

**MINUTES OF THE
BOARD OF DIRECTORS MEETING OF THE
OTAY WATER DISTRICT
April 1, 2009**

1. The meeting was called to order by President Croucher at 3:30 p.m.

2. ROLL CALL

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

Staff Present: General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Water Operations Manny Magana, General Counsel Aerobel Banuelos, 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. NEW STAFF INTRODUCTION

Mr. Frank Anderson, Water Utility Services Manager, joins the District from the City of Escondido where he worked for twenty-two years. The board welcomed Mr. Anderson to the District.

5. APPROVAL OF AGENDA

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

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

to approve the agenda.

6. APPROVAL OF MINUTES OF THE REGULAR BOARD MEETING OF DECEMBER 15, 2008

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
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Noes: None
Abstain: None
Absent: None

to approve the minutes of the regular board meeting of December 15, 2008.

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

Ms. Connie Beck of El Cajon indicated that she is a volunteer instructor for the Water Conservation Garden and Grossmont Union High School District on Xeriscape gardening practices. She indicated that she has a 1.1 acre lot in which a half acre is utilized as a Xeriscape demonstration garden. Ms. Beck indicated that she is doing all she can to conserve water and has won the Otay Water District conservation award twice. She stated that she is concerned of the allotment from Otay for her property as by summer, she will be in the 30% penalty range for the water utilized at her property. She stated that she also lives in a fire zone and must keep the vegetation behind her property green/irrigated through a requirement by the San Miguel Fire Protection District. She stated that she is requesting that Otay, in future, consider making another allotment for those who have larger properties.

Mr. Greg Rubin of Escondido indicated that he is president of California's Own Native Landscape Design, Inc. He stated that his firm specializes in native landscape design and has installed over 500 such landscapes in San Diego County. He indicated that he too advocates that the allotments should be based on acreage/square footage of properties. He is very supportive of saving water and understands the water supply crisis, but is requesting that Otay evaluate and consider looking at the water usage for larger properties. He is also requesting a three month water use waiver for properties who are trying to establish water conserving landscapes.

CONSENT CALENDAR

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

A motion was made by Director 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:

- a) APPROVE CHANGE ORDER NO. 1 TO THE CONTRACT WITH NEWest CONSTRUCTION COMPANY, INC. FOR THE CONSTRUCTION OF THE 450-1 RESERVOIR DISINFECTION PROJECT IN AN AMOUNT NOT-TO-EXCEED \$58,000
- b) APPROVE CHANGE ORDER NO. 3 TO THE CONTRACT WITH PBS&J FOR THE 2009 WATER RESOURCES MASTER PLAN UPDATE AND PROGRAM ENVIRONMENTAL IMPACT REPORT PROJECT IN AN AMOUNT NOT-TO-EXCEED \$45,732
- c) APPROVE THE INCREASE OF THE PROJECT BUDGETS FOR THE 20-INCH LANE AVENUE CONVERSION PROJECT(R2081) FROM \$1,090,000 TO \$1,160,000; THE CALAVO SEWER LIFT STATION REPLACEMENT PROJECT (S2015) FROM \$526,000 TO \$560,000; AND THE MATERIAL STORAGE BINS PROJECT (P2465) FROM \$250,000 TO \$310,000
- d) ADOPT RESOLUTION NO. 4133 APPROVING PURCHASE OF REAL PROPERTY LOCATED AT 2500 SWEETWATER SPRINGS BOULEVARD, SPRING VALLEY, CA 91978 (APN NO. 505-230-52-00) AND APPROVING RELATED AGREEMENTS/DOCUMENTS AND AUTHORIZING RELATED ACTIONS
- e) APPROVE THE 2009 OTAY WATER DISTRICT LEGISLATIVE PROGRAM

ACTION ITEMS

9. ENGINEERING AND WATER OPERATIONS

- a) APPROVE CHANGE ORDER NO. 1 TO THE EXISTING CONTRACT WITH LEE & RO, INC. FOR THE DESIGN OF THE 36-INCH PIPELINE/SDCWA OTAY FCF NO. 14 TO THE REGULATORY SITE PROJECT IN AN AMOUNT NOT-TO-EXCEED \$61,629

Engineering Manager Ron Ripperger indicated that staff is requesting the board's approval of Change Order No. 1 to the contract with Lee & Ro, Inc. for an amount not-to-exceed \$61,629. He indicated in August 2008 the board approved the professional services agreement with Lee & Ro for a not-to-exceed amount of \$769,000. At the time the contract was presented to the board, the possible contract value with Lee & Ro ranged from \$515,000 to \$769,000 depending upon the completion level of the work product received from the previous designer. The contract with Lee & Ro was ultimately negotiated and executed for a not-to-exceed amount of \$580,000. He indicated that Change Order No. 1 to this contract consists of additional efforts to obtain an encroachment permit from

Caltrans and for their attendance of additional project delivery meetings to help expedite the design and to incorporate a design of a static mixer into the plans to improve water quality. He indicated that at the time Lee & Ro took over the project, the traffic control plans were stamped fully completed. Unfortunately, the traffic control plans were actually only 60% complete and Caltrans still required signal, signing and striping plans. These items were not anticipated as needed when Lee & Ro's contract was initially signed. Additionally, the efforts in meeting with Caltrans, addressing their comments, and submitting several traffic control designs were not part of Lee & Ro's contract. He noted that the approval of the change order will extend the completion date of the contract with Lee & Ro from September 2010 to December 2010. He lastly shared that based on a review of the expenditures, commitments and projected costs for this project, the budget is sufficient to support this project.

President Croucher indicated that the Engineering, Operations & Water Resources Committee reviewed this item in detail and noted that Lee & Ro had stepped into a tough situation and he commended them for their work on the project and what they have been able to accomplish to this point.

Director Robak inquired if the District had compensated the former consultant for what the District thought was a more complete plan. Engineering Manager Ripperger indicated that the District did not. The District had reviewed and analyzed how much work was completed, and only paid them for the amount that it was felt was completed. It was discussed that staff realized that there were some deficiencies, but did not know the full extent until staff started working with Caltrans. There is a dispute on the billing which is being handled through litigation.

It was noted that the three month delay to December 2010 only affects Lee & Ro's contract. The project is expected to be completed in the fall of 2010 which is a delay of six to nine month from the original completion schedule. Staff is currently bidding the construction of the project and the bids are scheduled to be opened on April 23.

It was discussed that the District's main exposure on the delay of the completion of the project is the take or pay agreement it has with CWA. Staff will know more on where the District stands with regard to the penalty when a more definitive timeframe for the project completion is determined. The District may be able to take enough water to avoid the penalty or negotiate with CWA to alleviate some of the penalty. Staff has estimated that the maximum penalty is approximately \$300,000.

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

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

Abstain: None
Absent: None

to approve Change Order No. 1 to the existing contract with Lee & Ro, Inc. for an amount non-to-exceed \$61,629.

b) APPROVE COMMITTEE RECOMMENDATION TO RESET PRIORITIES AND FOCUS ON THE MIDDLE SWEETWATER RIVER PROJECT, OTAY VALLEY GROUNDWATER PROJECT AND OTHER INITIATIVES WITH SWEETWATER AUTHORITY

Environmental Compliance Specialist Lisa Coburn-Boyd indicated that this item was originally brought to committee as an informational item regarding a letter received from the Sweetwater Authority concerning their review of the North District Recycled Phase I Study Report and the RFP for the Middle Sweetwater Basin Groundwater Extraction Project. However, the committee felt that this item should be presented to the full board as an action item. The Sweetwater Authority staff discussed in their letter the issues that they would like to see addressed with regard to the use of recycled water in the North District. These issues were presented to the Sweetwater Board and the board concurred with staffs' report. The issues include that:

- OWD should conduct an extensive and inclusive public participation information process that includes Sweetwater Authority's entire service area.
- OWD should conduct an extensive literature search to provide case studies of recycled water distribution within drinking water watersheds.
- OWD get a full review and approval by the California Regional Water Quality Control Board and the Department of Public Health based on the best scientific information available.
- OWD should install a reverse osmosis system at the Chapman Facility to mitigate further degradation of the watershed by excessive total dissolved solids and additional treatment processes should be installed at the Chapman plant in order to reduce the risk of nitrogen, viruses and pathogens from entering the Sweetwater Reservoir.
- OWD should monitor the BMP's to control runoff of recycled water in the Middle Sweetwater Basin.
- OWD should do a full CEQA review of all projects.
- OWD develop a Memorandum of Understanding between Sweetwater Authority and OWD that would describe the process for reviewing all projects within the Middle Sweetwater Basin and how each project would be approved.

Environmental Compliance Specialist Coburn-Boyd indicated that because of the significant issues Sweetwater Authority has with the use of recycled water in the Middle Sweetwater Basin in the North District, staff is requesting the board's direction on proceeding with Phase II of the North District's study. The

Engineering, Operations and Water Resources Committee recommended that staff reset priorities to focus on the Middle Sweetwater River Groundwater Extraction Project, the Otay Valley Groundwater Project and other initiatives with the Sweetwater Authority and not proceed with Phase II of the North District Study at this time.

President Croucher indicated that the Engineering, Operations and Water Resources Committee had reviewed the Sweetwater Authority letter and had hoped that Sweetwater Authority would be more engaged with Otay in this particular project. He stated that the committee did not wish to give up on the project, but wished to look at a time and cost benefit analysis of other projects that are in place and move forward with those projects that can be accomplished within certain timelines and continue with this project as time permits.

Director Breitfelder indicated that he was not personally sensitive to the geology of the area and it seems the water table in the area is very shallow and Sweetwater Authority's perception is that it would tend to direct water into the Sweetwater Reservoir. He indicated that he felt it is prudent to defer to our neighbors on this project.

Director Robak indicated that it is disappointing considering the existing water supply situation, but not surprising as we have understood Sweetwater Authority's reluctance to move in this direction. He indicated that he does recognize that we must give and take and he agrees the District should focus on those projects it can accomplish. He indicated that he was supportive of the Committee's recommendation.

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

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

to approve the committee's recommendation.

10. BOARD

a) DISCUSSION OF 2009 BOARD MEETING CALENDAR

President Croucher indicated that he would be out-of-town from May 4 to May 8, 2009 and would be unable to attend the May board meeting. He inquired if the board wished to continue with the meeting or reschedule it for another day. He indicated that he was fine either way.

The board tentatively selected Wednesday, May 13, 2009, and requested that District Secretary Cruz confirm each members' availability on that day. It was further discussed that should May 13 not work, May 14 was an optional date.

It was noted that the Board Retreat has been scheduled on April 28, 2009 at 9:00 a.m. and the Budget Review Workshop is scheduled on May 21, 2009 at 10:00 a.m.

INFORMATIONAL ITEMS

11. THIS ITEM IS PROVIDED TO THE BOARD FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS REQUIRED ON THE FOLLOWING AGENDA ITEM.
 - a) INFORMATIONAL REPORT ON THE STATUS OF THE ON-GOING COORDINATION WITH THE POINTE AND GOSNELL BUILDERS CONCERNING THE INSTALLATION OF A 42-INCH PIPELINE IN THE JAMACHA BOULEVARD RIGHT-OF-WAY (RIPPERGER)

Engineering Manager Ripperger indicated that in December 2008 staff had met with the board in closed session to discuss the status of The Pointe's pipe. Since that meeting, The Pointe notified the District (March 2009) that they are ready to install the pipe within Jamacha Boulevard. Correspondence was exchanged with The Pointe from May 2008 to March 2009 with regard to the condition of the pipe and if it was in suitable condition to install. In April 2008, Atlas Resources inspected the pipe for defects and in their report they indicated several problems with the pipe that included exposure to the elements, incorrect support of the pipe and fires that were lit within sections of the pipe. In October 2008, the District performed a non-destructive lining inspection of the pipe and the results were inconclusive. In December 2008 the District sent a letter to The Pointe and provided them two options:

1. Perform an appropriate test and engage a professional that could perform a destructive test (Pull-off Test) to determine if the lining in the interior of the pipe was in good shape.
2. Have the original manufacturer certify that the pipe is in good shape.

The Pointe decided to utilize Schiff & Associates to test the pipe and report on their findings. Schiff and & Associates did a Pull-off Test and found that the lining in all 34 segments of the pipe needed to be replaced. Following the test (March 2009), The Pointe corresponded with the District and indicated that they would be returning the pipe to the manufacturer to have the lining redone. Engineering Manager Ripperger stated, as of this afternoon, the pipe has not yet been returned to manufacturer. He also presented slides showing the condition of the pipe (see attached copy of presentation).

President Croucher indicated that the Engineering, Operations and Water Resources Committee reviewed this item and, though no action is required, the committee wished that a presentation be provided to the board to assure that they were updated on the status and process that the District had been following in this matter.

b) MID-YEAR FISCAL YEAR 2009 STRATEGIC PLAN AND PERFORMANCE MEASURES UPDATE (STEVENS)

Chief of Information Technology Geoff Stevens provided a report to the board on the strategic performance measures. He indicated that there are 76 strategic plan objectives and 44 performance measures, representing a total of 120 measures. The objectives and measures are updated four times a year and a report is presented to the board bi-annually. The information is also available fulltime on the board extranet. Staff is also revising the graphs associated with the reporting of the measures so they are easier to read. He indicated with regard to the strategic plan objectives, the District is above its target of 75% with 95% of objectives on or ahead of schedule. He noted that there are 15 items that are on hold or have not yet been started which is expected in a three year plan as some of the objectives do not become active until the following or third year. He stated that 88% of performance measures are on or ahead of schedule which is also above the target of 75%.

He shared with regard to the balance scorecard, which represents an external view from four perspectives:

- Customer
- Financial
- Learning and Growth
- Business Process

that the District is on or ahead of target in all four areas. From a department perspective, all departments are on target as well.

Chief of Information Technology Stevens also noted that staff has implemented a secondary monitoring process on results. Each project manager must substantiate (prove through data or other means) that their rating on their objective or performance measure is accurate. The review process is much more rigorous than in the past.

He indicated the next step is that staff will present essentially the same Strategic Plan for FY 2010 as was approved last year and the strategies will be reflected in the FY 2010 budget. At this time, there are no revisions, but staff is looking at fine-tuning some of the language in the plan. Staff will continue to enhance the monitoring of results and move to a greater use of the information to monitor the District's performance. He lastly shared some key objectives that were achieved in FY 2009 (see attached copy of presentation).

President Croucher indicated that this item was presented to the Finance, Administration and Communications Committee and the Engineering, Operations and Water Resources Committee. Director Bonilla spoke on behalf of the Finance, Administration and Communications Committee and indicated that he was pleased with the results from the Strategic Plans and how the process is developing. President Croucher spoke on behalf of the Engineering, Operations and Water Resources Committee and stated that he is pleased to be able to view the results at various levels from the employee level to the policy level and the results is something the committee is very proud of.

Director Robak inquired on the status of the peer review process. Chief of Information Technology Stevens indicated that a contract has been signed to accomplish the first step of the peer review which is the survey methodology. Staff has been in contact with the AWWA representative that will be administering the review and will assemble a survey of industry best practices that AWWA provides. It will rate fifteen different areas of the District against the industry. Monies will be placed in the FY 2010 budget to accomplish the on-site peer review.

Director Lopez indicated that he is pleased with the transparency and the accessibility of the status of the Strategic Plan and measures to the board and staff. He stated that he feels that the District would rate very well against the industry. He thanked staff for their work on the Strategic Plan.

C) INFORMATIONAL REPORT TO THE BOARD REGARDING THE TIMING OF POTENTIAL RATE INCREASES (BEACHEM)

Chief Financial Officer Beachem indicated that this is a challenging time for water agencies due to the water shortage. He stated the normal annual rate increase is adopted to become effective January 1 of each year. However, it is very likely that MWD will be increasing their rates effective September 1, 2009. CWA, in turn, will be looking at increasing their rates to the retail agencies and the District would need to make a decision on whether to increase rates on September 1 as well.

He stated that the good news is that the District is well prepared to handle the two potential increases should they occur on September 1. The District would have time to accomplish its normal Proposition 218 process within the required timeline. He stated that the increase is related to drought and penalty pricing from CWA.

The process would start with MWD setting an allotment for CWA and they would also implement penalties if CWA went over their set allotment. CWA may then also implement allotments and penalty pricing for the retail agencies (Note: if CWA does not, in total, exceed its allotment, it would not implement penalty pricing to the retail agencies). To address the allotment and penalty pricing, the

District has developed drought pricing that can be implemented whenever the board declares its need through a Drought Stage II alert declaration.

He stated that the District would like to match the timing of CWA's increase implementation. He stated that this is important as the District would need to match its increased expenses with increased revenues as it impacts the District's Debt Coverage Ratio. The District is obligated, due to its bond issuances, to have a certain level of net revenues that are sufficient to cover bond payment for the year. The rating agencies also consider this when determining the District's credit rating.

The analysis for the implementation of drought rates will consider the following:

- Administrative Factors
- Customer Education
- Over allotment penalties with the declaration of Drought Stage II
- Financial Risk Assessment
 - Impact on cash flow and budget fluctuations
 - Impact on debt coverage ratio
- Greater uncertainty of projected water sales
 - Economic pressures
 - Effectiveness of drought messages
 - Impact of significant rate increase on customer water consumption

Chief Financial Officer Beachem noted that if the District sold more water than it had budgeted to sell, it would not negatively impact the budget. If it sold less water than budgeted, there is a modest impact to the budget as less revenue is collected. However, if CWA implemented penalty pricing, if the District sold more water than it had budgeted to sell, it would be a great impact to the budget as water cost would highly increase (increased expense). Staff will need to monitor water sales very closely to determine penalty impacts to the budget and if drought pricing needs to be implemented to offset increased expenses.

Staff will survey its customers to determine how rate increases and drought messages would affect their water consumption. This will help the District determine sales for the Fiscal Year 2010 budget.

He noted that accounts receivable write-offs are increasing .36%. The District wrote off approximately \$100,000 in 2007 and it expects to write off approximately \$230,000 in 2009. He indicated that aging of the accounts receivable is staying steady with the number of accounts that are 60+ days overdue going down.

President Croucher noted that this item was also reviewed by the Finance, Administration and Communications Committee and the notes from the discussion has been placed on the dias for the board's reference. He noted that this was an information item and no action is required from the board. The board

will receive more information at the Board Budget Workshop and it is anticipated we will have additional information from CWA.

Director Breitfelder indicated that implementing two rate increases at the same time may cause confusion to the District's customers. He stated that confusion can result in the diminishment of confidence. He suggested that the District do everything possible to forward one rate increase notice to customers with the reasons for the increases clearly described to avoid confusion.

Director Bonilla indicated that he agreed with Director Breitfelder for a different reason. He stated that the financial health of the District is very important. He stated that unusual circumstances requires unusual remedies and he feels that the District should be thinking about a committee to allow the District to react quickly. He inquired if there was any mechanism that can be set to monitor sales on a daily basis for a more proactive approach to assure the District has the information in time to react.

President Croucher indicated that the key is to continue to encourage both staff and board involvement with the agencies and industry to be aware of what is occurring (receive updated information). He stated that if staff feels that there are changes occurring, they should request that a special board meeting be scheduled immediately to address the changes.

Director Bonilla suggested that an Ad Hoc Committee be convened to oversee this situation with staff to closely monitor this situation. President Croucher indicated that he agreed, and he would like to let staff come back to the board with a recommendation on how they wish to form the committee, the responsibilities and composition of the committee.

President Croucher indicated that an announcement will be forwarded to the board prior to the next board meeting through District Secretary Cruz if we wish to act on the Ad Hoc Committee.

REPORTS

12. GENERAL MANAGER'S REPORT

General Manager Watton indicated with regard to the District's 36-inch Pipeline Project that the District held a pre-bid meeting for the construction contract for the project and had over 75 attendees. Typically, the District receives approximately 20 to 30 interested firms. He noted that a bid of this size is receiving a lot of interest and firms outside the state are bidding on the project

He indicated that staff discussed earlier that a survey of the District's customers will be performed to help determine expected sales and how a rate increase would affect customer consumption. He indicated that staff is also sending

letters requesting that large use customers participate in the District's landscape survey program and it is receiving a good response rate.

He noted that the drought issue may not be as severe as previously anticipated. CWA may only require a 10% cutback as opposed to a 20% cutback. The District will still need to work to meet the 10% cutback, but it will not be as difficult as a 20% required cutback.

The District implemented a customer complaint tracking system to centralize the tracking of complaints. The system is online and includes information, such as, resolution of the complaint, history of complaint, etc. He indicated that the District anticipates that it will receive many complaints due to the drought and increasing cost of water. The system will also have the ability to send automated calls and/or letters to customers with information regarding the drought, etc. and it is felt that this will be an important tool for the District.

He stated that Chief Financial Officer Beachem had presented earlier in the meeting the possibility of a drought rate increase from CWA/MWD and it is felt that the District is well positioned to adjust its rates as needed to respond to the increases. It was indicated that if MWD implemented its rate increase on January 1, 2010, they expect the increase to be approximately 30% and if the increase were implemented on September 1, 2009, the increase is expected to be approximately 20%. He also stated that if they implemented their increase on September 1, it will compress the timeframe for retail agencies to complete their Proposition 218 hearings to coincide its increases with MWD/CWA.

General Manager Watton also shared that Chief of Engineering Rod Posada was invited to provide a presentation to the Water Forum in Tijuana, Mexico, last week. He also noted that on the dias is a report on the District's attendance of the World Water Forum and photos from the forum.

San Diego County Water Authority Update:

President Croucher indicated that the Bay Delta Solutions Ad Hoc Committee will be meeting to continue discussions on the conveyance issues through the Bay Delta. He stated that the Bay Delta is discussing imposing a pass-thru fee due to lower water sales, however, they are making it appear to be part of the Bay Delta fix. It is felt that the Bay Delta needs to be clear on why the increase is being imposed as it could cause issues in the future when they try to impose further increases which are truly related to fixing the Bay Delta issues.

He also noted that there is a lot of discussion on raising the drought level alert to Level II. However, snow pack levels are up and the State allotment was increased from 15% to 20% which translates into a 33% increase in water. CWA will be having further discussions on this issue and if there is need to raise the alert level.

Congressman Filner attended a Congressional Lunch and brought up the fact that California is not receiving its share of the stimulus money. California has more money leaving its state than is brought back, even with the stimulus plan. Congressman Filner is continuing to work to try and bring some of the stimulus funding to California.

13. DIRECTORS' REPORTS/REQUESTS

Director Breitfelder indicated that the Conservation Action Committee is continuing work on the State Model Ordinance. San Diego had started work on the ordinance two years ago and CWA has had a lot of influence in its development. He stated that every county will need to abide by the ordinance unless they develop their own local ordinance and he felt that staff has done a good job in improving the initial draft of the ordinance. The County and City of San Diego are getting close to presenting their Model Ordinance to their legislative bodies. He indicated that for existing housing, the ordinance will mainly serve as an educational tool, but it will be imposed on new development. He also shared that he attended the Bi-national Drought Science Conference sponsored by the Water Education Foundation and they spoke of a different perspective on the drought issue. He stated that it appears the models that the scientists are utilizing are not definitive. The report is not generally good, but the current difficulty we are having now is not unprecedented even in the last 100 years.

Director Bonilla indicated that the Finance, Administration and Communications Committee had discussed the possibility of authorizing increases up to a certain percentage over a period time through its Proposition 218 notices. The District would not necessarily implement increases, but it would provide the flexibility to do so should they be required. He indicated that General Counsel was to provide an opinion on the possibility of including such language into the District's Proposition 218 notices and he asked General Counsel to please provide a report on their opinion on this issue. He also shared that he attended the World Water Forum and was a little disappointed that there was a smaller representation of counties and it was not as large as the forum in Mexico. He indicated that, though it was smaller, it was still worthwhile and he encouraged directors to participate in future forums.

Director Lopez indicated that he also attended the World Water Forum and it was indicated that there are one billion people in the world who do not have access to clean water and 2.5 million people who do not have access to water for sanitation purposes. He stated that water is a very large issue in the world, whereas, in the United States we take our water systems for granted. He indicated that he was very impressed with the Forum. He shared that he also attended the Bi-national Drought Science Conference and was very interested in the discussions on climate predictions on drought and he agreed with Director Breitfelder that there was no strong indication on why drought occurs, but that dry spells do happen in

certain periods of times. They also discussed the problems associated with the drought periods.

President Croucher inquired if the World Water Forum provided information on the percentage of potable water that is produced through desalination and if any new resources or technologies were discussed that may be more cost effective. General Manager Watton indicated that this was one of the areas, to his disappointment, that the conference did not focus on as it has in the past. He was expecting more information on desalination and there was very little on the subject. The focus was more environmental. He indicated that it was interesting from that standpoint, but there was not much on technology.

Director Robak indicated that he attended the California WaterReuse Conference in San Francisco and he felt that it is paramount that the State get as much recycled water online as it can to provide additional water supplies. He stated that he feels that the District is doing all it can to utilize as much recycled water as it can and he would like to see other agencies do the same. He indicated with regard to large landscapes, that the District may not be looking at all the issues with regard to setting rates for those who are doing all they can to conserve. He indicated that he would like the District to look more closely at what it can do to not penalize such customers for their large landscapes. He lastly shared that the Water Conservation Garden has been ranked as the second top garden in the Western United States. This is quite impressive and shows the importance of the Garden. He indicated that it is hoped, with this recognition, that it will allow the Garden to raise additional funding.

President Croucher indicated with regard to Drought Pricing, he asked that staff time the discussion with the board retreat or budget workshop, wherever they feel it would be appropriate, and also review it through the Finance, Administration and Communications Committee.

14. PRESIDENT'S REPORT

President Croucher thanked the District for their willingness to participate in the Homeland Security exercises. Homeland Security will be testing new software on top of a District reservoir that will automatically detect wild land fires. He stated that CSDA held a board meeting last week and LAFCO's Executive Director, Michael Ott, had indicated that their nomination committee would be supporting him (President Croucher) for his election to the Alternate Seat on LAFCO's Board of Directors.

15. CLOSED SESSION

President Croucher indicated that there was no need for closed session and that the board will not be meeting in closed session on the following matter:

- a) CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION
[GOVERNMENT CODE §54956.9(a)]
 - (l) SOUTH BAY EXPRESSWAY, L.P. v. OTAY WATER DISTRICT
AND FILED WITH THE SUPERIOR COURT OF THE COUNTY OF
SAN DIEGO, CONSOLIDATED CASE NO. GIC 869386

16. ADJOURNMENT

With no further business to come before the Board, President Croucher adjourned the meeting at 5:42 p.m.

President

ATTEST:

District Secretary