

**MINUTES OF THE
SPECIAL MEETING OF THE BOARD OF DIRECTORS
OTAY WATER DISTRICT
November 19, 2007**

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

Directors Absent: None

Staff Present: General Manager Mark Watton, Asst. GM Administration and Finance German Alvarez, Asst. GM Engineering and Water Operations Manny Magana, Chief of Information Technology Geoff Stevens , Chief Financial Officer Joe Beachem, Chief of Operations Pedro Porras, Chief of Engineering Rod Posada, Chief of Administration Rom Sarno, General Counsel Aerobel Banelos, Conservation Manager William, Granger, District Secretary 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 Bonilla, Breitfelder, Croucher, Lopez and Robak
Noes:	None
Abstain:	None
Absent:	None

to approve the agenda.

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

No one wished to be heard.

WORKSHOP

6. WATER SOLUTIONS AND BAY DELTA UPDATE

General Manager Watton indicated that as many may have heard on the news or read in the papers, the situation on the Bay Delta is very tenuous today. He stated that he will be reviewing the Bay Delta situation and the water supply picture. He

indicated that there are also uncertainties in the Colorado River due to the drought and the fact that it is now fully subscribed whereas in past the Metropolitan Water District (MWD) had the full Colorado River aqueduct to fall back upon (1.3 million acre feet [AF]). He stated that this year, MWD will only be taking an amount closer to its full entitlement which is just over 600,000 AF. Another impact to water supply is the Bay Delta which is in a "judicial drought" as a result of the Endangered Species Act (ESA) issues. He indicated that he would be talking more about the Delta later in the meeting.

He presented a slide which notes San Diego County Water Authority's (CWA) available water supply through various resources (see attached copy of presentation) totaling approximately 812,367 AF. He noted that voluntary conservation (through the 20 Gallon Challenge Program), currently, represents approximately 51,089 AF, but in future (2009 or 2010) we may be requiring mandatory conservation. He noted that the Otay's website also highlights the "20 Gallon Challenge" and he encouraged the board, along with staff, to participate. He noted that some water agencies have taken action to make water conservation mandatory such as Long Beach Water Department.

He indicated that the water from the Bay Delta represents approximately 30% of Southern California's supply. He noted that San Francisco, East Bay and Oakland seem to believe that they are not affected by the Bay Delta issues. However, 33% of their water supply, on average, originates from the Bay Delta. In some regions of the East Bay area, up to 100% of their supply is from the Bay Delta. He stated that these areas are just now realizing that they are just as dependent on the Bay Delta as Southern California. In areas where they are 100% dependant, there will be more dire consequences to the judicial drought caused by the ESA issues.

General Manager Watton indicated on a slide within his presentation where the water to the Bay Delta originates. He indicated that 80% of the inflow is from the Sacramento River (good quality water) and 15% originates from the San Joaquin River (poor quality water). The Bay Delta also receives water from the East Side Rivers (5%) which is good quality and ocean which has high salinity.

He also presented a slide showing how water flows from the Bay Delta to the State Water Project (SWP) and the Central Valley Project (CVP) pumps. He stated that Southern California receives its water from the SWP and when the pumps are turned up to take their full allotment from the Bay Delta, they are pulling more water from the San Joaquin River and the ocean which is poor quality water and, thus, impacting water quality. He indicated that one of the challenges is how we improve the water to avoid the water quality issues.

He noted that a ruling was made in the Federal Court by U.S. District Judge Oliver Wanger (September 2007) to cut back water flow from the Bay Delta due to the Delta Smelt. He indicated that the court decision essentially restricts the north-to-south flow of water as a requirement to protect the Delta Smelt (a listed fish species under the ESA). The Delta cutback impacts water management and, thus, our region's Integrated Resources Plans due to the following supply losses:

- Loss of Export Supply
- Loss of Voluntary Transfers
- Loss of Replenishment Water for Storage

The water agencies developed a “blueprint for California water” for a solution to the State’s water situation which includes many things that the State can do from water quality to desalination. The blueprint included the following:

- Improve the existing Delta water conveyance system.
- Evaluate long-term threats to the Delta system.
- Ensure delivery of adequate Colorado River supplies.
- Implement and Fund the Sacramento Valley Water Management Program.
- Develop additional groundwater and surface water storage.
- Support and fund local efforts to recycle water and implement best management practices.
- Improve the quality of California’s drinking water.
- Work with local agencies to develop seawater and brackish groundwater desalination.
- Modernize the federal Endangered Species Act.
- Expedite the approval process for voluntary water transfers.
- Clarify and expand the state’s role in flood control.
- Support integrated regional water management plans.

It was indicated that Judge Wanger’s issues are:

- How do we get the proper permits
- How do we address the existing ESA issues without modification to the Act (There is some movement to make changes to the ESA to modernize it.)

General Manager Watton noted that it is highly unlikely that changes to the ESA would occur as it would be very difficult. He stated that it will take approximately 18 months for the Department of Water Resources to obtain the proper permits. He stated that there are other short-term improvements that can be made to the Delta to avoid killing the smelt and some longer term things that can be done.

He stated in today’s environment, we will need to respond to the environmental concerns and that mitigation/improvements will no longer be acceptable. A comprehensive solution must be developed. Solutions will need to include substantial investments in water use efficiency, such as, recycling, efficient devices (appliances, toilets, etc.), and desalination. We will also need to balance diverse interests which include:

- Senate Democrats and environmental groups believe California does not need to build new reservoirs. Instead, the state should rely on conservation, underground storage and boosting the height of existing dams. They insist “Increase conservation measures could make new dams unnecessary.”
- Legislative Republicans and farmers are among those saying new reservoirs are needed as part of any response to global warming.

- Gov. Schwarzenegger believes boosting surface storage must be part of the state's long-term water planning. He also advocates desalination, among other measures.
- Urban users want a reliable, high-quality, and environmentally sustainable water supply.

He stated with regard to the large dams and reservoirs that are included in some of the bond issues, they really benefit the farmers in the Central Valley. He stated that this is where ACWA and some agencies in Southern California do not agree. ACWA supports the large dams and reservoirs as they are more dominated by the large farming interest and, thus, it is natural for them to be supportive. However, for the 18 to 20 million people that live in the southern portion of the state, the dams and reservoirs would have very little benefit to this region.

He indicated that urban users must be prepared to pay for the improvements. If the urban users pay, they (we) will demand reliable and high-quality water (this is new). He stated that urban users would also like the bond issue to pay for some of the environmental backbone work. However, the farmers would like the bond issue to pay for the whole reservoirs and dams. The agencies have proposed to a few legislators that the farmers should be placed at the same level as urban users. The farmers would be provided bond monies to pay for feasibility and environmental studies. However, they would be responsible to pay for the bulk of the project. He indicated this is how it has been handled by the State Water Project historically.

He noted that a near-term possible action includes what is termed an "eco-crescent" which is weirs that can be installed in the Delta to raise water levels. This will avoid impacting the smelt habitat. He stated that the weirs can be removed as well as the water levels change or the smelt migrate. He stated the cost for this solution is approximately \$200 million and could be completed in approximately three (3) years.

He noted that we are coming to realize that we will not be continually increasing our take from the Delta, so large peripheral canal facilities are no longer needed and we must determine what our real requirements are to water supply needs. This is what is being studied when determining facilities either through or around the Delta.

General Manager Watton indicated that there are two competing bond issues. The Republican issue concerns the construction of large dams in the central area and is supported by the Governor (approximately \$9 billion). Senator Pro Tem Don Perata's measure does not include monies for Delta conveyance, but includes approximately \$2 billion for environmental work and he is modifying his proposal to include the funding by urban users of some facilities (pay-to-play) to bring stability and reliability of the supply through the Delta (Perata's bond measure is approximately \$6 billion). He stated that there is talk by the Republican side to also make this modification. The two groups are also trying to work together to develop a bond measure that both could agree upon as neither group wishes to have competing bond issues on the ballot. There has been discussion that it would be a \$10 billion measure and would include dams, environmental, pay-to-play for urban

users, and funding for projects for different regional areas of California (ie, additional funding for the All American Lining and the San Vicente Dam, etc.).

In the short-term we will need to push water conservation (possibly mandatory conservation in 2009-2010), determine some short-term solutions to the Delta issue and in the long-term we will need a State vote on a bond measure to solve the environmental and water issues in the Bay Delta for the long-term.

7. REVIEW OF CURRENT BOARD POLICY ON CONTINGENCY PLANNING FOR DROUGHT MANAGEMENT AND DIRECTION FOR FUTURE

Water Conservation Manager William indicated that he would be providing an overview of Section 39, Conservation and Water Shortage Response Program, of the District's Code of Ordinances. He stated that approximately two years ago, as part of the Urban Water Management Plan, staff updated Section 39 and a number of other sections. He stated that the changes made during that time are reflected in today's presentation. He indicated the District has three stages which is very similar to San Diego County Water Authority's (CWA) Drought Response Plan, but is not identical. He reviewed each stage:

- Stage I: Temporary general water supply shortage due to increased demand or limited supplies.
- Stage II: Long-term shutdown or unscheduled shutdown, major system disruption, or multi-year drought; dependent on the severity and estimated duration of the water shortage.
 - This stage is expected to be implemented in 2009 or 2010.
 - Water savings targets during State II range from 1% to 50%.
- Stage III: Major unscheduled shutdown or disruption to the treated or untreated water systems such as those caused by natural disaster, major system failure, or acts of war.

He presented slides indicating prohibited water practices and the stage in which they become prohibited (see attached copy of presentation). He noted that some practices within the different stages would only be implemented if a 15%, 25% or 50% reduction in water use was required. He noted that staff is aware that the District's code (Sections 25 and 39) has some discrepancies with regard to "mandating" or in "consider mandating" certain restrictions. He indicated that staff will be meeting Wednesday, to discuss direction with regard to these areas of the code.

He also noted that the code in Section 39 also outlines violations and charges to customers who do violate the ordinance which includes:

- 1st Violation: Letter of Warning
- 2nd Violation: Notice of Violation to customer who received 1st Violation Letter within a 12-month rolling year.
- 3rd Violation: \$100 surcharge within 12-month rolling year.
- 4th Violation: \$200 surcharge within 12-month rolling year.
- Subsequent Violations: \$400 surcharge within 12-month rolling year.

- Other preventative measures may also be taken by the District beginning with the 2nd violation.

He stated that limiting or discontinuing service to a customer may be imposed for violations or repeated violations by a customer. Staff may also install flow restrictors, temporarily deactivate a meter, or discontinue service.

General Manager Watton inquired of the board how they would like to proceed when enforcing water use prohibitions to promote water conservation:

- Mandate prohibited uses
- Provide a water budget to customers and not necessarily indicate when they can water
- Fine all customers for over water use, or just the large water users

He stated there are a number of questions that need to be reviewed to fine tune how the District wishes to approach water use management, especially as supplies become tighter.

Director Bonilla inquired about other agencies and what they were doing. General Manager Watton indicated that the City of Long Beach and Fallbrook Municipal Water District have declared mandatory conservation. The City of Long Beach has mandated even and odd watering days for their customers, prohibited watering between 7:00 a.m. and 6:00 p.m., and prohibited customer from washing their cars on their driveways. He stated that they also have personnel who travel their water district and enforce the mandates.

He stated the City of San Diego wishes to request users to voluntarily conserve as long as possible and the agencies around the District indicate that they wish to be in concert with the City of San Diego. The agencies feel that they should all move together so that they are all uniform in their mandates which provides for a stronger message.

Director Bonilla inquired what would occur with the water that is wheeled to Mexico. General Manager Watton indicated that to the extent that we have room to wheel water to Mexico (in the past we had system constraints), we would continue to do so. General Manager Watton indicated that this is something that we would need to clarify.

Director Croucher indicated that he must leave the meeting. He stated that there was good discussion on this issue at today's meeting and he suggested that the issue be forwarded to the Conservation Committee for further discussion. He turned the meeting over to Vice President Lopez and left the meeting at 4:25 p.m.

Director Robak inquired how the District is affected by the agricultural cutbacks. General Manager Watton indicated that the District's "interruptible" agricultural water is approximately 100 acre feet (AF). A 30% reduction is approximately 30 AF.

Director Bonilla left the meeting at 4:30 p.m.

Director Robak indicated that he is hearing that CWA and the Metropolitan Water District (MWD) indicate that if we have another dry winter, our region could be facing 30% cutbacks by the summer of next year. He asked if the 30% cutback affects only agricultural users.

General Manager Watton indicated that there is a little confusion in the message. He stated that the agricultural cutback (Interim Agricultural Program [IAP]) becomes effective January 1, 2008. He stated for all other users, we are currently in the voluntary 20 Gallon Challenge Program with the goal of cutting water use in the county by 10%. He stated that CWA and MWD have reviewed water supplies and feel that the region should be in good shape through the end of Fiscal Year 2008. In Fiscal Year 2009, General Manager Watton indicated that he believed that we will be looking at 15 to 20% cutback which may require mandatory prohibitions.

General Manager Watton indicated that though we may get good rain this winter, due to the judicial drought (environmental issues in the Bay Delta), we still will not be out of the woods. The MWD has decided to spread their storage supplies over a number of years, which requires that we conserve water in 2009 and 2010 to make up for supplies lost due to the judicial drought. He stated we need to get past the judicial drought and felt that in the near term we need to get the bonds approved and get the proper permits issued, which will end the judicial drought. By 2015 to 2020, if we have a little more normal rain year and we implement the longer-term/permanent fixes, then we will have a more stable supply.

There was a long discussion by the board in how to educate the public to conserve and in developing a universal conservation program that would be promoted throughout MWD's territory. Currently, the programs throughout the region are all different. It was indicated that the agencies need to be proactive now to try to get people to change before things get critical.

8. ADJOURNMENT

With no further business to come before the Board, Vice President Lopez adjourned the meeting in at 4:53 p.m.

President

ATTEST:

District Secretary