

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
March 4, 2009**

1. The meeting was called to order by President Croucher at 3:35 p.m.

2. ROLL CALL

Directors Present: Bonilla (arrived at 3:38 pm), Breitfelder, Croucher, Lopez and Robak

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

3. PLEDGE OF ALLEGIANCE

4. APPROVAL OF AGENDA

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

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

to approve the agenda.

5. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF NOVEMBER 13, 2008

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

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

to approve the minutes of the regular board meeting of November 13, 2008.

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.

7. PRESENTATION BY SAN DIEGO COUNTY WATER AUTHORITY (CWA) OF THE WATER SUPPLY OUTLOOK AND ITS IMPACT ON RATES

Mr. Frank Belock, CWA, presented a slide show to explain the outlook of the State's water situation. He noted where Southern California receives its water supplies:

54% of the water supply comes from the Colorado River
28% of the water supply comes from the State Water Project, via the Bay Delta
($\frac{3}{4}$ of the water or 82%, comes from out of the region)
18% is developed locally through rainfall

Mr. Belock indicated that the regulatory restrictions are limiting water imports from Northern California (Bay Delta) and the drought or lack of rain is also limiting our water supply. He stated that it is very likely that California will have a large supply shortage in 2009 which will push water rates higher. He presented a slide showing Lake Oroville (a key State water project reservoir) in June 2005 when it was at 98% of capacity and by November 2008, it was at 29% of capacity. Mr. Belock indicated as of last weekend, Lake Oroville was at 39% of capacity due to rainfall. He acknowledged that while it has increased by 10%, it still had a long way to go.

Mr. Belock continued to explain that due to Judge Wanger's ruling on pumping restriction in the Bay Delta to protect the Delta Smelt approximately one and half years ago (the Delta Smelt is on the endangered species list), water from the State Water Project has been reduced. He indicated that the amount of water received from the Bay Delta will depend on how much rainfall occurs during the year. If it is a very dry year, we can expect to receive, due to the regulatory restrictions, 315,000 AF which is a loss of 24% of normal supply prior to the restrictions; if it is a very wet year, we can expect to receive 1,060,000 AF which is a loss of 43% of normal supply prior to the restrictions. He noted that the reduced supply during the wet years, limits the regions capability to store water for the dry years.

Mr. Belock indicated that, currently, we are under drought watch and CWA has concluded that the region has a 75% chance of a water shortage in 2009. CWA anticipates making a decision in April 2009 on whether it will declare a shortage. Mr. Belock presented a slide showing the 5-year supply outlook (see attached copy of presentation). MWD expects that it will only receive 15% of it normal supply from the State Water Project in 2009. This will provide an 18% supply gap in 2009 between actual supplies and demand. By 2012, desalinated water supplies will become available and it is projected that the gap will be reduced to

6% between actual supplies and demand. These supply gaps will need to be addressed.

It is expected, due to the water shortage, that rates will increase 25-35% in 2009 and another increase would be implemented later in the year or early next year. In 2010 the increase for a single family home will be approximately \$9.50 per month just for the wholesale rate increase (customers will be paying more for less water).

Mr. Belock indicated that the last large drought occurred in 1993 and during that time, CWA was very dependant upon MWD for its water supply (95% in 1991). In 1993, the CWA board decided that it should diversify its supply so it no longer was dependant upon MWD. Its goal for a diversified supply was to reduce water received from MWD to 29% with the remaining supplies provided through: Conservation, 11%; Seawater Desalination, 10%; Recycled Water, 6%; Local Surface Water, 7%; Groundwater, 6%; Canal Lining Transfer, 9%; and IID Transfer, 22%.

He indicated that Otay and its residents can help by:

- Making immediate changes to eliminate water waste
- Taking advantage of conservation rebates
- Visit www.20gallonchallenge.com for ideas
- Adopting a permanent ethic of conservation/efficiency
- Lean about drought ordinances/restrictions put in place by your water agency
- Push state leaders to fix Bay-Delta
- Support expansion of local supply projects, such as, desalination, recycling and groundwater

Director Robak commented on the importance of getting the message out to the public of the necessity to conserve. He indicated that he did not feel that the message to conserve outdoors is very clear and he felt that it should be better emphasized.

Director Breitfelder commented that it is vey unfortunate that there are two events happening at the same time, drought and regulatory restrictions which are expected to be long term. He inquired what the impact would be to water supply should the drought end tomorrow and we return to a normal situation in terms of supply and money. Mr. Belock responded that if the drought ended and California had a miracle March and an awesome April, the regulatory issues would still be left. The region would still have a water supply shortage of 10% to 12% of demand and conservation would not be enough. He indicated that he did not feel that we would go to a Level IV alert, but would be at an alert stage. With regard to rates, monthly residential bills would go up \$9.50 according to MET.

Director Bonilla indicated that we have to expect the worst and hope for the best. He stated that Mr. Belock's presentation makes the water issues we are facing

very clear and he felt that desalination was the best opportunity for the present and future as there is only so much water that can be recycled and fresh water is only available if there is rain.

CONSENT CALENDAR

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

Director Robak indicated that he wished to pull item 8a from the Consent Calendar.

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 following consent calendar items:

- b) APPROVE CHANGE ORDER NO. 1 TO THE CONTRACT WITH SPIESS CONSTRUCTION FOR THE CONSTRUCTION OF THE 850-4 RESERVOIR PROJECT FOR A DEDUCTIVE AMOUNT NOT TO EXCEED <\$259,778.45>
- c) APPROVE A MEMORANDUM OF UNDERSTANDING WITH THE SWEETWATER AUTHORITY, SOUTH BAY EXPRESSWAY, L.P., A CALIFORNIA LIMITED PARTNERSHIP, AND THE CALIFORNIA DEPARTMENT OF TRANSPORTATION CONCERNING THE PROCESSING OF THE SERVICE AREA BOUNDARY ADJUSTMENT BETWEEN THE DISTRICT AND SWEETWATER AUTHORITY.
- d) AUTHORIZE THE CREATION OF A NW CIP PROJECT FOR THE RUXTON AVENUE UTILITY RELOCATIONS IN THE AMOUNT OF \$100,000 AND TO REIMBURSE TC CONSTRUCTION IN AN AMOUNT NOT TO EXCEED \$25,000 FOR PIPELINE REPAIRS ON THE PROJECT

President Croucher presented consent calendar item 8a for discussion:

- a) APPROVE A ONE-YEAR CONTRACT WITH DIEHL, EVANS & COMPANY, LLP TO SERVE AS THE DISTRICT'S AUDITORS FOR THE FISCAL YEAR ENDING JUNE 30, 2009 WITH AN OPTION FOR FOUR ADDITIONAL 1-YEAR CONTRACTS SUBJECT TO THE BOARD'S REVIEW AND APPROVAL

Finance Manager James Cudlip indicated that this item was presented to the Finance, Administration and Communications Committee and the committee recommended retaining Diehl, Evans & Company, LLP to handle the District's audit for Fiscal Year 2009 with four (4) additional 1-year options subject to the Board's approval. He introduced Mr. Harvey Schroeder of Diehl, Evans & Company, LLP who is the partner in charge of the District's audit.

Mr. Schroeder indicated that his firm has been handling professional services for government agencies since 1950 and has been working with water districts for many years. They have nine (9) partners, approximately 40 staff members and three (3) offices located in Southern California.

Director Robak stated that Diehl, Evans & Company is a very well qualified company and the District feels very comfortable engaging the Company to conduct the District's audit. He inquired what the cost was for the prior year's audit. Finance Manager Cudlip responded that the District spent approximately \$26,700. Director Robak further inquired if the basic scope of work for this year versus past years is similar. Finance Manager Cudlip explained that we are in a different economic situation and the new firm will need to do additional work in their first year to familiarize themselves with the District. He indicated that the new firm will conduct new internal testing to assure the District has not missed any functions or become complacent.

Finance Manager Cudlip indicated that because of the current situation, the Finance, Administration and Communications Committee felt that this was a good time to select a larger firm as it would provide more depth of knowledge and additional resources which is an added value.

Director Robak noted that Diehl, Evans & Company has extensive government background as indicated in the staff report. He inquired what were some of the local agencies that Diehl, Evans & Company has audited. Mr. Schroeder responded that his company has worked for Rancho California, Eastern Municipal Water District, Borrego Water District, Santa Fe Irrigation District and City of Encinitas, as well as quite a few in the Orange County area .

Director Bonilla stated that the Finance, Administration and Communications Committee met with both Diehl, Evans & Company and Ortega & Konrad, LLP. He stated that the committee was impressed with both firms. The committee felt, however, because of current circumstances and the demands of the District, that the most experienced firm would be required for the audit. He stated that money is certainly a factor, however, a larger firm would provide the District the comfort and security in the sense that things will be done properly and on time.

A motion was made by Director Bonilla, 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 one year contract with Diehl, Evans & Company, LLP with four (4) 1-year options subject to the board's review and approval.

ACTION ITEMS

9. ADMINISTRATIVE SERVICES, FINANCE AND INFORMATION TECHNOLOGY
- a) RECEIVE DIRECTION FROM THE BOARD ON THE ONGOING FUNDING OF THE ANNUAL REQUIRED CONTRIBUTION TO CALPERS AND MEDICAL EXPENSE REIMBURSEMENT REQUESTS FROM CALPERS

Chief Financial Officer Beachem indicated that staff is requesting that the board provide direction on whether to continue to:

- Fund the Annual Required Contribution (ARC) to the PERS OPEB trust; and
- Request reimbursements from CalPERS for the District's payment of retiree medical benefits.

Chief Financial Officer Beachem indicated that the Board's prior direction was to fund a PERS Trust with an initial deposit of \$5 million and to fund the ARC on an ongoing basis. He stated that Otay's designated fund currently totals \$4.7 million and covers payments for retiree benefits. This is the fund that receives reimbursements from CalPERS for the payment of the retiree benefits. The District also holds a CalPERS fund which totals \$4.4 million. The total funding set aside by the District for the OPEB liability is approximately \$9.1 million. The total OPEB liability is estimated at \$11.9 million. He stated that the differential of \$2.8 million will continue to be funded by the ARC over the years. Chief Financial Officer Beachem credited the Board for funding the OPEB liability and stated that most agencies did not have the foresight to fund their OPEB liability. This liability is reviewed by credit agencies and stabilizes the District's financial position.

Chief Financial Officer Beachem explained that the ARC is comprised of two components:

- Normal Cost: Current year cost (what is earned by the current employees for their future benefits). Currently, the cost is \$135,000 per year.
- Unfunded: The Contribution needed on an ongoing basis to make up for any lack of funding. This amount will decrease in the future

because the District has placed a large sum of money into the CalPERS trust.

Chief Financial Officer Beachem indicated that annual contributions are required to fully fund the OPEB over a certain period of time, however, they are not truly required. However, it is recommended and is looked at very positively if the District meets this requirement.

Chief Financial Officer Beachem indicated if the District did not request reimbursements from CalPERS for the payment of retiree benefits (indirect transfer), the District, in effect, is funding an additional amount on top of the District's ARC to the CalPERS trust. This is not recommended by staff: He stated that if the District does not request reimbursement for payments for retiree benefits, the District's designated fund will be depleted rapidly and the funds in the CalPERS fund would increase rapidly. The District would, in effect, have less control of its funds. It is recommended that the District continue to retain control of its funds by requesting reimbursements from CalPERS.

Chief Financial Officer Beachem stated that by funding the ARC, the District's credit rating is positively impacted. The District currently has an AA rating from S&P which helps when the District issues debt. Staff is strongly recommending that the District continue to pay the ARC which demonstrates that the District has the foresight and plans to fund the OPEB liability.

Director Breitfelder requested clarification should the District not request reimbursements for retiree medical expenses. He indicated the presentation noted that if reimbursements are not requested, the District's OPEB fund would be depleted by 2013 or by 2016 if reimbursements are requested. He inquired if this would mean that the District would be unfunded after that point. Chief Financial Officer Beachem explained that either by 2013 or 2016 the District would have placed a lot of money into the PERS trust which would then pay the retiree benefits as opposed to the District's designated fund. The District would not be in a bad position either way, the question is, how long the District maintains control of the funds. By requesting reimbursements, it would provide the District more funds over a longer period during a critical time.

Director Breitfelder further inquired if there are any major advantages for not requesting reimbursements or contributing only a portion of the ARC. Chief Financial Officer Beachem indicated that one of the advantages of the trust is that the District cannot access the funds in the trust. However, on the negative side, if the funds are placed in the trust too quickly, the District cannot access the funds temporarily as they are locked into the trust. Chief Financial Officer Beachem further indicated that he did feel the public would view the requests for reimbursements or temporary borrowing of the funds negatively since the Board has been very proactive on this subject.

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 staff recommendation to approve the ARC and requesting reimbursements from CalPERS for retiree medical expenses.

10. ENGINEERING AND WATER OPERATIONS

a) APPROVE AN AGREEMENT BETWEEN SWEETWATER AUTHORITY AND OTAY WATER DISTRICT FOR JOINT PARTICIPATION IN THE OTAY RIVER GROUNDWATER DESALINATION FACILITY PROJECT

Engineering Manager Jim Peasley indicated that staff is requesting that the board approve an agreement between Otay and Sweetwater Authority for participation in the Otay River Groundwater Desalination Facility project. He stated that the Otay River overlays the San Diego Formation which is an extensive groundwater basin that runs from across the Mexico border to the San Diego River. Two wells have been installed over the past couple of years. Sweetwater Authority and Otay jointly applied and acquired two (2) grants: 1) CWA grant for \$1.5 million; and 2) Proposition 50 grant for \$242,000. The two grants will pay for half the cost of the project. The agreement stipulates that both Otay and Sweetwater Authority will share equally in the costs, risks and benefits for any potential groundwater supply that is received from the Otay River Desalination Facility. With the approval of this agreement, it will allow Otay to pay for the District's share of the project.

President Croucher stated that the approval of this agreement will allow Otay Water District to move forward with the project. He indicated that additional information will be provided as this project progresses.

Director Breitfelder asked Engineering Manager Peasley to briefly explain the potential water supply from this project. Engineering Manager Peasley explained that USGS is handling the technical engineering work and the project looks very promising. It is estimated that approximately 6000 acre feet will be produced from the desalination facility. He indicated that the production facility should be completed sometime between 2012 and 2014 (most likely closer to 2014). He indicated that if this agreement is approved, a separate agreement for the production facility will be presented to the Board at the time that they are ready to move forward with the facility.

Director Robak asked Engineering Manager Peasley his opinion of City of San Diego's claim for Pueblo Rights.

Engineering Manager Peasley explained that Pueblo Rights goes back to the Mexican Land Grants many years ago. The City of San Diego is claiming that they have acquired those rights. Studies have been done on the Otay River, a portion of the Sweetwater River, and extensively on the San Diego River where

the City is asserting these claims. Whether the claims are valid is still being discussed. General Manager Watton indicated that the City does have Pueblo Rights. However, the Pueblo Rights refer to water that is near the surface (approximately 200 feet in the river systems close to Old Town). The water associated with the Otay River Groundwater Desalination Facility is approximately 1000 to 1500 feet underground and it is clear that it is in a different aquifer/formation. He stated that Sweetwater Authority does not see the claim as an issue. They feel that it is a very small risk and they plan to move forward with the project.

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 an agreement with Sweetwater Authority for joint participation in the Otay River Groundwater Desalination Facility project.

11. BOARD

a) DISCUSSION OF THE 2009 BOARD MEETING CALENDAR

No action was taken on the meeting calendar.

President Croucher informed the Board that District Secretary Cruz will check board member availability for a Board Workshop at the end of April.

INFORMATIONAL ITEMS

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

a) REPORT ON DIRECTORS EXPENSES FOR THE 2ND QUARTER OF FISCAL YEAR 2009

General Manger Watton indicated that this item was presented to the Finance, Administration and Communications Committee and during the discussion, Director Bonilla had requested that a chart be presented showing the trend for per-diems over the past years. A chart was presented showing the per-diem activity from 1999 to present. Director Croucher indicated that this is key in showing the board the change with regard to per diem reimbursements and how they have been reduced from over \$100,000 annually in 1999 to under \$30,000 today. Director Croucher indicated that the District is within the top five (5) in the County for low per-diem reimbursement requests.

b) FISCAL YEAR 2009 2ND QUARTER CIP UPDATE REPORT

Engineering Manager, Ron Ripperger, presented the Fiscal Year 2009 second Quarter CIP update which highlights 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 million. He indicated that the District's CIP is broken down into four categories:

He stated that overall expenditures through the second quarter of Fiscal Year 2009 totaled approximately \$8.2 million, which is 27% of the District's target expenditure through the second quarter. He stated the forecast for the entire fiscal year is \$23.6 million or 77% of budgeted expenditures. He stated that the decrease in projected expenditures is due primarily to a delay in the 36-inch Pipeline Project. He noted that construction change orders are at -.63%.

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 seventeen projects in FY09, three are in the planning stage, one is in design, twelve are in construction and one has been completed. He reviewed the status of the District's flagship projects which included the 850-4 Reservoir, 640-1&2 Reservoirs, 36-inch Pipeline from FCF No. 14, Calavo Sewer Lift, Material Storage Bins & Cover and 450-1 Reservoir Disinfection Facility.

Engineering Manager Ripperger presented slides which provide the status of the various consultant contracts for construction services, design, environmental, planning, public services and water resources. He also presented slides providing a listing of all CIP projects planned for Fiscal Year 2009 and the status of each.

President Croucher indicated that one of the items discussed by the Engineering, Operations and Water Resources Committee is when the District completes a project, that it leave the construction site in better condition than when the District arrived so that we do not inconvenience the neighbors.

Director Bonilla indicated, as the District is now preparing the FY 2010 budget, he would like to discuss the CIP budget preparation at the Board Workshop. He indicated that due to current economic conditions, he would like to see emphasis placed on scrutinizing each of the capital projects to determine if they really must be built in FY 2010 or can be delayed. He indicated that the District must identify what resources will be needed to support operations in the next fiscal year and he would like to see a review of the CIP.

Director Robak inquired with regard to the consultant contracts listing, if one of the two Lee & Ro contracts is for the 36-inch pipeline. Engineering Manager Ripperger indicated that Lee & Ro has two *As-Needed Engineering Design Services* contracts with the District. In addition to these contracts, they were also awarded the 36-inch Pipeline contract. They have three (3) total contracts with the District, but one of the *As-Needed* contracts will be closing out soon so they will have two (2) active contracts. Director Robak also inquired how the District was doing in terms of completing the 36-inch Project on time to avoid the CWA penalties. It was discussed that once a construction contract for the project is awarded, a construction schedule will be developed and based on the schedule staff will meet with CWA to discuss.

REPORTS

13. GENERAL MANAGER'S REPORT

a) SAN DIEGO COUNTY WATER AUTHORITY UPDATE

General Manager Watton indicated that rates and supplies are currently dominating discussions at CWA as presented earlier by Mr. Frank Belock of CWA. He stated that there was also a discussion concerning MWD's rates and staff expects that additional information will be available for presentation to the Finance, Administration and Communications Committee later this month.

General Manager Watton also shared from his General Manager's Report that staff expects to receive the CalTrans permit for the 36-inch Pipeline project on April 2 or on the following Monday.

He indicated that the District has changed the restroom fixtures to low flush toilets and waterless urinals. He indicated that he felt the fixtures are something that the District can endorse. He also noted that the CWA will also be changing their bathroom fixtures.

He stated that letters are being sent to the District's highest water users to help them reduce the amount of water used at their properties. He indicated that approximately 2,000 letters have been forwarded to customers.

General Manager Watton indicated that the District has two interns, paid through CWA, working on the Smart Target Program. This program is an on-line tool to assist customers in monitoring their landscape water use and encourage conservation. The program is mainly for larger users.

He also indicated, as a goal in the District's strategic plan, staff is beginning the first portion of the AWWA Peer Review process. The District will conduct a self-assessment and compare the findings with other agencies who have also taken the assessment. If all works well with the self-assessment, staff may move forward with a peer review where four or five members of other water agencies visit the District and performs an assessment. The District's staff may also

participate in peer reviews at other agencies which provides an opportunity to see and learn what other agencies are doing and possibly make enhancements at the District.

He indicated that the City of Chula Vista is one of the District's largest users of potable and recycled water for opens space and parks and staff is working with the City to help them moderate their water use so they may mitigate water cost.

General Manager Watton was pleased to announce that the Finance Department was awarded, for the fifth consecutive year, the Government Finance Officers Association's "Distinguished Budget Presentation Award" (GFOA).

He indicated that the District received a letter from Congressman Bob Filner informing the District that his office was able to get additional funding allocated into the United States Bureau of Reclamation (USBR) Title XVI Program. The District will receive about 50% of the funding as it is one of the few agencies that has been able to complete recycled projects which makes it eligible for the grants. The District has received approximately \$520,000, thus far, and expects to receive another \$1.72 million.

General Manager Watton continued by updating the Board on a shutdown that occurred in January in conjunction with CWA. He indicated that the shutdown went smoothly. He indicated that the District was ready to notify customers if needed, however, it was not needed. He stated that it is gratifying to know that the District can get through an aqueduct shutdown without notifying customers due to the way it operates its systems. He noted that flows to Mexico were temporarily discontinued due to the aqueduct shutdown.

He lastly shared that customer potable water use is down approximately 5% compared to last year. He stated that the District expects a 16% allocation cutback from the County Water Authority and the District has requested that customers cutback 10%, but they have only been able to achieve 5%. He stated that this shows how difficult the cutback is to achieve. General Manager Watton emphasized that the District is going to have to work with customers to achieve the additional 11% cut in order to meet the 16% cutback requirement. He indicated that he feels confident that the District will be able to achieve the 16% cutback by going to a Level 2 drought pricing rate increase. He stated that the District will be receiving a more complete report on the District's allocation from CWA sometime in April or May.

Director Croucher inquired when the District went online with the reclaimed water from City of San Diego's South Bay Water Reclamation Plant. It was indicated that it was May 18, 2007.

14. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that he had an opportunity to speak to the Military Officers Association (MOA) about the water situation. He commented that the audience members repeatedly came back to the question of why the government

(cities/agencies) continues to approve new developments when the State does not have enough water supplies to accommodate the current population. He stated that this group was not acquainted with the term “100% offset,” but once they understood the term, they were very supportive of the concept. Director Breitfelder also shared that at a community neighborhood organization meeting, PTO, San Diego Mayor, Jerry Sanders, was the guest speaker and he had received very similar feedback from a very different group.

Director Bonilla indicated that Director Lopez, General Manager Watton, General Counsel Calderon and he met with Congressman Filner to discuss the desalination project, international issues related to the project and ask for his support. Director Bonilla stated that Congressman Filner believes that this is a very positive and constructive project that will help the community.

Director Lopez indicated that he is pleased to be reappointed and involved in the Finance, Administration and Communications Committee and that he supports looking at all possible projects that can assist in maintaining water quality and rates.

Director Robak commended the Finance, Administration and Communications Committee and the good job they are doing. Director Robak referred to the letter from Congressman Filner and inquired if the “San Diego Reclamation project” and whether this referred to the City of San Diego. General Manager Watton stated that it refers to the region. Director Robak stated that he is looking forward to seeing what the outcome will be with the Peer Review report.

Director Robak spoke at a Rancho San Diego-Jamul Chamber of Commerce meeting along with Public Communications Officer Armando Buelna to provide an update on the drought situation. He indicated that the presentation he provided was reported in the East County Gazette.

Director Robak also indicated that he was re-elected for the fourth year as President of the Water Conservation Garden. He stated that one of the things they are doing at the Water Conservation Garden is to increase awareness of the water cutbacks, rate increases and the critical need to conserve.

15. PRESIDENT’S REPORT

President Croucher stated that the District is focused on the right areas: rates, supplies and conservation. He also commented that the District’s relationship with elected officials, such as Congressman Filner, has helped to get more monies allocated for grants by the USBR. The fact that the Otay has shovel ready projects has help it acquire these grant monies for its recycled water projects.

President Croucher also noted that the Bay-Delta smelt has been placed back on the endangered species list. Due to this, it will be more difficult to receive water from the Delta.

RECESS TO CLOSED SESSION

16. CLOSED SESSION

The board recessed into closed session at 5:01 p.m. to discuss the following matters:

- a) CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
[GOVERNMENT CODE §54956.9(a)]
 - (1) MULTIPLE CASES RELATED TO THE FENTON BUSINESS CENTER AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF SAN DIEGO CONSOLIDATED UNDER CASE NO. 37-2007-00077024-CU-BC-SC

- b) CONFERENCE WITH REAL PROPERTY NEGOTIATORS
[GOVERNMENT CODE §54956.9]

PROPERTY: 2500 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CA 91978 (APN NO. 505-230-52-00)

AGENCY NEGOTIATORS: MARK WATTON AND STEVE DOBRAWA

NEGOTIATING PARTIES: RANCHO SAN DIEGO INDUSTRIAL CENTER, LLC, MIKE COLARUSSO

UNDER NEGOTIATIONS: PRICE AND TERMS OF PURCHASE

RETURN TO OPEN SESSION

17. 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 5:33 p.m. General Counsel Yuri Calderon indicated that the board took two reportable actions in closed session:

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

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

to proceed with the acquisition of property identified in the agenda and authorize the General Manager to open an escrow with respect to the property.

A second motion was made by Director Bonilla, 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 accept the tort claim filed by RBF to the extent that the District will provide a defense in the matter, but deny the tort claim with respect to the indemnification for damages.

General Counsel Calderon indicated that he would prepare the letters in response to the tort claim. There were no other reportable actions taken in closed session.

18. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:35 p.m.

President

ATTEST:

District Secretary