

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
February 6, 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 and Robak
Director Lopez arrived at 4:01 PM

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 Bonilla and carried with the following vote:

Ayes:	Directors Bonilla, Breitfelder, Croucher 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.

General Manager Watton acknowledged DeAndra'e Woods in the audience. DeAndra'e is the son of an Otay employee, Mr. Marvin Woods, who works in the Operations Department as a Utility Maintenance Technician. He is attending the Board meeting to audit proceedings for a government class he is taking.

INFORMATION / ACTION ITEMS

6. FINANCE AND ADMINISTRATIVE SERVICES

- a) 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 (BEACHEM)

General Manager Watton indicated that this item was discussed at the Finance, Administration and Communications Committee meeting. Staff and committee thought that it was important enough to present for the full Board's review. He indicated the Chief Financial Officer Joe Beachem will present this item.

Mr. Beachem indicated that Other Post Employment Benefits (OPEB) are benefits that are paid to retired employees "other than pension. The retiree benefits are primarily medical and dental.

He indicated that an Actuary is a licensed professional who works for the insurance companies that calculate life spans and other calculations that determine how much the District will pay over the lifetime of all employees and how much it will cost the District to fund these benefits. They also calculate how much of the benefits have been earned to date. The OPEB liability is, as of today, the value of the future medical benefits that have been earned by prior service to the District for both retired and current employees.

The history of pension funding dates back to 1974 when the Employee Retirement Income Securities Act was enacted that affected pension reporting. In 1986, the Financial Accounting Standards Board (FASB) published a statement that required that all financial statements needed to report pension liabilities. This unified how pension information was presented.

In 1998, FASB came out with a preannouncement for corporations that defined how pension liabilities must be recorded and presented. Then finally in 2004, the Government Accounting Standards Board (GASB) implemented a standardized reporting of medical pensions.

Otay performed its first actuarial study in 1999. As a result of that study, the Board set aside \$4,000,000 to partially fund the OPEB liability. In 2004, GASB published their preannouncement for governments and the District performed another actuarial study. At that time, the full cost of the liability was determined to be \$12,100,000 and the Board authorized that the full amount be set aside to fund the pension.

In 2007, the District identified that if the \$12,100,000 was set up as a PERS Trust, it would save the District \$5,000,000. Chief Financial Officer Beachem explained the PERS Trust would allow for a higher rate of returns and the \$5,000,000 savings could be used to fund additional compensation and benefits for employees such as the 75th percentile and the Tier III OPEB. He further explained that the District usually invests at a one or two year term with a five year maximum. At the time the District was researching the PERS Trust, the return rate was 5.00%. However, if the District invested in a Trust Rate, or used a bank to manage the trust, the rate of return would be 7.00%. The actuaries also recognized PERS, because of its significant size, the rate of return would be 7.75%. The PERS Trust also meets the GASB trust criteria and is irrevocable. Under the GASB standards, the District can only claim it is fully funded if the money is setup as an irrevocable trust. Fortunately, the District is one of the few government agencies that is in a position, through decisions the Board has made in the past, to fully fund the trust. Staff is recommending implementation of the PERS Trust to obtain the savings.

He indicated that should the board approve the implementation of the PERS Trust, the District's fully funded status would put it in a very competitive position. The District will not be financially hindered by future funding requirements.

He also explained that the actuarial results indicate that the Actuarial Accrued Liability (AAL) is \$11,408,000 (the District's current liability for OPEB). He indicated if the Board takes action to fund the Trust, the future costs are limited to just the additional benefit that is earned on an annual basis. The actuaries have identified that cost to be \$135,000 (Annual Required Contribution [ARC]). If the District does not fund a trust, the OPEB would be considered unfunded and the District would pay the ARC of \$135,000 and the unfunded AAL of \$711,000 each year for a total expense of \$846,000 annually. The District's financial statements would reflect an expense of \$846,000 as opposed to \$135,000. This expense will make a difference when staff is presenting the District's financial information to the market.

General Manager Watton indicated that some of our neighboring water agencies are facing \$800,000 in annual costs.

Chief Financial Officer Beachem continued by noting that Governor Arnold Schwarzenegger stated that "...these [OPEB] benefits serve the public interest by attracting and retaining a workforce that protects the health and safety of the

State...". The Board of Directors of Otay has identified that benefit and its ability to retain and attract staff to provide for a quality workforce. He noted that unfunded pensions for the State of California total \$63.5 billion. The OPEB unfunded amount is much greater than just the unfunded pension.

He concluded the presentation by requesting that the Board approve Resolution No. 4117 which would:

- Authorize the agreement with PERS to prefund the OPEB Trust;
- Set the funding policy at 100% of the annual additional costs;
- Delegate authority to request disbursements to the General Manager and Chief Financial Officer;
- Authorize the transfer of \$11,543,000 to PERS;
- Authorize the transfer of the remaining designated funds to the General Fund to pay for negotiated benefits.

Director Bonilla asked if this will have any effect on the Employees' Union. Mr. Beachem responded that it is a positive effect.

Director Bonilla indicated that he would like to hear the comments from the Finance, Administration and Communications Committee Chair, Director Robak. Director Robak indicated that the benefits to the District are substantial. He indicated that he reviewed the actuarial information in detail and did have some questions for Mr. Beachem. He indicated that it appears that the actuary study assumes that there will be no new retirees. He asked Mr. Beachem to clarify this information.

Mr. Beachem indicated that the AAL is for the current employee and retiree population. The normal costs would take into consideration future earnings of current employees as well as future employees. Mr. Robak indicated that the assumption references a "closed group" or "no future new participants assumed." Mr. Beachem indicated that this refers to the AAL, Actuary Accrued Liability, which is the \$11,543,000 amount. There isn't a future employee cost included in this figure. There was discussion as to future tiers. There will be no future Tier I and Tier II; only Tier III. Every other year, PERS will require a review or actuary evaluation. He indicated that it is a minimal differential to include future employees in the calculation.

There was further discussion regarding the interest rate of 7.75%. Director Robak indicated that this figure seemed high. Mr. Beachem responded that this percentage is based on PERS history. If the market changes and interest rates are lower, it is expected that PERS would not earn 7.75%. However, the difference in the money that was expected will be spread over 30 years which will have a smoothing effect and balance the earnings. He stated that PERS suggested the 7.75% projected earnings and the actuary agrees. Mr. Robak indicated that it was determined by the committee that this is a positive for the

District and CalPERS is recommending this program for agencies of the District's size.

Chief Financial Officer Beachem indicated that the only negative impact for putting this money into an irrevocable trust is that it limits the District's ability to use that money for other purposes. The Board's intent is to use the money to fund retirement accounts so it wouldn't be contrary for that purpose anyway. The positive countering is that in the past, the District has been scrutinized for the level of funds in its reserve accounts. The State of California audited the District and questioned why the District's reserves were so high. Staff justified the large amount of money in reserves as being designated to fund retirement for employees. This program allows us to take this money off the books and limits any negative exposure and scrutiny.

Director Breitfelder indicated that Mr. Beachem did a great job in describing this situation and the advantages of it. He indicated that in light of the State under funding State employees' retirement accounts, it would be prudent to proceed with this program. It will be one of the greatest legacies of this Board. It is very important that everyone's questions and concerns are answered and that the full Board be in agreement regarding this matter.

Director Bonilla commented that he wanted to hear the committee's recommendation. Director Robak indicated that it is a significant contribution and shift of funds and the committee felt it is important that it be presented to the full Board. He indicated that the Finance, Administration and Communications Committee unanimously support Staff's recommendation.

Director Bonilla indicated that the Board needs to take into consideration that these funds, once established in a trust, cannot be moved. He inquired if the shortcomings been highlighted if the funds are needed? Chief Financial Officer Beachem indicated the District's Reserve Policy highlights all of the reserves and all are "on target" so there will be the ability to react to different economic conditions aside from this fund. Director Bonilla indicated that the future economic situation with the recession will be the worst that the economy has seen in two or three cycles. He explained that the District should take that into consideration. Chief Financial Officer Beachem explained that over the long run, moving this money into a PERS trust where a higher rate of return can be earned at a low cost to the District, counters the concern over a downturn in the economy.

There was discussion about the funds being "locked." Director Bonilla indicated that he prefers that the full Board be in attendance before this item is approved. Director Lopez was not present during this discussion. It was requested that this item be tabled until Director Lopez arrived.

Director Lopez arrived at 4:01 p.m. After further discussion, it was decided that this item be brought back to the next Board meeting.

A motion was made by President Croucher, seconded by Director Lopez to refer the item back to committee. The motion was withdrawn as the committee chair, Director Robak, indicated that he was comfortable with the information he had received during discussions at the Finance, Administration and he did not feel it required further discussion from the committee.

A motion was made by Director Lopez, 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 table Agenda Item 5a to be brought back to the next Board meeting. The Board President will decide in the meantime, the review process prior to the next Board meeting.

7. ENGINEERING AND WATER OPERATIONS

- a) APPROVAL OF AN 18-MONTH EXTENSION OF THE AGREEMENT TIME FOR THE JONES & STOKES PROFESSIONAL ENVIRONMENTAL SERVICES CONTRACT FOR THE HABITAT MANAGEMENT AREA (HMA) MAINTENANCE AND MONITORING (RIPPERGER/COBURN-BOYD)

President Croucher indicated that this item did go before the Engineering, Operations and Water Resources Committee on January 22, 2008. Although, the Committee is in agreement with Staff's recommendations, they felt it would be worthwhile for the presentation be presented to the full Board.

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that staff is requesting an extension of the contract with Jones & Stokes for the maintenance and monitoring of the San Miguel Habitat Management Area (HMA). She indicated that staff also wished to present a PowerPoint presentation showing the damage to the HMA caused by the Harris Fire.

The HMA is a 230-acre biological preserve that surrounds the Salt Creek Golf Course in Chula Vista. She explained that the habitat is a mitigation bank which means that as projects and facilities are constructed in the District, if the projects will affect land, for example, a critical habitat, the HMA can be used for mitigation. The HMA can also be used in turn for impacts that are outside the District for projects and facilities. She noted that the HMA has a large amount of

coastal sage scrub which is important because it is a critical habitat for the Coastal California gnatcatcher. The gnatcatcher is an endangered species and often, projects and facilities that are built in the District have impacts on Coastal Sage Scrub. She indicated that there are large areas at the HMA that can be used to mitigate any impacts to the Coastal Sage Scrub.

She noted important areas within the HMA: Coastal Sage Scrub habitat which consists of 210-acres, the Rickey Pond Restoration Area and the Native Grasslands Area. She indicated that large projects such as the construction of the 30-inch pipeline, the 450-1 Reservoir and the 680-1 Pump Station have required the preservation and/or restoration of the following areas at the HMA:

- 6.23 acres of Otay Tarplant
- 1.20 acres of Coastal Sage Scrub habitat
- 0.68 acre of Maritime Succulent Scrub habitat
- 1.15 acres of non-native grasslands habitat
- 0.03 acre of jurisdictional wetlands
- 0.01 acre of Orcutt's Birds-Beak

A chart of the Mitigation Bank Transaction Summary was shown indicating the type of vegetation and the number of acres used and acres remaining for mitigation purposes.

Several slides of photographs were shown of the habitat before the Harris Fire followed by photographs depicting the damage to the habitat after the fire. Jones & Stokes has surveyed the damage from the fire and has developed a work plan for the area. Immediate work includes repairs to the damaged irrigation system and perimeter fencing and erosion control measures. Monitoring during the next six months will be increased to keep track of any rain related issues i.e., erosion, plant germination, etc. Jones & Stokes will meet with the wildlife agencies to discuss their expectations for designated project mitigation areas that were affected by the fire.

She indicated that many eucalyptus trees were burned by the fire and are in danger of falling. FEMA has surveyed the damage to the trees and marked trees which will be cut down and the District will be reimbursed for the costs of cutting down these trees. The eucalyptus trees are non-native trees and are not needed for mitigation.

The two mitigation areas that did not burn during the Harris Fire were the native grasslands area and the area around Rickey Pond. She also reported that a burrowing owl has returned to the habitat.

President Croucher commented that when the Engineering, Operations and Water Resources Committee reviewed this item at a meeting on January 22, 2008, staff was to meet with FEMA later that same day to get an estimate of

reimbursement costs to the District. He asked if staff had received a dollar amount from FEMA. The full amount is not know yet, but the District will receive full reimbursement from FEMA.

President Croucher indicated that the Engineering, Operations and Water Resources Committee supports staffs' recommendation to extend the contract with Jones & Stokes.

There was discussion regarding the District participating in an environmental group with Sweetwater Authority, Padre Dam and Helix. Ms. Coburn-Boyd indicated that a consultant will be hired to develop the Sub-Area Master Plan and following that the district will be in the process of joining Sweetwater Authority, Padre Dam and Helix's environmental group. She indicated that the District has met with the General Managers of both agencies and they are very positive of Otay joining their efforts.

There was further discussion regarding the exchange of solar power for mitigation credits. Staff indicated that this is probably not likely to take place. General Manager Watton indicated that there is new legislation regarding solar panels and green gas credits that would not be acceptable in exchange for mitigation credits.

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 an extension of the agreement with Jones & Stokes.

8. BOARD

- a) ADOPT RESOLUTION NO. 4121 SUPPORTING KEITH LEWINGER OF FALLBROOK PUBLIC UTILITY DISTRICT FOR APPOINTMENT AS THE REGION 10 CHAIR TO THE BOARD OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES

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 adopt Resolution No. 4121.

- b) APPROVE LETTERS OF SUPPORT TO BE FORWARDED TO LEGISLATORS FOR HELIX WATER DISTRICT'S EL MONTE VALLEY GROUNDWATER RECHARGE PROJECT

A motion was made by Director Robak, 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 letters supporting the Helix Water District's El Monte Valley Groundwater Recharge Project.

- c) DISCUSSION OF 2008 BOARD MEETING CALENDAR

There were no changes to the board calendar.

INFORMATION ITEMS

- 9. 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

Chief Financial Officer, Joe Beachem indicated that the Board had asked that Staff develop a process to review the District's banking services to make sure that quality service was being received at a reasonable price.

Staff defined a review process as follows:

- Staff will interview other agencies of current services provided.
- Review the financial industry of all services available.
- Review and compare service fees.

After speaking with other water agencies and reviewing recent bids from various banks, staff is recommending that the District continue its banking services with Union Bank of California at this time.

Mr. Beachem noted that all of the District's financial processes are very integrated and complex between the District and its financial institution. When the District or other government entities change banks, auditors can view this as instability. Staff will conduct this review process every two to three years. A full request for pricing from the banking community will be surveyed every five years. If, at that time, there is indication that there could be improvement, financially or service wise, staff would then consider preparing an RFP.

Director Bonilla indicated that he had requested this survey and wished a more detailed review of services as follows:

- 1) Survey of the services the District receives from the bank;
- 2) Bank charges; and
- 3) An analysis of what other services are offered; possibly the District needs more or less services.

He noted that he would like to see a detailed analysis, with charts, comparing rates of the larger banks. General Manager Watton indicated that Finance Manager, Jim Cudlip, reviewed other bids and consulted with other water agencies that recently received bids from banks. He suggested that Staff bring this item back to the Board with more detail at the next meeting. Director Bonilla indicated that considering conditions of the economy and banking community within the past two years, he believes that the District may be able to obtain better services and rates.

Director Breitfelder also noted that the Finance, Administration and Communications Committee discussed putting a system in place in order to get the District the best "deal" on an on-going basis in terms of money and service. He indicated that there was discussion in the committee that addressed minimizing disruption costs to staff. Mr. Beachem noted that the recent change to Union Bank of California costs the District many hours of staff time because the change impacted many different departments within the District such as Information Technology and customer service. This impacted who and how our customers pay their water bills when they pay by phone or through our website. He indicated that disruption to these services should be limited.

Director Bonilla requested that this item be brought back to the Board as an information item at the next Board meeting with more detail. There was discussion as to whether this item should go back to the Finance, Administration and Communications Committee before it is agendaized for the next Board meeting. Director Breitfelder indicated that unless there are changes or additions that the Committee needs to be aware of before it goes to the Board, there is no need to bring this item back to the Committee.

- b) UPDATE ON ANNUAL CUSTOMER SURVEYS

General Manager Watton indicated that this item was presented to the Finance, Administration and Communications Committee primarily to make the Board aware that the annual customer surveys will be conducted soon and will be brought before the committees and the Board. After a competitive process, Rea & Parker Research was retained to perform the survey. Once the surveys are complete, the results will be presented to the committees and the full Board as an informational item.

REPORTS

10. GENERAL MANAGER'S REPORT

General Manager Watton presented Armando Buelna with a Service Award. Mr. Buelna has been with the District for five years as Communications Officer.

General Manger Watton noted handouts that he had provided the Board members' which included San Diego County Water Authority's (CWA) Capital Improvement Projects (CIP), Drought Management Plan and copies of a Legislative Update published by Carpi & Clay.

He indicated that he and staff will be meeting with the Jamul Planning Group on February 12, 2008 to provide an update on the progress of the 1296 Reservoir.

On February 14, 2008, the District will be hosting a meeting with CESPT, Tijuana State Water Agency, to show them the District's operations, the GIS system and to discuss options for desalinization.

He noted that in the General Manager's Report, there is an update on the 640-1 and 640-2 Reservoirs Project. He indicated that the project is on schedule.

He indicated that the District held the annual Employee Recognition Program at the San Diego Country Club and several of the Board members were in attendance. He stated the program is an opportunity to recognize District employees for various awards and accomplishments achieved over the past year.

As part of the Strategic Plan, an employee survey is being developed and will be implemented as an ongoing repeatable survey. After a review and selection process, Rea & Parker Research was retained to assist the District with this project.

He noted that some time ago, the Donovan Correctional Facility performed a water conservation study. Through the study, they discovered that there is an opportunity for the prison to save water. However, the prison did not have money at the time to match the funds that were going to be provided by the State. They now have funds from the State to go forward with some

improvements which will save approximately 270 acre-feet a year which will include installing electronic flush controls on all toilets.

Rancho San Diego Homeowners Association completed replacement of approximately 15,000 square feet of turf grass with water-wise plants through the District's Cash for Plants program.

He stated in the GM report staff noted an increase in the number of High Efficiency Clothes Washer vouchers that have been redeemed by customers. This will contribute to meeting the District's conservation goals.

He noted that the Continuous Improvement Teams have been formed to evaluate and implement process improvements in the areas of records management, remote field operations and physical and data security improvements. A CIT newsletter (copy attached) has been created to report on the activities of these teams.

He noted on page 5 of the report regarding Bond Insurance that the District purchased bond insurance through Ambac. Recently, Ambac's rating was downgraded due to its exposure to sub-prime lending. This does not affect the District's bonds but is representative of what is currently happening in the market. He noted that if the District issues bonds, it might need to go forward without bond insurance. He indicated that he has had conversations with Chief Financial Officer Beachem and colleagues at CWA and MET about this matter. CWA may go to the market without bond insurance. He indicated that with the turmoil in the market, the District may do the same next year. He indicated that since the District has an AA- credit rating, which is very beneficial to the District, it may be eligible to go forward with an uninsured bond where others may have some difficulties securing bond insurance.

He indicated that construction continues on the Olive Vista Drive Utility Relocation project. The cost of this project is about \$1.2 million. It is a very complex job that involves putting pipeline in a street that is accessed by multiple homes and an elementary school. There has been disruption of water service to some homeowners and the construction is causing some traffic disruption. General Manager Watton indicated that he wanted to make the board aware should they hear comments from the community.

On page 7 under Water Operations, he noted that the County Water Authority shut down Pipeline 4. The two week shutdown did not affect the District's customers because of the its relationship with neighboring agencies. He indicated that the District was able to supply our customers with flows from Helix Water District without disruption.

a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

President Croucher reported that CWA switched liability insurance coverage from JPIA to SDRMA. SDRMA is the same insurance company that Otay Water District utilizes for liability and worker's compensation insurance coverage.

He also noted that CWA is investing a large sum of money into the *20 Gallon-a-Day Challenge* to encourage water conservation. This program make the public ware that though we have a significant amount of rainfall this season, that we're still in an eight year drought. In March, CWA Board members will be touring the All American Canal lining project. He indicated that if there are extra seats available for the tour, he will let the Board Secretary know so that Otay Board members can participate if they desire.

He indicated the QSA litigation involving the CEQA lawsuits were dismissed with regard to the South Coast Air Quality and the Imperial County Pollution Control Board. There are no remaining challenges that need to go to the State Board so the State Board will be able to move forward.

Representatives from CWA will be attending meetings at MWD this month to hear discussion on rate increases.

11. DIRECTORS' REPORTS / REQUESTS

Director Breitfelder reported that at the Council of Water Utilities, there was discussion regarding BMPs. He indicated that BMPs are becoming a serious matter. At the Water Agency Association meeting, Poseidon Corporation presented information regarding the progress of the desalination plant in Carlsbad.

He indicated that he wanted to publicly thank General Manager Watton and Legal Counsel Yuri Calderon for meeting with the Chula Vista City Attorney to bring the City up-to-date on projects within the District that might concern the City.

Director Bonilla commented that he is also in agreement that the meeting between General Manager Watton and District Legal Counsel with the Chula Vista City Attorney was a good idea.

Director Bonilla requested a copy of the Channel 5 program on water. He asked that copies be distributed to the members of the board.

He asked General Manager Watton if the meeting with CESPT has been confirmed for February 14, 2008. Mr. Watton responded that Chief of Operations, Pedro Porras confirmed that on February 13, CESPT would like to take water from the Otay connection. Mr. Porras has been coordinating this transaction. He commented that if the Federal Governments of the United States and Mexico approve the transaction, Otay is prepared to deliver the water. There

was discussion about the existing contract between Otay and CESPT that it is currently still in effect through October. Mr. Watton indicated that if the Mexican Government does not make a deposit for the water deliveries, then Otay will not release the water. President Croucher indicated that if this does become an issue and the money is not deposited per the agreement, this item will be agendaized and brought to the Board for discussion.

Director Lopez reported that the Chula Vista Interagency Water Task Force met on January 28, 2008. Chief of Engineering, Rod Posada, provided a presentation to the Task Force regarding current water supply and reclaimed water. He indicated that the Councilmembers for the City of Chula Vista have a strong interest in reclaimed water.

Director Robak reported that there was discussion at the Metro Commission meeting regarding the waiver from the EPA concerning the Point Loma Sewage Treatment Plant. The Metro Commission is taking a very proactive role in that process with the City of San Diego. He feels this should be a high priority for all the participating agencies. The largest agency, of all the participating agencies, is in the District's service area, the City of Chula Vista. Over the next 12 months, he feels that the Metro Commission will be highlighted by the media as being involved with this issue with the EPA and the Point Loma Sewage Treatment Plant.

He also reported that he was recently a speaker, along with Armando Buelna, at the Rancho San Diego Spring Valley Rotary meeting. They presented information about Otay and highlighted some of the District's major projects.

He asked General Manager Watton about the gas turbines feeding power to the Ralph W. Chapman Treatment Plant. Mr. Watton commented that the turbines have been running for about two weeks. Director Robak asked if there would be a "grand opening" or "kick-off" of this project. Mr. Watton responded that there will be a dedication after the project has been up and running for a while. Director Robak also shared that a gentleman provided a presentation at the Rotary meeting regarding potable water projects in South America which the Rotary had funded.

12. PRESIDENT'S REPORT

a) DISCUSSION OF COMMITTEE MEMBER ASSIGNMENTS AND REVIEW OF DISTRICT MEMBERSHIPS AND PARTICIPATION IN ORGANIZATION EVENTS

President Croucher reported that he had not received any requests from the Board to make changes to the existing committee member assignments. He suggested that the Board member organization committee appointments remain the same. After discussion, he indicated that the Ad Hoc Ad Hoc General

Manager Review Committee will be dissolved and, until further discussion, to place on hold the Ad Hoc Fenton Business Center Committee and the creation of the Ad Hoc Recycled Water Committee.

He noted that he would like to add the Rancho San Diego Jamul Chamber of Commerce to the list of approved organizations for the Board members to attend. He commented that there will be discussion at the upcoming Board retreat regarding other organizations that the Board would like to add to the list or others that might be removed.

He asked Mr. Watton if members of the Ad Hoc Committee are invited to the meeting with CESPT on the 14th. He indicated that if other Board members would like to attend, please notify Board Secretary Susan Cruz because the meeting will require posting if there is a quorum of the Board in attendance.

Discussions at the Board retreat will include participation in organizations, the Finance policy, the reserve policy and MET and CWA rates, which will include a presentation, and current water resource levels to include local, state and desal and international.

RECESS TO CLOSED SESSION

13. CLOSED SESSION

The board recessed into closed session at 5:19 p.m. to discuss the following matter:

- b) ANTICIPATED LITIGATION (GOVERNMENT CODE §54956.9)
MULTIPLE 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 5:39 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 partially approve the claim of Ms. Sherry Evans in the amount of \$100 and to reject seven (7) claims filed by employees and family members of tenants San Diego Electric Sign and Elements of Hardwood Floors and Stone Design.

15. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:40 p.m.

President

ATTEST:

Secretary