

**SWEETWATER AUTHORITY GOVERNING BOARD
MINUTES OF THE REGULAR MEETING**

January 27, 2010

The Governing Board of Sweetwater Authority held a regular meeting on Wednesday, January 27, 2010, at the Sweetwater Authority Administrative Office, 505 Garrett Avenue, Chula Vista, California. Chair Pocklington called the meeting to order at 3:31 p.m.

- **ROLL CALL**

Directors Present: Ron Morrison, Ted Muehleisen, Bud Pocklington, *Jose Preciado (3:37 p.m.), Maria Rubalcaba, Terry Thomas, Margaret Welsh

Directors Absent: None

Others Present: General Manager Rogers, Operations Manager Smyth, Legal Counsel Cowett, Treasurer Farrow, and Board Secretary Schoonderwoerd. Staff members: Jack Adam, Janet Gonzalez, Bill Olson, George Silva, Don Thomson and Dina Yorba.

- **PLEDGE OF ALLEGIANCE TO THE FLAG**

Director Thomas conducted the pledge of allegiance to the flag.

- **CHAIR'S PRESENTATION**

Chair Pocklington stated that he attended two workshops at the Metropolitan Water District of Southern California (MWD) yesterday; one on a new manual and policy guidance on energy and the other on the 2010-11 budget. He said that MWD has had some tremendous success with the Skinner Plant in Riverside, its first of five solar plants. Skinner is a one megawatt plant on about eight acres; the cost was approximately \$10 million to build with an 8-10 year payback. He noted that the MWD Board does not want to provide this energy during a budget crunch if it is going to mean additional costs to the rates, and they would rather see a partnership with private industry to help pay for it. Regarding the budget workshop, Chair Pocklington noted that there has been a reduction in personnel at MWD; in January 2009, personnel numbered 1,944, and by December 2009 that number dropped to 1,902. In the past two years MWD has eliminated 100 positions, many due to retirements from positions that were not filled. He noted that they are looking at a 12.6 percent rate increase at MWD. If MWD does not sell the 1.9 million acre-feet, they will have to have another 16 percent rate increase the following year. He said that the San Diego delegation is pushing them hard to get into a single digit rate increase, but he is not sure if they will do it. Citing a recent challenge from Bonita resident Jon Miller, Director Welsh inquired how MWD labels where its rate increases come from. Chair Pocklington and Legal Counsel Cowett stressed that the rate structure is a very complicated combination of things. Chair Pocklington noted that we have to pay our bills; if we do not sell enough water, we have to dig into reserves, which means rates would have to be raised the following year. He also noted that MWD has the state water project, which is like a mortgage; they have to pay a certain amount of money every year no matter how much water they sell. General Manager

Rogers added that Sweetwater Authority will be looking at a new rate structure in the near future.

***Note: Director Preciado entered the meeting at 3:37 p.m.**

Chair Pocklington stated that Mr. Miller came to the Finance and Personnel Committee meeting two weeks ago, and he thought his issues were taken care of; but Mr. Miller apparently has found some other things to question. He reiterated that the water pricing structure is very complicated and, as changes were being made in how it was reported to the public, it became even more confusing. Director Muehleisen asked if the majority of workforce cuts at MWD are coming from a certain area, and Chair Pocklington replied that it is a combination of retirements and resignations without replacements. He noted that Sweetwater Authority is looking at its workforce in the same manner. He said that everyone is being forced to cut back, and that the recession is not going to go away over night; it could take four or five years.

- **OPPORTUNITY FOR PUBLIC COMMENT (Government Code Section (54954.3))**

There were no comments from the public.

ACTION CALENDAR ITEMS

1. **ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED IN THE AGENDA**

There were none.

2. **APPROVAL OF MINUTES**

Director Welsh made a motion, seconded by Director Muehleisen, that the Governing Board approve the minutes of the January 13, 2010 meeting. The motion carried.

3. **APPROVAL OF DEMANDS AND WARRANTS**

Director Welsh made a motion, seconded by Director Muehleisen, that the Governing Board approve Warrants 120913 through 121052 including all voided checks. The motion carried.

CONSENT CALENDAR ITEMS

4. **FINANCE AND PERSONNEL COMMITTEE (Meeting of January 20, 2010)**

CONSENT ITEMS

Director Morrison made a motion, seconded by Director Welsh, that the Governing Board approve consent items A and C. Item B was information only. The motion carried.

A. Approve the 2010 membership renewal in the Western Coalition of Arid States and the payment of dues in the amount of \$2,250.

B. Quarterly Report of One-Time Water Bill Adjustment for October through December 2009. This was an information item and no action was required by the Governing

Board.

C. Approve the draft Bylaws of the Council of Water Utilities and the Articles of Association of the Council of Water Utilities in principle.

5. OPERATIONS COMMITTEE (Meeting of January 20, 2010)

CONSENT ITEMS

Director Preciado requested that Item A be pulled for discussion and an overview from staff and legal counsel. Item B was information only.

B. Proposed Groundwater Extraction Project in the Middle Sweetwater River Basin by Otay Water District. This was an information item and no action was required by the Governing Board.

ITEM PULLED FROM CONSENT CALENDAR FOR DISCUSSION

A. Approve the Third Amendment to the Water Purchase Agreement with Poseidon Resources for the Carlsbad Seawater Desalination Project. Director of Engineering Adam provided a brief overview of the third amendment to the original agreement entered into between Poseidon Resources and Sweetwater Authority in 2007. He stated that this amendment is purely an extension of time for the Authority to come to agreement with Poseidon and the other nine partner agencies on a number of issues related to the agreement. We were originally given two years to come to terms on two major items – the avoided cost of the water and the delivery point. Mr. Adam stated that significant progress has been made on those two items; however, discussions have not been finished. There have been two time extensions, but because of all the legal issues that Poseidon has been going through, these items had been set aside. At this point, Legal Counsel Cowett thought it would be appropriate to take this before the Board to advise them that this was the third extension. Director Preciado requested further comment on the issue of where we would accept delivery. Mr. Adam stated that the issues are where Poseidon's costs end, whether delivery is into the third aqueduct, and what percentage of the infrastructure is Poseidon's responsibility versus that of the member agencies. He said that, at this point, this is something that is fairly straightforward; the delivery point for the Authority is into its aqueduct system. In response to an inquiry from Chair Pocklington, Mr. Adam stated that the other partner agencies are extending their agreements as well. General Manager Rogers added that Sweetwater Authority is in a better situation than at least seven of the other agencies because there really is no extra infrastructure needed to get the water to us; it is put directly into the aqueduct and Sweetwater receives it in lieu of another agency taking the water from the plant. The northern agencies have to build infrastructure to get the water from wherever the plant is to wherever the take-off point is to serve their service area. In response to an inquiry from Director Preciado, Mr. Rogers stated that the water will be treated water and we will not have to do anything with it. Mr. Cowett stated that many of the agencies, including Sweetwater Authority, agreed to take the water "in-lieu," which means they need an exchange partner, and there are not as many exchange partners to go around. He said that it has always been the thought that, by the time we got to this point, CWA would be willing to

be an exchange partner for everyone; CWA is the logical choice because it already has the infrastructure. However, CWA is not there yet, and adjustments to some of the agreements are being worked on to solve that particular problem. Mr. Cowett said that the Poseidon partnership has quite a distribution system that is being built up in North County, and a Joint Powers Authority is likely to be formed to build, operate, and manage that distribution system. Mr. Adam added that there is still the potential that we could enter into an agreement with CWA who would take that water and then we would pay a transportation fee. The second alternative that we are working through is to work with a local agency in the North County, who would take the water directly from the plant and then we would take in-lieu water from CWA. In that case there would be no transportation fee.

Director Thomas made a motion, seconded by Director Welsh, that the Governing Board approve the Third Amendment to the Water Purchase Agreement with Poseidon Resources for the Carlsbad Seawater Desalination Project, and authorize the Board Chair to execute the Amendment. The motion carried.

6. NEW BUSINESS

ACWA/JPIA 2010 Executive Committee elections – Call for nominations for three Executive Committee Member positions and the Offices of President and Vice President. Director Welsh, the Board's representative to ACWA/JPIA, did not wish to have her name placed in nomination at this time. No action was taken by the Governing Board.

7. REPORT OF THE SOUTH BAY IRRIGATION DISTRICT REPRESENTATIVE AND THE CITY OF NATIONAL CITY REPRESENTATIVE TO THE SAN DIEGO COUNTY WATER AUTHORITY

Chair Pocklington reported on action items of interest on the January 28th CWA Board agenda. The Board will consider accepting the Asset Management Program Funding Policy for pipelines and facilities. Updates will be given on MWD's issues and activities, and its 2010-11 proposed rates and charges, as well as a report on the Colorado River programs. There will be a closed session dealing with the Quantification Settlement Agreement Judicial Council Coordination Proceeding. Chair Pocklington noted that this could be a long, dragged out legal problem. The Board will consider a professional services contract with Maximus Consulting Services, Inc. to upgrade the PeopleSoft Enterprise resource planning software for a total not to exceed \$1.5 million for the period of February 2010 to September 2011. Also, there will be a closed session on labor negotiations. The Board will consider adopting a position of support on the Safe, Clean and Reliable Water Supply Act of 2010, The Water Transfer Facilitation Act of 2009 (S.1759 and H.R.3750), and The Hoover Power Allocation Act of 2009 (H.R.4349 and S.2891). Chair Pocklington noted that CWA will be getting two awards: 1) the Urban League of San Diego County's President's Award for Diversity, and 2) the Government Finance Officers Association's Distinguished Budget Presentation Award. The Board meeting will also feature the appointment of Director Keith Blackburn, Carlsbad Municipal Water District, and the reappointments of Bill Knutson, Yuima Municipal Water District, and Betty Ferguson, Vallecitos Water District.

8. APPROVAL OF DIRECTORS' ATTENDANCE AT MEETINGS AND FUTURE AGENDA

ITEMS

A. ACWA Regions 8, 9, & 10 Workshop on California's Legislative Water Package Implementation on February 10, 2010 from 1:00 to 3:30 p.m. at the Irvine Ranch Water District, Irvine, CA. Directors wishing to attend this pre-approved event will contact the secretary. No action was required by the Governing Board.

B. WESTCAS 2010 Winter Conference on February 17-19, 2010 at the Embassy Suites, Albuquerque, NM. Directors wishing to attend this pre-approved event will contact the secretary. No action was required by the Governing Board.

9. REPORTS BY DIRECTORS ON EVENTS ATTENDED

Chair Pocklington reported on the meeting that he, Vice Chair Morrison, and Mr. Rogers attended on January 14th with CWA Board Chair Lewis regarding water issues and needs. He said they discussed three items. They told Chair Lewis that Sweetwater Authority would like some assurance that CWA is planning for enough raw water to meet our future needs, an assurance that was made some years ago by two people who are no longer with CWA. With the new emphasis on treated water, Sweetwater would like to make sure its needs are met. He stated that this is tied to Pipeline 6 also, which is a raw water pipeline that MWD has been planning to build. It has been built down to Riverside, and CWA at one point said they did not need it until about 2025, and most recently by 2016. Sweetwater also wanted to know what CWA plans to do with the La Mesa-Sweetwater pipeline extension that is currently used by Otay Water District to deliver treated water. This pipeline used to be the one and only line bringing raw water to Sweetwater Lake (we now have a turnout near the chemical building at the Perdue Plant). It was turned into a treated water pipeline some years ago to serve Otay, but now that Otay is about to get off that line, we are wondering if it could be used as a second, redundant raw water line to Sweetwater. Chair Pocklington noted that the line comes down to the eastern end of Sweetwater Reservoir and is a good backup line, and Sweetwater suggested that maybe water should be run through that line periodically to make sure that it is operating and remains a good backup. The last item Sweetwater suggested was a new CWA member input survey that provides feedback and a rating of CWA from member agencies. The last surveys were conducted in 2003 and 2005, and we believe it is time for another survey. Chair Pocklington reported that CWA should be getting back to us on these discussion points. He mentioned that they also talked briefly about desalination and our concerns about follow-through.

Director Thomas reported on the Council of Water Utilities Meeting of January 19th, which featured a presentation on the current status of CalPERS pensions and investments by George Diehr, an economics professor at Cal State San Marcos and a member of the CalPERS Board. She stated that she could provide a copy of his PowerPoint presentation for anyone who was not able to attend, as it summarizes the essence of his presentation. She stated that she found his presentation interesting and helpful, especially during the economic downturn. She thought a presentation at a future South Bay Irrigation District meeting on all aspects of PERS would be helpful. Chair Pocklington added that one thing Dr. Diehr emphasized was that they had to recoup the loss of money over the last few years. Right now it is about 16 percent, starting in 2012 they want to move that up to about 23 percent, and it will continue to go up until about 2040; so it is going to get more expensive.

Staff showed photos from Chair Pocklington's hosted MWD Hoover Dam/Lower Colorado River inspection trip on January 22-23, which was attended by Director Rubalcaba. Chair Pocklington noted in one of the photos of the dam that it is actually 122 feet from the water line to the top. He pointed out the new \$240 million bridge currently under construction, which is expected to be completed by November. Director Rubalcaba added that the bridge is being built for safety and security purposes following 9/11, because there will be no more traffic allowed on the dam. Operations Manager Smyth reported that he attended the trip as well, and he was especially impressed with the bridge. Chair Pocklington added that the 27 attendees included members of the federal government, city councilmen, and representatives from a wide variety of different water districts. He said that everything went well in spite of the bad weather we had before the trip. He noted that tours of the dam will continue even though there will be no traffic on the dam, but that the MWD tours include areas that are not open to the general public.

Chair Pocklington and Director Morrison attended the Chula Vista Interagency Water Task Force meeting on January 25th. Community Member-at-Large Jon Jamieson was reelected for another year as Chairman, and Otay Water District member Jose Lopez was elected Vice Chair. Chair Pocklington commended Janet Gonzalez for her services as secretarial support since August 2008; Otay will now take over in this capacity. He noted that the meeting included a presentation from John Vrsalovich, MWD's solar expert. Chair Pocklington said he knows that solar costs a lot of money, but he hopes that solar will do a lot for us at some point in the future. Tom Lambert, San Diego County Department of Health, gave a presentation on graywater, including the costs involved. He added that they have issued only one permit in that last year and a half. Chair Pocklington suggested handing out 3 X 5 cards at our community events with contact information for the public because there is a concern that people are using graywater, but the County does not know who they are and if it is being used properly. Director Morrison added that the concern is, without the right backflow regulator in the plumbing system, that water could get mixed in with drinking water. The Task Force also discussed 2010 state/local water pricing and conservation efforts. Chair Pocklington noted that conservation has been doing very well at Sweetwater Authority and at Otay WD, and in general at the CWA. He said that every time we have a drought, people start conserving and they usually stay at that level. We are slowly using less and less water per capita every time there is a drought; if less water is sold, then water prices have to be raised to handle operations.

Director Thomas reported on the Bonita Business and Professional Association Meeting on January 26th. The program featured a comprehensive presentation by Mayor Cox on various aspects of Chula Vista's redevelopment on the borderline between National City and Chula Vista and the tax benefits that will affect both cities. She said that a large shopping center is being planned on that borderline. She added that Mayor Cox mentioned that Sweetwater Authority was the third most conserving water agency in the state of California. Pat Dolan, who recently retired as Executive Director of the Association also received accolades.

Note: Director Morrison left the meeting at 4:17 p.m.

10. REPORT OF TREASURER

Director of Finance Farrow presented the budget report for the month of December and a comparison with the month of November 2009. Water Sales were 7.2 percent under budget and Operating Expenses were 3.5 percent under budget. Ms. Farrow noted that the \$195,000 ACWA-JPIA refund check was posted for January business. She reminded the Board members that they were provided with their 1099s form at their places; next year the Board will receive W2 forms.

11. QUARTERLY REPORT OF DIRECTORS' EXPENSES – 2ND QUARTER FY 2009-10

This spreadsheet report was provided to the Board for information purposes and there were no comments from the Board.

12. MANAGEMENT REPORT

A. Report of Operations Manager Smyth: Mr. Smyth reported on the recent local rainfall. Sweetwater Reservoir is approximately 125 percent over the average, and Loveland Reservoir is heading towards being 135 percent above average. Any more rain that we receive will be very beneficial. Since the last board meeting, Sweetwater Reservoir has gone up almost 1,100 acre-feet of water, and Loveland Reservoir went up almost 2,500 acre-feet.

B. Report of General Manager Rogers: Mr. Rogers reported that last year staff was considering transferring some water from Loveland to Sweetwater Reservoir, but that there was not enough rain to sustain the river to fill up the aquifer, so the transfer did not happen. The water that has moved into Loveland now has afforded the opportunity to transfer water. Mr. Rogers stated that all of the landowners and customers along the Sweetwater River were notified last week and the last contacts are being made with them today to make sure there is nothing in the river bed that could be affected by a release. The plan is to release tomorrow from Loveland Reservoir. The release will start out at 100 cubic feet per second, the next day it will go to 200 cubic feet per second, and finally up to 300 cubic feet per second. Mr. Rogers said that the decision to transfer was made because there is no rain in the forecast right now and the longer we wait, the likelier the chance is that the river bed is going to dry up even more, and the arroyo toads will move down into the river bed. Once they show up, we will not be able to transfer. It is hoped to bring down about 6,000 acre-feet; with about a 20 percent loss, we are hoping to get about 5,000 acre-feet down into Sweetwater Reservoir. Mr. Rogers reported that, as of today, Loveland is about 54 percent full and will go to about 30 percent full after the transfer; Sweetwater is about 45 percent today and will go to about 64 percent full when the transfer is complete. The transfer will take about three weeks. Mr. Rogers noted that every acre-foot translates to about \$600, so the transfer could mean about \$3.2 million. Director Preciado asked how this affects the budget. Mr. Rogers stated that it will help us out about one month against the budget, and that some of this will follow into next year's budget. Director Welsh inquired about the status of the Hoody family, and Mr. Rogers stated they have been notified and are aware that they will have to cross the Authority's property (in East County). In response to an inquiry from Director Thomas, Mr. Rogers stated there will be a press release going out today to the newspapers. Mr. Rogers noted that the initial release is no greater than what the river is holding right now in certain places, so most of the landowners have removed whatever they need to from the river bed because the water is flowing already. The golf courses need to make sure they remove their

low bridges and take care of all the maintenance they need to prepare for the release. Mr. Rogers noted that in the last ten days we have had about five inches of rain in Loveland and just under four inches at Sweetwater. In closing, Mr. Rogers added that today is the first live broadcast of the Board meeting to all Sweetwater Authority desktop PCs.

13. DIRECTORS' COMMENTS

Director Thomas distributed a copy of a letter for the Board's information (regarding the California Water Policy 19 Conference), which she received from Michael Meacham. She encouraged participation in this at some level and possibly the consideration of a \$1,000 sponsorship with two registrations for the conference. She said she has heard about this for a number of years and always missed out on the participation herself, but it is very beneficial. She said she is going to look into going and would like to see staff, as well as potential or active water professionals from diverse backgrounds participate in this conference. She noted that Debbie Dodson is the conference organizer, and she is Michael Meacham's wife; this agency and its activities has been her passion.

Chair Pocklington commented that the loss of a mother is a terrible thing to go through and that Director Morrison lost his mother today. He asked the room to observe a moment of silence.

14. CLOSED SESSION

There was none.

15. ADJOURNMENT

With no further business before the Board, Chair Pocklington adjourned the meeting at 4:33 p.m.

W.D. Pocklington, Chair

Attest:

Rita Schoonderwoerd, Board Secretary