

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 5, 2008**

1. The meeting was called to order by President Croucher at 3:31 p.m.
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL

Directors Present: Bonilla, Croucher, Breitfelder, 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 Engineering Rod Posada, Chief of Operations Pedro Porras, Chief of Administration Rom Sarno, District Secretary Susan Cruz and others per attached list.

4. 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.

5. 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.

6. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF NOVEMBER 7, 2007 AND SPECIAL MEETING OF NOVEMBER 19, 2007

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 minutes of the regular board meeting of November 7, 2007 and special meeting of November 19, 2007.

CONSENT CALENDAR

7. 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 Robak, 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 the following consent calendar items and pulling item **6c**, AUTHORIZATION FOR EXECUTION OF AN AGREEMENT FOR OTAY BI-NATIONAL DESALINATION FEASIBILITY STUDY UPDATE WITH CAMP DRESSER & MCKEE, INC. IN AN AMOUNT NOT TO EXCEED \$94,552; and **6e**, ADOPT RESOLUTION NO. 4117 TO APPROVE AN AGREEMENT WITH THE CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM TO PREFUND OTHER POST EMPLOYMENT BENEFITS (OPEB) THROUGH CALPERS; CERTIFY THE FUNDING POLICY OF THE BOARD AT 100% OF THE ANNUAL REQUIRED CONTRIBUTION; DELEGATE AUTHORITY TO REQUEST DISBURSEMENTS TO THE GENERAL MANAGER AND CHIEF FINANCIAL OFFICER; AUTHORIZE THE TRANSFER OF \$11,543,000 TO THE PERS TRUST TO FULLY FUND THE ACTUARIAL ACCRUED LIABILITY AND THE FIRST YEAR'S NORMAL COST; AND AUTHORIZE THE TRANSFER OF THE REMAINING MONEY IN THE DESIGNATED OPEB FUND TO THE GENERAL FUND TO PAY FOR THE APPROVED SIX-YEAR LABOR AGREEMENT; for discussion:

- a) AWARD OF A PROFESSIONAL SERVICES CONTRACT TO RBF CONSULTING FOR THE SEWER SYSTEM INSPECTION AND ASSESSMENT PROJECT AND TO AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH RBF IN AN AMOUNT NOT TO EXCEED \$121,185 DURING FISCAL YEARS 2008 AND 2009

- b) AWARD OF A PROFESSIONAL ENVIRONMENTAL CONSULTING SERVICES CONTRACT TO RECON FOR THE PREPARATION OF THE OTAY WATER DISTRICT SUBAREA PLAN AND TO AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH RECON IN AN AMOUNT NOT TO EXCEED \$270,853
- d) UPDATE REPORT OF DIRECTORS' EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2008

Director Breitfelder requested that Items 6c and 6e be pulled for further discussion.

- c) AUTHORIZATION FOR EXECUTION OF AN AGREEMENT FOR OTAY BI-NATIONAL DESALINATION FEASIBILITY STUDY UPDATE WITH CAMP DRESSER & MCKEE, INC. IN AN AMOUNT NOT TO EXCEED \$94,552

It was discussed that a feasibility study was completed on the viability of a desalination plant in Rosarito Beach. This new study proposed by staff will look at the viability of bringing desalinated water from Mexico to Otay's service area. The study would also explore the size of the plant based on interested participants.

Director Robak indicated that County Water Authority (CWA) has completed a study and their study had identified issues. He inquired if Sweetwater Authority (SWA) and CWA were invited to participate in the feasibility study. General Manager Watton indicated that the CWA study was completed and looked at several sites, but the majority of the focus was on the Poseidon project. He stated that a bi-national project was a very bold move and the feasibility of a project must first be determined before the District can approach partners. Director Robak also inquired if grant monies were available for such a study. It was indicated that grant money was not available. Director Robak indicated that he was supportive of the vision of such a project, however, it is difficult for him to agree to the District shouldering the full \$100,000 cost of the study when the project would benefit the whole region.

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

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

to approve staffs' recommendation.

- e) ADOPT RESOLUTION NO. 4117 TO APPROVE AN AGREEMENT WITH THE CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM TO PREFUND OTHER POST EMPLOYMENT BENEFITS (OPEB) THROUGH CALPERS; CERTIFY THE FUNDING POLICY OF THE BOARD AT 100% OF THE ANNUAL REQUIRED CONTRIBUTION; DELEGATE AUTHORITY TO REQUEST DISBURSEMENTS TO THE GENERAL MANAGER AND CHIEF FINANCIAL OFFICER; AUTHORIZE THE TRANSFER OF \$11,543,000 TO THE PERS TRUST TO FULLY FUND THE ACTUARIAL ACCRUED LIABILITY AND THE FIRST YEAR'S NORMAL COST; AND AUTHORIZE THE TRANSFER OF THE REMAINING MONEY IN THE DESIGNATED OPEB FUND TO THE GENERAL FUND TO PAY FOR THE APPROVED SIX-YEAR LABOR AGREEMENT

Chief Financial Officer Joe Beachem indicated that this item was presented to the board at the February 6, 2008 board meeting. The board had requested that staff review any long term financial impacts to transferring \$11.5 million into the CalPERS "Irrevocable Trust" to pre-fund Other Post Employment Benefits (OPEB). He noted that Mr. Bartel was available to discuss the actuarial results at today's meeting if needed and that Ms. Harrell, the District's Financial Advisor, had attended the District's committee meeting and has provided her opinion at the meeting and via correspondence (attached to staffs' report) .on the District's ability to meet its financial obligations while still funding the Irrevocable Trust.

He noted the following benefits of pre-funding the OPEB via the CalPERS Irrevocable Trust:

- Implements prudent recommendations consistent with the District's Financial Model and Reserve Policy
- Positively impacts credit rating as it eliminates the OPEB liability from the District's Balance Sheet
- Complies with the recommendation of the Governor's Commission
- Complies with GASB 45
- Earns a higher rate of return
- Reduces the cost of the OPEB benefits by \$5 million which will be placed in the General Fund allowing the District to cover the cost of the 2008 contract negotiations for six (6) years
- Protects reserves from state borrowing

Chief Financial Officer Beachem indicated that by pre-funding the OPEB, it does limit the District's financial flexibility, however, the drawbacks are small. He stated that should there be an economic slowdown or a major disaster, the District could pull monies from the following funds:

- 1st Funds that exceed their maximums are first to be considered for transfers. The Replacement Reserves and General Fund are

currently over their target levels and would be the first to be utilized if a situation arose.

2nd Funds that exceed their minimum requirements.

He noted that Restricted Reserves would never be utilized. He indicated that the District can temporarily avoid rate increases by drawing on reserves and before the District would utilize the OPEB fund, it would first utilize debt financing then rate increases.

He indicated that staff had presented at the October 9, 2007 Board Workshop what would occur should District growth slow by 50%. He stated that staff would cut the CIP to 75% of budget. The District is currently accomplishing 70 to 75% of the CIP and expects that this could continue. The impact to the Operating Budget is a temporary rate increase of 1%.

He indicated if water sales were cut by 10%, 20%, 30% and 20% in consecutive years, because of the diversification of revenues, the impact to the operating budget would be a temporary 2.6% increase. He stated that rates would be reduced back when sales returned to normal levels.

Director Breitfelder indicated that he felt staff has done a good job in outlining the benefits of the Irrevocable Trust. He indicated that he appreciates the \$5 million in savings it provides. He stated that it does somewhat tie the District's hands, but he felt that the trust was certainly a legitimate risk. He indicated that the committee did not specifically review this item in a recessionary environment, but it was taken for granted that staff had taken this into consideration. He indicated that the committee did inquire what the downside was in pre-funding the OPEB in an Irrevocable Trust and Chief Financial Officer Beachem was very frank in his answer. He stated that the board is to critically review the committee's recommendations and he felt it was handled properly by the board. He stated that, however, he did not agree that the item should have been forwarded for review by the Engineering, Operations and Water Resources Committee (EO&WR Committee) and should have been sent back to the Finance, Administration and Communications Committee (FA&C Committee) as it is the appropriate committee for such items. He stated that he felt that it was not good policy.

President Croucher indicated that he had a discussion with Director Robak, chair of the FA&C Committee, and he was fine with forwarding this item for the EO&WR Committee's review. President Croucher indicated that CWA also utilized this process.

Director Bonilla indicated that it was very difficult to predict what will happen during the recession. He stated that businesses require cash flow to make payroll, pay expenses, etc. and at the end of the day it is business flexibility that is very important. He stated that the District cannot be confident that nothing will

go wrong and he felt that the District was strong financially because it has planned carefully. He indicated that he believed that placing \$11.5 million into an Irrevocable Trust may impact the District's flexibility and he did not feel comfortable with funding the Irrevocable Trust as the risks outweighed the benefits of doing so.

Chief Financial Officer Beachem indicated that it is the board's decision whether to fund or not fund a trust. He stated that PERS did not offer a Revocable Trust. He stated that if the funds were placed in a Revocable Trust, it would provide \$4 million to the General Fund as opposed to \$5 million. The District would need to find an additional \$1 million to fund the General Fund.

President Croucher indicated that the board is discussing emergency funds versus a fund that has been set aside for OPEB which are monies that are not considered "useable." Should the District require emergency funds, then raising rates would be considered first prior to utilizing the funds earmarked for OPEB. Director Bonilla indicated that he understood, however, the situation could be that there are no customers in which rates can be raised. He stated that he did not feel it was worth the risk.

General Manager Watton indicated that Director Bonilla's concern was more of a timing issue (recessionary time) as opposed to placing the monies into a trust. He asked what level Director Bonilla would be comfortable in placing into a PERS Irrevocable Trust; \$5 million? It was discussed that if the District placed \$5 million in the trust, it would lose a little on the rate of return; 6.5% versus 7.75%

Director Robak indicated that he did not see a compelling reason not to fund the OPEB. He stated since the District did not need to borrow the monies to fund OPEB, then he felt the PROS far outweighed the CONS.

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

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

to place \$5 million into a PERS Irrevocable Trust to pre-fund OPEB.

ACTION ITEMS

8. GENERAL MANAGER

a) REVIEW OF CUSTOMER PIPELINE NEWSLETTER AND PROVIDE DIRECTION ON MOVING TO FULL-COLOR PRINTING

Communications Officer Armando Buelna indicated that the Finance, Administrative and Communications Committee had asked staff to research the cost to produce the customer *Pipeline Newsletter* in full color. The committee felt the newsletter would be more “eye-catching” and charts such as the *U.S. Drought Monitor* would have more impact as color can better represent intensity/severity.

He noted that the current cost per newsletter for the two color process on 70 lb. off-set paper stock is \$.08/newsletter or \$3,920/quarter (\$.08 X 49,000 copies). He indicated that staff reviewed two options:

- Full color printing on 70 lb. paper stock -- \$.10/newsletter or \$49,000/quarter (\$.10 X 49,000 copies).
- Full color printing on 100 lb. semi-gloss or glossy paper stock -- \$.11/newsletter or \$5,390/quarter (\$.11 X 49,000 copies).

The committee recommended that the District move to full color printing on glossy paper stock (this paper stock is similar to the paper used for the Consumer Confidence Report). It was indicated that the committee recommended presentation to the full board as it was felt that some ratepayers may feel that the District was spending too much money on such communications/public relations pamphlets. The committee wished the full board to have an opportunity to express their opinion.

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

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

to approve moving to full color on semi-gloss 100 lb. paper stock for the printing of the customer *Pipeline Newsletter*.

9. BOARD

a) DISCUSSION OF 2008 BOARD MEETING CALENDAR

It was noted that May 20, 2008 would not work for the scheduling of a Special Board Meeting to discuss the FY 2009 Budget. President Croucher requested that District Secretary Susan Cruz re-poll the board for a new date. There were no changes to the board calendar.

INFORMATIONAL ITEMS

2. THESE ITEMS ARE PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEMS.

a) DISCUSSION OF REVIEW PROCESS FOR DISTRICT'S CURRENT BANKING SERVICES

Accounting Manager James Cudlip indicated that this item was presented at the February 6, 2008 board meeting and the board had requested additional information concerning the specific pricing of the Union Bank of California contract and price comparisons for services with other banking institutions.

He presented a slide noting the specific bid results from the Request for Proposals (RFP) that was sent in November 2005 as follows:

- Union Bank of California's bid was \$8,774 with a fixed price for 5 years.
- Wells Fargo's bid was \$8,840 with fixed pricing for 90 days.
- Bank of America bid \$11,011 with fixed pricing for 90 days.

He stated that staff also performed an agency comparison in which staff compared the District's current contract with other agencies that are similar in size, complexity and range of services as the District. He noted that a spreadsheet was attached to staffs' report indicating all services that are included in the \$8,774 monthly fee.

The results of the agency comparison are as follows:

- | | |
|----------------------------------|----------|
| • Jurupa Community Svc. District | \$10,193 |
| • S. Coast Community District | \$ 9,391 |
| • City of Poway | \$ 9,090 |

The above represents the winning bids and the bids received in response to their RFP's involved a wide range of banks, including Union Bank of California, Wells Fargo, Bank of America and City National. He stated that it was difficult to get comparables as there is a great impact to operations when banking services are changed, so organizations rarely make changes (maybe three to four a year for all agencies in the southern area).

He stated staff is happy with current banking services and feels that no new or additional services are needed at this time. He indicated that total fees are lower than other banks and will remain fixed for another three (3) years. He stated staff will conduct a banking review every two to three (2 to 3) years and would make

full requests for pricing from the banking community on a five year basis unless the biannual review prompts that the District do it sooner.

Director Bonilla indicated that he felt that the banking industry would be changing in the next six (6) months due to the recession. He stated that he did not feel that the District should be tied to doing a review every two to three years, but that it should be open. He suggested that the District perform another review next year because of the state of the economy will create more competition for business. He stated that it is great to do this exercise as the District can show its ratepayers that it is getting the best deal possible for banking services. He commended staff on their work on the review. President Croucher agreed that the review should be done again in a year.

b) FISCAL YEAR 2008 MID-YEAR STRATEGIC PLAN AND PERFORMANCE MEASURES REPORT

Chief of Information Technology Geoff Stevens indicated that he would be presenting on the FY 2008 2nd Quarter Strategic Plan results. He stated that the District is on target with its Objectives with 94% on schedule or ahead of schedule. With regard to Performance Measures, the District's target is 75% and the District has met 87% of its measures. He stated in measuring the District against the industry (external view), the Balanced Scorecard, seven of eight measures are on track. From an internal view (departmental perspective), eight of ten performance measures are on track. He stated that next steps are that staff would be bringing to the board committee the proposed FY09-11 Strategic Plan. It is planned that staff will be taking the Information Technology, Administration and Finance portions of the FY09-11 Strategic Plan to the Finance, Administration and Communications Committee and the Engineering and Operations portions of the plan to the Engineering, Operations and Water Resources Committee during this month's (March) committee meetings. This will allow a more detailed review of the Strategic Plan. He stated that staff will be finalizing project plans, performance measures and setting Otay targets for performance measures.

c) 2ND QUARTER CIP UPDATE

Engineering Manager Ron Ripperger indicated that he wished to introduce two new Sr. Engineers who were hired two (2) weeks ago; Mr. Ron Grunow, who will supervise the District's Planning/Design Divisions of the Engineering Dept.; and Mr. Damon Bradon, Sr. Civil Engineer in the construction division. He stated that the District was very happy to have them as part of the team.

He then presented the Fiscal Year 2008 Second Quarter CIP update in which he highlights the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2008 CIP consists of 75 projects totaling \$34.5 million. He indicated that the District's CIP is broken down into four categories:

He stated that overall expenditures through the first quarter of Fiscal Year 2008 totaled approximately \$14 million, which is approximately 82% of the District's target expenditure for the full fiscal year. He noted that construction change orders are at -.022%.

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 fourteen projects in FY08, two are in the planning stage, five are in design, four in construction and three have been completed and in use. He reviewed the status of the District's flagship projects which included the SR-905 Utility Relocations, Olive Vista Drive Utility Relocations, 640-1&2 Reservoirs and the 36" Pipeline from FCF No. 14. He also noted that discussions are going well with the City of San Diego regarding an agreement to acquire local treatment capacity.

Engineering Manager Ripperger presented slides which provide the status of the various consultant contracts for planning, design, public services, construction/inspection and environmental. He also presented slides providing a listing of all CIP projects planned for Fiscal Year 2008 and the status of each.

Director Bonilla inquired with regard to the 640-1&2 reservoirs, what the cost difference was between reservoirs that are wrapped versus steel tanks. He stated that the wrapping process seemed very labor intensive. Engineering Manager Ripperger indicated that the City of San Diego had prepared a study which compared above ground steel tanks and pre-stressed concrete tanks. He stated that they found that the breakeven point was approximately at a 5 million gallon tank. He indicated, if the tank to be constructed is 5 million gallons or larger, then a pre-stressed tank is more economical as the maintenance cost of steel tanks are higher. As the District is building two (2) 10 million gallon tanks at the 640 reservoir site, the pre-stressed tanks were selected.

Director Robak inquired what the reason was for the Olive Vista Drive utility relocations project. Engineering Manager Ripperger indicated that every year the District receives requests from the County of San Diego, City of Chula Vista or City of San Diego to relocate some of the District's facilities. He stated that the County of San Diego is realigning Olive Vista Drive and the District's facilities must be moved so the County can realign the road. He stated in this particular case, because the District did not have prior rights with the County (the District's

facilities were in a public right-of-way versus an easement), it must relocate its facilities. It was noted that the relocation costs is at the District's expense because it does not have prior rights with the County. Chief of Engineering Rod Posada indicated that the project did provide the District an opportunity to replace asbestos cement pipe which is an area the District had wished to improve in future. General Counsel Calderon noted that one of the benefits of utilizing a public right-of-way is there is no cost to the District to place its facilities in a public right-of-way, whereas, an easement for facilities must be purchased.

Director Robak inquired how discussions were progressing with Cuyamaca College and the Water Conservation Garden regarding the placement of the 36" pipeline. Engineering Manager Ripperger indicated that staff, in fact, had met with Cuyamaca. He stated that discussions are going well and they are happy with the information they are receiving.

Director Robak also inquired about the monthly construction status reports that staff had been providing. He indicated he has not received any updates in awhile and was wondering if those communications were no longer being produced. Chief of Engineering Posada indicated that staff is a little behind in producing the reports as it has been short staffed and will get them back on-line.

President Croucher indicated that he also wished to thank staff for the \$6.4 million savings for the vault in the Olive Vista Drive project.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton presented a Powerpoint on the water supply situation. He stated that this year, the county has had more of a regular storm pattern which has not been seen for some time due to the drought conditions. He stated that snowpack conditions are above average statewide, as well as in the Sierra Mountains. He stated, however, a judicial drought is being enforced in the Bay Delta to protect endangered species which is affecting water supply. He presented a slide showing rainfall from 1923 through 2008 with 2008 being close to an average rainfall year. He stated it is hoped that precipitation will continue to follow the average, however, if the weather warms and the Sierra's get above 50 degrees, we will begin to lose the snowpack. The water from the snow will begin to evaporate more than melt. He stated that though the snow conditions are good, it would take eight (8) to ten (10) years of good rain fall to get lake waters up to a comfortable level. He noted the water storage supply levels as of January 2008 were just under 1,800,000 AF. He stated that, depending on where the state allocation is, it is expected that approximately 600,000 AF would be utilized each year starting in 2008 which will provide for only two (2) to three (3) years supplies before the storage supplies are drawn down. He noted that cumulative runoff from the rainfall this year is a little over 35,000 AF. He stated

that CWA plans to utilize 68,000 AF this year, so additional local rain storms are needed to meet supply needs. He indicated that the *20 Gallon Challenge* has not been very successful in encouraging conservation. He indicated that, though, there was a reduction in water consumed in March 2008, it was not due to conservation, but to the rain. He stated that CWA has been working to assure that the needed water supplies for this year are met and they have been successful in establishing supplies to meet this year's demand.

General Manager Watton then reviewed items from his monthly GM Report and noted that staff is working with the City of El Cajon and CWA regarding the 36" pipeline, on alternative routes through Jamacha Road and Washington Street. He stated that it is a very busy intersection and, thus, a very difficult construction area and they are exploring alternative routes.

He noted that staff provided presentations at the AWWA Sustainable Water Sources Conference in Reno, Nevada in February 2008. The first presentation was on Smart Controllers and the second was on AMR. He stated that staffs' participation is not new and he just wished to make note of it to the board.

He indicated with regard to the Artificial Turfgrass rebate program, MWD has been delayed in implementing the regional program. Staff, along with other agencies (seven total), have decided to go ahead and implement the program as summer was approaching and there has been a lot of interest in the program. He indicated that he has executed the MOU with CWA under the GM authority.

He stated that staff is working on the FY2009 budget and the Strategic Plan and will be scheduling meetings in early May or late June to discuss them in detail.

He noted that PBS&J is preparing a technical memo for the North District Recycled Water Study. He stated that MWD has developed a retrofit program and CWA has voted to join the program. This will allow for a \$500/AF credit to retrofit properties. He stated that the program will provide incentives for some to retrofit their properties for recycled water use.

General Manger Watton also shared that the District had a minor sewer spill at the Russell Square Lift Station. He indicated that there was a failure on one of the system pumps. He stated that the SCADA System alarm worked and staff responded to the spill and cleaned up the 60 gallon spill.

He indicated that Mexico will be taking treated water through the District's system for the next couple of months. He noted that the water is Mexican water and it is sold through a wheeling service with MET, CWA and Otay. Mexico pays \$650/AF and the water serves as back-up emergency supplies to Mexico.

He lastly noted that the Microturbines at the treatment plant are up and running. He indicated that a Ribbon Cutting Ceremony is scheduled on April 10, 2008.

The program is in partnership with the County of San Diego utilizing their landfill gas to provide 100% of the electricity supply to the District's treatment plant during the winter months and approximately 65% in the summer.

Director Lopez inquired how much recycled water was being produced at the Chapman treatment plant; 1 MGD? General Manager Watton indicated that was correct, however, with the rain, production has been cutback. In the summer, recycled consumption is about 7 MGD.

a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that CWA was not getting the results it had wished with the *20 Gallon Challenge* campaign. To help improve the conservation message, CWA will be putting together an ad campaign for TV and Radio. They will be allocating \$162,000 to develop the ads and it is expected that CWA staff will be requesting that the board approve a \$1 to \$1.5 million budget for the ad campaign (mostly radio) at an upcoming board meeting. CWA will also discuss next steps, such as incentives to encourage landscape changes, etc.

He also shared that MWD indicated that their rate increase for next year will be 14.5% and the net increase from both MWD and CWA will be in the 10-12% range to OWD. He indicated that it is higher than staff had planned, but is manageable through the budget process.

President Croucher stated that there seems to be a comfort level due to the rains, however, he wished to note that the Colorado River is in an eight (8) year drought and its level is half of its normal level.

He also indicated with regard to the cost increases, power is the main driving force behind the increases. With regard to the conservation ads, he indicated that a little over \$112,000 to \$116,000 will be set aside to explore ads for radio, TV, billboards and they will also include ads to try and reach the Spanish speaking community. The board had indicated if CWA was going to invest \$1.5 to \$1.75 million in ads (to be run over a 4 to 5 month span) it requested that CWA staff also research marketing the ads to the youth (elementary school age as opposed to 18-24 year olds) where it would encourage children to speak with their parents regarding conservation. The board would like to see the conservation message spread out and not only directed to one group.

General Manager Watton also added that CWA plans to issue \$500 million in bonds to support their CIP. He indicated that there is only one bond insurance agency left. If CWA wished to insure the bond issue, it is expected that they would quote a very high rate. The good news is CWA has an "AA" rating and can go direct to the market and acquire a good interest rate without bond

insurance. He stated this rating is very important and will provide CWA many options with the bond issue.

11. DIRECTORS' REPORTS/REQUESTS

Director Robak thanked the board for joining the Rancho San Diego – Jamul Chamber of Commerce (RSDJ Chamber). He noted, at a meeting of the RSDJ Chamber, that the District had received a rebate on half of its membership fee indirectly as General Manager Watton had won the grand door prize for \$300 worth of advertising with the company that owns the *Star News*. He stated that the attendance of the meeting was certainly worth while. He also requested that staff agendize for discussion at the next Finance, Administration and Communications Committee the mischarges that appeared on some of the customers' property tax bills. He stated he just wanted to look at the scope of the issue and a report be provided to the board.

Director Lopez indicated he wished to commend Asst. General Manager Manny Magana for his help with a customer's situation with newly installed copper pipes. The District's staff was able to assist the customer and the customer had written a very complimentary letter praising staff. Asst. General Manager Magana thanked the operations staff for their work in resolving the customer's issue.

Director Bonilla requested that staff provide an update report of the fiscal impact and status of the AMR program at the April board meeting. President Croucher asked staff to also include the impact to the CIP. Director Bonilla also requested an update on slowed growth and meter sales. He also commended the board for being very open minded on the funding of the OPEB (funding \$5 million funding instead of \$11.5 million). He indicated that he would rather see the District be more conservative during the slowed economy to avoid any negative impacts to the District (such as layoffs).

Director Breitfelder indicated that CSDA had a panel discussion that included two Fire Chiefs (one from San Miguel Consolidated Fire Protection District) concerning proposals for increasing fire service to the back country. Both chiefs felt that none of the many proposals reviewed would have a reasonable possibility of stopping a catastrophic fire in the back country and prevention aspects would be helpful to a limited degree. Most of the money discussed would be dedicated toward emergency response such as search and rescue. He also indicated with regard to the California Model Ordinance that if a jurisdiction does not approve its own conservation ordinance, it would have to follow the state ordinance. He stated that he was surprised to read how firm the State Ordinance is and that he felt it was stricter than the ordinance that is being worked on locally by the Conservation Action Committee, especially with regard to the use of recycled water as the state makes it mandatory to utilize recycled water when it is available. San Diego is still debating this issue. He indicated the Council of Water Utilities presented a speaker from the International Boundary

and Water Commission (IBWC) who discussed facilitating ongoing international agreements, but had not touched on some of the “hot” issues. He stated that he also addressed the Bajagua Water Treatment project and indicated that initially the public would not be responsible for the cost of the Bajagua project, however, overtime the public will contribute to its cost.

12. PRESIDENT’S REPORT

President Croucher indicated that he wished to commend staff not only for the good job they did in communicating with the Fire Department, but in their quick response to discussions of the District assisting with the Countywide RTS communications systems by supplying the microwave deflection device on one of the District’s reservoirs. He also indicated that Otay staff assisted, Mr. Andy Menshek, a director at Padre Dam MWD, in discussing with the Sherriff the seriousness of the theft of water systems backflow devices (the attempted theft occurred at Austin Dr.). Because District staff had explained the seriousness of such a theft, felony charges were filed against the thieves. He also noted that District staff just completed a fundraiser, “Daffodil Days” to raise funds for the American Cancer Society. He asked District Secretary Cruz if she could send fundraising information to board members in the future so they may have an opportunity to participate as well. He also shared that there is interest at CWA in what Otay is doing with regard to Strategic Planning, Financing, Conservation etc. Otay is looked to more in a leadership role and staff should be pleased with their efforts in the accomplishments of the District.

RECESS TO CLOSED SESSION

13. CLOSED SESSION

The board recessed into closed session at 5:50 p.m. to discuss the following matters:

- a) CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9(a)]
 - (i) SEYMOUR/LEWIS DEVELOPMENT, LTD. v. OTAY WATER DISTRICT, et. al.
 - (ii) ROBERT PEREZ, et al. v. OTAY WATER DISTRICT, et al.
 - (iii) K&S DREAMERS, LLC, et al. v. OTAY WATER DISTRICT, et al.
 - (iv) SAN DIEGO ELECTRIC SIGN, INC., et al. v. OTAY WATER DISTRICT, et al.
 - (v) JOSEPH PADILLA, JR. et al. v. OTAY WATER DISTRICT, et al.
 - (vi) AMY WISE et al. v. OTAY WATER DISTRICT, et al.
 - (vii) SEYMOUR/LEWIS DEVELOPMENT, LTD v. JUMPIN’ JUMPS, et al.

- b) CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
[GOV-ERNMENT CODE §54956.9(b)]
 - (i) MULTIPLE POTENTIAL CASES RELATED TO THE FENTON
BUSINESS CENTER

RETURN TO OPEN SESSION

14. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION

The board reconvened at 6:07 p.m. General Counsel Calderon indicated that 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 reject two (2) claims and allow General Counsel to reject all claims received after February 19, 2008.

He indicated that no other reportable actions were taken in closed session.

15. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 6:08 p.m.

President

ATTEST:

District Secretary