee, one additional intern, and one less regular part-time position.
17 Seven employees were obtained through agencies to fill in for one employee on
18 disability leave, three to fill vacancies, and three for specific CIP projects.

21 Kris White, Senior Accountant, discussed the water sales and stated she
22 had looked at the 1980 budget, the 1990 budget and this year's budget and dis-
23 covered that water purchases has been an ever increasing percentage of each.
24 The 1980 budget was \$6,023,500 and 22% was water purchases. The 1990
25 budget was \$16,150,000 and 33% was water purchases. This year's budget is
26 \$30,799,000 and 49% is water purchases. This year's budget has an excess of
27 revenue over expenses of \$153,000.
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1 Acting General Manager Harron listed the ten reasons the Board should
2 adopt the budget. They were 10) the budget provides for increases in conserva-
3 tion education and garden operation, 9) it assures the District will be Y2K ready, 8)
4 it enhances outreach to emerging businesses, 7) it meets the growth demands of
5 developers and Chula Vista, 6) it provides for development of local water supplies,
6 5) it improves productivity, the ratio of employees to customers continues to de-
7 cline, 4) it contains no capacity fee increases, 3) no sewer rate increases, 2) no
8 water rate increases due to Otay operations, and 1) it meets Otay's vision state-
9 ment in a fiscally responsible manner. He recommended the Board adopt the Op-
10 erating and Capital Budget for Fiscal 2000.
11

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13 Director Laudner stated he thinks the budget should be frozen at last year's
14 numbers and the District should absorb the 6% except for promotions.
15

16 Director Inocentes inquired if the revenue from the KURS radio antennas
17 was included in the budget.
18

19 Mr. Harron stated it would only be \$5,000 for the year for the option.

20 Director Inocentes asked if any revenue from the golf course had been in-
21 cluded.
22

23 Engineering Department Head Stanton stated there was no anticipated
24 revenue this year.

25 Director Inocentes stated there should be a significant increase in revenue
26 next year from the antenna and golf course leases.
27

28 Mr. Stanton stated the golf course would probably no show up until the FY
29 2002 budget because they are planning to open in December of 2001.

1 Director Watton stated after reviewing the budget and hearing the presen-
2 tation it appears to him that the only controllable portion is payroll. Everything else
3 is either non-controllable or set by policy. This means out of a \$38 million budget,
4 \$519,000 is controllable. The additional employees appear to be reasonable so
5 he has come to the conclusion that this is responsive. He will be looking to the
6 new general manager and the department heads to look at each item as the year
7 goes on and since the excess revenue has been more than projected in the
8 budget the last few years, he feels this has been done.
9

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11 Director Poveda stated having served on the Personnel Committee he
12 agrees that the number of new employees is reasonable considering the growth.
13 He feels this budget is responsive and he will also be looking to the new general
14 manager to keep an eye on it.
15

16 Director Price stated she still has some concerns including legal issues
17 about the use of agency people but she is relying on the fact that the additional po-
18 sitions in this budget will not be filled by agency people until a permanent em-
19 ployee is hired.
20

21 Mr. Stanton stated that could happen in his department if a position is not
22 filled immediately and there is work that must be done.
23

24 Director Poveda stated a separate sheet could be produced instead of just
25 showing the temporary agencies on the demand list.
26

27 A motion was made by Director Poveda, seconded by Director Inocentes,
28 and carried, with Director Laudner voting no, to approve the Operating and Capital
29 Improvement Budget for FY 2000.

1 11. Director Poveda stated he had requested the item regarding Paul
2 Davy's endorsement letter for the Regional Water Quality Control Board be
3 brought back after he had a chance to speak with Mr. Davy. He stated he had
4 spoken to him and feels he would be a good candidate for the position.
5

6 Director Inocentes stated he agreed Mr. Davy would make an excellent
7 candidate and he does not know of anyone else running for the seat.
8

9 A motion was made by Director Inocentes, seconded by Director Laudner,
10 and carried, with Director Watton voting no, to authorize staff to write a letter en-
11 dorsing Paul Davy for the Regional Water Quality Control Board, San Diego.
12

13 12. Administrative Services Department Head Alvarez presented his
14 Department's monthly report. He commented on the new brochure for the educa-
15 tion program.
16

17 Director Price inquired if the District is participating in the JPIA safety pro-
18 gram.
19

20 Mr. Alvarez stated the District has been participating.
21

22 Director Price inquired if it would be possible during the Fall ACWA con-
23 ference to have an item regarding conservation and irrigation and have attendees
24 tour the Water Conservation Garden. She stated maybe CWA or MWD could help
25 with the busing.
26

27 Mr. Alvarez stated his department was working on that already.
28

29 13. Operations Department Head Mahanke presented his Department's
monthly report. He stated his Staff has finished the conversion from gas to liquid
chlorine at District facilities. He also reported that Doug Clarke received an award

1 from the San Diego County Water Authority for instructing training classes for re-
2 cycled water site supervisors.

3 14. Engineering Department Head Stanton presented his monthly Engi-
4 neering and Planning Department Report and the monthly status report for CIP
5 projects. He stated the Standard Specifications Committee has completed the
6 material list. They should be able to start doing some joint purchasing of items
7 such as water meters, He also reported that the golf course is scheduled to get
8 their last permit from LAFCO on July 12. They will start grading in October.
9

10
11 Director Inocentes inquired if KURS had erected their antennas.

12 Mr. Stanton stated they had.

13 Director Inocentes stated he had been told by Mr. Bonilla that the District
14 had overcharged him.
15

16 Mr. Stanton stated there was a point in time when some additional costs
17 had been charged to the job that should not have been but Mr. Bonilla had never
18 paid those charges.
19

20 15. Acting General Manager Harron reported that the San Diego City
21 Council will be considering the Western Water agreement on July 28. He stated
22 his inclination is to recommend Western Water to the Board and save that money
23 this year. He stated if all goes well at the City, this will be scheduled for the July 7
24 Board meeting. He inquired if the Board would like him to see if a deal could be
25 made for more water. The Board concurred.
26

27 16. Director Inocentes reported on his attendance at the Directors
28 Leadership Workshop and the Metropolitan Water District Board meeting. He
29

1 added that his appearance on Channel 17 will be between 8:00 and 10:00 p.m. on
2 Sunday.

3 Director Price pointed out that Public Affairs Administrator Cassens was in
4 the ACWA newsletter because he had spoken at the Spring Conference. She
5 stated she attended the Helix Pump Station opening where they surprised Warren
6 Buckner by naming the pump station after him. She also attended the Directors
7 Leadership Workshop and the JPIA Executive Committee meeting.
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10 Director Watton reported that Jorge Castro had been appointed to the Met-
11 ropolitan Board by the City of Los Angeles. The Eastside Reservoir report pre-
12 sented at the last meeting was confusing and uninformative and the Audit report
13 has still not been accepted by the Board. At CWA the 4.4 plan continues to be
14 stalled.
15

16 17. The Board went into Closed Session at 4:40 p.m. to discuss per-
17 sonnel matters and a real property transaction. The meeting was reconvened at
18 4:59 p.m.
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20 18. With no further business to come before the Board, the meeting was
21 adjourned at 5:00 p.m.
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24 _____
25 President

26 ATTEST:

27 _____
28 District Secretary
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