



4677 Overland Avenue
San Diego, California 92123

FORMAL BOARD OF DIRECTORS' MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

June 26, 2008

3:00 p.m.

1. Call to Order.
2. Salute to the flag.
3. Roll call, determination of quorum.
3-A Report on proxies received.
4. Additions to agenda. (Gov. code Sec. 54954.2(b)).
5. Approve the minutes of the Special meeting of the Engineering and Operations Committee of May 14, 2008 and the Formal Board of Directors' meeting of May 22, 2008.
6. Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.
7. **PRESENTATIONS & PUBLIC HEARINGS**
 - 7-A Appointment of Director. Elsa Saxod representing city of San Diego. Term expires March 7, 2010.
 - 7-B Retirement of Director. Adopt Resolution No. 2008-__ honoring Gregory M. Quist upon his retirement from the Board of Directors.
 - 7-C Appointment of Director. Mitchell S. Dion representing Rincon del Diablo Municipal Water District. Term expires June 20, 2014.

8. REPORTS BY CHAIRS

8-A Chair's report – Chair Steiner.

8-B Report by Committee Chairs

Engineering and Operations Committee

Legislation, Conservation and Outreach Committee

Water Planning Committee

Imported Water Committee

Administrative and Finance Committee

Director Ferguson

Director Tu

Director Lewinger

Director Croucher

Director Wornham

9. CONSENT CALENDAR

9- 1. Discussion and consideration of Fiscal Years 2008 and 2009 mid-term budget update.

Administrative and Finance Committee recommendation:

Recommend adoption of the mid-term budget adjustments, to the full Board at the June 26, 2008 Board meeting.

Multi-Year Budget for FY 2008 and 2009 (“multi-year budget”): Approve the reallocation of \$1.65 million within the operating budget to fund the enhanced conservation campaign; and

CIP Lifetime Budget: Amend the CIP Lifetime Budget from \$3.653 billion to \$3.731 billion, which is an increase of \$78.7 million or approximately 2.2%. This action adds \$31.0 million for the new Vidler/Semitropic Water Storage project, of which \$30.4 million is reimbursable by State grant funds; and this action increases the project lifetime budgets for three existing CIP projects (San Vicente Pipeline, Lake Hodges Project and Mission Trails Tunnel) by a total \$47.7 million.

9- 2. Quitclaim of access road easement to underlying property owner.

Authorize the quitclaim of the Water Authority's access road easement, located west of the Second Aqueduct right of way, to the underlying property owners of APN 127-110-81, Terry J. Brown and Michael S. Hefner.

9- 3. Purchase of one replacement 24-inch plunger valve from Southwest Valve & Equipment.

Approve purchase of one replacement 24-inch plunger valve from Southwest Valve & Equipment for \$108,889. Water Authority staff will complete installation of the valve as part of the Valve and Venturi Meter Replacement Program.



- 9- 4. Amendment to professional services contract with Parsons Water and Infrastructure, Inc. for the ESP - San Vicente Pipeline and Aqueduct Interconnect project.
Accept Amendments One through Seven in the amount of \$144,800, and approve Amendment Eight for \$7,900,000 to provide design and construction support services due to the differing site condition and schedule extension, increasing the contract amount from \$14,000,000 to \$22,044,800.
- 9- 5. Amendment to professional services contract with Jacobs Associates for the ESP - San Vicente Pipeline and Aqueduct Interconnect project.
Accept Amendments Six through Ten in the amount of \$127,210. Approve Amendment Eleven for \$1,600,000 to provide claim and construction support services due to the differing site condition and schedule extension to January 2011, increasing the contract amount from \$16,127,210 to \$17,727,210.
- 9- 6. Change order to Shea-Traylor Joint Venture for the ESP - San Vicente Pipeline and Aqueduct Interconnect project.
Approve Change Order 45 for the interim payment, for costs associated with the differing site condition in Reach 4 East, in the amount of \$1,038,000 increasing the contract from \$12,933,111 to \$13,971,111.
- 9- 7. Amendment to professional services contract with MWH Americas, Inc. for the ESP-Lake Hodges Pump Station/Inlet-Outlet project.
Accept Amendment Eight in the amount of \$248,000. Approve Amendment Nine for \$977,000, to provide claim and construction support services due to a schedule extension through November 2009, and increase technical support to start-up and commission the facility, increasing the contract amount from \$10,180,000 to \$11,157,000.
- 9- 8. Amendment to professional services contract with Able Patrol and Guard to provide continued security services for the ESP Lake Hodges projects.
Accept Amendment One in the amount of \$41,000. Approve Amendment Two for \$129,000 to provide security services at the Lake Hodges ESP construction site due to a schedule extension through August 2009, increasing the contract amount from \$216,000 to \$345,000.
- 9- 9. Professional services contract with Parsons/Black & Veatch Joint Venture for the ESP - San Vicente Dam Raise and Carryover Storage project.
Award a professional services contract to Parsons/Black & Veatch Joint Venture, for \$28,561,000 to provide construction management services for the ESP - San Vicente Dam Raise and Carryover Storage project.

- 9-10. Amendment to professional services contract with Black & Veatch Corporation for the ESP - San Vicente Pumping Facilities project.
Approve Amendment Eight in the amount of \$600,000 to design an alternate pump station test method due to the schedule extension of the San Vicente Pipeline's construction, and for on-site designer construction support services, increasing the contract amount from \$7,450,170 to \$8,050,170.
- 9-11. Agreement with San Diego Gas and Electric to participate in a Water/Energy Pilot Program.
Authorize the General Manager to enter into an agreement with SDG&E and participating member agencies and customers, for the purpose of implementing a water/energy pilot program.
- 9-12. Adopt positions of:
- SB 691 (Calderon, R.) – Support
 - AB 885 (Calderon, C.) – Oppose, unless amended
 - AB 1806 (Wolk) – Oppose, unless amended
- Adopt positions of: Support, on SB 691 (Calderon, R.); Oppose, unless amended, on AB 885 (Calderon, C.); Oppose, unless amended, on AB 1806 (Wolk).
- 9-13. Environmental Program Manager Contract with Jones & Stokes Associates, Inc.
Authorize execution of a professional services agreement with Jones & Stokes to provide Environmental Program Manager consulting services for four years in an amount not-to-exceed \$3,000,000
- 9-14. Amend professional services contract with A&N Technical Services, Inc., to provide drought response planning technical assistance and increase contract amount by \$50,000.
Amend the professional services contract with A&N Technical Services, Inc., to provide drought response planning technical assistance and increase the contract amount by \$50,000 for a total not to-exceed amount of \$75,000.
- 9-15. Approve Principles of Understanding between the Water Authority and city of San Diego regarding implementation of the San Vicente Dam Raise and Carryover Storage Project.
Authorize the General Manager to enter into Principles of Understanding with the city of San Diego for implementation of the San Vicente Dam Raise and Carryover Storage Project.
- 9-16. Contract with MSC Janitorial Services for janitorial services for the Kearny Mesa and Escondido offices.
Exercise option to extend the MSC Janitorial Services contract for 24 months in an amount not-to-exceed \$100,560 increasing the total contract amount to \$148,377.



- 9-17. Treasurer's report.
Note and file monthly Treasurer's report.
10. ACTION / DISCUSSION
- 10-1. Public Hearing: Water Authority rates and charges for fiscal year 2008-2009 and calendar year 2009, and continue the annual Standby Availability Charge for fiscal year 2008-2009 as currently imposed.
Administrative and Finance Committee recommendation: Adopt Ordinance No. 2008-__ setting the rates and charges for delivery and supply of water, use of facilities and provision of services for fiscal year 2007-2008 and calendar year 2008 and adopt Ordinance No. 2008-__ continuing the Water Standby Availability Charge at its current level. (Action)
11. CLOSED SESSION(S)
- 11-A CLOSED SESSION:
Conference with Real Property Negotiator
Government Code §54956.8
Property: Semitropic-Rosamond Water Bank Authority – Groundwater Basin Storage Rights and Water
Agency Negotiators: Daniel Hentschke, Dennis Cushman, Gordon Hess, Debbie Espe
Negotiating Parties: Designated representatives of Semitropic-Rosamond Water Bank Authority
Under Negotiation: Price and terms of acquisition
- 11-B CLOSED SESSION:
Conference with Real Property Negotiator
Government Code §54956.8
Property: Water, water storage and recovery rights of Vidler Water Company, Inc. in the Semitropic Water Storage District's groundwater banking program.
Agency Negotiators: Dennis Cushman, Daniel Hentschke, Bob Campbell, Gordon Hess, Debra Espe
Negotiating Parties: Designated representatives of Vidler Water Company, Inc., a wholly owned subsidiary of Pico Holdings, Inc.
Under Negotiation: Price and terms of acquisition
12. SPECIAL REPORTS
- 12-A GENERAL MANAGER'S REPORT – Ms. Stapleton
12-B GENERAL COUNSEL'S REPORT – Mr. Hentschke
12-C ACWA-JPIA REPORT – Director Linden
12-D SANDAG REPORT – Director Dailey
SANDAG Subcommittee: Borders/Regional Planning Committee – Director Williams
12-E AB 1234 Compliance Reports – Directors



13. OTHER COMMUNICATIONS

14. ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: The agendas for the Formal Board meeting and the meetings of the Standing Committees held on the day of the regular Board meeting are considered a single agenda. All information or possible action items on the agenda of committees or the Board may be deliberated by and become subject to consideration and action by the Board.

SPECIAL ENGINEERING AND OPERATIONS COMMITTEE

May 14, 2008

1. and 2. CALL TO ORDER / ROLL CALL

Chair Ferguson called the Special Engineering and Operations Committee meeting to order at 10:01 a.m. Committee members present were Chair Ferguson, Vice-Chair Bowersox, Vice-Chair Johnson, Directors Brammell, Morrison, Petty, Pocklington, Smith and Thompson. Committee members absent were Directors Barrett, Hogan, Knutson, Lizzul and Tu. Also present were Directors Dailey, Martin, Price and Wornham. The following Directors arrived during closed session: Croucher, Hilliker, Muir and Watton. At that time, there was a quorum of the Committee. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Lanspery and Belock, Director of Engineering Stif, Director of Operations and Maintenance Eaton, Director of Right of Way Rose, Engineering Manager Bousquet, Engineering Manager Reed, Construction Administrator Griffis, Principal Engineer Shoaf, Special Projects Manager C. Stewart, and Operations and Maintenance Manager Galleher.

3. PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

4. CLOSED SESSION

CLOSED SESSION: San Vicente Pipeline Project.
Conference with Legal Counsel – Potential Litigation Status
Government Code §54956.9(b) – Differing Site Condition Claim

5. CLOSED SESSION

CLOSED SESSION: Lake Hodges Projects.
Conference with Legal Counsel – Potential Litigation Status
Government Code §54956.9(b) – Differing Site Condition Claim

The Committee went into Closed Session at 10:03 a.m. The Committee reconvened at 11:21 a.m. General Counsel Hentschke stated there were no reportable actions taken on the closed session items.

6. SDG&E Master Power Purchase and Sale Agreement- Lake Hodges/ Olivenhain Pumped Storage Project.

Ms. Stewart gave a presentation updating the Committee on the status of negotiations of the SDG&E Master Power Purchase and Sale Agreement for the Lake Hodges/Olivenhain Pumped Storage Project. Ms. Stewart also provided background information on the agreement and project. The Committee discussed several aspects of the current agreement as well as the present status.

7. FY 2008-2009 CIP Budget Update.

7-A Status and accomplishments.

7-B Staff recommendation to support CIP Mid-Cycle Budget adjustment.

Mr. Shoaf provided a presentation and information regarding the FY 2008-2009 CIP Budget Update, which included a budget profile, milestones, forecast expenditures, schedule delays for three projects and discussed staff's recommendation to include adoption of a mid-cycle CIP Budget increase of \$41.2 million to complete CIP work through the end of fiscal year 2009.

Director Petty moved that the Engineering and Operations Committee request the Administrative and Finance Committee include in the June CIP Budget workshop a discussion of the financial implications to the CIP as a result of the changed circumstance. Director Thompson seconded the motion and it was passed unanimously.

8. San Vicente Dam Raise and Carryover Storage Project - Construction Management Services Selection process and negotiations status.

Mr. Reed provided a presentation on the San Vicente Dam Raise and Carryover Storage Project, which included a project overview, construction management activities, selection process, and status of contract negotiations.

9. Pipeline 4 Repair update.

Mr. Galleher and Ms. Henry provided a presentation on the repair of Pipeline 4 at the San Diego River, which included information on the acoustical fiber optic monitoring, pipe MK 911 repair, wire break history and pipe wire break locations.

10. Questions and Answers.

11. Adjournment.

Chair Ferguson adjourned the Engineering and Operations Committee meeting at 12:07 p.m.

Betty Ferguson, Chair
Engineering and Operations Committee

**MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
May 22, 2008**

ENGINEERING AND OPERATIONS COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Ferguson called the Engineering and Operations Committee to order at 9:00 a.m. Committee members present were Chair Ferguson, Vice Chair Johnson, Directors Barrett, Brammell, Hogan, Knutson, Petty, Smith, and Thompson. Committee member Pocklington arrived at 9:03 a.m. Committee members absent were Vice Chair Bowersox, Directors Lizzul, Morrison and Tu. Other Board members present were Directors Arant, Bond, Dailey, Hilliker, Hogan, Lewinger, Lewis, Martin, McMillan, Parker, Price, H. Williams, K. Williams and Watton. At that time, there was a quorum of the Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Lanspery, Assistant General Manager Cushman, Director of Engineering Stiff, Director of Right of Way Rose, Director of Operations and Maintenance Eaton, Principal Engineer Garvey, Engineer P.E. Yang, Engineer II Valenzuela, Operations and Maintenance Manager Galleher, and Construction Administrator Griffis.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Chair Ferguson announced that the Water Authority was one of six "finalists" for ACWA's Claire Hill Award for our program "Leading The Way- To Be A Public Agency Of Choice". The award recognizes exemplary programs developed by ACWA member agencies that demonstrate success in creatively addressing water industry issues. Our submission highlighted our efforts to enhance our bidding process and improve our outreach with contractors, consultants and other public agencies to become an agency of choice. She congratulated staff on a job well done. She reminded the Board of the Engineering and Operations Committee Annual Tour scheduled for Thursday, June 5, 2008.

I. CONSENT CALENDAR

1. Professional services contract with M.J. Schiff & Associates, Inc., dba: Schiff Associates for corrosion engineer and technician support services.

Staff recommendation: Award a professional services contract to M.J. Schiff & Associates Inc., dba: Schiff Associates, to provide corrosion engineer and technician support services for an amount

not-to-exceed \$2,000,000, or until June 30, 2011, whichever occurs first.

2. Professional services contract with Boyle|AECOM for as-needed pipe condition assessment and forensic engineering support services.
Staff recommendation: Award a professional services contract to Boyle|AECOM for as-needed pipe condition assessment and forensic engineering support services to support the Capital Improvement Program projects, for an amount not-to-exceed \$500,000 or for a period of four years, whichever occurs first.
3. Amended agreement for legal services with Duncan & Allen.
Staff recommendation: Authorize the General Counsel to execute the amended agreement for legal services with Duncan & Allen, establishing new hourly rates and increasing the contract limit by \$25,000 to \$75,000.
4. Amended agreement for legal services with Hawkins, Delafield & Wood.
Staff recommendation: Authorize the General Counsel to execute the amendment to the agreement for legal services with Hawkins, Delafield & Wood, increasing the contract limit by \$100,000 from \$875,000 to \$975,000.

Vice Chair Johnson moved to approve the consent calendar, Director Petty seconded and the motion carried unanimously.

II. ACTION/DISCUSSION

1. Construction contract to L.H. Woods and Sons, Inc. for the Relining of Pipeline 3 from State Route 52 to Lake Murray.
Staff recommendation: Award a construction contract to L.H. Woods and Sons, Inc., in the amount of \$19,999,999 for the Relining of Pipeline 3 from State Route 52 to Lake Murray.

Mr. Garvey provided a presentation regarding the award of the construction contract to L.H. Woods and Sons, Inc. for Relining of Pipeline 3 from State Route 52 to Lake Murray. The presentation included project features and location information, information on community and contractor outreach, bid results and bid irregularities.

Following a few questions from the Committee, Director Pocklington moved to approve staff's recommendations, Director Knutson seconded and the motion passed unanimously.

2. Change order for the ESP - San Vicente Pipeline and Aqueduct Interconnect project.

Staff recommendation: Approve change order 44 for the interim payment for costs associated with the differing site condition in Reach 4 East in the amount of \$880,000, for a total increase to date of \$12,933,111.

Mr. Griffis provided a presentation on the San Vicente Pipeline and Interconnect project which included information regarding construction progress and budget impacts.

Director Petty moved to approve staff's recommendation, Director Johnson seconded and the motion passed unanimously.

III. INFORMATION

None

IV. CLOSED SESSION

None

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Ferguson adjourned the meeting at 9:27 a.m.

IMPORTED WATER COMMITTEE

CALL TO ORDER/ROLL CALL

Vice Chair Knutson called the Imported Water Committee to order at 9:37 a.m. Committee members present were Directors Brammell, Ferguson, Lewinger, Linden, Martin, McMillan, Parker, Price, Steiner, and Williams. Directors Croucher and Lizzul were absent. Director Linden arrived at 9:40 a.m., and Chair Steiner arrived at 9:53 a.m. Also present were Directors Arant, Barrett, Bond, Dailey, Hilliker, Hogan, Johnson, Lewis, Muir, Petty, Pocklington, Saunders, Smith, Thompson, Tu, Watton, and Williams. At that time, there was a quorum of the Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote. Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Lanspery, Assistant General Manager Cushman, MWD Chief Chen, Colorado River Programs Director Razak, and others.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Vice Chair Knutson stated a new schedule for next year's MWD inspection tours would be available in June. He stated the Biological Assessments of State Water Project and Central Valley Project operations were recently submitted to the U.S. Fish and Wildlife Service and the National Marine Fisheries Service. These assessments were a necessary step for the new biological opinion for the projects' operations, due in September.

4-A Director's comments.

There were no Director's comments.

I. CONSENT CALENDAR

There were no items on the consent calendar.

II. ACTION/DISCUSSION

1. MWD Issues and Activities update.

1-A Metropolitan Water District's Delegates report.

Directors Bond and Pocklington commented on MWD's interim agricultural water and replenishment programs that are currently under review at MWD.

1-B Metropolitan Water District's Interim Agricultural Water Program (IAWP) update.

Ms. Chen presented on current activities of MWD's IAWP. She stated in May MWD staff reported on MWD's Long Range Finance Plan workgroup's recommendation that MWD use a six-month process to evaluate various future options for the IAWP program. The MWD board will consider the recommendation in June.

Following the presentation, directors asked questions and made comments regarding the need for MWD to work with the business and agricultural communities regarding the water supply situation that affect agricultural water programs.

III. INFORMATION

1. Presentation on Binational efforts and Colorado River management.

Ms. Razak presented on the United States and Mexico's cooperation on the Colorado River. She said that informal conversations regarding Colorado River issues between entities from both countries had developed into a formal process headed by the International Boundary and Water Commission (IBWC), which the Water Authority was participating in through the Colorado River Board of California.

Following the presentation directors asked questions and made comments.

The following item was noted and filed:

2. Metropolitan Water District Program report.

IV. CLOSED SESSION

There were no Closed Sessions.

IV. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Vice Chair Knutson adjourned the meeting at 10:31 a.m.

WATER PLANNING COMMITTEE MEETING

CALL TO ORDER / ROLL CALL

Chair Lewinger called the meeting to order at 10:40 a.m. Committee members present were Vice Chair Muir and Saunders, Directors Arant, Barrett, Dailey, Lewis, Linden, Martin, McMillan, Parker, Steiner, and Watton. Committee member absent was Director Bowersox . Also present were Directors Bond, Brammell, Ferguson, Hilliker, Hogan, Johnson, Knutson, Morrison, Petty, Pocklington, Price, Quist, Smith, Thompson, Tu, H. Williams, and K. Williams. At that time, there was a quorum of the full Board and the meeting was conducted as a meeting of the Board; however, only Committee members participated in the vote. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Lanspery, Assistant General Manager Cushman, Director of Water Resources Weinberg, Water Resources Manager Yamada, and Principal Water Resources Specialist Friehauf.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

CHAIR'S REPORT

Director Lewinger stated DWR and the State Board had released their draft recommendations for funding awards in round two of the Proposition 50 Integrated Regional Water Management Program. The San Diego region received an award of at least \$20.7 million from DWR – which represents all of the funding available from DWR at this point. The Water Authority may wind up with \$25 million, the maximum award amount, depending on whether the Legislature decides to shift some funding in the fiscal year 2009 state budget. That funding would support water supply and other water management projects that offer multiple benefits throughout the region. The Water Authority and member agency projects would be funded. Other projects that would gain funding are being sponsored by both public agencies and non-governmental organizations.

Congratulations to the IRWMP Regional Water Management Group, that consisted of the Water Authority, the city of San Diego, the County of San Diego, and to

the Regional Advisory Committee, that included representatives of 27 diverse stakeholder agencies and organizations including several of our member agencies. The final awards would be anticipated in June. A more detailed report from staff would be presented at next month's Committee meeting.

Chair Lewinger thanked Vice Chair Muir for chairing last month's Committee meeting and congratulated him and the Committee for completing the important CEQA certification for the Carryover Storage Project at San Vicente Reservoir. The Federal side of the environmental compliance for the project, the EIS is nearly completed. The NEPA 30-day comment period on the Final EIS closed Monday May 19. The Corps received only one comment letter from the Endangered Habitats League, which contained the same comments they provided in their comment letter on the Draft EIR. It's anticipated that the Corps will issue a Record of Decision by the end of next month (June), which will complete the NEPA process, and move them into the permitting phase for the Section 404 permit of the Clean Water Act.

Under the category of how serious the current conditions are elsewhere in the state, on May 13th East Bay MUD's Board of Directors declared a Water Shortage Emergency under Water Code Section 350. They had adopted a district-wide reduction goal of 15% - along with regulations and restrictions on water use to help achieve the reduction goal. They declared the shortage emergency due to projections of storage being 200,000 acre-feet short of desired levels by October 1st - caused by the two consecutive dry-years. The reduction goal of 15% was established to ensure that sufficient carryover supplies remain in storage after the current year - in order to minimize the severity of rationing in subsequent years of a potential prolonged drought.

In July the East Bay MUD Directors would also consider adoption of drought water rates, including a proposed 10% rate increase, and a drought surcharge that would be applied if customers exceed their water use allocation. Staff is reviewing and will monitor implementation of East Bay MUD's Drought Management Program - in order to learn from their experiences as we proceed with our drought management actions in San Diego.

4-B Director comments.
None

1. CONSENT CALENDAR
None

Chair Lewinger took Action Item #2-A out of order.

II. ACTION/DISCUSSION

2. Drought Management Plan.
2-A Drought Management Implementation report.

Mr. Yamada presented a report on comparison snow pack and runoff conditions. He updated the committee on the State Water Project allocations and the status of fish protection resources that included the Delta and Longfin smelt, Chinook and Steelhead Salmon.

Mr. Yamada reviewed the 2008 imported water source conditions, MWD's calendar year 2008 projected supply and demand balance and WSDM actions and storage levels from 2007 projected through 2009. He also briefed the committee on calendar year 2008 total water use projected and actual and M&I water use, projected and actual.

Mr. Cushman then reviewed the outlook for 2009, Lake Oroville's current conditions, and the potential 2009 MWD core supplies and firm demands. He then summarized the recent MWD actions, potential scenarios MWD may face in 2009 and the Water Authority's next steps.

1. Request Metropolitan Water District set formal terms and conditions for Lakeside Water District's proposed Erreca annexation.
Staff recommendation: Adopt Resolution No. 2008-__ requesting Metropolitan set formal terms and conditions for Lakeside Water District's proposed Erreca annexation.

Ms. Frieauf reported on the proposed approval timeline for the Erreca annexation. She also reviewed Lakeside Water District's proposed Erreca Annexation. She then reviewed the compliance with annexation conditions and satisfying annexation Policy #2 Protection of Member Agency Supply Reliability.

Chair Lewinger stated before the committee discussed the annexation, he would request a motion to continue this item at the June Board meeting and did not anticipate a vote on this item at the May meeting.

Mr. Glenn Carroll, Fallbrook, CA 92028 addressed the Board.

Chair Lewinger reviewed the options based on annexation policy #2: 1) the Water Authority can say no, we are not accepting any new annexations, 2) the Water Authority could say yes, but only with some level of offset being provided by the proponent of the annexation up to 100% offset, 3) the Water Authority could say we are conditioning it only for this example; that the proponent could only have the 0.4af that they are currently using, no more, or 4) the Water Authority could say yes we accept with no additional conditions other than what we proposed.

Chair Lewinger called for a motion to continue this item to next month and asked that all board members go back to their agencies and have a serious discussion of the policy towards annexation under current water supply conditions. He also would ask staff to bring this item back next month and in the interim meet with the proponent and

see if there is a way to work this out rather than having the board impose some sort of requirement on the proponent.

Director Steiner moved, Director Arant seconded the motion to continue the Erreca Annexation to the July.

Chair Lewinger asked that during that interim time legal research be done on the setting of conditions.

Director Steiner also asked that during that interim time that legal research be done on the setting of conditions and what happens if conditions are imposed and there is a change in ownership.

Director Steiner amended the motion, Director Arant seconded by stating that a two month continuation of this item, and in the interim ask that by the next board meeting counsel and staff deliver whatever information they can so the board members can go back to their agencies and discuss it with their boards. The motion passed unanimously.

IV. CLOSED SESSION

Mr. Hentschke took the Board into Closed Session at 11:50 a.m.

1. CLOSED SESSION:
Conference with Real Property Negotiator
Government Code §54956.8
Property: Semitropic-Rosamond Water Bank Authority – Groundwater Basin Storage Rights and Water
Agency negotiators: Daniel Hentschke, Dennis Cushman, Gordon Hess, Debbie Espe
Negotiating Parties: Designated representatives of Semitropic-Rosamond Water Bank Authority
Under Negotiation: Price and terms of acquisition

The Board came out of Closed Session at 12:15 p.m. Mr. Hentschke stated there was no reportable action.

III. INFORMATION

1. Water Resources report.

The Water Resources Report was received and filed.

V. ADJOURNMENT

There being no further business to come before the Water Planning Committee, Vice Chair Muir adjourned the meeting at 12:18 p.m.

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER/ROLL CALL

Chair Wornham called the Administrative and Finance Committee meeting to order at 1:00 p.m. Committee members present were Chair Wornham, Vice Chair Hogan, Vice Chair Price, Directors Bond, Hilliker, Johnson, Petty, Pocklington, Quist, Saunders, Smith, Thompson, and H. Williams. Also present were Directors Arant*, Barrett, Brammell, Dailey, Ferguson, Knutson, Linden, Lizzul, Martin, McMillan, Morrison, Parker, and K. Williams. At that time, there was a quorum of the full Board and the meeting was conducted as a meeting of the Board; however, only Committee members participated in the vote. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Lanspery, Assistant General Manager Dennis Cushman, Director of Administrative Services Young, and Director of Finance/Treasurer Sandler. Also present was Richard Morales of Wedbush Morgan.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Chair Wornham informed the Board the Water Authority had successfully completed the sale of bonds to fund the ongoing Capital Improvement Program and refunding outstanding debt. He also congratulated staff on all the effort and hard work that was put into the sale and was looking forward to Mr. Sandler sharing the results of the successful sale in full detail with the Board.

Chair Wornham requested the Board mark their calendars for June 12, 2008 at 1:30 p.m. for an Administrative and Finance Special Board meeting to discuss the mid-term budget update. The meeting would include a review of revenues and expenditures, a discussion of important budget themes facing the Water Authority, as well as focus on proposed calendar year 2009 rates and charges in advance of the public hearing, which would take place at the June Board meeting.

Chair Wornham mentioned an Engineering and Operations Special Committee meeting was held on May 14, 2008 to discuss the status of three capital improvement projects and consider a recommendation to increase project budgets. During the meeting, the E&O Committee requested that the A&F committee consider the financial impact of the CIP changed conditions at its June 12 special meeting

DIRECTORS' COMMENTS

There were no comments by Directors.

I. CONSENT CALENDAR

1. Treasurer's report.
Staff recommendation: Note and file monthly Treasurer's report.

2. Resolution setting a Public Hearing date for the Water Authority's calendar year 2009 rates and charges and the Annual Standby Availability Charge.
Staff recommendation: Adopt Resolution Number 2008-____ setting the time and place for a public hearing on June 26, 2008, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding establishing a customer service charge, a storage charge, a transportation charge, an infrastructure access charge, a melded supply charge and a melded treatment charge for calendar year 2009, and continuing the existing Standby Availability Charge at its current level for fiscal year 2008-2009.

3. Approve an ordinance amending Administrative Code provisions relating to goods and services, public works, surplus property and water service.
Staff recommendation: Adopt Ordinance No. 2008-____, an ordinance of the Board of Directors of the San Diego County Water Authority amending Chapters 4.04, 4.08, and 7.08, adding Chapter 5.00 of the Administrative Code (recodified) and repealing all unrepealed provisions of the original Administrative Code.

Director Johnson moved, seconded by Director Price, and the motion passed unanimously to approve items one and two on the consent calendar. After questions and discussion, Director Hilliker moved, Director Price seconded, and the motion passed unanimously to approve item three.

*Director Arant joined the meeting

II. ACTION/DISCUSSION

Chair Wornham announced there were no action items.

III. INFORMATION

The following items were received and filed:

1. Presentation on the results of sale of Series 2008A Water Revenue Certificates of Participation.

Mr. Sandler presented an update on the bond sale of \$558,015,000 and bond closing that took place on May 21, 2008. He commented on the timeline, market conditions, credit rating reviews, and announced Standard and Poor's had increased the Water Authority's rating from AA to AA+. He also spoke on market timing of the pricing of the bonds, and the results of sale that were well received by the market. Mr. Sandler explained the investor distribution, sources and uses of the bond proceeds, and debt service profile. In summary, Mr. Sandler announced it was a successful bond sale. The Board congratulated Mr. Sandler and staff on a fantastic job.

2. Presentation on Information Technology systems and processes.

Matthew Brown, Information Systems Manager gave a presentation on the Water Authority's Information Technology Systems and Processes. The presentation provided an update to the committee's goal to ensure that information technology investments support business goals. Mr. Brown described the processes that support the two objectives of this committee goal. The first objective was focused on the Disaster Recovery Strategy and its three stages. The second objective was focused on maintaining and enhancing our existing systems, specifically the financial and human resources systems (PeopleSoft) and the computerized maintenance management systems (Maximo). Mr. Brown reviewed the major software at the Water Authority, the 2008 annual software maintenance costs, and the standard software lifecycle. He also spoke about the Information Technology initiative selection process, 2008-2009 adopted Information Technology initiative list, and 2009-2010 Information Technology potential initiatives.

3. Controller's report on monthly financial statements.

4. Board Calendar.

IV. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Wornham adjourned the meeting at 1:45 p.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

CALL TO ORDER/ROLL CALL

Vice Chair H. Williams called the Legislation, Conservation and Outreach Committee to order at 1:52 p.m. Committee members present were Vice Chairs Morrison and H. Williams and Directors Arant, Bond, Dailey, Hilliker, Muir, Quist, Tu, Watton, K. Williams, and Wornham. Committee member absent was Director Croucher. Also present were Directors Barrett, Brammell, Ferguson, Hogan, Johnson, Knutson, Lewis, Linden, Lizzul, McMillan, Parker, Petty, Pocklington, Price, Saunders, Smith, Steiner, and Thompson. At the time, there was a quorum of the full Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the votes. Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Lanspery and Belock, Assistant General Manager Cushman, Director of Public Affairs Foster, and SCOOP Manager Yanushka.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the committee.

CHAIR'S REPORT

There was no Chair's Report.

DIRECTOR'S COMMENTS

There were no Director's Comments.

I. CONSENT CALENDAR

Memorandum of Understanding between the San Diego County Water Authority and Grossmont-Cuyamaca Community College District for development of a single course and a degree program in Sustainable Urban Landscape Design in the amount of \$50,000.

Staff recommendation: Approve the Memorandum of Understanding between the San Diego County Water Authority and Grossmont-Cuyamaca Community College District for development of a Single Course and a Landscape Program for a not-to-exceed amount of \$50,000.

Agreement between the San Diego County Water Authority and Jones & Stokes for outreach, facilitation, and logistical support for Water Conservation Regional Stakeholder process.

Staff recommendation: Authorize the General Manager to enter into an agreement with Jones & Stokes for outreach, facilitation, and logistical support for the Water Conservation Regional Stakeholder Process for a not-to-exceed amount of \$300,000 and a period of up to 36 months.

Director Dailey moved, Director Bond seconded. Director Arant stated he was carrying proxy for Director Lewinger. Director Lewinger requested a list of lobbyists and their activities. Assistant General Manager Cushman stated the requested information would be provided next month.

II. ACTION/DISCUSSION

1. Legislative Issues.
 - 1-A Report by Carpi and Clay.

Legislative Advocate B. Clay reported on issues in Sacramento, and Legislative Advocate K. Carpi reported on issues in Washington, D.C.

1-B Adopt positions of:

- S. 2970 (Reid & Feinstein) – Support
- SB 994 (Florez) – Support
- SB 1258 (Lowenthal) – Support and seek amendments
- SB 1391 (Padilla) – Support and seek amendments
- AB 2065 (Hancock) – Support, if amended
- SB 1238 (Machado) – Oppose, unless amended
- SB 1642 (Yee) – Oppose
- AB 2153 (Krekorian) - Oppose

Staff recommendation: Adopt positions of support on S. 2970 (Reid and Feinstein) and SB 994 (Florez); Support and seek amendments on SB 1258 (Lowenthal) and SB 1391 (Padilla); Support, if amended, on AB 2065 (Hancock); Oppose, unless amended, on SB 1238 (Machado); and Oppose on SB 1642 (Yee) and AB 2153 (Krekorian).

Director Tu moved, Director Wornham seconded, and the motion carried unanimously to accept the staff recommendation.

III. INFORMATION

1. SCOOP quarterly report.

SCOOP Manager Yanushka provided a presentation including the purpose, method, and overall program goal, exceeding the 11% goal, and how SCOOP continues to be proactive. Director Johnson commended SCOOP Manager Yanushka for her efforts. Director Saunders commended SCOOP Manager Yanushka for her efforts, but stated the numbers for women- and minority-owned businesses were still unacceptable. He stated staff could connect with more businesses to improve the numbers. SCOOP Manager Yanushka stated that additional outreach efforts are already being implemented.

Director Tu asked about additional outreach to bidders. SCOOP Manager Yanushka reported there are monthly training sessions and that the Water Authority is collaborating not only with member agencies, but with other businesses.

Director Wornham inquired whether veterans were included in the SCOOP outreach program. SCOOP Manager Yanushka stated veterans are included.

2. Water Conservation Garden report.

Executive Director Eberhardt provided the following activities: Spring Festival, Regions Around the Garden, Garden Partners Program, homeowners association classes, and showed a 60-second public service announcement.

3. Conservation outreach update.

Director of Public Affairs Foster introduced Public Affairs Manager Denise Vedder. Director of Public Affairs Foster provided a presentation, including updates on current activities, phase two advertising, baseline poll results, website updates, museum partnerships, and other outreach activities. Director Steiner suggested holding an Imported Water Committee meeting at the Natural History Museum location in conjunction with its upcoming water exhibit.

Director Tu inquired about outreach to young people. Director of Public Affairs Foster stated the Water Authority's campaign included a college video contest.

The following items were received and filed:

4. Status report on legislation and legislative positions.
5. Government relations update.
6. Outreach activities for the month of April 2008.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Vice Chair Williams adjourned the meeting at 3:03 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF MAY 22, 2008

1. **CALL TO ORDER** Chair Steiner called the Formal Board of Directors' meeting to order at 3:10 p.m.
2. **SALUTE TO THE FLAG** Director Lizzul led the salute to the flag.
3. **ROLL CALL, DETERMINATION OF QUORUM**
Secretary Watton called the roll. Directors present were Arant, Barrett, Bond, Brammell, Craver, Croucher, Dailey, Ferguson, Hilliker, Hogan, Johnson, Knutson, Lewis, Linden, Lizzul, Martin, McMillan, Morrison, Muir, Parker, Petty, Pocklington, Price, Quist, Saunders, Smith, Steiner, Thompson, Tu, Watton, H. Williams, and K. Williams and Wornham. Directors absent were Bowersox, Lewinger, and Representative Slater-Price.

3-A Report on proxies received. Director Arant was the proxy for Director Lewinger and Director Dailey was the proxy for Director Bowersox.
4. **ADDITIONS TO AGENDA** There were no additions to the agenda.

5. **APPROVAL OF MINUTES** Director Ferguson moved, Director Martin seconded and the motion carried for a total of 100.00% of the vote to approve the minutes of the Special meeting of the Engineering and Operations Committee of April 10, 2008 and the Formal Board of Directors' meeting of April 24, 2008.
6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION** There were no members of the public that spoke.

7. **PRESENTATIONS AND PUBLIC HEARINGS**

- 7-A **Retirement of Joe Craver.** Adopt Resolution 2008-___ honoring the retirement of Joseph W. Craver upon his retirement from the Board of Directors.
- 7-B **Reappointment of Director.** Reappointment of Jim Bowersox, City of Poway. Term will expire on April 22, 2014.
- 7-C **Reappointment of Director.** Reappointment of Mark Muir, Olivenhain Municipal Water District. Term will expire on August 4, 2014.
- 7-D Recognition of George Smith, Employee of the third quarter.

Director Wornham moved, Director Smith seconded, and the motion carried unanimously to adopt Resolution 2008-07 honoring the retirement of Joseph W. Craver. Chair Steiner announced Directors Bowersox and Muir had been reappointed to the Board. General Manager Stapleton honored George Smith, employee of the third quarter.

8. **REPORTS BY CHAIRS**

- 8-A **Chair's Report** – Chair Steiner reviewed her meetings from the past month, including the Department of Water and Power of the city of Los Angeles.
- 8-B **Report by Committee Chairs**
 - Engineering and Operations Committee.** Director Ferguson announced all items had passed in committee.
 - Imported Water Committee.** Director Knutson reported there were no action items in the Imported Water Committee and he reviewed the information items.
 - Water Planning Committee.** Director Saunders announced the action item, Lakeside Water District's proposed Erreca annexation had been continued to the July Board meeting and staff would bring information on this item to the June Board meeting.
 - Administrative and Finance Committee.** Director Wornham announced all items had passed in committee. He announced the upcoming Special meeting of the Administrative and Finance Committee on June 12, 2008.
 - Legislation, Conservation and Outreach Committee.** Director Williams announced all items had passed in committee.

9. **CONSENT CALENDAR**

- Chair Steiner announced item 9-7 had been continued to the July Board meeting. Director Tu moved, Director Smith seconded, and the motion carried at 100% of the vote to approve the amended Consent Calendar.
- 9-1. Professional services contract with M.J. Schiff & Associates, Inc., dba: Schiff Associates for corrosion engineer and technician support services.
The Board awarded a professional services contract to M.J. Schiff & Associates Inc., dba: Schiff Associates, to provide corrosion engineer and technician support services for an amount not-to-exceed \$2,000,000, or until June 30, 2011, whichever occurs first.
- 9-2. Professional services contract with Boyle|AECOM for as-needed pipe condition assessment and forensic engineering support services.
The Board awarded a professional services contract to Boyle|AECOM for as-needed pipe condition assessment and forensic engineering support services to support the Capital Improvement Program projects, for an amount not-to-exceed \$500,000 or for a period of four years, whichever occurs first.
- 9-3. Amended agreement for legal services with Duncan & Allen.
The Board authorized the General Counsel to execute the amended agreement for legal services with Duncan & Allen, establishing new hourly rates and increasing the contract limit by \$25,000 to \$75,000.
- 9-4. Amended agreement for legal services with Hawkins, Delafield & Wood.
The Board authorized the General Counsel to execute the amendment to the agreement for legal services with Hawkins, Delafield & Wood increasing the contract limit by \$100,000 from \$875,000 to \$975,000.
- 9-5. Construction contract to L.H. Woods and Sons, Inc. for the relining of Pipeline 3 from State Route 52 to Lake Murray.
The Board awarded a construction contract to L.H. Woods and Sons, Inc., in the amount of \$19,999,999 for the relining of Pipeline 3 from State Route 52 to Lake Murray.
- 9-6. Change order for the ESP - San Vicente Pipeline and Aqueduct Interconnect project.
The Board approved change order 44 for the interim payment for costs associated with the differing site condition in Reach 4 East in the amount of \$880,000, for a total increase to date of \$12,933,111.

9-7. Request Metropolitan Water District set formal terms and conditions for Lakeside Water District's proposed Erreca annexation.

The Board requested additional information at the June 26, 2008 meeting and action on this item was continued to the July 24, 2008 Board meeting.

9-8. Treasurer's report.

The Board noted and filed the monthly Treasurer's report.

9-9. Resolution setting a Public Hearing date for the Water Authority's calendar year 2009 Rates and Charges and the Annual Standby Availability Charge.

The Board adopted **Resolution Number 2008-06** setting the time and place for a public hearing on June 26, 2008, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding establishing a customer service charge, a storage charge, a transportation charge, an infrastructure access charge, a melded supply charge and a melded treatment charge for calendar year 2009, and continuing the existing Standby Availability Charge at its current level for fiscal year 2008-2009.

9-10. Approve an ordinance amending Administrative Code provisions relating to goods and services, public works, surplus property and water service.

The Board adopted **Ordinance No. 2008-02** an ordinance of the board of directors of the San Diego County Water Authority amending Chapters 4.04, 4.08 and 7.08, adding Chapter 5.00 of the Administrative Code (recodified) and repealing all unrepealed provisions of the original Administrative Code.

9-11. Memorandum of Understanding between the San Diego County Water Authority and Grossmont-Cuyamaca Community College District for development of a single course and a degree program in Sustainable Urban Landscape Design in the amount of \$50,000.

The Board approved the Memorandum of Understanding between San Diego County Water Authority and Grossmont-Cuyamaca Community College District for development of a Single Course and a Landscape Program for a not-to-exceed amount of \$50,000.

9-12. Agreement between San Diego County Water Authority and Jones & Stokes for outreach, facilitation, and logistical support for Water Conservation Regional Stakeholder process.

The Board authorized the General Manager to enter into an agreement with Jones & Stokes for outreach, facilitation, and logistical support for the Water Conservation Regional Stakeholder Process for a not-to-exceed amount of \$300,000 and a period of up to 36 months.

13. Adopt positions of:

- S. 2970 (Reid & Feinstein) – Support
- SB 994 (Florez) – Support
- SB 1258 (Lowenthal) – Support and seek amendments
- SB 1391 (Padilla) – Support and seek amendments
- AB 2065 (Hancock) – Support, if amended
- SB 1238 (Machado) – Oppose, unless amended
- SB 1642 (Yee) – Oppose
- AB 2153 (Krekorian) – Oppose

The Board adopted positions of Support on S. 2970 (Reid and Feinstein) and SB 994 (Florez); Support and seek amendments on SB 1258 (Lowenthal) and SB 1391 (Padilla); Support, if amended, on AB 2065 (Hancock); Oppose, unless amended, on SB 1238 (Machado); and Oppose on SB 1642 (Yee) and AB 2153 (Krekorian).

10. **ACTION/DISCUSSION**

There were no items under Action/Discussion.

11. **CLOSED SESSIONS:**

11-A **CLOSED SESSION:**

Conference with Real Property Negotiator

Government Code §54956.8

Property: Semitropic-Rosamond Water Bank Authority –Groundwater Basin Storage Rights and Water

Agency Negotiators: Daniel Hentschke, Dennis Cushman, Gordon Hess, Debbie Espe

Negotiating Parties: Designated representatives of Semitropic-Rosamond

Water Bank Authority

Under Negotiation: Price and terms of acquisition

General Counsel Hentschke announced there was no need for a Closed Session.

12. **SPECIAL REPORTS**

12-A GENERAL MANAGER'S REPORT – No report was given.

12-B GENERAL COUNSEL'S REPORT – No report was given.

12-C ACWA-JPIA REPORT – Director Linden. No report was given.

12-D SANDAG REPORT – Director Dailey reviewed the upcoming SANDAG Board meeting.

SANDAG BORDERS/REGIONAL PLANNING COMMITTEE –

No report was given.

12-E AB 1234 COMPLIANCE REPORTS – Director Thompson announced he had attended the Mariachi Festival. He announced Darren Simon was an excellent choice as the Water Authority's Senior Public Affairs representative. He also reported on the recent ACWA conference and the Colorado River Water Users Association Program committee.

13. **OTHER COMMUNICATIONS**

14. **ADJOURNMENT**

There being no further business to come before the Board, Chair Steiner adjourned the meeting at 3:30 p.m.

Fern M. Steiner
Chair

Mark W. Watton
Secretary

Doria F. Lore, Clerk of the Board



San Diego County Water Authority

DATE: June 18, 2008
TO: Board of Directors
FROM: Daniel S. Hentschke, General Counsel
RE: Credentials of Elsa Saxod
City of San Diego

Transmitted herewith is certification submitted by the city of San Diego appointing Elsa Saxod to the Water Authority's Board of Directors. Ms. Saxod will fulfill the unexpired term of Joseph Craver who has resigned. Her term will expire on March 7, 2010.

The credentials furnished are sufficient for the qualifications of Ms. Saxod as a member of the Water Authority Board.

A handwritten signature in blue ink, appearing to read "Daniel S. Hentschke", written over a horizontal line.

Daniel S. Hentschke
General Counsel

df1

Attachment

106
4/29

RESOLUTION NUMBER R- 303634

DATE OF FINAL PASSAGE MAY 08 2008

BE IT RESOLVED, by the Council of the City of San Diego, that the appointment by the Mayor of the City of San Diego, to serve as a member of the San Diego County Water Authority Board of Directors, for a term ending as indicated, be and the same is hereby confirmed:

NAME	TERM ENDING
Elsa Saxod (Mission Hills, District 2) (Replacing Joseph Craver, who has resigned)	February 7, 2010

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By Sharon B. Spivak
Sharon B. Spivak
Deputy City Attorney

SBS:als
04/09/08
Or.Dept:Mayor
R-2008-885

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of APR 29 2008.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 5.8.08
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor



**OFFICE OF MAYOR JERRY SANDERS
CITY OF SAN DIEGO**

MEMORANDUM

DATE : April 3, 2008

TO : Council President Peters & Honorable Members of the San Diego City Council

FROM : Mayor Jerry Sanders

SUBJECT : Appointment to the San Diego County Water Authority Board of Directors

It is my pleasure to appoint Elsa Saxod to the San Diego County Water Authority Board of Directors, subject to your confirmation.

Elsa Saxod founded SAXOD Enterprises in 1980, a firm that provides binational consulting services on U.S./Mexico affairs and issues. From 2001 to 2006, Ms. Saxod worked for the City of San Diego as the Director of Binational Affairs and helped strengthen the City's relations with Mexico on environmental, water, and wastewater issues. Prior to Ms. Saxod's employment with the City of San Diego, Ms. Saxod was a Senior Account Executive for Katz & Associates where she was intricately involved with consulting the City's water and wastewater departments on binational water infrastructure matters and U.S./Mexico relations. Ms. Saxod has worked with various governmental agencies on water quality, water supply, and environmental issues at the local, state, national, and international levels. She served as the Co-Chair for the San Diego/Tijuana Binational Watershed Advisory Council where she helped lead the effort to prepare a watershed management plan for the Tijuana River Watershed. In addition, from 1997 to 2001, Ms. Saxod was appointed as the public sector representative on the Good Neighbor Environmental Board, a federal panel that advises the President and Congress on border environmental issues. She also Co-Chaired the Border 2012 Regional Water Working Group, a collaborative partnership led by the U.S. Environmental Protection Agency and its Mexican counterpart, SEMARNAT, to address air quality, water quality, and environmental issues along the U.S./Mexico border.

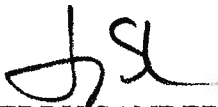
Ms. Saxod's commitment to the San Diego region and binational affairs has led her to serve on various business, academic, civic, and public agency boards. For the last two

years, Ms. Saxod has chaired the San Diego Regional Chamber of Commerce's International Committee, and she serves on UCSD's Board of Overseers and the Dean's Advisory Council for the College of Arts and Letters at San Diego State University. She is also the Regional Chamber's representative to the San Diego International Airport Advisory Committee. Her past activities include chairing SANDAG's Committee on Binational Regional Opportunities (COBRO) which focuses on binational infrastructure and environmental projects. She also served on the San Diego Convention and Visitors Bureau Board of Directors, United Way of San Diego Board of Directors, San Diego Regional Chamber of Commerce Infrastructure Committee and Water Subcommittee, and LEAD San Diego's Advisory Board. In 1986, Ms. Saxod was honored by the United States Small Business Administration as the "Women in Business Advocate of the Year." She has also been honored by the California Women in Government and the California Cable Television Industry.

Ms. Saxod's vast knowledge of regional water issues, passion to improve border relations and border infrastructure, participation with think-tanks and numerous committees to address water quality and border environmental issues, ability to build consensus and forge partnerships amongst the public, private, and governmental sectors, and insightful understanding of binational relations will be a valuable asset to the San Diego County Water Authority Board of Directors. Ms. Saxod is a great candidate to serve as a one of the City's 10 representatives to the Board, and she will positively impact continued efforts to advocate for the City of San Diego's water supply interests.

Ms. Saxod holds a Bachelor of Arts Degree in Spanish from San Diego State University and resides in Mission Hills. She will replace Joseph Craver, who has resigned, for a term expiring February 7, 2010.

I ask that you confirm this appointment and join me in acknowledging Ms. Saxod for her willingness to serve the City of San Diego in this important capacity.



JERRY SANDERS
Mayor

JS:lg

cc: City Attorney Michael Aguirre
City Clerk Elizabeth Maland

RESOLUTION NO. 2008-_____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY
HONORING GREGORY M. QUIST
UPON HIS RETIREMENT FROM THE BOARD OF DIRECTORS

WHEREAS, Gregory M. Quist served as a member of the Board of Directors of the San Diego County Water Authority, representing Rincon Del Diablo Municipal Water District, from July 11, 1996 to his retirement on June, 20, 2008; and

WHEREAS, he served as Vice Chair on the Fiscal Policy Committee, and Administrative and Legal Committee; and

WHEREAS, he served as a member on the Planning and Environmental, Water Policy, Administrative and Legal, Public Affairs, Imported Water, Water Planning, Administrative and Finance, and Legislation, Conservation & Outreach Committees; and

WHEREAS, he served as a member on the Nominating Committee Process, Admin Code Recodification, and Rate Study Subcommittees; and

WHEREAS, he served as a member on the AD HOC Committee on Board Governance, and AD HOC Committee on Committees; and

WHEREAS, his contributions to the community extend beyond the activities with the San Diego County Water Authority; and

WHEREAS, his service, both public and private, has resulted in benefit to all people of San Diego County.

NOW, THEREFORE, BE IT RESOLVED, that on behalf of its individual members, past and present, its staff, and the people of San Diego County, the Board of Directors offers its most sincere appreciation to Gregory Quist for his dedicated service to the San Diego region.

PASSED, APPROVED, and ADOPTED this 26th day of June, 2008.

Ayes:

Noes:

Abstain:

Absent:

Fern M. Steiner,
Chair

ATTEST:

Mark W. Watton,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board



San Diego County Water Authority

DATE: June 18, 2008
TO: Board of Directors
FROM: Daniel S. Hentschke, General Counsel
RE: Credentials of Mitchell S. Dion
Rincon del Diablo Municipal Water District

Transmitted herewith is Resolution No. 08-830.3 submitted by the Rincon del Diablo Municipal Water District appointing Mitchell S. Dion to the Water Authority's Board of Directors effective June 21, 2008. His term will expire on June 20, 2014.

The credentials furnished are sufficient for the qualifications of Mr. Dion as a member of the Water Authority Board.

A handwritten signature in blue ink, appearing to read "Daniel S. Hentschke".

Daniel S. Hentschke
General Counsel

df1

Attachment



1920 North Iris Lane
Escondido CA 92026

**A Public Agency
Serving the Greater
Escondido Valley Since 1954**

Diana Towne
President
Division V

Dr. Greg Quist
Vice President
Division I

David Drake
Treasurer
Division II

John Hinrichs
Director
Division III

Dr. Hanno Ix
Director
Division IV

Mitchell Dion
General Manager

Redwine and Sherrill
General Counsel

RECEIVED

JUN 04 2008

CLERK OF THE BOARD

June 2, 2008

Ms. Doria Lore
San Diego County Water Authority
4677 Overland Ave
San Diego CA 92123

Reference: Appointment of Mitchell S. Dion as Rincon's
Representative

Dear Doria:

Please find enclosed a copy of Resolution No. 08-830.3 appointing Mr. Mitchell S. Dion as Rincon's Representative on the San Diego County Water Authority's Board of Directors, effective June 21, 2008. Mr. Dion replaces Dr. Greg Quist, who requested not to be re-appointed when his current term expired on June 20, 2008.

Any questions you may have, please do not hesitate to contact me.

Kindest regards,

A handwritten signature in blue ink that reads "Kathy".

Kathy A. Blakely
Executive Secretary

enc.

RESOLUTION NO. 08-830.3

**Resolution of the Board of Directors of the
Rincon del Diablo Municipal Water District
Appointing Mitchell S. Dion as its Representative to the
Board of Directors of the San Diego County Water Authority**

WHEREAS, the Board of Directors of the Rincon del Diablo Municipal Water District, has designated and appointed MITCHELL S. DION to serve as its representative on the Board of Directors of the SAN DIEGO COUNTY WATER AUTHORITY for a six year term, commencing on June 21, 2008, and ending on June 20, 2014; and


WHEREAS, this Board of Directors desires to consent to and approve said designation and reappointment;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Rincon del Diablo Municipal Water District that the designation and appointment of MITCHELL S. DION as a representative on the Board of Directors of the SAN DIEGO COUNTY WATER AUTHORITY for the term of six years, commencing on June 21, 2008, and ending on June 20, 2014, is hereby consented to and approved.

PASSED, APPROVED AND ADOPTED THIS 27th day of May, 2008 by the following roll call vote:

AYES: Towne, Drake, Hinrichs
NOES: None
ABSENT: Quist, Ix
ABSTAIN: None

APPROVED:



Diana L. Towne, President

ATTEST:



Mitchell S. Dion, Secretary

June 18, 2008

Attention: Board of Directors

Discussion and Consideration of Fiscal Years 2008 and 2009 mid-term budget update (Action)

Administrative and Finance Committee recommendation:

Recommend adoption of the mid-term budget adjustments, described below, to the full Board at the June 26, 2008 Board meeting:

1. Multi-Year Budget for FY 2008 and 2009 (“multi-year budget”): Approve the reallocation of \$1.625 million within the operating budget to fund the enhanced conservation campaign; and
2. CIP Lifetime Budget: Amend the CIP Lifetime Budget from \$3.653 billion to \$3.731 billion, which is an increase of \$78.7 million or approximately 2.2%. This action adds \$31.0 million for the new Vidler/Semitropic Water Storage project, of which \$30.4 million is reimbursable by State grant funds; and this action increases the project lifetime budgets for three existing CIP projects (San Vicente Pipeline, Lake Hodges Project and Mission Trails Tunnel) by a total \$47.7 million.

Fiscal impact

The CIP lifetime budget amendments contained in recommendation #2 do not result in an increase to the current multi-year budget appropriation. As such they will not impact calendar year (CY) 2009 rates and charges beyond what has been forecasted in the Long-Range Financing Plan. This action impacts both the storage and transportation rate categories.

Background

On April 10, 2007, based on the findings of the Comprehensive Reliability and Cost Assessment Ad-Hoc Committee (CRACA), the Board approved a preferred alternative of CIP projects and foundational assumptions known as the CRACA Revised Baseline. Based on these assumptions, in June 2007, the Board adopted the multi-year budget for FY 2008 and 2009 of \$1.475 billion and a CIP Lifetime Budget of \$3.589 billion. The CIP Lifetime Budget was subsequently modified during FY 2008 and currently totals \$3.653 billion.

During FY 2008 the Board increased the multi-year budget on two occasions to provide increased funding to the Public Affairs Department. The first increase was for \$206,600 to develop a regional advertising and marketing plan to support the Drought Management Plan’s (DMP) communications strategy. The second increase was for \$112,000 to begin implementation of the regional conservation advertising and marketing plan. The adopted and amended multi-year budget is shown in Table 1 below.

Table 1 – Fiscal Years 2008 and 2009 Adopted and Amended Budget
 (Thousands)

Category	Adopted 2008-2009 Budget	Amended 2008-2009 Budget
CIP Appropriation	\$618.60	\$618.60
Water Purchases	530.10	530.10
Debt Service	200.80	200.80
Operating Budget	94.80	95.10
QSA Environmental/Other Commitments	14.89	14.89
IID Water Prepayment	10.00	10.00
Equipment Replacement Fund	3.62	3.62
Other Expenditures	2.29	2.29
TOTAL	\$1,475.10	\$1,475.40

Administrative and Finance Committee – Special Meeting

On June 12, 2008 the Administrative and Finance (A&F) Committee conducted a special meeting to consider and discuss the proposed budget amendments contained in the remainder of this memo. Much of the discussion focused on the proposed programmatic reductions to fund of the enhanced conservation campaign. After hearing from various staff members regarding specific reductions, Committee members were satisfied that the proposed reductions would not result in decreased effectiveness of Water Authority activities.

Additionally, both Committee and Board members commented on the detailed mid-term budget projections, and offered suggestions for the development of the multi-year budget for fiscal years 2010-2011. After further discussion, the A&F Committee voted unanimously to recommended the proposed budget amendments to the Board of Directors for adoption at the June 26, 2008 Board meeting.

Discussion

Multi-Year Budget for FY 2008 and 2009

Mid-Term Projection of Revenues and Expenditures

Tables 2 and 3 set forth projected revenues and expenditures for the remainder of the budget period and provide a comparison with the multi-year budget. Much of the deviations from the original budget have been previously incorporated in the Long-Range Financing Plan projections.

Mid-term projected revenue is \$56.5 million, or 6.1% lower than budget. The variance is attributable to three primary categories—decreased Capacity Charges resulting from a deteriorating housing market (\$20.9 million); decreased Water Sales revenue resulting from increased conservation (\$17.3 million); and decreased Investment Income resulting from lower interest rates (\$14.3 million).

**Table 2 – FY 2008 and 2009 Projected Revenues
 (Thousands)**

Category	2008-2009 Budget	2008-2009 Projections	Variance	%
Water Sales	\$706.8	\$689.5	-\$17.3	-2.4%
Capacity Charges	69.0	48.1	-20.9	-30.3%
Water Standby Availability Charges	22.3	22.3	0.0	-0.1%
Contributions in Aid of Construction	9.1	5.3	-3.8	-41.4%
Investment Income	57.3	43.0	-14.3	-24.9%
Infrastructure Access Charges (IAC)	37.6	37.5	-0.1	-0.3%
Property Taxes	17.7	19.9	2.2	12.4%
Other Income	3.2	3.2	0.0	0.0%
Hydroelectric	4.4	2.2	-2.2	-50.6%
TOTAL Revenue	\$927.5	\$871.0	-\$56.4	-6.1%
Net Fund withdrawals	\$547.6	\$598.2	\$50.4	9.2%
Total Revenue and Funding Sources	\$1,475.1	\$1,469.1	-\$6.0	-0.4%

Mid-term projected expenditures are \$6.0 million or 0.4% lower than budget. The variance is attributable to decreased Debt Service due to lower interest rates on variable rate debt and actual debt service on the Series 2008A COP's (\$9.5 million). This decrease, however, was largely offset by an increase in water purchase costs (\$3.5 million) resulting from DMP Stage II actions to secure supplemental water supplies.

**Table 3 – FY 2008 and 2009 Projected Expenditures
 (Thousands)**

Category	2008-2009 Budget	2008-2009 Projections	Variance	%
CIP Appropriation	\$618.6	\$618.6	\$0.0	0.0%
Water Purchases	530.1	533.6	3.5	0.7%
Debt Service	200.8	191.3	-9.5	-4.7%
Operating Budget	95.1	95.1	0.0	0.0%
QSA Environmental/Other Commitments	14.9	14.9	0.0	0.0%
IID Water Prepayment	10.0	10.0	0.0	0.0%
Equipment Replacement Fund	3.6	3.6	0.0	0.0%
Other Expenditures	2.3	\$2.3	0.0	0.0%
TOTAL	\$1,475.4	\$1,469.5	-\$6.0	-0.40%

Funding the Enhanced Conservation Campaign

In March, the Board approved a \$1.787 million contract with Mentus for execution of the DMP Stage II enhanced conservation campaign. At that time, \$162,000 was available from the prior Board additions to the Public Affairs operating budget. Staff committed to fund the additional \$1.625 million through a combination of sources to be identified during this mid-term update. After significant analysis of the operating budget, staff proposes to fund the program through a combination of budget savings and programmatic reductions detailed in Table 4 below. As a result of these specific budget savings and programmatic reductions, no additional resources are being requested to fund the Board-approved enhanced conservation campaign.

**Table 4 - Savings/Programmatic Reductions to Fund Board-Approved
 Enhanced Conservation Campaign
 (Thousands)**

Funding Sources	Amount
Board-approved budget amendments	\$162,000
Savings from treatment plant operations delay—O&M	500,000
Savings in insurance costs—Administrative Services	400,000
Savings in encroachment removal and non-reimbursable plan check fees—Right-of-Way	245,000
Reprioritize conservation programs—Water Resources	220,000
Reprioritize consultant studies—MWD Programs	207,000
Reprioritize Imperial Valley Outreach—Colorado River Programs	53,000
Total Sources	\$1,787,000

Multi-Year CIP Appropriation

There is a significant accounting distinction between the multi-year CIP appropriation and CIP Lifetime Budgets. The multi-year CIP appropriation controls capital expenditures within the two-year budget period only. CIP and Project Lifetime budgets refer to expenditures throughout the entire life of the specific projects. Despite the increases to project lifetime budgets described below, the multi-year CIP appropriation for this two-year period remains unchanged from the adopted multi-year budget of \$618.6 million. Because certain projects are spending at a lower rate than forecasted, the lifetime project budget increases can be accommodated within the existing multi-year budget appropriation.

CIP Lifetime Budget

Recommendation #2 of this memo is to increase the CIP Lifetime Budget by \$78.7 million. This involves adding one new project and increasing the lifetime budgets of three existing projects. The recommended changes are set forth in Table 5 and discussed below.

**Table 5 –Mid-Term Adjustments to Lifetime Project Budgets
 (Thousands)**

Project Name	Adopted Lifetime Budget	Recommended Lifetime Budget	Reason for Change	Increase
Water Supply				
Vidler/Semi-tropic Water Storage Project	\$0.0	\$31.0	New project	\$31.0
Water Facilities				
San Vicente Pipeline	274.4	313.9	Delay due to differing site conditions	39.5
Lake Hodges Project	125.6	132.8	Delay due to differing site conditions	7.2
Mission Trails Tunnel	56.1	57.1	Scope change	1.0
TOTAL	\$456.1	\$534.8		\$78.7

In accordance with Stage II of the Drought Management Plan, the Board directed the pursuit of supply and storage opportunities including groundwater storage agreements with several agencies in the Central Valley. Staff successfully negotiated and the Board approved two such opportunities. To properly fund these efforts we have added a new project to the CIP, the Vidler/Semitropic Water Storage Project, in the amount of \$31.0 million. As part of the Quantification Settlement Agreement (QSA), the Water Authority received a groundwater conjunctive use grant in the amount of \$30.4 million. Most of the cost of this project will be paid for by these grant funds.

At a Special E&O Committee meeting on May 14, 2008, the Board was presented with recommendations to increase the lifetime budgets of three existing CIP projects—San Vicente Pipeline, Lake Hodges Project and Mission Trails Tunnel. These increases, reflecting changes in site conditions and scope, total \$47.4 million. After discussing the projects, the Committee requested the A&F Committee to consider the financial impacts of budget changes as part of its June 12, 2008 workshop. Because these lifetime budget changes do not increase the current budget appropriation for the CIP, they will not have an impact on CY 2009 rates and charges beyond what has been forecasted in the Long-Range Financing Plan. At the June 12, 2008 Special Administrative and Finance Committee meeting this impact was reported to be 23 cents/month per household, beginning in fiscal year 2010.

A Look Ahead

FY 2008 has been both a busy and challenging year. Through efficient and effective use of its resources the Water Authority has continued to execute its long-term supply reliability strategy and at the same time respond quickly and decisively to more immediate water supply issues. FY 2009 will prove similarly challenging. Generally unfavorable economic conditions, uncertain water supplies, and peak CIP execution will demand diligence, flexibility and resourcefulness. Reflecting the Board's long-term planning values, staff is currently scoping certain planning efforts that will feed into the development of the multi-year budget for FY 2010-2011. In fall, 2008 we will begin CRACA "Lite" to reassess our supply and facilities investment planning in light of changing hydrologic conditions and our essential mission to provide a safe and reliable water supply.

Prepared by: Eric L. Sandler, Director of Finance/Treasurer

Reviewed by: Paul A. Lanspery, Deputy General Manager

Approved by: Maureen A. Stapleton, General Manager

Attachment: Resolution of the board of directors of the San Diego County Water Authority adopting the fiscal years 2008 and 2009 mid-term updated budget

RESOLUTION NO. 2008-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADOPTING THE FISCAL YEARS 2008 AND 2009 MID-TERM UPDATED BUDGET

WHEREAS, the Board of Directors of the San Diego County Water Authority has reviewed the General Manager's Mid-Term Updated Budget for Fiscal Years 2008 and 2009; and

WHEREAS, the Board, upon recommendation of the General Manager and Administrative and Finance Committee, has determined that certain mid-term budget adjustments as specified in the memorandum dated June 5, 2008 are required;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the San Diego County Water Authority, as follows:

1. That the amended expenditure amounts designated in Tables 1-3 (attached) regarding the mid-term update for the multi-year budget for Fiscal Years 2008 and 2009, and the CIP lifetime budgets, are hereby appropriated and may be expended by the departments or funds for which they are designated, and such appropriations shall be neither increased nor decreased except as provided herein.

2. The controls established by Section 4 of Resolution No. 2007-12, apply to amended or additional appropriations approved by this resolution.

3. In addition to the authorization for expenditures from the Water Purchase to meet the water demands of the member agencies, the General Manager is also authorized to exceed the Water Purchases appropriation to purchase water for storage, subject to the total appropriation authorized by Resolution No. 2007-12 and this resolution.

4. That authorization is made for any carry over or continuing appropriations for operating equipment, debt service and the Capital Budget.

PASSED, APPROVED AND ADOPTED, this 26th day of June 2008.

AYES: Unless noted below, all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Fern Steiner
Chair

ATTEST:

Mark Watton
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008- was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board

**Table 1—Mid-Term Budget Adjustments
Multi-Year Budget for Fiscal Years 2008 and 2009**

Category	2008-2009 Budget
CIP Appropriation	\$618.6
Water Purchases	530.1
Debt Service	200.8
Operating Budget	95.1
QSA Environmental/Other Commitments	14.9
IID Water Prepayment	10.0
Equipment Replacement Fund	3.6
Other Expenditures	2.3
TOTAL	\$1,475.4

**Table 2— Savings/Programmatic Reductions to Fund Board-Approved
Enhanced Conservation Campaign
Multi-Year Budget for Fiscal Years 2008 and 2009**

Funding Sources	Amount
Board-approved budget amendments	\$162,000
Savings from treatment plant operations delay—O&M	500,000
Savings in insurance costs—Administrative Services	400,000
Savings in encroachment removal and non-reimbursable plan check fees—Right-of-Way	245,000
Reprioritize conservation programs—Water Resources	220,000
Reprioritize consultant studies—MWD Programs	207,000
Reprioritize Imperial Valley Outreach—Colorado River Programs	53,000
Total Sources	\$1,787,000

Table 3—CIP Lifetime Budget Adjustments

Project Name	Lifetime Budget (Millions)
Vidler/Semitropic Water Storage Project	\$31.0
San Vicente Pipeline	313.9
Lake Hodges Project	132.8
Mission Trails Tunnel	57.1
TOTAL	\$534.8



June 18, 2008

Attention: Board of Directors

Adopt Water Authority rates and charges for fiscal year 2008-2009 and calendar year 2009, and continue the annual Standby Availability Charge for fiscal year 2008-2009 as currently imposed (Action)

Purpose

To adopt Ordinance No. 2008-___ setting rates and charges for water, services and facilities effective fiscal year 2008-2009 and calendar year 2009, and adopt Ordinance 2008-___ continuing the Water Standby Availability Charge at its current level.

Administrative and Finance Committee Recommendation

Adopt Ordinance No. 2008-___ setting rates and charges for delivery and supply of water, use of facilities and provision of services for fiscal year 2008-2009 and calendar year 2009 and adopt Ordinance No. 2008-___ continuing the Water Standby Availability Charge at its current level.

Alternative

Modify the proposed rates and charges to obtain full cost recovery in the upcoming year.

Fiscal impact

The water rates and charges, in combination with existing taxes, the System and Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income and the Standby Availability Charge are expected to raise revenues sufficient to meet the Water Authority's revenue requirement and bond covenants.

Background

In mid 2006, the Board addressed concerns about increases in construction bids following the award of San Vicente Pipeline and Lake Hodges Pump Station by creating the Comprehensive Reliability and Cost Assessment Ad-Hoc Committee (CRACA). The CRACA committee conducted a thorough evaluation of the cost and reliability impacts of each project included in the Capital Improvement Program (CIP) as well as other important long-term planning assumptions (*i.e.* local supplies, conservation, etc.). On April 10, 2007, the Board approved the preferred alternative recommended by CRACA, known as the Revised Baseline. The Revised Baseline provides the foundational assumptions upon which the Water Authority's long-term planning is based.

On June 28, 2007, the Board adopted the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009 and set rates and charges for calendar year 2008. It delayed the setting of calendar year 2009 rates and charges. At that time, it was staff's recommendation to set calendar year 2009 rates and charges as part of the Mid-Term Budget Update when both the economic and water supply outlook for calendar year 2009 would be clearer.

On April 24, 2008, the Board adopted the 2008 Long Range Financing Plan (LRFP) update. As part of LRFP update, the water supply, water sales (*i.e.* impact of conservation), cost of water (*i.e.*

MWD's adopted calendar year 2009 rates), CIP expenditure projections, alternative water supply costs (*i.e.* spot transfers, Semitropic) and other economic assumptions that make up the foundation of the Revised Baseline were updated to reflect staff's current estimates. Based upon all of these updated assumptions, a high and low rate forecast was developed to support long-term planning. The LRFP calendar year 2009 rate increase was projected to be between 8.8% and 12.3%.

On May 21, 2008, the Water Authority closed its Series 2008A COPs issuance, which includes a partial current refunding of the 1997A COPs. The debt service schedule for the Series 2008A has been integrated into the calendar year 2009 rates and charges. The true interest cost on this debt issue is the second lowest on a new money issuance and the debt structure utilized will provide significant rate relief during the 2013-2020 time period.

On June 12, 2008, the Administrative and Finance (A&F) Committee reviewed staff's recommended calendar year 2009 rates and charges. After review, the A&F Committee concurred with staff's recommendation and is recommending that the proposed calendar year 2009 rates and charges, as published for the public hearing, be considered along with input from the public by the Board.

Previous Board Action: On May 22, 2008, the Board adopted Resolution 2008-6 setting the time and place for a public hearing on June 26, 2008 to receive comments on the proposed calendar year 2009 rates and charges.

Discussion

Table 1 below summarizes the calendar year 2009 rates and charges being recommended to the Board by the A&F Committee. These rates are consistent with the preliminary rate and charge projections included in the updated Long-Range Financing Plan and what was provided to the Water Authority's member agency finance officers and general managers on April 9, 2008 and April 15, 2008, respectively.

The amount of revenue to be generated by each rate category (revenue requirement) is determined by computing the total annual expenditures associated with the each rate category. The annual expenditures consist of budgeted cash payments and long- and short-term debt service payment streams associated with the different capital projects that support the Authority's Customer Service, Storage, Supply, Treatment and Transportation functions. The Operating Budget is also allocated in a similar fashion to the Authority's functional areas. Revenues from taxes, Water Standby Availability Charges, Infrastructure Access Charges, System and Treatment Capacity Charges, investment income and other miscellaneous income (collectively Non-Commodity Revenues) are credited to the amount to be recovered from the Customer Service, Storage and Supply rates and charges. Each rate and charge is then set to recover the revenue requirement calculated.

Table 1 – Summary of Water Authority Rates and Charges

Table 1 – Summary of Water Authority Rates and Charges			
Water Authority Rates and Charges	CY 2007 Previous	CY 2008 Current	CY 2009 Recommended
Customer Service Charge	\$14,200,000	\$15,200,000	\$16,000,000
Storage Charge	\$17,700,000	\$22,200,000	\$23,000,000
Transportation Rate (\$/AF)	\$60	\$60	\$64
IAC	\$1.56/ME ⁴	\$1.70/ME	\$1.90/ME
Melded M&I Supply Rate (\$/AF) ¹	\$365	\$390	\$463
Melded M&I Treatment Rate (\$/AF)	\$147	\$164	\$168
Standby Availability Charge per parcel or acre, whichever is greater ²	\$10	\$10	\$10
MWD Rates and Charges Directly Passed on or Allocated to Water Authority Member Agencies			
	CY 2007 Previous	CY 2008 Current	CY 2009 Adopted
Untreated Tier 2 Supply Rate \$/AF ³	\$427	\$449	\$528
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$261	\$322
Interim Agricultural Water Program Treated (\$/AF)	\$364	\$394	\$465
Replenishment Water Rate Untreated (\$/AF)	\$238	\$258	\$294
Replenishment Water Rate Treated (\$/AF)	\$360	\$390	\$436
MWD Capacity Charge	\$8,812,800	\$8,812,800	\$8,812,800
Readiness-to-Serve Charge ²	\$9,370,996	\$9,782,918	\$10,864,851
¹ SSOA water receives a credit of \$70/AF on the melded M&I supply rate ² Fiscal Year Charge ³ Agencies exceeding their Tier 1 allocation pay the MWD bundled Tier 2 Supply Rate (System Access Rate, System Power Rate and Water Stewardship Rate) instead of the M&I Melded Supply Rate ⁴ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.			

The following rates and charges are being proposed effective on January 1, 2009:

Customer Service Charge. The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority and to develop policies and implement programs that benefit the region as a whole. Research, development and planning costs associated with new supplies are examples of costs that are included in Customer Service category. The Customer Service Charge is allocated among the member agencies on the basis of each agency's three-year rolling average of all deliveries (including all users, member agencies and third-party wheeling throughput). The recommended Customer Service Charge for calendar year 2009 is \$16,000,000.

Storage Charge. The Storage Charge is set to recover costs associated with the Emergency Storage Program. Allocation of the Storage Charge is based on all non-agricultural water deliveries and will be allocated among the member agencies using a pro rata share of each agency's three-year rolling average of non-agricultural deliveries (including all users, member agencies and third-party wheeling throughput). The recommended Storage Charge for calendar year 2009 is \$23,000,000.

Transportation Rate. The Transportation Rate is a uniform rate set to recover capital, operating and maintenance costs of the Water Authority's aqueduct system including all facilities used to physically transport the water to member agency meters. All users, member agencies and third-party wheelers pay the Transportation Rate. Member agencies not receiving water from Water Authority transportation facilities do not pay the Transportation Rate. The Transportation Rate is levied on each acre-foot of water as delivered by the Water Authority through its facilities. The recommended Transportation Rate for calendar year 2009 is \$64/AF.

Infrastructure Access Charge (IAC). In June 1998, the IAC was adopted as an additional source of fixed revenue to improve coverage of the Water Authority's projected fixed expenditures. The IAC is levied on all retail water meters within the Water Authority's service area. The fixed charge is levied against each member agency for the purpose of maintaining a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% on any future fiscal year. The recommended IAC for calendar year 2009 is \$1.90/ME.

Melded Untreated M&I Supply Rate. The Water Authority has a melded supply rate which recovers the cost of water supply incurred by the Water Authority. These costs include the purchase of water from MWD, the Imperial Irrigation District (IID), the Coachella and All American Canal, costs of MWD wheeling for non-MWD water supplies, and certain other costs associated with the Quantification Settlement Agreement. The recommended Melded Untreated M&I Supply Rate for calendar year 2009 is \$463/AF.

Table 2 – Melded Untreated M&I Supply Rate Calculation

	<u>CY 2009</u>
Acre-Foot Sales (A/F) (000's)	
MWD Tier I	399.0
IID	60.0
Canal Water Delivery Costs	38.0
Supplemental Supply Purchases – CY 2009	25.0
TOTAL A/F SALES	522.0
Water Purchase Cost (in Millions)	
MWD Tier 1 Water Purchases	\$164.4
IID Water Purchases	35.3
Canal Water Purchases	10.8
Supplemental Supply – Purchases CY 2009	13.2
Supplemental Supply – Purchases CY 2008	2.8
Supplemental Supply – Storage Costs	3.8
Subtotal Water Purchases	\$230.3
Additional Costs (in Millions)	
Canal Cost Differential and Operating Budget Costs	\$4.4
IID Socioeconomic Payment	3.3
Prior Year Cost of Sales Recovery (2003 & 2004)	1.3
QSA Environmental	2.4
Subtotal Other Costs	\$11.40
TOTAL SUPPLY COST	\$241.7
A/F RATE (Total Supply Cost /Total A/F Sales)	\$463

Standby Availability Charge. The County Water Authority Act limits the maximum annual Standby Availability Charge to \$10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual standby availability charge should be levied on property within the Water Authority’s service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the \$10 maximum for fiscal year 2008-2009. The Standby Availability Charge rate is effective July 1, 2008. The amount of this charge has not changed since the adoption of Proposition 218 in 1996. The justification for imposition of this charge is the same as for when the charge was initially levied and as it was imposed before November 6, 1996.

Melded M&I Treatment Rate. The Water Authority has a melded treatment rate, which recovers the costs of providing treated water. The melded treatment rate includes costs associated with MWD, Helix, and Olivenhain treatment facilities, as well as the costs associated with the Water Authority’s treatment plant. The recommended Melded M&I Treatment Rate for calendar year 2009 is \$168/AF.

Table 3 – Melded Treatment Rate Calculation

	<u>CY 2009</u>
Acre-Foot Sales (A/F) (000's)	
MWD	78.2
Water Authority	87.5
Helix	10.0
Olivenhain	9.1
TOTAL A/F SALES	<u>184.8</u>
Cost (in Millions)	
MWD	\$12.5
Water Authority	15.2
Helix	1.9
Olivenhain	1.5
TOTAL TREATMENT COSTS	<u>\$31.1</u>
Estimated Cost (Total Treatment Costs/Total A/F Sales)	\$168

The following MWD rates and charges are passed on directly or allocated to the member agencies as follows:

Replenishment Rate. For CY 2009, the untreated replenishment water rate will increase from its current level of \$258/AF to \$294/AF. The treated replenishment water rate will increase from its current level of \$390/AF to \$436/AF, reflecting MWD’s increasing treatment costs.

Agricultural Water Rate. For CY 2009, the untreated agricultural water rate will increase from its current level of \$261/AF to \$322/AF. The treated agricultural water rate will increase from \$394/AF to \$465/AF, consistent with the increase in the untreated rate.

MWD Capacity Charge. For CY 2009, the Capacity Charge (formerly the Capacity Reservation Charge) is \$6,800 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries. As part of a separate surface reservoir operating agreement to manage seasonal peaking, the Water Authority is expected to reserve its full available capacity. The Capacity Charge will be unchanged and set at \$8,812,800. The Water Authority’s Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

**Table 4 - Calendar Year 2009 MWD Capacity Charge Allocation
 (Capacity Reservation Charge)**

Member Agency	Coincident Peak Week Deliveries (AF) ¹					5-year average share ³	CY2009 Charge
	8/12/2003	5/4/2004	7/19/2005	7/18/2006	8/11/2007		
Carlsbad M.W.D.	453.0	526.0	499.8	539.3	565.8	3.4059%	300,156
Del Mar, City of	32.0	33.9	36.2	42.9	36.1	0.2387%	21,037
Escondido, City of	730.4	899.2	686.9	663.9	823.5	5.0140%	441,876
Fallbrook P.U.D.	507.0	539.1	508.8	545.5	562.9	3.5106%	309,380
Helix W.D.	577.5	774.4	463.3	536.0	558.8	3.8358%	338,037
Lakeside W.D. ²	126.4	125.2	115.4	146.3	95.5	0.8025%	70,721
Oceanside, City of	688.9	797.7	798.4	879.6	915.4	5.3780%	473,949
Olivenhain M.W.D.	547.3	655.0	678.4	699.7	700.6	4.3248%	381,134
Otay W.D.	866.1	1,028.2	1,093.6	1,184.1	1,082.8	6.9265%	610,419
Padre Dam M.W.D. ²	369.0	391.9	411.4	458.2	472.9	2.7726%	244,339
Pendleton M.R.	2.0	2.7	1.0	2.2	2.3	0.0134%	1,184
Poway, City of	311.5	500.8	365.4	336.8	378.6	2.4954%	219,910
Rainbow M.W.D.	844.9	908.3	939.8	970.9	839.1	5.9355%	523,086
Ramona M.W.D.	187.8	299.7	205.7	215.8	353.2	1.6637%	146,622
Rincon Del Diablo M.W.D.	213.4	241.5	235.1	251.0	231.0	1.5449%	136,145
San Diego, City of	5,110.5	5,316.8	4,293.5	4,181.8	5,176.0	31.7387%	2,797,063
San Dieguito W.D.	123.9	179.8	142.4	206.2	122.5	1.0213%	90,004
Santa Fe I.D.	248.8	372.9	280.3	401.8	296.9	2.1099%	185,944
Sweetwater Authority	-	-	-	-	-	0.0000%	-
Vallecitos W.D.	415.0	487.5	549.3	631.1	566.4	3.4921%	307,753
Valley Center M.W.D.	1,395.1	1,451.8	1,438.1	1,592.3	1,426.1	9.6268%	848,392
Vista I.D.	551.5	625.5	297.7	271.3	646.5	3.1536%	277,922
Yuima M.W.D.	119.8	140.5	136.4	164.8	193.7	0.9955%	87,727
Totals	14,421.8	16,298.4	14,176.9	14,921.5	16,046.6	100.0000%	\$ 8,812,800

¹ Charge is allocated based on a five-year rolling average of member agency deliveries during regional peak weeks. Annual charges are rounded to the nearest dollar.

² Lakeside Water District's proportional share of annual peak week deliveries is based on actual meter delivery records provided by Padre Dam M.W.D.

³ Percentages shown are rounded.

Readiness-to-Serve Charge. MWD's Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a fiscal year basis. The total Readiness-to-Serve Charge will increase from its current level of \$82,000,000 to \$92,000,000 for fiscal year 2009. The Authority's share is set at \$23,529,822. After credits from the MWD Standby Charge, and administrative costs, the net Authority share is \$10,864,851. MWD's Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation will be revised each year. Revenues equal to the amount of Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Water Authority's Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

Table 5 - Readiness-to-Serve Charge Allocation					
Member Agency	10-Year Average Deliveries (AF)¹	FY09 RTS Charge²	Net Stand-By Charge Credits³	FY09 RTS Net Charge	Monthly Charge
Carlsbad M.W.D.	18,653	\$ 890,220	\$ (391,298)	498,922	\$ 41,577
Del Mar, City of	1,406	67,102	(24,664)	42,438	3,537
Escondido, City of	20,032	956,034	(224,375)	731,659	60,972
Fallbrook P.U.D.	8,584	409,674	(284,489)	125,185	10,432
Helix W.D.	35,426	1,690,717	(787,437)	903,280	75,273
Lakeside W.D. ⁴	4,568	218,009	(171,568)	46,441	3,870
Oceanside, City of	28,453	1,357,928	(651,526)	706,402	58,867
Olivenhain M.W.D.	19,304	921,290	(423,185)	498,105	41,509
Otay W.D.	33,822	1,614,166	(949,079)	665,087	55,424
Padre Dam M.W.D. ⁴	14,623	697,887	(535,514)	162,373	13,531
Pendleton Military Reservation	83	3,961	(34)	3,927	327
Poway, City of	13,634	650,687	(285,149)	365,538	30,462
Rainbow M.W.D.	9,149	436,639	(548,608)	(111,969)	(9,331)
Ramona M.W.D.	7,269	346,915	(421,261)	(74,346)	(6,196)
Rincon Del Diablo M.W.D.	7,366	351,545	(311,694)	39,851	3,321
San Diego, City of	205,514	9,808,220	(4,315,570)	5,492,650	457,721
San Dieguito W.D.	5,148	245,690	(161,297)	84,393	7,033
Santa Fe I.D.	8,832	421,510	(150,460)	271,050	22,588
Sweetwater Authority	9,554	455,968	(419,760)	36,208	3,017
Vallecitos W.D.	14,863	709,341	(431,309)	278,032	23,169
Valley Center M.W.D.	9,386	447,950	(684,990)	(237,040)	(19,753)
Vista I.D.	16,577	791,143	(406,330)	384,813	32,068
Yuima M.W.D.	34	1,623	(85,450)	(83,827)	(6,986)
Contract Water	746	35,603	76	35,679	2,973
Totals	493,026	\$ 23,529,822	\$ (12,664,971)	\$ 10,864,851	\$ 905,405

¹10-year rolling average of firm MWD deliveries based on FY98-FY07 period and rounded to nearest acre-foot. Annual and monthly are rounded to nearest dollar.

²Effective date is July 1, 2008.

³Net of \$12,715,463 in standby-charge credits and \$50,492 in MWD administrative fees.

⁴Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries.

After consideration of public comments at the Public Hearing on June 26, 2008, the staff recommends that the Board adopt ordinances setting the water rates and charges for fiscal year 2008-2009 and calendar year 2009, and continue the existing Standby Availability Charge for fiscal year 2008-2009.

Prepared by: David G. Shank, Rate and Debt Administrator

Reviewed by: Eric Sandler, Director of Finance/Treasurer

Approved by: Paul A. Lanspery, Deputy General Manager

Attachments:

June 12, 2008 Board Memorandum

Ordinance 2008 - ____ (Rate Ordinance)

Ordinance 2008 - ____ (Standby Charge Ordinance)



June 5, 2008

Attention: Administrative and Finance Committee

Discussion and Consideration of Proposed Calendar Year 2009 Rates and Charges and the Annual Standby Availability Charge (Action)

Staff recommendation

Recommend adoption of the proposed calendar year 2009 rates and charges for water, services and facilities, and to continue the existing Annual Water Standby Availability Charge at its current level to the full Board for consideration at the June 26, 2008 public hearing.

Alternative

Recommend adoption of alternative rates and charges for calendar year 2009.

Background

In mid 2006, the Board addressed concerns about increases in construction bids following the award of San Vicente Pipeline and Lake Hodges Pump Station by creating the Comprehensive Reliability and Cost Assessment Ad-Hoc Committee (CRACA). The CRACA committee conducted a thorough evaluation of the cost and reliability impacts of each project included in the Capital Improvement Program (CIP) as well as other important long-term planning assumptions (*i.e.* local supplies, conservation, etc.). On April 10, 2007, the Board approved the preferred alternative recommended by CRACA, known as the Revised Baseline. The Revised Baseline provides the foundational assumptions upon which the Water Authority's long-term planning is based.

On June 28, 2007, the Board adopted the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009 and set rates and charges for calendar year 2008. It delayed the setting of calendar year 2009 rates and charges. At that time, it was staff's recommendation to set calendar year 2009 rates and charges as part of the Mid-Term Budget Update when both the economic and water supply outlook for calendar year 2009 would be clearer.

On April 24, 2008, the Board adopted the 2008 Long Range Financing Plan (LRFP) update. As part of LRFP update, the water supply, water sales (*i.e.* impact of conservation), cost of water (*i.e.* MWD's adopted calendar year 2009 rates), CIP expenditure projections, alternative water supply costs (*i.e.* spot transfers, Semitropic) and other economic assumptions that make up the foundation of the Revised Baseline were updated to reflect staff's current estimates. Based upon all of these updated assumptions, a high and low rate forecast was developed to support long-term planning. The LRFP calendar year 2009 rate increase was projected to be between 8.8% and 12.3%.

On May 21, 2008, the Water Authority closed its Series 2008A COPs issuance, which includes a partial current refunding of the 1997A COPs. The debt service schedule for the Series 2008A has

been integrated into the calendar year 2009 rates and charges. The true interest cost on this debt issue is the second lowest on a new money issuance and the debt structure utilized will provide significant rate relief during the 2013-2020 time period.

Previous Board Action: On May 22, 2008, the Board adopted Resolution 2008-6 setting the time and place for a public hearing on June 26, 2008 to receive comments on the proposed calendar year 2009 rates and charges.

Discussion

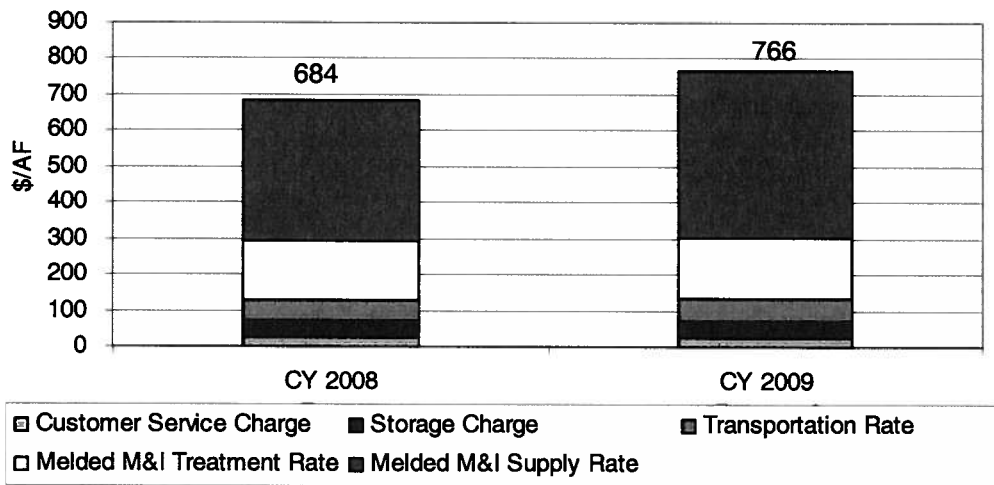
Table 1 below summarizes the rates and charges being proposed for calendar year 2009. These rates are consistent with the preliminary rate and charge projections included in the updated LRFP and what was provided to the Water Authority’s member agency finance officers and general managers on April 9, 2008 and April 15, 2008, respectively.

Table 1 – Summary of Water Authority Rates and Charges			
Water Authority Rates and Charges	CY 2007 Previous	CY 2008 Current	CY 2009 Recommended
Customer Service Charge	\$14,200,000	\$15,200,000	\$16,000,000
Storage Charge	\$17,700,000	\$22,200,000	\$23,000,000
Transportation Rate (\$/AF)	\$60	\$60	\$64
IAC	\$1.56/ME ⁴	\$1.70/ME	\$1.90/ME
Melded M&I Supply Rate (\$/AF) ¹	\$365	\$390	\$463
Melded M&I Treatment Rate (\$/AF)	\$147	\$164	\$168
Standby Availability Charge per parcel or acre, whichever is greater ²	\$10	\$10	\$10
MWD Rates and Charges Directly Passed on or Allocated to Water Authority Member Agencies			
	CY 2007 Previous	CY 2008 Current	CY 2009 Adopted
Untreated Tier 2 Supply Rate \$/AF ³	\$427	\$449	\$528
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$261	\$322
Interim Agricultural Water Program Treated (\$/AF)	\$364	\$394	\$465
Replenishment Water Rate Untreated (\$/AF)	\$238	\$258	\$294
Replenishment Water Rate Treated (\$/AF)	\$360	\$390	\$436
MWD Capacity Charge	\$8,812,800	\$8,812,800	\$8,812,800
Readiness-to-Serve Charge ²	\$9,370,996	\$9,782,918	\$10,864,851
¹ SSOA water receives a credit of \$70/AF on the melded M&I supply rate ² Fiscal Year Charge ³ Agencies exceeding their Tier 1 allocation pay the MWD bundled Tier 2 Supply Rate (System Access Rate, System Power Rate and Water Stewardship Rate) instead of the M&I Melded Supply Rate ⁴ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.			

As shown in Figure 1 on the following page, the proposed calendar year 2009 rates and charges result in an estimated 11.9% increase in the treated water rate. The proposed rates incorporate a degree of smoothing. Rates based on full cost recovery would result in an overall increase of 13.7%. The proposed calendar year 2009 rates and charges are slightly lower than the calendar year 2009 high rate

projections that were included in the LRFP. With the exception of the Melded M&I Supply Rate, calendar year 2009 rates are consistent with those presented to the Board in the Multi-Year Budget for fiscal years 2007-2008 and 2008-2009. It should be noted that fixed charges are presented on a \$/AF rate and are a function of the underlying sales forecast. Though customer impacts will vary by Member Agency, the proposed treated water rate increase results in an estimated \$3.42 increase in the average monthly household water bill.

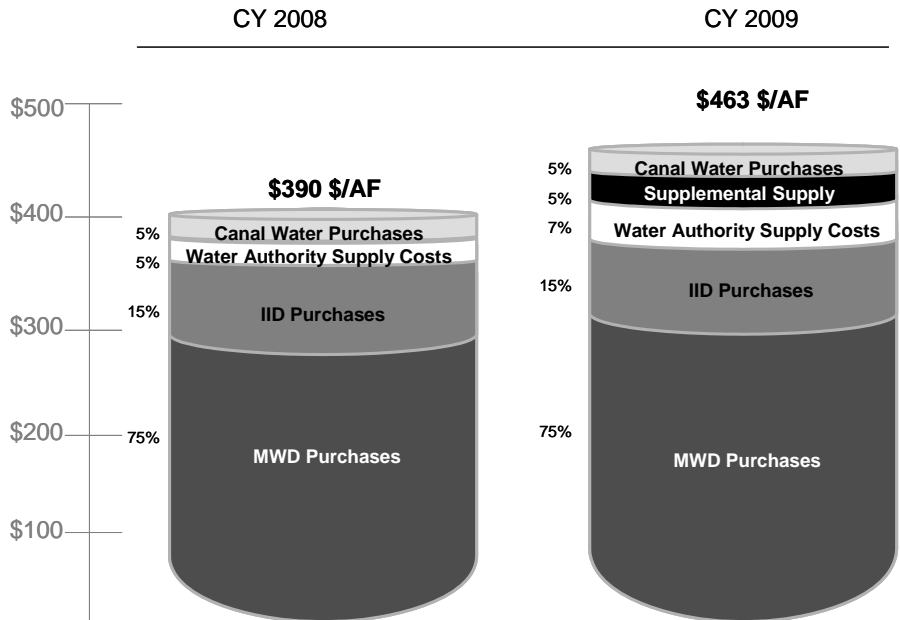
Figure 1: Overall Treated Water Rate for CY 2008 and 2009
Overall Increase of 11.9%



Water Authority Rate Charge	CY 2008 Rates	Proposed CY 2009 Rates	Proposed CY 2009 Increase	Increase in Percent
Melded M&I Supply Rate	\$390	\$463	\$73	18.7%
Melded M&I Treatment Rate	164	168	\$4	2.4%
Transportation Rate	60	64	\$4	6.6%
Storage Charge	44	44	\$0	0.0%
Customer Service Charge	26	27	\$1	3.8%
Total Cost of Treated Water (\$/AF)	\$684	\$766	\$82	11.9%

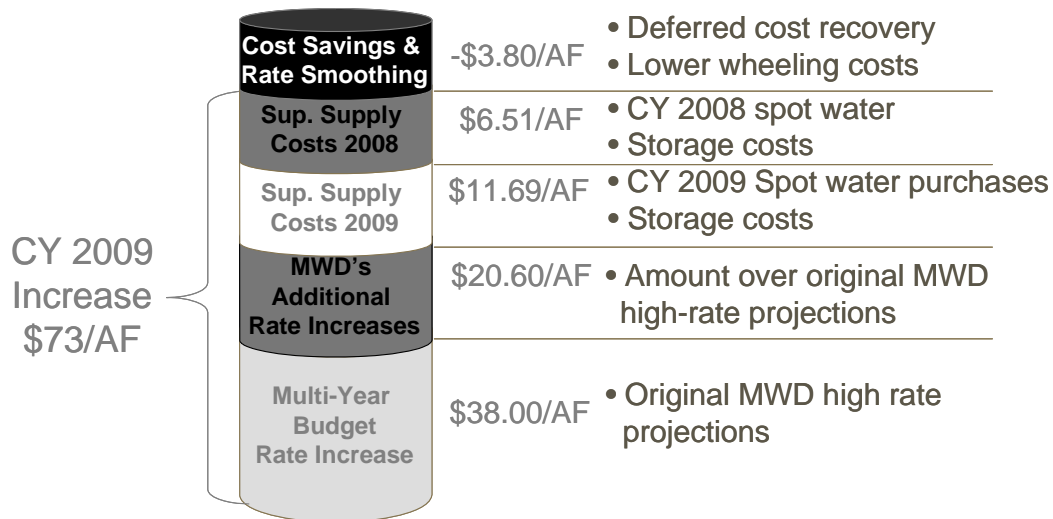
As can be seen above, the largest increase for calendar year 2009 is in the Melded M&I Supply Rate. Figure 2 on the following page provides a break down of the cost components of the Melded M&I Supply Rate. The main driver of the increase in the Melded M&I Supply Rate is the sharp increase in the cost of water purchased from MWD. The 17.4% increase in the calendar year 2009 cost of untreated water from MWD combined with the Water Authority's purchase of supplemental water supplies result in the proposed calendar year 2009 Melded M&I Supply rate increase of 18.7%. As shown below, the cost of MWD purchases is the largest cost component of water supply costs, which limits the Water Authority's ability to mitigate MWD rate shocks. The increase in the Water Authority Supply Costs, which includes the cost recovery of QSA, IID and other commitments, is due to the recovery of calendar year 2008 costs associated with supplemental supplies (discussed below).

Figure 2: Melded M&I Supply Rate Breakdown



The \$73/AF increase in the Melded M&I Supply Rate is attributable to several different cost pressures. These different cost pressures are illustrated in Figure 3 below and discussed on the following page.

Figure 3: Components of Melded M&I Supply Rate Increase



- The Multi-Year Budget** – The Melded M&I Supply Rate estimates provided in the Multi-Year Budget included a \$38/AF rate increase for calendar year 2009. The rate increase was based upon, among other things, MWD’s “High” rate projections.

- **MWD's Additional Rate Increases** – MWD's adopted calendar year 2009 Tier 1 Supply Rate Subtotal increased from the projected "High" rate for calendar 2009 of \$385/AF (used in the Multi-Year Budget) to the adopted rate of \$412/AF. The unanticipated \$27/AF increase results in a \$20.60/AF increase in the Water Authority's average supply cost.
- **Supplemental Water Supply and Storage Costs (CY 2009)** – As part of the Stage II DMP activities, in calendar year 2009, the Water Authority plans on purchasing supplemental water supplies. In addition to the supplemental supply water purchases, the Water Authority also anticipates making payments for the operations and maintenance of groundwater storage facilities. The combined impact of these costs is an \$11.69/AF increase in the average cost of water.
- **Calendar Year 2008 Supplemental Supply Cost Recovery** –The calendar year 2008 Melded M&I Supply Rate does not include any of the additional costs associated with supplemental water supply purchases and storage. Since the water purchases were budgeted at MWD's rate, only the additional cost of the supplemental supply is not recovered with the calendar year 2008 rate. These costs can only be recovered with future rates and charges (i.e. CY 2009 and beyond). In addition, the supplemental storage costs incurred in calendar year 2008 must also be recovered on future rates. To mitigate the rate impacts in calendar year 2009 and beyond, the additional cost of supplemental water is recovered over 2-years (CY 2009 & CY 2010) and the storage costs are recovered over 5-years (CY 2009-CY 2013). The recovery of these costs increases the average cost of water by \$6.51/AF.
- **Rate Smoothing and Cost Savings** – Because MWD's Tier 1 Rate Subtotal increases were limited to the Tier 1 Supply Rate, the cost of the Water Authority's canal and IID water was less than budgeted. This is due to the fact that MWD's wheeling rate did not increase in calendar year 2009 as was projected under MWD's "High" rate forecast. In addition, the recovery of a portion of QSA environmental costs was smoothed out to provide some rate relief in calendar year 2009. The combined impact of the lower costs of transfer water and rate smoothing reduced the cost of water by \$3.80/AF.

Looking forward, water supply availability and costs combined with a weak economic outlook make for challenging financial times. While the cost of supplemental supplies do have a rate impact, the Board's decisive actions and commitment to providing a reliable water supply for the region have well positioned the Water Authority to better meet future water demands and avoid the economic costs of supply shortfalls. In addition, Water Authority staff are participating on MWD's Rate Task Force to evaluate MWD's rate and charge structure and look for ways to mitigate future rate shocks.

Prepared by: David G. Shank, Rate and Debt Administrator
Reviewed by: Eric Sandler, Director of Finance/Treasurer
Approved by: Paul A. Lanspery, Deputy General Manager

ORDINANCE NO. 2008-

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES AND PROVISION OF SERVICES

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service." and

WHEREAS, subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority's Board of Directors, "as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water availability standby charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a system capacity charge, water treatment capacity charge, an infrastructure access charge, a readiness-to-serve charge and a water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, "An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services", which established a new structure for water rates and charges; and

WHEREAS, the new structure for water rates and charges replaced the Municipal and Industrial and Special Agricultural Water Rate with rates and charges according to five categories called: Customer Service, Storage, Transportation, Treatment and Supply; and

WHEREAS, the supply charge recovers the costs to the Water Authority of water it supplies to its member agencies, and

WHEREAS, on May 26, 2005, the Board of Directors adopted Ordinance No. 2005-03 increasing the System Capacity Charge and establishing the Water Treatment Capacity Charge; and

WHEREAS, on May 21, 2002, the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act (CEQA) for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate, Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas."; and

WHEREAS, the Authority has adopted a policy of diversifying its supplies and in furtherance of that policy is evaluating several potential Authority programs to augment and enhance supplies from the Metropolitan Water District, including: local ocean water desalination, regional water treatment, and water transfers in addition to the transfer from the Imperial Irrigation District; and

WHEREAS, these potential new supply programs are incurring capital costs for research, development and planning, the costs of which are appropriately recovered through the Customer Service Charge subject to reimbursement from future revenues collected through the Supply Charge if and when a new supply is approved and implemented; and

WHEREAS, the Director of Finance has presented a report dated June 12, 2008 the Administrative and Finance Committee describing the proposed rates and charges of be collected from the member agencies (the "Report"); and

WHEREAS, the Administrative and Finance Committee recommended that the proposed rates and charges set forth in the Report be considered by the Board along with public input; and

WHEREAS, the Clerk of the Board caused a notice to be published pursuant to Section 6066 of the Government Code in newspapers of general circulation printed and published within the Water Authority which fixed Thursday, June 26, 2008 at 9:00 a.m. or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, in the Board room of the Water Authority, 4677 Overland Avenue, San Diego, California as the time and place for a public hearing to consider objections and protests to the schedule of charges as proposed by Resolution 2008-06; and

WHEREAS, the Board of Directors has considered the information contained in the Report, the testimony and other evidence presented during the public hearing, the recommendations of the Administrative and Finance Committee; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests to the rates and charges as proposed and recommended in the Report are overruled;
4. The Report is approved;
5. The rates and charges as proposed and recommended in the Report are reasonable, fair, proper and necessary to meet the Authority's revenue requirements and fund its capital, operations, maintenance and other costs.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a capacity charge levied pursuant to Section 5.9 of the County Water Authority Act and established by Ordinance No. 97-1 in an amount as amended in accordance to Ordinance No. 2005-3; and water rates and charges having the following components as described in this ordinance: customer service, storage, transportation, treatment and supply.

2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until January 1, 2009, with the exception of the Readiness-to-Serve Charge, which shall continue until July 1, 2008.

3. Commencing January 1, 2009, the amount of the infrastructure access charge to be paid monthly by each member agency of the Authority, shall be \$1.90 per equivalent meter within the territory of the member agency and determined according to Table 1 attached hereto and made a part hereof.

4. Effective January 1, 2009, the Customer Service Charge is fixed at \$16,000,000. Commencing January 1, 2009 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 attached hereto and made a part hereof.

5. Effective January 1, 2009, the Storage Charge is fixed at \$23,000,000. Commencing January 1, 2009 the amount of the monthly Storage Charge to be paid by each member agency to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

6. Effective January 1, 2009, the Transportation Rate is fixed at \$64 per acre-foot of water delivered by the Authority through Authority facilities. Effective January 1, 2009, the Transportation Rate is fixed at \$64 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate.

7. Effective January 1, 2009, the Melded Municipal and Industrial Treatment Rate shall be set at \$168 per acre-foot.

8. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority. It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2009, the Melded Untreated Municipal and Industrial Supply Rate shall be set at \$463 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

(b) Effective January 1, 2009 as part of the Supply Charge, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method as set forth in the to Table 4 attached hereto and made a part hereof.

(c) Effective July 1, 2008 as part of the Supply Charge, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof.

(d) This section shall be administered in accordance with the Report approved by this ordinance.

9. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

10. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

11. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until superceded on July 1, 2008 for fiscal year charges, or January 1, 2009 for calendar year charges as provided in this ordinance.

12. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San

Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

13. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be “water delivered by the Authority through Authority facilities” – DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

PASSED, APPROVED AND ADOPTED, this 26th day of June, 2008

AYES: Unless noted below all Directors present voted aye.

NOES:

ABSTAIN:

ABSENT:

Fern M. Steiner,
Chair

ATTEST:

Mark W. Watton,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board

Table 1 - Infrastructure Access Charge Allocation

Member Agency	IAC Equivalent Meters (ME) as of 12/31/07¹	Rate (\$/ME)	CY09 Annual Charge	Monthly Charge
Carlsbad M.W.D.	34,852	1.90	\$ 794,628.00	\$ 66,219
Del Mar, City of	2,519	1.90	57,432	4,786
Escondido, City of	34,423	1.90	784,848	65,404
Fallbrook P.U.D.	11,849	1.90	270,156	22,513
Helix W.D.	64,305	1.90	1,466,160	122,180
Lakeside W.D.	7,961	1.90	181,512	15,126
Oceanside, City of	55,370	1.90	1,262,436	105,203
Olivenhain M.W.D.	27,685	1.90	631,224	52,602
Otay W.D.	57,258	1.90	1,305,480	108,790
Padre Dam M.W.D.	25,755	1.90	587,220	48,935
Pendleton Military Reservation	-	1.90	-	-
Poway, City of	17,628	1.90	401,916	33,493
Rainbow M.W.D.	13,118	1.90	299,088	24,924
Ramona M.W.D.	10,678	1.90	243,456	20,288
Rincon Del Diablo M.W.D.	9,494	1.90	216,468	18,039
San Diego, City of	386,670	1.90	8,816,076	734,673
San Dieguito W.D.	14,836	1.90	338,256	28,188
Santa Fe I.D.	10,408	1.90	237,300	19,775
Sweetwater Authority	42,180	1.90	961,704	80,142
Vallecitos W.D.	25,156	1.90	573,552	47,796
Valley Center M.W.D.	15,206	1.90	346,692	28,891
Vista I.D.	34,966	1.90	797,220	66,435
Yuima M.W.D.	473	1.90	10,788	899
Totals	902,790		\$ 20,583,612	\$ 1,715,301

¹Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.

Table 2 - Customer Service Charge Allocation

Member Agency	3-Year Average Deliveries (AF)¹	CY09 Annual Charge	Monthly Charge
Carlsbad M.W.D.	21,171	565,363	47,114
Del Mar, City of	1,367	36,505	3,042
Escondido, City of	25,043	668,763	55,730
Fallbrook P.U.D.	18,082	482,872	40,239
Helix W.D.	34,111	910,920	75,910
Lakeside W.D. ²	4,563	121,853	10,154
Oceanside, City of	32,058	856,096	71,341
Olivenhain M.W.D.	23,681	632,391	52,699
Otay W.D.	40,470	1,080,735	90,061
Padre Dam M.W.D. ²	15,552	415,310	34,609
Pendleton Military Reservation	60	1,602	134
Poway, City of	14,665	391,623	32,636
Rainbow M.W.D.	29,653	791,871	65,989
Ramona M.W.D.	11,479	306,542	25,545
Rincon Del Diablo M.W.D.	8,237	219,966	18,331
San Diego, City of	206,068	5,502,959	458,581
San Dieguito W.D.	5,681	151,709	12,642
Santa Fe I.D.	10,580	282,535	23,545
Sweetwater Authority	10,299	275,031	22,919
Vallecitos W.D.	19,860	530,353	44,196
Valley Center M.W.D.	44,461	1,187,313	98,943
Vista I.D.	17,896	477,905	39,825
Yuima M.W.D.	3,365	89,861	7,488
Contract Water	746	19,922	1,660
Totals	599,148	\$ 16,000,000	\$ 1,333,333

¹Three-year rolling average of firm and agricultural MWD deliveries based on FY05-FY07 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Lakeside W.D. is allocated 22.82% of Padre Dam M.W.D's deliveries prior to January 2008. Lakeside W.D's deliveries after January 2008 are being metered separately from Padre Dam M.W.D's deliveries.

Table 3 - Emergency Storage Charge Allocation

Member Agency	3-Year Average Deliveries (AF) ¹	CY09 Annual Charge	Monthly Charge
Carlsbad M.W.D.	20,356	\$ 914,092	\$ 76,174
Del Mar, City of	1,367	61,386	5,116
Escondido, City of	20,401	916,113	76,343
Fallbrook P.U.D.	8,877	398,624	33,219
Helix W.D.	34,111	1,531,765	127,647
Lakeside W.D. ²	4,386	196,955	16,413
Oceanside, City of	29,914	1,343,297	111,941
Olivenhain M.W.D.	22,395	1,005,654	83,805
Otay W.D.	40,375	1,813,050	151,088
Padre Dam M.W.D. ²	14,466	649,600	54,133
Pendleton Military Reservation	60	2,694	225
Poway, City of	14,024	629,752	52,479
Rainbow M.W.D.	10,148	455,699	37,975
Ramona M.W.D.	7,038	316,043	26,337
Rincon Del Diablo M.W.D.	7,532	338,227	28,186
San Diego, City of	205,643	9,234,461	769,537
San Dieguito W.D.	5,681	255,107	21,259
Santa Fe I.D.	10,407	467,329	38,944
Sweetwater Authority	10,299	462,480	38,540
Vallecitos W.D.	17,404	781,532	65,128
Valley Center M.W.D.	10,015	449,727	37,477
Vista I.D.	17,317	777,625	64,802
Yuima M.W.D.	(27)	(1,212)	(101)
Totals	512,189	\$ 23,000,000	\$ 1,916,667

¹Three-year rolling average of firm, non-agricultural MWD deliveries based on FY05-FY07 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Lakeside W.D. is allocated 23.94% of Padre Dam M.W.D's deliveries prior to January 2008. Lakeside W.D's deliveries after January 2008 are being metered separately from Padre Dam M.W.D's deliveries.

**Table 4 - Calendar Year 2009 MWD Capacity Charge Allocation
(Capacity Reservation Charge)**

Member Agency	Coincident Peak Week Deliveries (AF) ¹					5-year average share ³	CY2009 Charge
	8/12/2003	5/4/2004	7/19/2005	7/18/2006	8/11/2007		
Carlsbad M.W.D.	453.0	526.0	499.8	539.3	565.8	3.4059%	300,156
Del Mar, City of	32.0	33.9	36.2	42.9	36.1	0.2387%	21,037
Escondido, City of	730.4	899.2	686.9	663.9	823.5	5.0140%	441,876
Fallbrook P.U.D.	507.0	539.1	508.8	545.5	562.9	3.5106%	309,380
Helix W.D.	577.5	774.4	463.3	536.0	558.8	3.8358%	338,037
Lakeside W.D. ²	126.4	125.2	115.4	146.3	95.5	0.8025%	70,721
Oceanside, City of	688.9	797.7	798.4	879.6	915.4	5.3780%	473,949
Olivenhain M.W.D.	547.3	655.0	678.4	699.7	700.6	4.3248%	381,134
Otay W.D.	866.1	1,028.2	1,093.6	1,184.1	1,082.8	6.9265%	610,419
Padre Dam M.W.D. ²	369.0	391.9	411.4	458.2	472.9	2.7726%	244,339
Pendleton M.R.	2.0	2.7	1.0	2.2	2.3	0.0134%	1,184
Poway, City of	311.5	500.8	365.4	336.8	378.6	2.4954%	219,910
Rainbow M.W.D.	844.9	908.3	939.8	970.9	839.1	5.9355%	523,086
Ramona M.W.D.	187.8	299.7	205.7	215.8	353.2	1.6637%	146,622
Rincon Del Diablo M.W.D.	213.4	241.5	235.1	251.0	231.0	1.5449%	136,145
San Diego, City of	5,110.5	5,316.8	4,293.5	4,181.8	5,176.0	31.7387%	2,797,063
San Dieguito W.D.	123.9	179.8	142.4	206.2	122.5	1.0213%	90,004
Santa Fe I.D.	248.8	372.9	280.3	401.8	296.9	2.1099%	185,944
Sweetwater Authority	-	-	-	-	-	0.0000%	-
Vallecitos W.D.	415.0	487.5	549.3	631.1	566.4	3.4921%	307,753
Valley Center M.W.D.	1,395.1	1,451.8	1,438.1	1,592.3	1,426.1	9.6268%	848,392
Vista I.D.	551.5	625.5	297.7	271.3	646.5	3.1536%	277,922
Yuima M.W.D.	119.8	140.5	136.4	164.8	193.7	0.9955%	87,727
Totals	14,421.8	16,298.4	14,176.9	14,921.5	16,046.6	100.0000%	\$ 8,812,800

¹ Charge is allocated based on a five-year rolling average of member agency deliveries during regional peak weeks. Annual charges are rounded to the nearest dollar.

² Lakeside Water District's proportional share of annual peak week deliveries is based on actual meter delivery records provided by Padre Dam M.W.D.

³ Percentages shown are rounded.

Table 5 - Readiness-to-Serve Charge Allocation

Member Agency	10-Year Average Deliveries (AF) ¹	FY09 RTS Charge ²	Net Stand-By Charge Credits ³	FY09 RTS Net Charge	Monthly Charge
Carlsbad M.W.D.	18,653	\$ 890,220	\$ (391,298)	498,922	\$ 41,577
Del Mar, City of	1,406	67,102	(24,664)	42,438	3,537
Escondido, City of	20,032	956,034	(224,375)	731,659	60,972
Fallbrook P.U.D.	8,584	409,674	(284,489)	125,185	10,432
Helix W.D.	35,426	1,690,717	(787,437)	903,280	75,273
Lakeside W.D. ⁴	4,568	218,009	(171,568)	46,441	3,870
Oceanside, City of	28,453	1,357,928	(651,526)	706,402	58,867
Olivenhain M.W.D.	19,304	921,290	(423,185)	498,105	41,509
Otay W.D.	33,822	1,614,166	(949,079)	665,087	55,424
Padre Dam M.W.D. ⁴	14,623	697,887	(535,514)	162,373	13,531
Pendleton Military Reservation	83	3,961	(34)	3,927	327
Poway, City of	13,634	650,687	(285,149)	365,538	30,462
Rainbow M.W.D.	9,149	436,639	(548,608)	(111,969)	(9,331)
Ramona M.W.D.	7,269	346,915	(421,261)	(74,346)	(6,196)
Rincon Del Diablo M.W.D.	7,366	351,545	(311,694)	39,851	3,321
San Diego, City of	205,514	9,808,220	(4,315,570)	5,492,650	457,721
San Dieguito W.D.	5,148	245,690	(161,297)	84,393	7,033
Santa Fe I.D.	8,832	421,510	(150,460)	271,050	22,588
Sweetwater Authority	9,554	455,968	(419,760)	36,208	3,017
Vallecitos W.D.	14,863	709,341	(431,309)	278,032	23,169
Valley Center M.W.D.	9,386	447,950	(684,990)	(237,040)	(19,753)
Vista I.D.	16,577	791,143	(406,330)	384,813	32,068
Yuima M.W.D.	34	1,623	(85,450)	(83,827)	(6,986)
Contract Water	746	35,603	76	35,679	2,973
Totals	493,026	\$ 23,529,822	\$ (12,664,971)	\$ 10,864,851	\$ 905,405

¹10-year rolling average of firm MWD deliveries based on FY98-FY07 period and rounded to nearest acre-foot. Annual and monthly are rounded to nearest dollar.

²Effective date is July 1, 2008.

³Net of \$12,715,463 in standby-charge credits and \$50,492 in MWD administrative fees.

⁴Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D.'s deliveries prior to January 2008. Lakeside W.D.'s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.'s deliveries.

ORDINANCE NO. 2008-

ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY FIXING A WATER STANDBY AVAILABILITY CHARGE ON LAND WITHIN THE BOUNDARIES OF THE WATER AUTHORITY FOR FISCAL YEAR 2008-09 AT THE CURRENT AMOUNT OF \$10 PER ACRE OR PARCEL LESS THAN AN ACRE

WHEREAS, pursuant to Section 5.2 of the County Water Authority Act (Stats. 1943, c. 545) and Article 23 of the Water Authority's Administrative Code, on May 23, 2001 the Water Authority adopted Resolution No. 2002-06 setting forth the schedule of a Water Standby Availability Charge proposed to be established by ordinance on land within the boundaries of the Water Authority for fiscal year 2001-02; and

WHEREAS, the Clerk of the Board caused a notice to be published pursuant to Section 6066 of the Government Code in newspapers of general circulation printed and published within the Water Authority which fixed Thursday, June 26, 2008 at 9:00 a.m. or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, in the Board room of the Water Authority, 4677 Overland Avenue, San Diego, California as the time and place for a public hearing to consider objections and protests to the schedule of charges as proposed by Resolution 2008-06; and

WHEREAS, the Water Authority has considered any and all objections or protests received at or before the public hearing along with the recommendation of the Administrative and Finance Committee, and has overruled all such objections and protests, if any; and

WHEREAS, the Water Standby Availability Charge as proposed by Resolution 2008-06 is necessary to provide revenues for funding capital facilities and improvements benefiting property within the territory of the Water Authority; and

WHEREAS, the Long Range Financing Plan adopted by the Board of Directors considers the use of the Water Standby Availability Charge as a necessary means of assisting to provide a revenue source to help fund cash and debt service requirements to pay the cost of capital improvements necessary to continue meeting the supplemental water needs of the Water Authority's member agencies; and

WHEREAS, the Board of Directors has determined, adoption of standby charges is not subject to CEQA pursuant to Section 15378(b)(5) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project proposed to be funded by this charge will have appropriate CEQA documentation completed prior to initiation of any activities, which could result in physical impacts on the environment; and

WHEREAS, it is considered fair, reasonable, proper and necessary that the Water Standby Availability Charge be adopted as proposed; and

WHEREAS, the Water Standby Availability Charge adopted by this ordinance is a continuation of the standby availability charge in the amount fixed and levied prior to November 6, 1996 and annually each year thereafter; and

WHEREAS, the Board of Directors has previously considered evidence regarding the administrative cost of processing applications for deferral of the Water Standby Availability Charge.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Recitals Constitute Findings.

The foregoing recitals are true and correct and shall constitute legislative findings by this Board.

Section 2. Schedule of Charges.

There is hereby fixed a Water Standby Availability Charge of ten dollars (\$10) per acre of land within the Water Authority or ten dollars (\$10) for a parcel less than one acre.

Section 3. Charge Applicable to Each Parcel of Land.

The Water Standby Availability Charge shall be applicable to each parcel of land as established by and according to the records of the County Assessor of San Diego County. The charge for each parcel which includes more than one acre shall be determined by multiplying the total number of acres in said parcel by ten dollars (\$10).

Section 4. Definition.

The term "each parcel of land", as used in Section 3, shall mean each parcel of land assigned a parcel number by the San Diego County Assessor, including those with both 8-digit and 10-digit numbers, except (i) all numbered parcels included in Assessor Map Book 760 (identified as Possessory Interests) and Assessor Map books 770 through 779 (identified as Mobile Homes Located on Rented or Leased Lands), and, (ii) all numbered parcels included in Assessor Land Use Code designations where the second and third digit numbers are 90 and 91 (identified as Lands Owned by Public Entities Outside the Corporate Boundaries of the Public Owner). Numbered parcels in Assessor Land Use Code designations where the second and third digits are 07 (identified as Time-Share Interests) shall each be charged an equal pro-rata share of the amount that would have been charged to the 8-digit parcel number of which it is a part.

Section 5. Deferral of Charge.

A. Application for Deferred Charge

1. Purpose - Situations may arise when, due to special circumstances applicable to the owner's parcel of land, an owner has no present or future intention to utilize, with respect to the parcel, water provided by the Water Authority, a member agency, sub-agency or agent on a parcel of land as defined in Section 4. The purpose of this section is to permit an evaluation by the Water Authority, on a case-by-case basis, of the circumstances pertaining to such situations to determine whether a deferral of charges should be approved according to the terms and conditions herein provided.

2. Application - Any owner of a parcel of land who believes that payment of the Water Standby Availability Charge fixed against such parcel should be deferred may file an application with the Water Authority for deferral of the charge, as follows:

a) The application shall include a statement describing the circumstances and factual elements supporting the request for deferral.

b) The General Manager shall consider the request within sixty (60) days after the filing of a completed application. If the application for deferral meets the established criteria, the General Manager may decide whether to approve the request and order the charge deferred accordingly. If the request is denied, the applicant shall be notified in writing stating the reasons for the denial.

3. Appeal to Board of Directors - If the General Manager denies a request, the owner may file an appeal with the Board of Directors within sixty (60) days after such denial. No new application for deferral need be considered by the General Manager until expiration of twelve (12) months from the date of a denial unless differently directed by the Board of Directors.

B. Deferred Charges on Restricted Parcels.

1. Criteria - the levy of the charge may be deferred annually as to any parcel of land that meets each of the following criteria:

a) The owner of such parcel makes an application requesting deferral of the charge as defined in Subsection 5.A.2.

b) The parcel that is the subject of the request will become subject to enforceable restrictions which prohibit the use of water on the parcel, except

by means of natural precipitation or runoff; provided, however, if considered appropriate by the General Manager, local water may be used for limited domestic, stock watering and irrigation uses.

c) The owner executes an agreement, approved by the General Counsel and executed by the General Manager on behalf of the Water Authority that:

(i) establishes enforceable restrictions pertinent to the subject parcel consistent with this ordinance and binding upon the owner and the owner's successors in interest;

(ii) establishes the obligation of the owner or the owner's successors in interest to pay, upon termination of the agreement, all deferred Water Standby Availability Charges, plus interest thereon, compounded annually, and accruing at the legal rate from the date such charges would have been otherwise due and payable;

(iii) establishes the duration of the deferral;

(iv) shall be recorded in the official records of the County Recorder.

2. Administrative Fee – an application for deferral shall not be deemed complete and shall not be processed unless the applicant pays an administrative fee of \$500.00. A request for termination of a deferral agreement shall not be processed unless the applicant pays an administrative fee of \$500.00. The General Manager may waive the administrative fee for an application for deferral under the following circumstances: 1) if the purpose of the deferral is to permit or accommodate the conveyance of the parcel, or an interest therein, to a public agency or other entity for the purposes of establishing a permanent open space or habitat conservation area; 2) if the agreement for a single parcel deferral is not recorded in the official records of the County Recorder within 90 days of receipt of a complete application; and 3) if the agreement for a multiple parcel deferral is not recorded in the official records of the County Recorder within 120 days of receipt of a complete application.

C. Parcels Included in a Government Preservation Program.

The General Manager may amend or terminate an existing Water Standby Availability Charge Deferral Agreement, and/or execute a substitute agreement, if deemed necessary for inclusion of a parcel in a government program for the preservation of habitat and/or species.

D. Refunds.

1. If a request for deferral of charges is granted, the deferral shall become effective at the beginning of the fiscal year in which a completed application is received by the Water Authority, provided the completed application was received by May 1. If the completed application is received after May 1, the deferral, if

granted, shall become effective at the beginning of the next fiscal year. The Water Authority shall refund standby charges paid by the applicant for any period after the effective date of the deferral.

2. If it is determined that a refund of any previously fixed Water Standby Availability Charge is appropriate because the subject parcel qualifies for deferral of charges, the amount refunded shall be added to the amount of deferred charges due under Subsection 5.B.1(c)(ii) and will be subject to the legal interest rate compounded annually.

E. Enforcement Procedures.

In order to ensure that terms and conditions of the deferral agreement are being met, the General Manager shall;

1. maintain a record of all parcels approved for deferral of the Water Standby Availability Charge;
2. make a written report to the Board of Directors in August of each calendar year showing all parcels with deferred annual Water Standby Availability Charges and the amount of the deferred charges and accrued interest;
3. cause each such parcel to be physically inspected every three years from the date of deferment;
4. give written notice to each member agency and sub-agency as to each parcel of land within such agency;
5. report to the Board of Directors any instances where the terms of the agreement are being violated;
6. take such other actions or procedures considered appropriate.

Section 6. Implementation.

The General Manager is instructed to develop procedures which will, as expeditiously as practical, implement actions necessary so that county officers will only collect the Water Standby Availability Charge from each parcel of land as defined in Sections 3 and 4 hereof. If a Water Standby Availability Charge is improperly billed or collected, the General Manager shall take appropriate steps to cause a refund to be made in the amount improperly charged or collected.

Notwithstanding either (a) the provisions of any deferral agreement recorded prior to the date of this ordinance, or (b) the provisions of any prior ordinance relating to Water Standby Availability Charges, no waiting period for use of water following termination of a

deferral agreement and no surcharge shall be collected for any deferral agreement terminated after the effective date of this ordinance; instead the provisions of this ordinance shall apply to the termination of any deferral agreement effective as of the effective date of this ordinance.

Section 7. Refund of Charges.

The Water Authority reserves the right, upon receipt of a written request, to make refunds of charges collected and paid to the Water Authority by the San Diego County Tax Collector or other county official if a charge was levied on land which was not within the boundaries of the Water Authority at the time the charge was fixed, if the land was detached from the Water Authority prior to the end of the calendar year immediately following the calendar year within which the charge was fixed, or if a charge was fixed, levied, or collected without legal right. If a refund is authorized by the Board of the Water Authority, it shall be made to the person who paid the charge or to his/her assignee.

Section 8. Description of Land Parcels.

The Director of Finance shall furnish to the Board of Supervisors and the County Auditor of San Diego County schedules and information which contain a description of each parcel of land within the Water Authority upon which a Water Standby Availability Charge is to be levied and collected for the 2008-09 fiscal year, together with the amount of the availability charge fixed by the Water Authority on each parcel of land which is to be added to the assessment roll.

Section 9. Direction to Board of Supervisors.

Pursuant to Section 5.2(e) of the County Water Authority Act, the Board of Supervisors of San Diego County is hereby directed to levy, in addition to other taxes levied, the Water Standby Availability Charge in the amounts for the respective parcels as fixed by this ordinance.

Section 10. Collection and Payment.

Pursuant to Section 5.2(f) of the County Water Authority Act, all county officers charged with duties of collecting taxes shall collect the Water Authority's charges and pay the same to the Water Authority after deducting reasonable administrative costs incurred in levying and collecting the Water Standby Availability Charge.

Section 11. Transmittal.

The Clerk of the Board is authorized and directed to transmit forthwith a certified copy of this ordinance to the presiding officer of the governing body of each public member agency and, also, to the presiding officer of the Board of Supervisors and the County Auditor of San Diego County.

PASSED, APPROVED AND ADOPTED, this 26th day of June, 2008

AYES: Unless noted below all Directors present voted aye.

NOES:

ABSTAIN:

ABSENT:

Fern M. Steiner,
Chair

ATTEST:

Mark W. Watton,
Secretary

I, Doria F. Lore, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2008- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Doria F. Lore
Clerk of the Board



June 18, 2008

Attention: Board of Directors

General Counsel's Report – May - June 2008

Purpose

This report discusses certain legal matters receiving attention during the months of May – June 2008.

Significant Developments in Pending Litigation

QSA Litigation. The court has set July 17, 2008 for hearing on issues related to the scope of the validation action. The trial judge will decide the discovery motions based on the outcome of that hearing. A further status conference is scheduled for July 24, 2008. Brownstein, Hyatt, Farber, Schreck is special counsel for this litigation.

Document review

During this reporting period, this office wrote, reviewed or approved approximately 93 contracts, amendments, notices inviting bids, and requests for proposals.

Special counsel expenditures

Funds approved for payments to special counsel during May-June from the General Counsel's Operating Budget totaled \$98,892.43 for work related to QSA and Atlantica litigation, and a personnel issue. CIP expenditures were \$86,908.68 for work related to POWER litigation, Proposed Desalination Project, TOV WTP, Traylor-Shea Joint Venture, and Olivenhain/Lake Hodges. The combined payments for this fiscal year from the Operating budget for legal services are \$604,596.45. The combined payments for this fiscal year from the CIP budget for legal services are \$334,266.94.

General Counsel Opinion

At its May 22, 2008 meeting the Water Planning Committee and board requested an opinion on a number of questions relating to annexations. The opinion memorandum has been prepared and is included in the agenda packet under the Water Planning Committee agenda Information Item III. 2. (Lakeside Water District's proposed Erreca Annexation).

Prepared by: Daniel S. Hentschke

Attachment: Special Counsel Expenditure Report

**General Counsel's Office
Special Counsel Expenditure Report
(May - June 2008)**

Special Counsel	Project	\$ Expended FY 06-07 (Fees & Costs)	GC OP Budget Invoices Approved for Pmt. this Period	CIP Budget Invoices Approved for Pmt. this Period	Total \$ Expended FY 07-09 (Fees & Costs)	Budget Allocation FY 07-09 for Legal Services <u>\$1,750,000</u>
Asaro, Keagy, Freeland and McKinley	<i>TOV Right of Way Acquisition</i>	\$30,423.89 (CIP)				
Best, Best & Krieger	<i>Defenders Amicus Brief¹</i>	\$5,000.00 (OP)				
	Personnel Issues	\$4,110.00 (OP)			\$691.70 (OP)	
Brownstein, Hyatt, Farber, Schreck	IID/SDCWA Transfer	\$733,170.57 (OP)			\$3,337.92 (OP)	
	<i>Arbitration Panel Expenses</i>	\$77,342.56 (OP)				
	General Legal Matters (As Assigned)	\$4,443.05 (OP)	\$634.50		\$2,436.35 (OP)	
	QSA Litigation	\$62,420.22 (OP)	\$83,117.64		\$471,039.22 (OP)	
	<i>All American Canal²</i>	\$202,668.62 (CIP)				
	<i>Mardesich CEQA Issue</i>	\$6,125.22 (CIP)				
	Audit Letter	\$2,909.11 (OP)			\$914.20 (OP)	
	POWER v. IID ²	\$180,664.24 (CIP)			\$2,469.78 (CIP)	
	<i>POWER II²</i>	\$20,617.84 (CIP)			\$3,183.27 (CIP)	
	POWER III ²	\$21,078.51 (CIP)		\$1,073.40	\$1,111.90 (CIP)	
	Drought Management Plan Transfer				\$26,771.29 (OP)	
Daley & Heft	<i>Desalination</i>	\$2,571.70 (CIP)				
	SDCWA v. Atlantica/Deluca	\$203,156.77 (OP)	\$803.44		\$3,408.46 (OP)	
	SDCWA v. NIAC				\$18,942.70 (OP)	
Don Detisch, Law Offices of	<i>Lake Hodges Project</i>	\$28,303.54 (CIP)			\$1,650.66 (CIP)	

¹ Refund of \$1,143.22 for Defenders Amicus Brief due to a billing oversight.

² AAC and POWER litigation costs charged to the CIP and reimbursable by DWR. (Figures represent AAC legal services from July 2005 to present and POWER legal services from April 2006 to present.)

Special Counsel	Project	\$ Expended FY 06-07 (Fees & Costs)	GC OP Budget Invoices Approved for Pmt. this Period	CIP Budget Invoices Approved for Pmt. this Period	Total \$ Expended FY 07-09 (Fees & Costs)
Duncan & Allen	Rancho Peñasquitos Pressure Control Hydroelectric Facility Project				\$735.00 (CIP)
	San Vicente FERC Project	\$3,205.89 (CIP)			\$1,933.00 (CIP)
	Olivenhain/Lake Hodges FERC Proj.	\$175.00 (CIP)			\$1,303.10 (CIP)
Hawkins, Delafield & Wood	<i>Proposed Desalination Proj.</i>	\$247,088.55 (CIP)		\$1,349.50	\$1,349.50 (CIP)
	TOV WTP			\$61,372.75	\$61,372.75 (CIP)
Hunton Williams	<i>Defenders of Wildlife Amicus Brief</i>	\$5,467.99 (OP)			
Liebert Cassidy Whitmore	<i>Labor Relations</i>	\$17.00 (OP)			
	Personnel Issue		\$13,729.35		\$25,207.70 (OP)
Mandell Municipal Counseling	Capacity Charge Matter				\$1,476.00 (OP)
McKenna Long & Aldridge	<i>Moreno Lakeside Pipeline – Construction contract- Hartford v. SDCWA</i>	\$81,747.11 (CIP)			\$98,367.45 (CIP)
	Adams Valves v. SDCWA				\$4,362.10 (CIP)
	TOV WTP	\$3,850.61 (OP)		\$146.00	\$37,274.77 (CIP)
	Coachella Canal Lining Project ¹	\$141,443.94 (CIP)			\$2,398.48 (CIP)
	<i>Rancho Penasquitos Hydroelectric Project</i>	\$3,402.00 (OP)			
	Audit Letter				\$638.50 (OP)
	San Vicente Pump Station				\$1,653.00 (CIP)
	Olivenhain-Lake Hodges Pump House			\$6,065.19	\$6,065.19 (CIP)
Orrick Herrington & Sutcliff LLP	Bond counsel services ²	\$11,432.19 (OP)			\$10,044.42 (OP)
Pillsbury Winthrop Shaw Pittman	<i>Terminal Pay Plans</i>		\$607.50		\$39,687.99 (OP)

¹ Includes subcontractors paid from Professional & Technical Services account.

² Includes Bond Counsel Services for QSA issues, revenue debt, IRS audit and proposed desalination project.

Special Counsel	Project	\$ Expended FY 06-07 (Fees & Costs)	GC OP Budget Invoices Approved for Pmt. this Period	CIP Budget Invoices Approved for Pmt. this Period	Total \$ Expended FY 07-09 (Fees & Costs)	Budget Remaining in FY 07-09 \$1,145,403.55
Procopio Cory Hargreaves & Savitch	Traylor/Shea Joint Venture (TSJV)			\$10,916.84	\$82,358.21 (CIP)	
Richards Watson & Gershon	Water Conveyance Dispute			\$5,985.00	\$26,678.78 (CIP)	
Townsend & Townsend & Crew LLP	<i>US Patent Intellectual Property Rights/Desalination</i>	\$15,248.00 (OP)				
Total:		\$1,131,970.07 (OP) \$ 966,114.05 (CIP)	\$98,892.43	\$86,908.68	\$604,596.45 (OP) \$334,266.94 (CIP)	

* Concluded matters or assignments.