

# SOUTH BAY IRRIGATION DISTRICT MINUTES OF THE REGULAR MEETING

**February 15, 2010**

The Board of Directors of South Bay Irrigation District held a regular meeting on Monday, February 15, 2010, at the Sweetwater Authority Administrative Office, 505 Garrett Avenue, Chula Vista, California. President Thomas called the meeting to order at 4:00 p.m.

- **ROLL CALL**

Directors Present: Bud Pocklington, Jose Preciado, Maria Rubalcaba, Terry Thomas

Directors Absent: Margaret Welsh

Others Present: General Manager Rogers, Operations Manager Smyth, Legal Counsel de Sousa, Treasurer Farrow, and Board Secretary Schoonderwoerd. Also present was Janet Gonzalez.

- **PLEDGE OF ALLEGIANCE TO THE FLAG**

Director Pocklington conducted the pledge of allegiance to the flag.

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

There were no members of the public present.

- **PRESIDENT'S PRESENTATION**

President Thomas announced that this is the first South Bay meeting to have live streamed audio available to employees.

## **ACTION CALENDAR ITEMS**

### **1. PRESENTATION BY SVEN MEZA, CALPERS 457 PROGRAM ACCOUNT MANAGER**

Treasurer Farrow introduced Mr. Sven Meza, Sweetwater Authority's CalPERS 457 Program Account Manager, who was present to discuss the CalPERS 457 plan with the Board. Mr. Meza has been with ING about one year and was with AIG before that. He is a graduate of Bonita Vista High School and San Diego State University. Ms. Farrow stated that the CalPERS 457 program was offered to employees three years ago; to date, 88 employees are enrolled in the plan, and she is very pleased with the level of service.

Mr. Meza reviewed some general facts about the CalPERS 457 plan. He began with tips for staying focused which include: having a destination and setting goals once enrolled in the plan; specifying a time frame for retirement age, prioritizing objectives for the use of retirement funds; and making periodic direction checks to make sure the account is on target. He described dollar cost averaging versus a one-time investment explaining that this is something everyone in the plan typically does because money comes into the plan through payroll. Noting that there are conservative, moderate, and aggressive plans, Mr. Meza explained the risks investors must determine they are willing to take and the potential rewards; the higher the risk the better the reward. People who take a conservative approach typically have five or less years until they actually use the money; five to ten years would be

a moderate plan; and ten plus years would fall under the aggressive plan. The allocation at the aggressive level might be 100 percent in stocks; a moderate plan might have 60 percent in stocks and 40 percent in bonds; and a conservative plan would be 50/50 percent or below. Using an illustrative slide showing a relative return/risk continuum for sample asset classes, Mr. Meza described the potential risk/reward balance. Beginning at the bottom of the continuum, Stable Value, the least risky fund, yielded about 2.8 percent last year; this is not meant to make a lot of money, but rather to protect it. Next are interest-bearing Bonds; then Treasury and Inflation Protected Securities (TIPS), which are meant to keep up with inflation. Following those are Asset Allocations, which are models that CalPERS does for investors. Large Caps are investments in huge companies such as Proctor and Gamble, Kraft, Wal-Mart, etc. Next are Small/Mid Cap sized companies which are meant to appreciate over time. Lastly, the riskiest class that has the potential for the highest reward are International Investments, which yielded about 30 plus percent last year. Mr. Meza explained the need for diversity between asset classes, and he advised against stops and starts and losing sight of long-term objectives. He noted that a lot of people stopped contributing when the market was down out of fear of the market, and that, in fact, should have been the time to put more money into their plans because shares would have been bought at a lower cost. When the market rebounded, those investors could have potentially made a lot more money rather than stopping contributions. He used an illustrative slide to review the historical performance of the various class funds.

Mr. Meza summarized some top retirement bloopers, which are: not saving enough for retirement; not knowing about the world of options to help in saving for retirement; not taking full advantage of options; not being diversified; assuming that less income will be needed in retirement; not taking advantage of higher savings limits; borrowing or withdrawing from one's retirement plan when it was not really an emergency; and not having a retirement income distribution strategy. With regard to where to go from here, Mr. Meza stated that investors need to decide what type of investor they are: conservative, moderate or aggressive. They should then do the following: analyze and rebalance their long-term investment strategy; consider increasing their contributions; remember that rash reactions to losses could lead to decisions that are later regretted; define and reevaluate long-term investment objectives; devise strategies to help achieve their objectives; and review their investment strategies periodically. Mr. Meza provided enrollment kits for all of the Board members. In response to an inquiry from Director Thomas, Mr. Meza stated that the CalPERS program does not have Roth IRAs, but they do have a pretax 457 plan. He added that there is a plan to shelter one's money if they wanted to roll some over into the 457 plan. The risks are the same as with the stock market; however, there are three funds that are on the conservative side. In response to Director Preciado's inquiry regarding portability if someone separates from a public agency and the ability to continue contributions as private sector employees, Mr. Meza stated that once someone leaves a public agency, the money is theirs free and clear. The money can be withdrawn or rolled over somewhere else, but since new contributions usually come through payroll, that would not continue in the private sector. Director Preciado asked about the major distinction between this program and a 403B program. Mr. Meza responded that once one leaves a public agency with a 457 plan, they would not get charged the ten percent premature distribution penalty as they would with a 401K or a 403B; they will get taxed though. Director Pocklington inquired how the CalPERS 457 plan did during this last economic downturn and how it is coming back. Mr. Meza stated that it did take a hit as did other plans when the market was down, but last year most of their funds were in the double digits, so they did recover fairly swiftly. He noted that the fund performances are available to view on their website. He stated that right now their funds

are not doing as well as last year, and they are subject to how the market does. Treasurer Farrow stated that Sweetwater Authority offers three 457 plans to employees: the CalPERS program, Lincoln National Life, and Nationwide. She noted that one desirable feature of the CalPERS program is that it has an asset allocation that makes it very easy. Nationwide has a kind of do-it-yourself type of allocation and is for those who are more investment savvy, and it does not have a lot of the one-on-one with the account managers. Lincoln National Life does have a representative who is available to help with questions. Ms. Farrow reiterated that if one were to leave the employ of Sweetwater Authority, they can take that balance and roll it over into a like instrument; on the flip side, if one has money saved in a tax deferred plan now from another employer they can roll that into a CalPERS 457 as well. She also noted that the CalPERS 457 plan does not have the 59.5 retirement age requirement and one is not forced to take the funds out at 70.5. Distributions can be started and stopped as well; in some plans, once an election is made, it cannot be changed. Ms. Farrow stated that Mr. Meza can be available to meeting with Board members if they are interested in the program. The Board thanked Mr. Meza for his informative presentation.

## 2. ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED IN THE AGENDA

There were none.

## 3. APPROVAL OF MINUTES

**Director Preciado made a motion, seconded by Director Pocklington, that the Board approve the minutes of the December 14, 2009 meeting. The motion carried with Director Welsh not present.**

## 4. APPROVAL OF DEMANDS AND WARRANTS

**Director Pocklington made a motion, seconded by President Thomas, that the Board approve Warrants 10856 through 10860 including all voided checks. The motion carried with Director Welsh not present.**

## 5. NEW BUSINESS

There was none.

## 6. APPROVAL OF DIRECTORS' ATTENDANCE AT MEETINGS AND FUTURE AGENDA ITEMS

There were none.

## 7. REPORTS BY DIRECTORS ON EVENTS ATTENDED

President Thomas gave a brief report on the presentation given by Professor George Diehr of California State University, San Marcos, at the January 19<sup>th</sup> Council of Water Utilities meeting. The presentation was on investments at CalPERS, its asset allocation policy, new directions, corporate governance activism, and risk management. Also at that meeting, the updated draft proposal for the merger between the Council of Water Utilities and the Water Agencies Association was brought forth again and further input was received. Council members will be reviewing and voting on the final draft at its meeting tomorrow. President Thomas stated that this merger is very exciting and will involve collaboration between the water agencies from the north and the south.

**8. REPORT OF TREASURER**

The investment portfolios and treasurer's reports for the months of December 2009 and January 2010 were noted and filed. There were no questions from the Board.

**9. REPORT OF SWEETWATER AUTHORITY DIRECTOR TO THE WATER CONSERVATION GARDEN AUTHORITY**

Director Rubalcaba announced that the recently hired Development Director for the Garden was introduced to the Board at its February 10<sup>th</sup> meeting. General Manager Rogers added that her name was May Harris. Ms. Harris is an attorney with some fundraising background. New members of the Friends of the Garden Board were also introduced and there was a presentation of the financial statements by Director Rubalcaba. President Thomas thanked Director Rubalcaba for her work at the Garden.

**10. REPORT OF LAFCO SPECIAL DISTRICTS REGULAR MEMBER**

Director Pocklington reported that the February 1<sup>st</sup> LAFCO Commission meeting was fairly routine. He noted that the County of San Diego provides legal assistance for LAFCO. The previous counsel was Bill Smith, who had been with the County for over 20 years. Karen Landers has been attending LAFCO meetings through 2009 as part of her training and was introduced to the Commission on December 7<sup>th</sup>. She has been with the County since 2008 working in the Departments of General Services, Parks and Recreation, and Internal Affairs. Ms. Landers has been accepted as the LAFCO legal counsel, and Director Pocklington believes she will do an excellent job. He also noted that Ms. Landers has nine years of experience with Best Best and Krieger. Director Pocklington added that the LAFCO budget is going to be \$2,869 less than the previous year's budget. They have reduced personnel and tried to cut back wherever they could. This is the second year in a row that their budget has been less than the previous year, and he is pleased with that. The budget is scheduled for approval in March.

**11. REPORT OF LAFCO SPECIAL DISTRICTS ADVISORY COMMITTEE MEMBER**

President Thomas reported that the Advisory Committee did not have a meeting last month; however they will have an important meeting on February 19<sup>th</sup>. The main item on that agenda is the continuation of discussion and input from the Committee on the water supply and reliability policy. The draft President Thomas reported on at the last District Board meeting will be further refined. She stated that one of the main principles is that there should be local jurisdiction over the availability and reliability of the water supply. At the same time, they have collaborative partnerships with agencies and there is a responsibility of all of the water agencies to work together. Other concerns refer to some other discussions occurring for agricultural soil and impacts.

**12. REPORT OF SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE**

Director Pocklington reported that the next Board meeting is on February 25<sup>th</sup>. There was a special meeting last Thursday about labor negotiations at which they spent about 2.5 hours in closed session. Director Pocklington feels very positive that they were good discussions. Chair Lewis selected five members to sit down and negotiate what the settlement will be, hopefully with some progress by next month. They have until July 1<sup>st</sup> to get this approved; if it moves as smoothly as it did this last week, he thinks they will have it wrapped

up prior to that. Director Pocklington added that there was a new Board member at CWA, Keith Blackburn from Carlsbad. Mr. Blackburn spent 29 years as a police officer, 21 years with the Carlsbad Police Department. His professional and community activities include: President of the Blackburn Foundation, managing partner of a real estate partnership, member of the Encina Wastewater Authority Board of Directors, and Carlsbad Animal Shelter volunteer. His appointments include the Imported Water and Legislative, Conservation and Outreach Committees. Mr. Blackburn is a Carlsbad City Councilmember and the Board looks forward to working with him.

### **13. QUARTERLY REPORT OF DIRECTORS' EXPENSES – 2<sup>ND</sup> QUARTER FY 2009-10**

This report was provided for informational purposes and there were no comments from the Board.

### **14. REPORT OF MANAGEMENT**

There was none.

### **15. REPORT OF LEGAL COUNSEL**

Legal Counsel de Sousa briefly reported that she has been following Senator Feinstein's work in introducing an amendment to the Endangered Species Act to address the pumping restrictions on the Delta. Best Best & Krieger has been involved and has been consulted on the drafting of that language. Ms. de Sousa said it appears to be shaping up as good language for all the water agencies in California. She noted that the *Sacramento Bee*, however, issued a scathing editorial about moving forward and disrupting the delicate détente enjoyed by all of the stakeholders with regard to the water package and several pieces of legislation that were adopted last November. Ms. de Sousa stated that California not only has a drought, but an infrastructure issue, and this is aimed at addressing some of those issues. She said she will continue to track the issue and keep the Board posted on its progress.

### **16. DIRECTORS' COMMENTS**

Director Pocklington commented that he will be leaving for the Metropolitan Water District this evening, with a full Board schedule tomorrow to include a workshop on the budget.

### **17. CLOSED SESSION**

There was none.

### **18. ADJOURNMENT**

With no further business before the Board, President Thomas adjourned the meeting at 4:48 p.m.

---

Teresa Thomas, President

Attest:

---

Rita Schoonderwoerd, Board Secretary