

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
October 7, 2009**

1. The meeting was called to order by President Croucher at 3:32 p.m.

2. ROLL CALL

Directors Present: Croucher, Lopez and Robak

Directors Absent: Jaime Bonilla (out-of-town on business)
Larry Breitfelder (attending CA Coastal Commission Meeting on behalf of District)

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.

3. APPROVAL OF AGENDA

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

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

to approve the agenda.

4. ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA) PRESENTATION

Mr. Timothy Quinn, Executive Director of ACWA, thanked the District board for the opportunity to share about ACWA and what its role is for the water industry. He indicated he wished to discuss three areas:

- How ACWA works.
- ACWA's policy position and some of the current legislative issues.
- The services ACWA provides.

He introduced Ms. Tiffany Giammona who is the regional representative for Regions 8, 9 and 10 (the Otay Water District is a member of Region 10). Ms. Giammona is responsible for identifying problems in the regions she represents and bringing them to his and managements attention so ACWA may provide better service to its members.

Mr. Quinn indicated that ACWA represents 450 public agencies which includes agricultural, urban, mountain and valley counties, coastal, inland, etc. He stated that the majority of his membership includes small and mid-size agencies that do not have the resources of the larger agencies. ACWA's job is to provide services to assure that the small and mid-size agencies' interests are protected.

The ACWA board is comprised of two members form each of the ten regions. Mr. Keith Lewinger of Fallbrook Public Utilities District and Mr. Peer Swan of Irvine Ranch Water District represent Region 10. The ACWA board, through a lot of debate, decides on policies that make sense from a statewide perspective. He noted that ACWA has eleven standing committees. Mr. Mark Weston of Helix Water District chairs the Water Management Committee and Mr. Gary Arant of Valley Center Municipal Water District chairs the Communications Committee. He stated that all committee chairs sit on the State-wide ACWA Board. There are a total of 35 ACWA board members.

Mr. Quinn stated that ACWA has developed a Strategic Plan in the last couple years and ACWA's goal is to be relevant in helping to forge solutions in the Delta. ACWA also made key changes so that they may provide faster and better service to its membership to facilitate their needs with the State Board, the Department of Water Resources or access to Federal/State funding. The board has also adopted policy statements that emphasizes sustainability, Delta conveyance principles that includes a Peripheral Canal Conveyance Strategy (as long as it is working for the rest of the State), Delta Governance, Water Conservation Principles, etc.

ACWA also provides its membership information on the latest legislation, including the Delta legislative package. He indicated that ACWA is still working on water rights and the conservation provisions. He stated that legislation moved enormously in the first week in September and it is anticipated that the Governor and the Legislative Leadership may announce that they have come to an agreement and wish to take a proposal to the floor. He indicated key issues that ACWA lobbyist, David Reynolds, is working on which includes acquiring Title XVI funding for recycling projects in Southern & Northern California, access to energy related funding for renewable energy, climate change, and the clean water act.

Mr. Quinn also indicated that through ACWA membership, members have access to highly valuable services at a reduced cost. Such as conferences and training programs, access to various informational publications and tools that meets a variety of different needs like *ACWA Alerts & Blasts* which are forwarded to its membership as needed during the height of the negotiations of the Delta Legislative Package, etc. He indicated that ACWA is always trying to enhance their services by getting out in the Regions and hearing what would create value

in the regions. He indicated that he hoped the Otay Water District will remain a member of ACWA.

Director Robak indicated that he would like to speak with the Region 10 representative, Mr. Keith Lewinger, to get his perspective on ACWA's representation in San Diego. He indicated that he appreciates the difficult situation that ACWA is in in trying to balance all the competing interests. He indicated that it is a fair statement to say that we were all disappointed that there was not more progress legislatively in the recent session. Mr. Quinn indicated that he is optimistic that California will have success and will agree on a bond before the end of the calendar year. He indicated that he felt that ACWA, along with others, deserves a fair amount of credit for the success in acquiring agreement on this legislation.

President Croucher inquired the difference between the number of Agricultural and Urban ACWA members. Mr. Quinn indicated that ACWA's membership and board is roughly evenly divided among Urban and Agricultural Water Supply Agencies.

President Croucher indicated that one of the District's concerns is that because ACWA represents such a large group, it is felt that ACWA is not able to get involved in some issues because the ACWA representatives cannot agree together on the issues. He stated that also, because of the high cost of ACWA membership and the economic environment, money is tight and constituents are asking agencies to tighten their budgets and avoid raising rates. He indicated that rates is one of the biggest issues the District is facing now. He thanked Mr. Quinn for coming to speak with Otay and the District would be speaking with Mr. Lewinger and the ACWA staff for some additional information. The District will take the information presented into consideration.

5. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JULY 1, 2009

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

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

to approve the agenda.

6. 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

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:

Item 7a, ADOPT RESOLUTION NO. 4149 REVISING BOARD OF DIRECTORS POLICIES 14, USE OF DISTRICT VEHICLES AND CAR ALLOWANCE; AND 19, TOBACCO FREE CAMPUS, was pulled for discussion as a member of the public wished to comment on this item.

Director Robak pulled 7f, APPROVE A NON-COMPETITIVE PROFESSIONAL SERVICES AGREEMENT WITH MWH AMERICAS, INC. FOR THE PREPARATION OF A NORTH DISTRICT-SOUTH DISTRICT SERVICE AREA INTERTIE STUDY FOR AN AMOUNT NOT-TO-EXCEED \$119,505 and 7g, APPROVE A PROFESSIONAL ENGINEERING SERVICES AGREEMENT WITH MWH AMERICA, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$460,000, for discussion.

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

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

to approve the following consent calendar items:

- b) APPROVE REPLACING THE CURRENT PPO (SILVER PLAN) WITH A NEW HMO THROUGH THE DISTRICT'S HEALTH BENEFITS INSURER, SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN AMENDMENT TO THE EXISTING SERVICE AGREEMENT WITH DELTA HEALTH SYSTEMS CORPORATION, THE DISTRICT'S TPA, TO EXTEND THE TERM OF THE AGREEMENT AND REPLACE THE DENTAL NETWORK
- c) APPROVE THE TRANSITION IN GOVERNANCE OF THE WATER CONSERVATION GARDEN FROM THE JOINT POWER AUTHORITY TO A NON-PROFIT ORGANIZATION
- d) APPROVE THE PURCHASE OF 17,414 ¾" THROUGH 2" (SMALL) RADIO READ (AMR) METERS FROM MASTER METER, INC. TO COMPLETE THE DISTRICT'S AMR RETROFIT PROGRAM AND AUTHORIZE THE PURCHASE OF SMALL AMR METERS ON AN AS-NEEDED BASIS THAT ARE REQUIRED FOR NEW INSTALLS AND CHANGE-OUTS

- e) APPROVE THE PURCHASE OF 3" AND LARGER (LARGE) RADIO READ (AMR) MASTER METERS AS-NEEDED TO COMPLETE THE RETROFIT OF EXISTING MANUAL READ METERS TO AMR METERS WITHIN THE DISTRICT'S EXISTING AMR ROUTES AND AUTHORIZE THE PURCHASE OF ADDITIONAL LARGE AMR MASTER METERS ON AN AS-NEEDED BASIS AS REQUIRED TO MEET THE DISTRICT'S LARGE METER NEEDS
- h) APPROVE AN AGREEMENT FOR PROFESSIONAL SERVICES FOR AS-NEEDED ELECTRICAL DESIGN SERVICES WITH ENGINEERING PARTNER, INC. IN AN AMOUNT NOT-TO-EXCEED \$100,000 DURING FISCAL YEARS 2010 AND 2011 (ENDING JUNE 30, 2011)
- i) APPROVE AN AGREEMENT FOR PROFESSIONAL SERVICES FOR AS-NEEDED GEOTECHNICAL SERVICES WITH SOUTHERN CALIFORNIA SOIL AND TESTING, INC. FOR AN AMOUNT NOT-TO-EXCEED \$175,000 DURING FISCAL YEARS 2010 AND 2011 (ENDING JUNE 30, 2011)
- j) APPROVE AN AGREEMENT FOR PROFESSIONAL SERVICES FOR AS-NEEDED ENGINEERING DESIGN SERVICES WITH LEE & RO, INC. IN AN AMOUNT NOT-TO-EXCEED \$199,000 DURING FISCAL YEARS 2010 AND 2011 (ENDING JUNE 30, 2011)
- k) APPROVE DRAFT SETTLEMENT AGREEMENT IN THE STATE OF CALIFORNIA EX REL. NORA ARMENTA v. JAMES JONES COMPANY, ET AL. MATTER

President Croucher presented item 7a, 7f and 7g for discussion:

- a) ADOPT RESOLUTION NO. 4149 REVISING BOARD OF DIRECTORS POLICIES 14, USE OF DISTRICT VEHICLES AND CAR ALLOWANCE; AND 19, TOBACCO FREE CAMPUS

Mr. Steve Bame, an employee of the District, indicated that he has been a smoker for 24 years and was aware of discussions regarding the implementation of a Tobacco Free Campus Policy. He indicated that he has always been considerate of those around him when smoking and would move away if it bothered his co-workers. He indicated that there are only approximately 10 individuals that smoke at Otay and he did not feel that smoking was a big deal.

General Manager Watton indicated that the policy was presented to the employee groups and comments were solicited twice from the groups. Because comments were not received, it was decided to proceed with the policy. Assistant General Manager Alvarez indicated that the policy was also presented to the Safety Committee.

Mr. Bame indicated that there was written notice that the Employee Association was presented the policy, however the association had never presented it to the employees. He first heard of the policy ten days ago.

President Croucher indicated that management has presented the policy to the Employee Association as designated in the meet-and-confer requirements, however, the labor representatives did not present the policy to the employees. He stated that this is an issue that should be taken up with the Employee Association representatives. He indicated that as the policy was presented through the designated process and should the board move forward with the policy as presented it would become effective upon approval by the board. It was discussed that if the labor group decided they would like to bring the policy back for discussion, then the employees should bring the request back through the Employee Association representatives.

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

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

to approve staffs' recommendation.

- f) APPROVE A NON-COMPETITIVE PROFESSIONAL SERVICES AGREEMENT WITH MWH AMERICAS, INC. FOR THE PREPARATION OF A NORTH DISTRICT-SOUTH DISTRICT SERVICE AREA INTERTIE STUDY FOR AN AMOUNT NOT-TO-EXCEED \$119,505

Director Robak inquired why the District is sole sourcing the services to prepare the North District-South District Service Area Intertie Study. General Manager Watton indicated that the Engineering, Operations and Water Resources Committee discussed this issue and it largely centers upon Mr. Bill Moser's unique knowledge and talent within this specific area. This includes CWA's aqueduct capacity and pipeline routing, Sweetwater Authority's system and Otay Water District's system. He indicated that occasionally the District will wish to sole source a contract when there are specific areas of expertise required. He stated that the District has used Mr. Moser in other situations, particularly, as it pertains to the CWA aqueduct.

Engineering Manager Jim Peasley also added that one of the fundamental reasons that the District is hiring Mr. Moser is that he has a very good relationship with Sweetwater Authority and has substantial knowledge of their system. As Mr. Moser has a very good relationship with Sweetwater Authority's staff, it is felt that he would be very helpful in assisting our two agencies in pursuing future cooperative projects which is very significant.

Director Robak inquired if there was time urgency to this item. General Manager Watton indicated that there is no urgency. He stated that there are reasons to sole source due to an urgency, but in this particular case there is no urgency. Director Robak further inquired if there are any legal issues to sole source when there is no time sensitivity. General Counsel Calderon indicated that with professional services contracts the District is not required to go through a full bidding process.

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

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

to approve staffs' recommendation.

- g) APPROVE A PROFESSIONAL ENGINEERING SERVICES AGREEMENT WITH MWH AMERICA, INC. FOR THE RALPH W. CHAPMAN WATER RECLAMATION FACILITY UPGRADE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$460,000

Director Robak inquired if the District has completed a study of the pros and cons of expanding the Ralph Chapman Treatment Plant and if it is worthwhile to continue to further invest in the plant. It was discussed that the District has completed several studies throughout the years and has discussed different alternatives that range from abandoning to expanding the plant. Findings indicate that the best approach is to continue with the plant, especially due to the uncertainty with the City of San Diego. This project will address the Regional Quality Control Board's requirement that the District reduce the nitrogen levels in the plant's effluent in order to renew the plant permit. This issue has been ongoing since June 2007 when the District submitted its renewal application for the permit. The Regional Quality Control Board had lowered the effluent limits with this new permit. As the District will be working on the effluent issue, it provides an opportunity to also fix issues with the plant blowers. The blowers are outdated and are high energy users. This project will upgrade the blowers so they are more efficient and saves energy cost. The District will also implement automation recommendations from Westin Engineering's *Automation Assessment Study* completed in 2008. It was indicated that this contract does not include a study of the possible expansion of the plant.

It was noted that the District is planning to develop a Sewer Master Plan in the next fiscal year budget and the plan will look at sewer supply, demand and the Ralph Chapman Treatment Plant.

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

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

to approve staffs' recommendation.

ACTION ITEMS

8. FINANCE AND ADMINISTRATION

- a) ADOPT RESOLUTION NO. 4147 AND NO. 4148 AUTHORIZING THE SALE AND ISSUANCE NOT TO EXCEED \$9,000,000 OF OTAY WATER DISTRICT IMPROVEMENT DISTRICT NO. 27, 2009 GENERAL OBLIGATION REFUNDING BONDS; AND AUTHORIZING THE GENERAL MANAGER AND THE CHIEF FINANCIAL OFFICER TO EXECUTE AND DELIVER RELATED DOCUMENTS AND TAKE OTHER RELATED ACTIONS

Finance Manager Jim Cudlip indicated that as part of this current fiscal year planning, staff had proposed the review of the 1998 General Obligation Bonds to determine if it would be advantageous to refund them at a lower rate along with the potential issuance of Certificates of Participation later in the year. The District had hired Ms. Suzanne Harrell, Harrell and Associates, to review both these issues and staff is recommending that the board authorize the sale and issuance of 2009 General Obligation Refunding Bonds for Improvement District No. 27 not to exceed \$9,000,000, approve the terms of the sale and form of documents and authorize the General Manager and Chief Financial Officer to execute and deliver the related documents.

Finance Manager Cudlip noted that Improvement District No. 27 (ID 27) was formed by a vote of the landowners in 1989 which approved taxes to be levied upon the landowners within ID 27 to pay General Obligation Bond Debt up to \$100 million to provide for water utilities. In 1992 the District issued \$11.5 million in General Obligation Bonds at 6% to 6.5% interest rate to fund a 30 MG Storage Reservoir (624-3 Reservoir), replace existing pipelines and upgraded new pipelines. He indicated in 1998 the District issued a refunding of the General Obligation Bonds at an interest rate of 4.5% to 5%. A requirement of the issue is the District could not refund the bonds for 10 years. The District has just met this requirement in September 2009 and due to the economy, interest rates are favorable. As interest rates are favorable, the District wishes to take advantage of the opportunity to refund the bonds and expects to save from \$40,000 to \$75,000 per year in interest cost. He noted that over the years the District has been able to reduce the tax rates to the residents of ID 27 due to the increase in the number of homes and the value of the homes. The tax rates have been reduced from \$0.010 per \$1000 in home value in tax year 2005-2006 to \$0.006 (estimated) per \$1000 in home value in tax year 2010-2011.

Financial Advisor Suzanne Harrell indicated that after the collapse of Lehman Brothers, the credit market froze up and interest rates for municipalities sky rocketed. She stated that it has taken some time for the credit markets to stabilize and rates to go back in line where they have traditionally been. There was a spike in rates in August 2008 and in early spring 2009 they have started to come down again which has opened an opportunity for the District to again refinance the ID 27 bonds. She stated because there are very little tax exempt bonds being issued by special districts, cities and counties, there is a high demand for these bonds which is driving down interest rates for such bonds. She noted that if the General Obligation bonds were refunded at today's interest rates, it would provide interest savings of approximately \$70,000 annually for the remaining 13 years or a 9% reduction in the District's debt service. She noted that Moody's and S&P have rated the District's GO Bonds AA which is comparable to the existing Moody's rating and very similar to GO Bonds that have been issued by Sweetwater Union HS District and the College District. This is an upgrade from the original rating in 1998.

She noted the participants in the bond transaction which includes:

- Issuer (the District)
- Bond Counsel: The firm that prepares all the legal contracts between the Issuer and the bond holders.
- Disclosure Counsel: A separate firm that reviews all the Disclosure Statements to the municipal bond markets which are prepared on the District's behalf by its Financial Advisor. The Disclosure Counsel assures all risks are disclosed.
- Financial Advisor: Prepares all the sale documents, conducts the competitive sale of the bonds and structures the repayment terms.
- Paying Agent: Banking institution that collects bond payments from the District and distributes them to the bond holders.

and reviewed the documents for the bond sale:

- Official Statement: Offering document that describes the security for the bonds and the contract between the District and the bond holders.
- Continuing Disclosure Certificate: Outlines the District's responsibility to provide ongoing financial information regarding the bonds to the municipal bond markets so the bonds can trade on the secondary market.
- Official Notice of Sale: This document contains all the bidding requirements for underwriters who may want to bid on the bond (maximum interest rate, maximum underwriter compensation, etc.).
- Notice of Intention to Sell Bonds: Summary which is published in a national newspaper viewed by bond investors and the San Diego Union-Tribune. The summary will be published in the next week.

Ms. Harrell indicated that should the board approve the bond sale, the sale would be held competitively in two weeks and the bond closing would occur in early

November. Chief Financial Officer Beachem added that the District is not only refinancing the bonds because it saves the District's customers approximately \$70,000 per year, it is refinancing in accordance with the District's Debt Policy that requires that the District review its debt and assure that it is taking every opportunity to refinance when market conditions indicate it would make sense.

Director Robak inquired what the total cost is to refinance these bonds. Ms. Harrell indicated that the fixed cost of issuance is approximately \$80,000. There is also an underwriting fee, however, the District will not know this cost until the bonds are actually sold. She indicated that it is expected to be between \$40,000 and \$50,000. She noted that the annual saving calculation take these issuing costs into account. Director Robak further inquired about the location of ID 27. General Manager Watton indicated that the ID 27 encompasses Rancho Del Rey, Eastlake and Sunbow. The reservoir is located near the Home Depot on Eastlake Parkway.

Ms. Harrell indicated that the existing rate on the bonds is 5%. A couple weeks ago, the rate was about 3.5% and today it is approximately 3.1% (for 13 years). It was discussed that because these bonds mature in 13 years, there will not be an optional call associated with the bonds. Because the typical optional call provision is 10 years, it did not make sense to provide the District an opportunity to refinance as there would only be three years left until the bonds matured. It was discussed if interest rates dropped to 2% in a couple years, the District would not be able to refinance these bonds.

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

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

to approve staffs' recommendation.

7. BOARD

a) DISCUSSION OF 2009 BOARD MEETING CALENDAR

No changes were made to the meeting calendar.

INFORMATIONAL ITEMS

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

a) 2009 FISCAL YEAR-END CAPITAL IMPROVEMENT PROGRAM STATUS REPORT (RIPPERGER)

Engineering Manager Ron Ripperger presented the Fiscal Year End 2009 CIP update in which he highlighted the status of CIP expenditures, significant issues and progress milestones on major projects.

He noted that the Fiscal Year 2009 CIP consists of 66 projects totaling \$31.9 million. He indicated that the District's CIP is broken down into four categories:

He stated that overall expenditures through the fourth quarter of Fiscal Year 2009 totaled approximately \$18.03 million, which is approximately 57% of the District's fiscal year budget. He indicated that the decrease in the projected expenditures is due primarily to the delay of the District's 36-inch pipeline project which is currently in construction. He noted that construction change orders are at -.44% overall.

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 eighteen projects in FY09, one is in the planning stage, two are in design, eight are in construction and seven have been completed and in use. He reviewed the status of the District's flagship projects which included the 36-inch Pipeline from FCF No. 14, 1296-3 Reservoir, 850-4 Reservoir, 1485-1 Pump Station Replacement and 450-1 Reservoir Disinfection Facility.

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 2009 and the status of each.

It was noted that the information and photos presented within the presentation are current through the end of the fourth quarter of Fiscal Year 2009.

b) UPDATE ON LARRY C. LARSON SAFETY AWARD FOR 2009 (CUDAL)

Safety and Security Administrator Ted Cudal indicated that he had the pleasure of accepting the Larry C. Larson Safety Award for 2009 on behalf of the District yesterday. He indicated that this is a very prestigious award and is presented by the California/Nevada Section of the American Water Works Association. He stated that the award was earned by all District employees as they all participate in the District's safety program. He indicated that the District has reduced its reportable injuries to Cal OSHA by 40% which is very significant and that he is provided this opportunity to present the award to the board because of everyone's help and participation. He noted that this is the second time the

District has received the award and Otay is the only District to have received the award twice.

REPORTS

9. GENERAL MANAGER'S REPORT

General Manager Watton indicated that the 36-inch Pipeline Project is going well. Construction will start at Cuyamaca College and the Water Conservation Garden soon. Staff has been meeting with Cuyamaca, the Garden and the community to update them on the progress of the construction and what they can expect. This communication is going well.

General Manager Watton indicated that Metropolitan Water District (MWD) still has funding for the Water Conservation Incentive Programs and the programs are going along well. He stated that there has been an increase in comments regarding whether agencies really need to provide incentives beyond the MWD funding to customers to encourage them to do what they already are or should be doing due to rate increases, the conservation ethic and some of things already out in the field. He indicated that this debate will be heard more over the next four to six months and he believed that the trend is moving toward questioning the necessity of the incentive programs.

He noted that Chief Information Officer Geoff Stevens is not in attendance of today's board meeting as he is presenting at the CA-NV AWWA Conference. He stated that AWWA is the industry technical/professional group and that it was gratifying to have the District's staff not only accepting awards, but to have them also presenting at these conferences. It shows the District's level of expertise in being invited to share what we are doing at Otay.

He stated that the District is moving forward with providing customer credits for the rate increases that became effective on September 1. Credits will be provided to all customer accounts that were charged the new increased rate in their September water bill for consumption that occurred in August. It was felt that a change in the methodology to match the Proposition 218 notices would be best. The credits will appear on customers' October billing. The first group of credits will be mailed tomorrow, October 8, and it will include the reason for the credit.

He indicated that water sale had been trending below the District's budget at approximately 13% below budget. He stated that September sales were about 2.5% above budget and the District is currently 7.9% off of budget.

General Manager Watton indicated that the District received additional funds from the Title XVI funds. The District has received about \$700,000 and has received an additional allocation of \$2.2 million. The District expects another \$2.79 million and Congressman Filner is pushing legislation which will allocate another \$2 million into the San Diego area in the next Federal budget cycle. It is hoped that the District can acquire a portion of that funding in September 2010.

He stated that the District is beginning to sell some meters and is receiving more inquiries. He stated it is not the volume that we have seen in the past and discussions have been more for attached homes.

He noted that water purchases are 6.7% below budget and 25% below CWA's allocation. He stated that the board had decided to stay at a Drought Level I Alert and based on the fact that the District's water purchases are 25% below its CWA allocation, that it was probably the right decision.

SAN DIEGO COUNTY WATER AUTHORITY UPDATE:

President Croucher indicated that some of the topics discussed at CWA's last board meeting include:

- Desalination: The Carlsbad plant and if it will meet its deadlines and funding requirements.
- Conservation Programs: Commercial programs have already utilized approximately 54% of its budget and the residential programs have only utilized 6% of its budget. It is expected that the commercial side will run out of funding before the year ends.
- Bay Delta: He attended a community meeting and realized there is misinformation being shared by the State and its representatives. They are indicating that Southern California has a desalination plant in Los Angeles that has been producing over 100 MGD of desalinated water a day for over two years.
- MWD: Discussed adjustments of employee benefits and what the different agencies are doing regarding benefits. Many indicate that due to the current economic climate it is the wrong time to be increasing costs.

10. DIRECTORS' REPORTS/REQUESTS

Director Robak noted that the District's return on its investments was 1.5% this past quarter and in the first quarter of FY08 it was 5.02%. He indicated that this is very reflective of today's economy. He stated that he realizes that it was a lot of effort on staffs' part to provide credits for the September billing, but he felt that it was the right thing to do and during tough times, any kind of rebate is helpful. He indicated that he had attended the Jamul Festival two weekends ago and that it was nice to have an opportunity to speak with customers of the District and field questions. He stated that helped him get a better sense of what the District's customer are thinking.

Director Lopez thanked the board for their vote of confidence in appointing him as the District's representative to the Water Conservation Garden (Garden). He stated that there was an item on the consent calendar requesting approval to transition the Garden to a non-profit 501(c)3 organization. He indicated the Garden would be hiring a development director to lead the fundraising aspect of the Garden. He shared that the Garden lost a valuable member of its

community, Ms. Nora Jaeske, who recently passed away. He also shared that he attended the Chula Vista Interagency Task Force and the Task Force was interested in hearing updates about the Desalination Plant. He lastly shared that he noted the letter from the Mayor of the City of Chula Vista thanking the District for its support of the little league rally. He indicated that he has heard positive comments from members of the community regarding the District and its support of the community.

11. PRESIDENT'S REPORT

President Croucher indicated that he also attended the Jamul Festival, the YMCA event and the Fire Expo and Otay was represented at each event. He indicated that he felt it is important for the District to be out and interacting with the community as much as possible.

He also shared that a celebration of Nora Jaeske's life will be held at the Water Conservation Garden on October 28. He stated that the water industry also recently lost another member of its community, Ms. Sue Varty. He stated that she and Ms. Jaeske will both be truly missed.

12. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:07 p.m.

President

ATTEST:

District Secretary