

**MINUTES OF THE  
BOARD OF DIRECTORS MEETING  
OTAY WATER DISTRICT  
September 6, 2006**

1. The meeting was called to order by President Bonilla at 3:33 p.m.

2. ROLL CALL

Directors Present: Bonilla, Breitfelder, Croucher, Lopez and Robak

Staff Present: General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Water Operations Manny Magana, General Counsel Yuri Calderon, Chief of Information Technology Geoff Stevens, Chief Financial Officer Joe Beachem, Chief of Operations Pedro Porras, Chief of Engineering Rod Posada, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

3. PLEDGE OF ALLEGIANCE

4. MOMENT OF SILENCE

A moment of silence was held in remembrance of employee Mr. Mike Dyer who had recently passed away.

5. APPROVAL OF AGENDA

A motion was made by Director Breitfelder, seconded by Director Lopez and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve the agenda.

6. APPROVAL OF MINUTES OF THE BOARD MEETINGS OF JUNE 7, 2006 AND JULY 5, 2006

A motion was made by Director Breitfelder, seconded by Director Robak and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None

Absent: None

to approve the minutes of the board meetings of June 7 and July 5, 2006.

7. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

No one wished to be heard.

CONSENT CALENDAR

8. ITEMS TO BE ACTED UPON WITHOUT DISCUSSION, UNLESS A REQUEST IS MADE BY A MEMBER OF THE BOARD OR THE PUBLIC TO DISCUSS A PARTICULAR ITEM:

A motion was made by Director Croucher, seconded by Director Robak and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve the following consent calendar items.

- a) ADOPT RESOLUTION NO. 4087 AMENDING POLICY NO. 4, QUOTATIONS FOR FEES OR CHARGES, ESTABLISHING A PERIOD OF TIME THAT WRITTEN QUOTATIONS ARE VALID
- b) APPROVE A ONE-TIME PAYMENT OF \$5,000 TO THE WATER CONSERVATION GARDEN TO PROVIDE FUNDING FOR BOARD SECRETARY SUPPORT
- c) AWARD A PROFESSIONAL SERVICES CONTRACT TO REA & PARKER RESEARCH AND DOUGLAS COE OF THE SOCIAL SCIENCE RESEARCH LABORATORY TO CONDUCT THE 2006 CUSTOMER SERVICE, SATISFACTION, AND AWARENESS SURVEY FOR AN AMOUNT NOT TO EXCEED \$27,500

INFORMATION / ACTION ITEMS

9. ADMINISTRATION AND FINANCE

- a) PRESENTATION OF THE BOARD OF DIRECTORS 4<sup>TH</sup> QUARTER EXPENSES FOR FISCAL YEAR 2006 (PRENDERGAST)

Finance Supervisor Sean Prendergast indicated that Board of Directors Policy 8 requires that staff present the expenses and per diems for the board members on a quarterly basis. He indicated that this item was also reviewed by the Finance and Administration Committee at a meeting held on May 24, 2006. He presented slides showing in detail each director's expenses for the fourth quarter of fiscal year 2006 (April to June 2006) and total expenses for each. He indicated that the total board of director expenses and per diems for fiscal year 2006 was \$29,482.95 and staff had projected \$28,604.

- b) RECEIVE THE INVESTMENT POLICY (BOARD OF DIRECTORS POLICY NO. 27) AND ADOPT RESOLUTION NO. 4088 AMENDING THE POLICY AND RE-DELEGATING AUTHORITY FOR ALL INVESTMENT RELATED ACTIVITIES TO THE CHIEF FINANCIAL OFFICER (CUDLIP)

Finance Manager James Cudlip indicated that a goal of the Finance Department is to improve the financial policies, procedures and reports. He stated that the current policy has always met minimum standards per State regulations, however, staff is recommending changes to improve upon the current policy. He stated that the guidelines primarily followed were those of the California Government Code. He stated that additional sections were added to the investment policy that were industry practices that the District currently follows, however, they were never codified within the policy. In addition, it provides details of the types of authorized investments currently made by the District and proposes the removal of two investment types: C. Time Deposits, non negotiable and collateralized, and F. Collateralized Repurchase Agreements. Chief Financial Officer Joe Beachem indicated that staff is also recommending that the limit for Government Agency Bond investments be increased from 70% to 100%. Finance Manager Cudlip indicated that Government Agency Bonds are very similar to U.S. Treasury Bills as far as liquidity and safety. All professional finance organizations recognize that up to a limit of 100% of the portfolio is well within the risk boundaries of public agencies and is authorized by the State Code. He stated that it, thus, did not make sense to limit the District to an artificial boundary of 70% for something that is a primary investment. Government Agency Bonds are very safe, very liquid and the easiest to get in and out of. He stated the reason to diversify and limit percentages of your portfolio is to limit risk and Government Agency Bonds are very low on the risk scale.

It was discussed in the past the District felt that 100% was too high. Today the District is becoming a little more conservative in its investments. There was also discussion regarding the reasons for broadening some of the investment language. Finance Manager Cudlip indicated that essentially verbiage within the policy is a restatement of the California Code and is also covered in a broad sense in other areas of the policy. He stated that it was felt that it did not make sense to include the additional verbiage and basically the redundant verbiage is being removed. President Bonilla indicated that he felt if the District was going to change its direction to either more liberal or conservative, he felt that it should be reflected within the District's mission statement.

Finance Manager Cudlip indicated that staff proposed removal of the C. Time Deposits, non negotiable and collateralized, and the F. Collateralized Repurchase Agreements as they fit more with larger agencies who invest more than a billion dollars (i.e., City of Los Angeles, City of San Diego, etc.) because of the collateralization requirements of these type of investments. He stated this type of investment would be very active and an organization who would take more time to analyze and research the collateralization. He stated that to do so is beyond the District's core business. He stated the investments that have been identified are more sufficient to provide an adequate return on the District's investments without the additional time and risk to research such investments. He indicated that staff does not see the District being that aggressive. Chief Financial Officer Beachem indicated that this was a very solid Investment Policy. He stated that the policy had been submitted to the District's peers (three professional finance organizations) for review. He stated that the Association of Public Treasurers of the United States and Canada (APT US &C) reviews investment policies nationally and the chairman of the Investment Policy Review Committee indicated that the District's policy has received the highest rating he has seen in several years. Finance Manager Cudlip stated that the comments from the three graders were that the policy was "nicely written" and had "one of the highest scores we've (they've) ever given." He reviewed the grading process and indicated that the graders were allowed to give a varying number of points and they graded the policy as follows:

1. 127 out of 128 points
2. 121 out of 121 points
3. 115 out of 118 points

He stated that the types of comments made were semantic, but there were no substantial changes.

President Bonilla requested that anytime staff wished to change the philosophy of a policy, he asked that it be brought to committee. He indicated that he wished the board to understand the reason for the philosophy change.

Finance Manager Jim Cudlip indicated that the investment policy would assist the District in acquiring a good bond rating for the debt issuance (Certificates of Participation) planned late in this fiscal year. He indicated that staff is requesting that the board adopt Resolution No. 4088 amending the Investment Policy as presented to meet industry best management practice standards and re-delegate the authority for all investment related activities to the Chief Financial Officer.

Director Breitfelder inquired with regard to the deleted investment types if the district would incur any opportunity costs. Finance Manager Beachem indicated that it would not.

Director Robak indicated that the Finance and Administration Committee reviewed this item at a meeting held on August 21, 2006 and he is realizing that

he was not very clear on the process so he wished to confirm the process so he understood it. It was discussed that the District worked with the finance agencies to develop the new investment policy. It was then sent out for their final review which had been very positive. He indicated that he felt that staff is really doing their homework and is looking out for the best interest of the District and ultimately the policy would result in the best rating and pricing on the debt to be issued. He complimented staff for their work and presenting a very thorough and comprehensive policy.

A motion was made by President Bonilla, seconded by Director Lopez and carried with the following vote:

Ayes:	Directors Bonilla, Breifelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve staffs' recommendation.

## 10. ENGINEERING AND WATER OPERATIONS

### a) CAPITAL IMPROVEMENT PROGRAM (CIP) FISCAL YEAR-END 2006 UPDATE

Chief of Engineering Rod Posada provided a 2006 Year-End Report on the District's Capital Improvement Program. He indicated that this item was presented to the Engineering and Operations Committee on August 23, 2006 and the committee had made suggestions which have been incorporated into this presentation. He indicated that the District had 101 projects totaling \$39.3 million in Fiscal Year 2006 (FY06). He stated of the \$39.3 million projected to be spent in FY06, the District spend \$36,277 or 92% of planned expenditures. He stated that the goal was 75% of planned expenditures and staff has exceeded this expectation. He indicated that the District's CIP is broken down into four categories:

• Capital Facility Projects	\$28,937,000
• Maintenance Projects	\$ 1,766,000
• Capital Purchase Projects	\$ 2,680,000
• Developer Reimbursement Projects	<u>\$ 5,897,000</u>
TOTAL:	\$39,280,000

He stated that the total projects are worth \$187,792,000 of which \$85,451,000 has been spent which is 46% of the total project budget.

He presented a slide depicting a map showing the District's major CIP projects, their status and their location within the District's service area. He stated of the fifteen active projects in FY06, three are in the planning stage, four are in design, three in construction and five have been completed. He reviewed the status of

the District's flagship projects that have been completed which included the 980-2 Pump Station, 30-Inch Pipeline within the 980 pressure zone, 803-4 6 MG Reservoir and the 1485-2, 1.6 MG Reservoir. He also provided a status update on the flagship CIP projects in the construction phase. He stated that the 30-Inch Recycled Water Pipeline Project is expected to be completed in the Fall of 2006 and the 450-1 Reservoir and 680-1 Pump Station is scheduled to be completed in the Spring of 2007.

Chief of Engineering Posada indicated that his report includes detailed updates on the progress of major projects. He indicated that he would not review each in detail, but if the board had an interest in a particular project, he would be happy to provide an update on the project of interest. There were no questions. He also stated that he wished to highlight that the 980-2 Pump Station will receive an APWA Honor Award (American Public Works Association) on September 14, 2006.

He indicated that the District has approximately \$10 million in various consultant contracts for planning, design, public services, construction/inspection, and environmental and has expended approximately 71% of the total consultant contracts. He indicates with regard to construction contracts, the District has approximately \$43 million in construction contracts and has expended approximately 79% of the total. He indicated that the District continues to keep construction change orders incidents to a very low level at -1.5% compared to the industry average of 5 to 12%. He also noted that included with his report is a listing of all 101 projects within the District's CIP and the status of each. He noted again that the total cost of all projects is \$187,792,000 of which \$85,451,000 has been spent or 46% of the total budget for all projects.

Director Breitfelder congratulated staff on receiving the APWA Award. He also inquired on the status of the recycled water pipeline. Chief of Engineering Posada indicated that the pipeline is approximately 95% complete and the pump station and reservoir are approximately 80% complete. He stated that staff would begin testing the pipeline this month (October) and it is expected that the reservoir and pump station would begin testing in late December 2006 or early January 2007.

Director Robak inquired when a new facility goes into service is the punch list completed for the project. Chief of Engineering indicated that the punch list is treated as a warrantee item and it is not necessarily complete when the facility is put into service. Director Robak inquired what is meant when the District "accepts" a facility. Chief of Engineering Posada indicated that there are three phases: 1) the facility is operationally complete and it is put into service; 2) the project is then "accepted" which triggers the 35 days to release the retention (at this point the project is 99% complete and operational); 3) the project goes into a one year warrantee period in which a warrantee bond is held by the District. Chief of Engineering indicated that in most cases a facility is fully operational long before a notice of "acceptance" is issued. This occurs because the

contractor must submit a myriad of documents prior to the District accepting the facility.

President Bonilla indicated that he would be recusing himself from consideration or participation in the following two items with regard to Cricket Communications. He handed the gavel to Vice President Lopez who would preside over discussion of the items and indicated that he would be stepping down from the dias during the discussion of the items. He stated for the records, he has ongoing discussion with Cricket Communications for a communication facility on a property that he owns. He stated that he has been advised by the District's General Counsel that he should recuse himself as a result of a potential conflict of interest. He stated that he has not participated in any of the discussions or negotiations between the District and Cricket other than to advise the General Counsel and the General Manager that he has had no discussion with anyone at the District regarding his dealings with Cricket or the District's dealings with Cricket.

President Bonilla stepped down from the dias at 4:19 p.m.

- b) APPROVE THE EXECUTION OF AN AGREEMENT WITH CRICKET COMMUNICATIONS, INC., A DELAWARE CORPORATION, FOR THE INSTALLATION OF A COMMUNICATIONS FACILITY AT THE 485-1 RESERVOIR SITE

APPROVE THE EXECUTION OF AN AGREEMENT WITH CRICKET COMMUNICATIONS, INC., A DELAWARE CORPORATION, FOR THE INSTALLATION OF A COMMUNICATIONS FACILITY AT THE 458-1&2 RESERVOIR SITE (VAUGHN)

General Manager Watton indicated that this item and the following item were essentially the same request with the exception of the square footage of the leases. The agreements are the District's standard agreement for cellular leases and they have been reviewed by the Finance and Administration Committee. The committee had suggested that the agreements be placed on the consent calendar, however, because President Bonilla must recuse himself from participation in the consideration of the agreement, they have been placed on the action calendar.

Director Croucher noted that there was a typographical error in staff's report with regard to the number of cellular facilities at the 485-1 Reservoir Site. He noted that Cricket Communications would be the "third" cellular provider at the site (as opposed to the fourth) as the report only lists two lessees. Staff indicated that that "fourth" was actually correct, however, staff should have listed the current providers as Nextel, T-Mobile *and* Verizon.

Director Robak indicated that with regard to the minutes from the committee meeting he would like it noted that he had requested a minimum / maximum be identified for the annual inflation adjustment each year or something higher than 3% as opposed to leaving the rate "open". He stated that it was indicated at the

meeting that staff did try to negotiate with the cellular companies on something different than 3% but the cellular companies were not open to doing so, but he still wished to amend the committee meeting notes. He indicated that he also requested that staff survey other agencies to check the lease rates that they receive for such agreements. He stated that he was in support of the approval of the agreements.

A motion was made by Director Croucher, seconded by Director Breitfelder and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve staffs' recommendation on both agreements.

## 11. BOARD

### a) DISCUSSION OF 2006 BOARD MEETING CALENDAR

There were no changes to the board calendar. General Manager Watton noted that a Special Board meeting has been scheduled on Monday, September 25, 2006.

### b) CONSIDERATION TO CAST A VOTE TO ELECT A REPRESENTATIVE TO THE CALIFORNIA SPECIAL DISTRICTS ASSOCIATION BOARD OF DIRECTORS

A motion was made by Director Croucher, seconded by Director Robak and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to cast the District's vote for the incumbent, Ms. Jo MacKenzie.

## REPORTS

## 12. GENERAL MANAGER'S REPORT

General Manager Watton indicated that he met with the Jamul Indian Village (JIV) chairman, Mr. Lee Acebedo. Mr. Acebedo provided an update on where the JIV was with their Environmental Impact Report and other issues related to the development of their proposed casino. He stated that the JIV had submitted a sub-area master plan and it does appear that with their current plan the District

will be able to serve their facility with existing infrastructure. He stated that their EIR has been submitted for public review and they are proceeding forward. He also shared that their EIR reflects that they will build a treatment plant to handle the sewage from the casino. He indicated that this could change, but at this point this is their plan.

He noted that the District held an Employee Information Meeting and luncheon in July. He stated that he felt it was a good event and that the employees had enjoyed the luncheon.

He indicated that the District has selected a compensation study expert, Johnson and Associates, to assist with the District with its study in preparation for negotiations.

General Manager Watton stated that the District's Interactive Voice Response (IVR) system is now operational. Staff has received good feedback, thus far, on the new system. He indicated that Phase II will be implemented soon which will allow customers to pay bills over the phone system.

He noted that staff is completing the review of its year-end Fiscal Year 2006 Strategic Plan objectives and performance measures and expects to present the information to the board next month and is planning on additional Strategic Plan workshops in the fall.

He indicated that a new optional payment method via the District's IVR system will soon be available to customers. Customers will have the ability to automatically pay their bill through the District's phone system via credit card. He stated that one of the objectives within the District's Strategic Plan is making it as easy as possible for customers to interact with the District and pay their bills. He indicated that he felt the District has made some progress in this respect and will soon provide a new option through the IVR system. The District's current method of payment includes automated checking account deductions, through the District's website, by calling in, mailing in a payment and walk-ups (district and postal annex).

General Manager Watton also shared that the District is reviewing proposals from actuaries who will be retained to help evaluate and determine the liability of Other Post Employment Benefits (OPEB). He stated that this is an issue that many other agencies will be reviewing as they have not yet created a reserve to fund these benefits. He indicated the District has reserved approximately \$18 million and staff would like to re-evaluate and confirm this number. He indicated that in a couple years it will be mandated that such figures be reported on organization's balance sheets (GASB 45). He stated that the District is in good shape in meeting this requirement and staff may be recommending in future that the figure be removed from the balance sheet by placing the funds in a trust.

He noted that the audit site work has been completed and that the District was not anticipating any management letter comments. He stated that the audit will

be key when the District begins the process to issue debt. He commended staff for their good work.

He indicated that the City of San Diego and the United States Bureau of Reclamation have executed the Title XVI Cooperative Agreement for grant funding for the District's recycled projects. He stated that there was \$1.2 million in funding available for this project this year and the District will be looking for up to \$12 million over the next couple of years. He also shared that the District has submitted the required disbursement requests for the Proposition 50 grant of \$4 million to the state and staff expects to receive the monies sometime soon.

He lastly noted that attached to his General Manager report is an updated Otay Water District listing on SANDAG. He stated that it provides information on the District's demographics and estimates that the District's total population, as of January 1, 2006, is 189,623. He noted the various demographic statistics on the listing.

Director Breitfelder inquired with regard to the average household size, if the figure noted of 3.15 was higher than average in the county. General Manager Watton indicated that it is slightly higher. The average in the county is slightly under 3.

### 13. SAN DIEGO COUNTY WATER AUTHORITY UPDATE

Director Croucher indicated that with regard to the American Lining Project lawsuit, it is continuing to look positive for CWA and it is expected that the project would move forward without any further issues.

He indicated that the CWA board approved a seat for Riverview and Lakeside Water Districts on CWA's board which will increase the number of members to 35. He indicated that CWA had a success story with regard to the Small Contractor Outreach and Opportunities Program (SCOOP) Committee. He indicated that a small business has been experiencing success because of the SCOOP program.

He noted that things were slowing down at CWA as we nears the end of the year and the fact that there will be new appointments to CWA's board due to elections.

He indicated that the Skinner Treatment Plant has been working at 105% of its capacity on several occasions due to the weather. He noted that the Twin Oaks Treatment Plant will eventually provide relief to the situation at Skinner and once the reclaimed water is online from the Southbay Reclamation Treatment Plant to Otay's system, it will also provide some relief. He stated that the reclaimed water connection will be a real asset to the region and is something that the District should get recognition from CWA for its investment for the region.

He lastly noted that the Water Conservation Summit will be held on September 29, 2009 at the Joan Croc Center on the campus of the University of San Diego.

General Manager Watton also stated with regard to the recycled water from the Southbay Reclamation Treatment Plant, that the Otay board approved a couple years ago a portable pump at the City of San Diego's Otay Treatment Plant and the District has been consistently taking 7 to 10 MGD from the City. He stated that this connection is not discussed at CWA, but it is a great relief on their system.

He also noted that a city delegate on the CWA board, Mr. George Loveland, has left the board. He indicated that Mr. Loveland was in line to chair the CWA board and be appointed a MET delegate. He stated that Ms. Fern Steiner will now be in line to chair CWA and he (General Manager Watton) may be in line to take the secretary position. He stated that CWA will also have some new delegates to MET. He stated that Jim Bond has appointed himself chair for the MET delegates and Jim Barrett and possibly another city delegate will be appointed to the MET delegates. He stated currently, everyone operates on their own and it is hoped that the CWA board officers, MET delegates, committee chairs and consultants would work very closely together to formulate strategies for both CWA and MET.

#### 14. GENERAL COUNSEL'S REPORT ON PROPOSITION 218

General Counsel Yuri Calderon indicated there has been a lot of discussion on a recent Supreme Court decision issued in July 2006 concerning the Bighorn Desert View Water Agency v. Verjil. He stated that the decision was with regard to the application of Proposition 218 to water rates. He indicated that Prop 218 was adopted by the voters in 1996 and went into effect in 1997. He stated that the common perception was that it did not apply to water rates because water rates were based on the usage of water service. He indicated as long as an agency did not tie rates to actual property ownership, it was exempt from Prop 218. He stated that there were a couple of Attorney General opinions and a second Court of Appeal opinion that stated that water rates were exempt from Prop 218. He stated the July decision of the Supreme Court, and possibly another earlier Supreme Court decision, had stated that Prop 218 does apply to water rates. He indicated that the July decision states that Prop 218 does apply to water rates and, thus, from this point forward, all agencies must go through the Prop 218 process when adopting water and sewer rates. He stated that, as a water rate, the District is exempt from the requirement that rates be approved by two-thirds of its voters, but the District must still provide notice and an opportunity to its customers to present written comments and verbal comments through a public hearing prior to implementing the new water or sewer rates.

He stated there was still discussion as to whether the decision was retroactive to 1997. It is being indicated that because the decision had overturned a Court of Appeals decision, that it clearly has a retroactive affect. General Counsel Calderon indicated that if this were true, then every water rate increase since

1997 would be called into question. He stated this view would simply bankrupt every water agency.

He indicated that his firm's initial advise to the board is that the Supreme Court decision does not have a retroactive affect and he would be providing a written opinion to the board under the attorney client communication. He stated that from a public policy perspective, the decision does not have a retroactive affect.

He stated that future increases must follow the Prop 218 process and provide notice to the public and the District must hold a public hearing. President Bonilla requested that General Counsel also provide a written policy along with Counsel's opinion on this issue. General Counsel Calderon indicated that the request was in the process already and should be presented in the near future.

## 15. DIRECTORS' REPORTS/REQUESTS

Director Robak inquired about an item noted within the GM Report concerning a week long workshop with Eden to review some fixes and enhancements to the system. He asked if there were some problems with the system. General Manager Watton indicated that there were no problems with the system. Staff was discussing how the District could get maximum efficiency from the programs. He stated that the programs/systems are very complicated and staff is learning each day on how to better use or integrate the system. He stated that there were issues on another plane that staff needed to correct through some warrantee work, but the workshop was more of a discussion on how to better utilize the systems.

Director Robak indicated that he had attended the annual Lemon Festival in Chula Vista. He commended Communication Officer Buelna on his work at the Festival.

Director Croucher indicated that he is working on the Strategic Plan for the Fire Department. He indicated that in comparison to other public agencies in the area (fire, water and sewer), the Otay WD stands above the other agencies with regard to Strategic Plans. He thanked staff with regard to their agency to agency interaction concerning the Strategic Plan.

Director Breitfelder indicated that the topic of discussion at CSDA were the initiatives on the ballot. He stated the key panelist, Senator Steve Peace, had indicated two main concerns from his point of view. He stated that he felt there was too much on the ballot, especially with regard to bonding, and that voters may vote "no" on all bond initiatives because of this. Senator Peace felt that the legislature was increasingly being seen as irrelevant as it can be easily side-stepped by the "misuse" of the initiative process. He stated that he felt that this was probably not very positive as we are very dependent on the state and country on representative government.

He stated that with regard to the Water Conservation Summit, a topic slated for discussion at 12:30 p.m. with regard to uniform local legislation, has become the key issue in conservation. He indicated that he felt at least three of the four breakout discussions were of great value to the District and he encouraged another director to attend along with Director Robak and himself so the District might have participation in these topics.

Director Brietfelder lastly noted that he met with President Bonilla in early June 2006 and they discussed the opportunity for desalination in Mexico, the tone of board meeting communications related to organizational morale, uniform disclosure with regard to board dynamics, the desirability of internal promotions when possible and long term organizational evolution through natural attrition. He stated that he is of the opinion that one-on-one communications between directors should be held confidential. He stated that it is extremely easy for things to be taken out of context which can lead to a breakdown in communications. He stated that in this one instance he wished to make an exception and would like to share that it has always been very clear to him from his conversations with President Bonilla over the years that he cares very much about all the employees of the district and wished for everyone to have a good family like work environment. He stated that he felt that it was good for the organization as a whole that President Bonilla be more publicly vocal about his values and opinions. He stated that this was demonstrated today through his comments and philosophy behind policies and how they are ultimately unifying for the District. He stated that he just wished to share this. President Bonilla thanked Director Breitfelder.

## 16. PRESIDENT'S REPORT / REQUESTS

President Bonilla indicated that on August 17, 2006, General Manager Watton and he met to discuss the committee agenda items for committee review in August. He indicated that General Manager Watton and he also met with Mr. Lee Acebedo, Chairman of the Jamul Indian Village, on August 17, 2006. He stated they discussed issues related to sewer and water service to their casino project. He indicated that on August 23, 2006, he attended the Engineering and Water Operations Committee on behalf of Director Lopez. He stated the committee received an update on the Fiscal Year-end 2006 CIP program and the San Diego Gas and Electric's energy program. He commended Chief Engineer Posada on his presentation which included enhancement suggestions from the committee. President Bonilla indicated that he met with General Manager Watton and General Counsel Calderon to discuss the agenda items for the September 2006 board meeting on August 29, 2006. He stated that he also met with General Manager Watton, Mr. Hector Mares, representatives from CONAGUA, the General Manager of CESPT and individuals from Mexico City. He indicated they discussed the Rosarito Beach Desalination Project and establishing a bi-national committee between Otay, CONAGUA, CESPT and CEA. He stated that their meeting on August 30 was the first official meeting of the committee.

President Bonilla also congratulated Directors Breitfelder and Croucher on their “assured” re-election as they were running unopposed in this year election. He stated that he felt it was a testament to the work they have achieved in public service for the last six to eight years and that their constituents’ support was highly regarded by him. He stated that he thought that this may be the first election where District incumbents were running unopposed. He stated that this indicates that the community felt that this board was working well and that there were many positive things happening at the District.

President Bonilla inquired about an email he received from a customer regarding an on-line payment. He asked District Secretary Cruz if she recalled the email. District Secretary Cruz indicated that she did not recall that specific email, but the District does provide on-line payment. He indicated that he would forward it back and asked if she could please handle the response to the customer.

Director Breitfelder thanked President Bonilla for his gracious comments. He indicated that he felt that Director Croucher and he running unopposed was an unfortunate turn of events. He stated that he felt it would have been good to have some tough questions asked and have a public dialogue on some of the important issues this board has addressed. He indicated that there were many positive stories that could be shared and it would have been nice to have the opportunity to provide some form of recognition to former and current employees.

Director Croucher indicated that he felt that Director Breitfelder and he running unopposed was a reflection on the entire board and not just of themselves. He stated that there was no doubt that this board was diverse and he felt that it brings quality to the board. He stated that by not having an election this year it would also bring stability for the benefit to the team. He stated he looked forward to continuing to work with the board as a team.

17. ADJOURNMENT

With no further business to come before the Board, President Bonilla adjourned the meeting at 5:08 p.m.

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Vice President

ATTEST:

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District Secretary