

SOUTH BAY IRRIGATION DISTRICT MINUTES OF THE REGULAR MEETING

June 21, 2010

The Board of Directors of South Bay Irrigation District held a regular meeting on Monday, June 21, 2010, at the Sweetwater Authority Administrative Office, 505 Garrett Avenue Chula Vista, California. President Thomas called the meeting to order at 4:02 p.m.

- **ROLL CALL**

Directors Present: Bud Pocklington, *Jose Preciado, Maria Rubalcaba, Terry Thomas and Margaret Welsh

Directors Absent: None

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

- **PLEDGE OF ALLEGIANCE TO THE FLAG**

President Thomas 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**

In honor of Flag Day, President Thomas shared a poem by Edgar Guest titled, *A Patriotic Creed*. She stated that during these hard economic times, we all need to come together as friends, neighbors, community, and as a world. President Thomas stressed the need to work well and together to the best of our abilities, to seek wisdom, and to remember the mission of Sweetwater Authority and South Bay Irrigation District as we go forward with decisions.

ACTION CALENDAR ITEMS

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 **ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED IN THE AGENDA**

There were none.

2. **APPROVAL OF MINUTES**

Director Welsh made a motion, seconded by Director Pocklington, that the Board approve the minutes of the April 19, 2010 meeting. The motion carried.

3. **APPROVAL OF DEMANDS AND WARRANTS**

Director Pocklington made a motion, seconded by President Welsh, that the Board approve Warrants 10887 through 10890 including all voided checks. The motion carried.

4. **PRESENTATION AND APPROVAL OF FINAL BUDGET FOR FISCAL YEAR 2010-11**

Treasurer Farrow presented the proposed 2010-11 budget. She stated that expenses do not vary much for South Bay Irrigation District. One of the large items that need to be

budgeted is the audit, as required under the California Water Code. Ms. Farrow added that another large expense that occurs every other year is election costs. She stated that this year Division 1 and Division 4 will be up for election. The budget reflects a proposed expenditure of \$5,000 in October to cover election costs including polling costs, voters' pamphlets, and mailing costs. The Registrar of Voters submits estimated costs depending on how many registered voters there are in Division 1 and in Division 4. The fee is paid in advance; around March of the following year a reconciliation is completed, actual costs are compared to the estimates, then either a refund is made or additional costs incurred are charged to the District. Ms. Farrow noted that the proposed \$5,000 is ten percent over the election cost that was incurred four years ago.

***Note: Director Preciado entered the meeting at 4:10 p.m.**

Director Pocklington inquired if the amount of the election costs has anything to do with the voter turnout, noting that the turnout in Chula Vista's last primary was only 24.8 percent. Ms. Farrow replied no, and that the materials go to registered voters whether they vote or not; the costs cover administrative costs to conduct the elections. Director Thomas asked if the costs would be less if there were no challenges in the election, and Ms. Farrow replied that if a candidate runs unopposed, the costs are less because there would be less candidate statements to print. Director Pocklington also pointed out that expenses have been cut down a lot in the last few years, and President Thomas pointed out that the Directors' per diem was reduced last year. Director Pocklington noted that interest income is very low, less than one percent on investments. He added that interest rates are going to come back at some time, but if they skyrocket, we would have super inflation.

Ms. Farrow stated that a couple of meetings were cancelled this past year when there were no action items for the agenda. That means a reduction in cost not only for per diems but on the legal fees. She added that Legal Counsel de Sousa informed her that legal fees would not be increased again this fiscal year. Ms. Farrow noted that this was the second year in a row legal costs have not been increased, and that this decision is very much appreciated. Director Preciado requested clarification of the \$12,000 budgeted for Directors' fees when this year's actual was only \$6,900. Ms. Farrow replied that the Board could choose to reduce the budgeted amount, but what is presented in the proposed budget is basically \$1,000 per month for per diem fees in anticipation of each of the five Directors attending two meetings per month. President Thomas stated that many of the Directors participate in civic activities as a part of community outreach without receiving a per diem. Director Preciado noted the low return on investments and asked if it is statutory that we use the kinds of instruments we are using or if it is just the financial climate right now. He said he was sitting in a board meeting looking over the university endowment, and that very conservatively they are looking at a four percent return; however, they are not a public agency. Ms. Farrow stated that this month's treasurer's report shows that investments are \$972,384. She said that one thing that can be used within the local area is jumbo CDs; however, the Investment Policy limits investment in jumbo CDs to only 15 percent of total investments. That means we can only have one. Ms. Farrow noted that Sweetwater Authority has \$23 million, so it has a better opportunity to buy what are called agencies, treasury securities, etc. With a smaller principal, you are still limited to the same types of investments that the State of California dictates in its Code. The vision in the future as interest rates start to return would be to put as much back into the principal, but we cannot do that this year. Ms. Farrow stated she will begin to look at buying a CD for South Bay Irrigation District. Agencies and treasuries usually have denominations that are \$500,000 and higher to get really good rates. A jumbo CD is up to \$250,000, which is the limit for FDIC insurance. South Bay is restricted from even going that high on a CD because of the Investment Policy. Ms. Farrow added that the policy

dictates that we can go up to \$40 million with LAIF, and that is the only limitation on LAIF.

President Thomas made a motion, seconded by Director Welsh, that the Board approve the final budget for Fiscal Year 2010-11. The motion carried.

5. APPROVAL OF REVISED ANNUAL STATEMENT OF INVESTMENT POLICY AND ADOPTION OF RESOLUTION NO. 590

President Thomas asked for clarification on what defines evidence of “adequate” insurance coverage as referenced in the Qualified Banks and Securities Dealers section of the Investment Policy. Ms. Farrow replied that, if South Bay is going to put its investment portfolio into the hands of a third party broker or dealer to handle all the investing and transactions, they must have insurance coverage and be bonded and licensed to secure. This means that adequate coverage provides complete coverage. As a public agency working with investments of public funds, we do not want to put these funds into risky investments. There are many codifications in the government legislature ensuring that they make these decisions and decisions on the percentages that they feel are valid in terms of how much money can be put into the diversity of any funds. Ms. Farrow said that, as we collect monies from our ratepayers, we have a fiduciary responsibility to make sure that we secure them and try to earn a reasonable rate of return.

President Thomas had a suggestion for the Ethics and Conflicts of Interest section of the proposed Investment Policy. In the sentence that reads, “Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal/financial investment positions that could be related to the performance of South Bay Irrigation District’s portfolio.” President Thomas would like to add the Assistant General Manager to that disclosure. She stated that if this poses a problem to the timing of the approval of the budget, she will defer the matter to the future. Ms. Farrow stated that legal counsel has reviewed the Investment Policy, and she believes that is actually covered in the Form 700 disclosures. Ms. Farrow noted that, as the finance officer for South Bay and Sweetwater Authority, she has a higher and more rigid requirement to disclose everything, including any investments she has that may be in conflict with those two agencies. President Thomas clarified that she was talking in terms of employees who may not be covered by that requirement. General Manager Rogers noted that this same language was in the Sweetwater Authority Investment Policy. He clarified that currently we do not have an Assistant General Manager. President Thomas explained that she was making the recommendation for future consideration. Her intent is that the Assistant General Manager be aware of the same material with respect to this as the General Manager, so that if the General Manager is not present, the Assistant General Manager will have that information. Director Pocklington suggested that, since this policy is brought before the Board every year, this language could be considered for both Sweetwater Authority and South Bay next time, and the decision could be made to add the language to both policies. Ms. Farrow clarified that South Bay has no employees, but that, as of July 1, the five Directors of South Bay will be employees. She added that she, the board secretary, the General Manager, and the Operations Manager are not on the payroll of South Bay; they serve ex-officio. President Thomas stated she also has a recommendation for the Glossary section, which she will pass on to Ms. Farrow later.

Upon a motion made by Director Pocklington, seconded by Director Preciado, the following resolution:

RESOLUTION NO. 590**RESOLUTION OF THE BOARD OF DIRECTORS OF SWEETWATER AUTHORITY
ADOPTING AN ANNUAL STATEMENT OF INVESTMENT POLICY**

was passed and adopted by the following vote to wit:

Ayes:	Directors Pocklington, Preciado, Rubalcaba, Thomas and Welsh
Noes:	None
Absent:	None
Abstain:	None

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

There were none.

7. REPORTS BY DIRECTORS ON EVENTS ATTENDED

None of the Directors attended events during the past month as representatives of South Bay Irrigation District. Director Welsh stated she attended the Orange County Water Summit in May. She distributed a breakdown of the expenses for Orange County water agencies for this coming year. She found it very interesting how their projects are prioritized because everything looks like it is important, but the costs are incredible. She also found it interesting that they referred to it as a "bucket list."

8. REPORT OF TREASURER

The investment portfolios and treasurer's reports for the months of April and May 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 Garden's Development Director was scheduled to provide a report at the last meeting, but she was unable to attend. The Board appointed Mark Weston from Helix Water District as the representative from the JPA Board to the Friends of the Garden Board. The Board also approved a new, better looking logo that will feature plant life other than succulents or cactus. Director Rubalcaba also reported that the new fiscal year budget was approved and was similar to last year's budget.

10. REPORT OF LAFCO SPECIAL DISTRICTS REGULAR MEMBER

Director Pocklington reported the LAFCO Commission did not meet this month. President Thomas reported that the Advisory Committee did not meet this month either. Director Pocklington reminded the Board that LAFCO moves with the economy and these are rough times. He stated that they have been working with CALAFCO. He said CALAFCO is dominated by the northern agencies because they are more numerous. They are working

on a project to give LAFCO a little more voting privilege, and hopefully, that will pass in July and put them in a better position.

11. REPORT OF SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE

Director Pocklington reported that he just received his June 24th CWA agenda packet. He will make an official report at the June 23rd Sweetwater Authority Board meeting. One of the major topics on the agenda is the public hearing on the 24th for CWA's rate increase. Director Pocklington stated that he asked at the last CWA Board meeting why they were not having a workshop on the budget, but he did not receive a response. He said he has been there over ten years and they have had a workshop every year. He added that the rate increase could be 11.3 percent or higher, and reiterated that he plans to vote against that. He does not expect many people from the public to attend, and he believes the increase will be passed. Director Pocklington stated that if the City of San Diego is behind the increase; they represent 42 percent of the vote; but he also expects a few districts to vote no. He stated that a couple of Directors came up to him after the meeting to say that they concurred with his concern about not having a workshop, but they did not voice their concern during the meeting. Another important topic on the agenda is desalination. Director Pocklington gave some background on the Carlsbad Desalination Project and its history with CWA. His concern is that, whatever the differences are between Poseidon and the San Diego County Water Authority, they need to come to some terms to make this happen; if they do not, we will all suffer in San Diego County. Desalination has to be part of our portfolio. He said it is a sad case of greed and politics. He is concerned about the public and that our agency will suffer. If they fail, he believes it will be at least another ten years before we could get another opportunity to build a desalination plant. He hopes that CWA and Poseidon come together and reach a conclusion. He added that the lawsuit with MWD could not have come at a worse time. It is a 50/50 chance that CWA may be successful. President Thomas thanked Director Pocklington for representing South Bay and Sweetwater Authority so well at MWD.

12. REPORT OF MANAGEMENT

There was none.

13. DIRECTORS' COMMENTS

Director Pocklington commented that he visited Legal Counsel Cowett twice this past week, and he encouraged everyone to keep him in their thoughts and prayers.

14. CLOSED SESSION

There was none.

15. ADJOURNMENT

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

Attest:

Rita Schoonderwoerd, Board Secretary