

La Mesa Mayor Art Madrid addressed the Board and stated that many of the City's constituents are Helix constituents and he received about a dozen calls relative to the rate increase. One of the questions asked was why Helix is implementing the rate increase before the County Water Authority and Metropolitan Water District rate increases go into effect. Another was the impact on large parcels and the removal of domestic irrigation meters from the policy. Another was why the rates are different depending on the customer class when the same amount is paid to the wholesaler to purchase the water. He stated the establishment of an ad hoc committee would be a good idea. He added that if the City of La Mesa could be of any help, please let him know.

Mark Schuppert of the Grossmont Mt. Helix Improvement Association stated he feels the percentage increases in the bills will be more than what the District stated in its literature. He stated according to the County Water Authority, we are in a Drought Level II and the suggestion today to not go to Level II rates appears to be a strategy to get the rate structure passed. The problem is with the tier system itself. The punitive pricing for large families and large lots doesn't encourage conservation. There are significant inequities and there is time to get it right. It is more important to get it right than to get it done quickly and the Board should cancel the May 27th meeting and start over.

Larry Jackman, a resident of Mt. Helix, stated he isn't saying he doesn't want to pay more for water, his focus is the process. He only learned of today's meeting because he came into the office Friday and noticed the sign on the door. He has been following this issue over the last several months. He feels this meeting is contrary to what the District has been doing all these months and this subject does not warrant a special meeting. The issues today will have a significant impact on the rate structure and should be put back into the overall review process. He doesn't feel there is a need to rush this since the District's wholesale rates are not increasing until January. He is also concerned about those customers whose water use in May and June will be billed at the new rate in July. Using the rate stabilization fund seems inappropriate to cover costs and will start next year's fiscal process in a deficit.

Jennifer Bergovary, a resident of Mt. Helix, stated the District's notice of the rate increase only had information on average users and no specifics. She doesn't understand how the cost of water is the same but she's told one class of users isn't subsidizing another. She wants to pay her share but it's not fair when others pay less. Multi-family can just pass it onto the renters and businesses can pass it onto the customers. Everyone should have equal incentives. She asked the Board to cancel the hearing and start over.

Kristin Kjaero, a resident of La Mesa, stated she is not against a rate increase for cost recovery but she has an issue with the way it is being distributed. She would like to see an open process and get it done right. She stated she has an irrigation meter because she doesn't want the outdoor water use on her sewer bill and she does not want to lose her second meter. Helix is an irrigation district and it should be looking at all the things an irrigation district does and not just purchase water from dwindling resources. She would like the District to start over again.

Mr. David Carter, a resident of El Cajon, stated he has cut his usage by 50% but is still in the inefficient tier. He has a large lot and cannot cut his water use by 80% to get to the average tier. He requested the Board be fair to the large lot owners.

Vickie Sarafa, a Mt. Helix resident, stated she has two acres. She stated there are homeowner associations in residential areas and just because she isn't in one, she will be paying more.

Robert Petruzzo, a resident of El Cajon, stated his concern is that he has six acres with horses and he can't cut back on the horses' water consumption. The Board needs to consider that six acres with livestock is different from two people in a condo.

Dexter Levy, a resident of La Mesa, stated General Manager Weston has done a tremendous job and the items on today's agenda have been well thought out. He thinks the ad hoc committee is on target. He feels the flow calculations being used are incorrect and the District should look at a single rate structure. He suggested a committee be formed to look at the large acreage group and their specific conditions (trees, animals, etc.) because everyone does not fit into the same box. He thinks the District should allow separate irrigation meters with no rate difference because of the sewer issue.

Robert Gundry, a Mt. Helix resident, stated he does not know how he could save any more water. He doesn't let his grandchildren shower for more than five minutes and he doesn't let the water run while he is shaving.

Allison Henderson, President of the Grossmont Mt. Helix Improvement Association, stated her group wants to keep semi-rural with large lots and their trees. She has .88 acres and it doesn't matter what she does, she will be a high water user. She asked the Board to take three months to figure this out.

Robin Rivet, a certified arborist, master gardener, and member of the La Mesa Environmental/Sustainable Committee stated she has not heard anything about rainwater harvesting or gray water use. She has a half acre with 60 trees. Well irrigated trees like Magnolias can protect against fire hazards and have other benefits.

Laurise Gerk, a resident of La Mesa, stated a lot has been said and she agrees with all of it. Her biggest concerns are that the Board has decided to increase rates now instead of later this year, and how can the District charge different rates for different classes when it pays the same for all the water it buys.

La Mesa City Councilman Ernie Ewin stated he also wonders what is the rush; there is time to consider the issues. The Board meetings should be held at a time when people can come. He stated the ad hoc committee should meet and discuss the issues including the fire issue and the living infrastructure. The wake-up call has been issued and the District has more time.

General Manager Weston stated regarding the issue of waiting until January to increase rates, Staff calculates the rates for the entire fiscal year and it has been done this way for decades. The consequence of waiting until January will be that the rate increase will be

higher. Regarding the tier structure, the District currently has a tier structure for the domestic class so the higher users have been paying more. The additional tiers were part of a water-conserving rate structure that would encourage conservation through a price signal. The District currently has \$3.8 million in the rate stabilization fund and when staff prepares the five-year projection, this fund is used in the outlying years but it was decided not to use the fund this year. If tier five is eliminated, the fund could be used or staff could reduce maintenance. Regarding the issue of one class subsidizing another, or why there are different rates, he stated staff calculates the rate in each class to recover the total cost of the water sold in each class.

Mr. Weston stated the District understands that many large lot owners want separate meters but both would have to be billed at the domestic rate. This would be inequitable if one homeowner got a cheaper rate because they had a separate meter. Regarding one rate for everyone, it is not done that way now and it would not encourage conservation. He also stated that he has learned never to put names on the tiers because it offends people. On the issue of gray water, the District has no jurisdiction over that other than a requirement that a backflow prevention device is required.

Director Verbeke stated even though a Drought Level I was declared in July 2008, people did not conserve enough and make the necessary lifestyle changes. The message has been consistent that our water supply has been reduced and the cost is going up. Regardless of the rate or the rate structure we use, it is imperative our customers understand they must reduce. Every drop of water is the same and it should cost the same no matter how it is used. She feels everyone should be charged the same no matter where they live or the size of their property. The County Water Authority does not ask the District how its water is being used and charge accordingly. She doesn't believe the rate structure should be that way and that the proposed rate structure is complicated, inequitable, discriminatory, and unfair.

Director Verbeke made the motion to rescind the motion passed on March 4, 2009 approving the water rates and rate structure and cancel the May 27 hearing and begin the rate study process over.

The motion was seconded by Director Hedberg.

Director Linden thanked staff for the excellent job and stated it is imperative the District move forward. The studies have been done and are very complete. The District is under an emergency situation. He doesn't want his constituents to turn on the faucet and have no water. He and Director Smith sit on the County Water Authority Board representing Helix and it is clear that this is not the last rate increase coming. It is time to bite the bullet and he doesn't like what has to be done but it is necessary.

Director Muse stated he appreciates the motion and he would approve the part of the motion delaying the implementation but the single rate does not promote conservation. The rate differential is the way to do that. If everyone paid the same rate, there is no incentive.

Director Hedberg thanked everyone for coming to the meeting with such short notice. The customer's input is invaluable to the District as it is their very livelihoods that the Board is

making decisions for. She is glad to have this meeting today to talk about the numerous issues that have come up during the Proposition 218 process. The potential impact of the new rates came pretty quickly. It isn't just about a 22% increase to the average customer, but minimal/low water users would be hit with a 20% increase, due to the base rate increase and for some higher water users a 49% or even 67% increase. This brought to light the cheaper water rates to other classes. She began an in-depth inquiry to the General Manager and staff to review the proposed water rates for all classes regarding commodity charges and the base meter charges. She understands that the District needs to encourage conservation and cover its costs but she does not agree that the cost of a unit of water should be different amongst all classes. The District doesn't buy its water at different rates.

Director Hedberg reviewed some of the reasons she feels the District needs to begin the rate setting process over. The proposed rate structure is not consistent with the District's Water Shortage Plan. The Plan states the rate structure should be fair to all classes, not specifically within one class. The base rate is pretty consistent throughout the classes. It didn't give the Board any indication that staff would be looking at separate pieces of the pie. It says irrigation people should just reduce 2% and 2 ½% reduction for commercial and then 6% for multi-family and then assume this big estimate to hit the higher target of 8% for single family users. In estimating how to divvy up this pie, different estimates of shortages were used and this is wrong, everyone should be asked to conserve a certain amount across the board. They shouldn't be charged a little less because they have a bigger piece of the pie. The Shortage Plan also said the rate structure should result in minimal appeals and complaints. With all the people who came today on such short notice, that can't be true. She stated she knows the people who came today are only 1% of all the people who would like to have come but couldn't come to a 2 p.m. meeting. The Plan also states the rate structure should result in an efficient use of staff's time. It is taking a lot of staff time to prepare the water budgets for irrigation meters which are getting the cheapest rate so she is confused about this pricing structure. If it is taking a lot of staff time why are they getting the cheapest water. The steps to increase conservation should be consistent and similar in pricing and distribution amongst all classes. If several classes are allowed significantly cheaper water, then everyone is going to do what they can to get it. Outlawing irrigation meters at single family residential homes will not prevent other inherent potential problems from occurring. This is just one item and the quick fix proposed today to just outlaw meters is not the solution. What will prevent those with separate irrigation meters from connecting their domestic supply to the irrigation meter so they can get the cheaper rate? It's all potable water. The District should not cause more problems by trying to get rid of the domestic irrigation meters to solve something that is severely flawed on many other levels. She will not support a ban on these irrigation meters. The District is an irrigation district and has some homes with large lots, trees, and vegetation that need irrigation and the current use of irrigation meters are for ease in plumbing for irrigation and sewer billing. She questioned how the District would then do the billing with a property served by domestic meters and the new rate structure imposed at lower tiers. Would those with two meters be allowed the 0-10 units at the cheaper rate on both meters. She feels the District needs to be fair and equitable to all customers, similar to our current billing system. A lot of people don't know we have tiered units because the billing doesn't show it. She brought this up two years ago but she was told it was unnecessary. The current structure now is equitable and revenue neutral which is why there are not a lot of people with

separate irrigation meters. She has also looked at why the fixed meter charge went up 20% whereas larger meters went up only by 7% to 15%. After her evaluation, she found that the District did not use the same methodology in calculating the 2009 rates as it did in 2008 which caused the huge variation this year. The structure used in 2009 does not accurately follow the American Water Works Association standards for hydraulic capacity factors.

She stated she does not want to implement a structure that the General Manager has said has a serious flaw, is inherently inequitable, and to fix, may cause a revenue shortfall which anticipates using the rate stabilization fund. Her proposal is that the District go back to the drawing board, involve the public and all the Directors in workshops and come up with a new rate structure.

Director Smith commended staff and stated he agrees with all seven recommendations made to the Board. The water rate structure and the water rates proposed are an aggressive water conservation rate structure developed to address and adapt to serious water shortages that will face this District. He knows what's coming because he hears it at the County Water Authority. The District does pay different rates for its raw and potable water and will pay \$1,000 to \$1,500 per acre foot for desalinated water. These things must be dealt with. He agrees with the establishment of the ad hoc committee to address future issues but the District must have a deep commitment to do what is right even when it hurts. He cannot support the motion but he appreciates the comments.

Director Verbeke stated she wanted to clarify her motion, that she is not stating how to create the rate structure, just that the process should be started over.

Director Linden stated he supports the staff recommendations and he respects everyone who came in and brought up these issues. However, the Board and staff have the knowledge of what is going on. Every individual has an issue that is credible for their situation, but the Board represents 260,000 people and everyone will feel the pain including the Board members and staff. He stated the Board has to look at the experts and take this information and then agree or disagree and staff is well qualified and has worked with an outside consultant for months. The newspapers have been very clear on the water issues at all levels and how everyone has to conserve. The public was asked to conserve 10% but achieved 4% so obviously the issue has not been taken seriously. The District has to pay for water and keep a consistent supply and look for new sources which will be much more expensive. There will be no more cheap water. All these issues come into the rates and delaying will not solve the problem. The Board must act now and all rates are based on starting the rate structure in July. That's 2 ½ months from now. If the District starts over, the rates will be higher.

Director Hedberg stated she did a lot of research and there are no districts that have irrigation rates cheaper than domestic water rates. In fact, those are the people who need to reduce and yet in our study done by an engineering firm, they only estimated a 2% reduction and that's why they gave them the cheaper rate. The District wants more than a 2% reduction. She agrees there needs to be an 8% reduction but we should be asking that of all our users, not just one class. She doesn't want to punish those who have done a lot, especially in this economy. The Board needs to look at this with respect to the problems that have

come to light. The Board needs to look at the right solutions, not just outlawing domestic irrigation meters.

Director Smith stated the District is not an irrigation district anymore, it serves an urban community. Irrigation District's offer a lower rate because they are principally an agricultural area.

Director Weston stated just to correct the record, Helix is still an irrigation district legally but we do not participate in the discounted agricultural water program.

Director Hedberg stated she just wanted to make sure the Board understood that it's their job to look at what is being presented by staff to represent their constituents. Sometimes unfair judgments are made and she thinks clearly, as the General Manager brought up, that is what has happened. Just taking the action today skews everything and will require the use of the rate stabilization fund. She stated there is time to make changes since the rate increase from the County Water Authority doesn't go up starting July 1, just the restrictions. She wants to make sure the District keeps a balanced budget.

Director Verbeke stated the Board needs to understand that starting over doesn't mean that there won't be incentives. She would like to start over because there are some flaws and inequities that weren't known. It is better to do it right especially because rates are going to go up. There is no reason to rush and have the tiers skewed.

General Manager Weston stated by delaying a rate increase, there will be increased costs that will still have to be covered by increasing the rate. He wouldn't want anyone voting on this motion without appreciating that there are increasing costs between now and whenever new rates are implemented. It just means the rate impact will have to be higher when new rates are ultimately adopted.

Director Hedberg stated the numbers should be reviewed again. The cost of water is basically about \$3.00 and by raising the \$2.83 the homeowners cost can be lowered. She has done the research and it can work.

The vote was taken on the motion. Directors Hedberg and Verbeke voted yes. Directors Smith, Linden, and Muse voted no.

Director Hedberg stated she would like to make a motion to table the discussion to provide adequate notice to the irrigation meter owners who will be impacted. She inquired how many single family irrigation meters the District has now.

General Manager Weston stated there are 19.

Director Hedberg asked if they had all been notified.

General Manager Weston stated there are 19 customers with dual meters and another 13 that fall under the commercial agricultural group. The commercial agricultural group has been notified. The balance of the 900 irrigation meters are non-single-family.

Director Hedberg made a motion to table the discussion until the 19 single family irrigation meter accounts have been notified. The motion was seconded by Director Verbeke.

Director Smith asked for the vote. Directors Hedberg and Verbeke voted yes. Directors Smith, Linden, and Muse voted no.

Director Linden made a motion to adopt the following Resolution:

09-35 amending Sections 2.14, 2.15, 4.11, and 5.3 and adding Section 4.9-15 of the Policies and Procedures Manual

The motion was seconded by Director Smith. Directors Smith, Linden, and Muse voted yes. Directors Hedberg and Verbeke voted no.

Director Smith appointed Director Muse and Director Verbeke to an ad hoc committee on water rates to study future modifications to the District's Water Rate Structure.

Director Hedberg stated she did not feel it was fair to appoint just two Directors, all the District should be represented. Any Board member should be allowed to attend.

Director Smith stated only two Directors can sit on an ad hoc committee.

Director Hedberg stated then there should not be an ad hoc committee, the full Board should be able to participate as they wish.

Director Smith stated as the Chair, it is his prerogative to appoint an ad hoc committee.

Director Hedberg made a motion that a Board workshop be used instead of an ad hoc committee. The motion was seconded by Director Verbeke. Directors Hedberg and Verbeke voted yes. Directors Smith, Linden, and Muse voted no.

The meeting was adjourned at 4:15 p.m.

Secretary

President