

**MINUTES OF THE ENGINEERING COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
APRIL 1, 2014**

1. **CALL TO ORDER** – The Engineering Committee Meeting of the Rainbow Municipal Water District on April 1, 2014 was called to order by Chairperson Saxon at 3:04 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. Chairperson Saxon, presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Member Brazier
Member Fekete
Member Taufer
Member Saxon
Member Rhyne
Member Prince

Absent: Member Strapac

Also Present: Assistant Rubio
Executive Assistant/Board Secretary Washburn
General Manager Buckley
District Engineer Plonka

Mr. Carlstrom member of the Budget & Finance Committee was the only public member present.

4. **PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA**

There were no public comments.

COMMITTEE ACTION ITEMS

*5. **APPROVAL OF MINUTES**

A. March 4, 2014

Action:

Moved by Member Brazier to approve the minutes as written. Seconded by Member Rhyne.

After consideration, the motion CARRIED by the following vote:

AYES: Member Brazier, Member Fekete, Member Taufer, Member Rhyne and Member Prince.
NOES: None.
ABSTAINED: Member Saxon.
ABSENT: Member Strapac.

6. DISCUSSION AND POSSIBLE ACTION REGARDING UPDATE ON JPA STATUS

Mr. Buckley said within the contractual agreement of the NCJPA the District made the decision to end the contract with FPUD. He mentioned the District had delivered the action notice within the appropriate time to the NCJPA resulting in the dissolution of the NCJPA as of April 5, 2014. He continued approximately three days later the District learned that FPUD submitted an application to LAFCO for a one sided consolidation or "hostile takeover". He said on March 25, 2014 the District received a noticed from LAFCO of having received the application and gave the District until April 25, 2014 to respond.

He pointed out the primary disagreement was the governance of which the District was adamant on having divisions fully believing it was a more representative government by allowing equal representation within the District. He mentioned the NCJPA and both Boards had been looking at having 7 divisions with equal population based on the 2010 census. He said FPUD wanted an at large governance where a Board member could be from anywhere in the district, which would not be representative. He said the NCJPA requested various maps showing the advantages of having the divisions based on the population, which made it visually apparent it would be best to have divisions for the greatest population representation. Discussion ensued.

Mr. Buckley said unfortunately due to the aggressive manner in which FPUD pursued the consolidation on its own, the District Board agreed not to pursue the consolidation.

Mr. Buckley mentioned Mr. Ott the Executive Officer of San Diego LAFCO was invited to the March 25, 2014 District Board Meeting. He said Mr. Ott provided information regarding the procedures and regulations involved with a consolidation. He explained LAFCO has a public Board of 8 Members and if LAFCO staff decide to pursue FPUD's application for reorganization a recommendation from LAFCO staff would have to be approved by their 8 Member Board. He continued in the mean time there was a 30 day period for the District to write a letter of protest. He said staff would be working with Legal Counsel to prepare a thorough study including a summary of the District's point of view and stability. Discussion ensued.

Mr. Buckley mentioned Mr. Stitle and Mr. Carlstrom members of the Budget and Finance Committee also attended the March 25, 2014 Board Meeting and presented financial information on a worst case scenario, such as assuming the District lost all its agricultural water base. He explained the District sells approximately 20 thousand acre feet of water. If it was lowered to 10 thousand acre feet, the Budget and Finance Committee was able to demonstrate that the District would still be financially stable as a result of the anticipated growth and with a mild rate increase of approximately 5% or less.

Mr. Buckley said another part of the procedure would be if LAFCO voted yes to go ahead with the consolidation there would be another 30 day period where the District or anyone living within the District would be able to prepare a petition against the consolidation. He said the petition would have to be signed by 25% of registered voters which would force the issue to a public vote and then would require at least 51% votes to end the consolidation. Discussion ensued.

Mr. Buckley said one of the responses the District would provide to LAFCO was how much has been saved through reduction in staff. He explained in 2008 the District had 58 employees and currently without the General Manager there are 49 employees with the possibility of losing 2 more through the golden handshake, although the District would be filling at least 2 of the vacant positions including the General Manager.

Mr. Carlstrom said after reviewing FPUD's application to LAFCO claiming an annual savings of \$2.5 million plus an additional \$300 thousand with a total of \$2.8 million in savings; he questioned the validity of their claims. Mr. Buckley agreed and said it was an area the District could refute. He said he was confident the District could operate on its own with 50 full time employees and continue to save money without the consolidation. Discussion ensued.

Mr. Prince asked how the \$2.8 million figure could be accepted by LAFCO without documentation. Mr. Buckley replied Mr. Ott mentioned they would be conducting an audit of the information submitted by FPUD. Mr. Prince asked who had filled out the application for LAFCO. Mr. Buckley said originally the application was partially completed by both Districts, although FPUD decided to complete the application and submitted it to LAFCO. Mr. Prince asked who actually completed the application. Mr. Buckley responded that Mr. Brady had physically completed the application. Mr. Prince asked from LAFCO's perspective did it appear that the District was part of the application. Mr. Buckley responded no.

Mr. Prince asked why the District proceeded with the consolidation when there was a governance problem. Ms. Brazier responded the governance problem was intractable the District had consulted legal counsel prior to starting any discussion on governance to determine whether divisional governance was sound. She continued legal assured the Board divisional governance was sounder due to the number of law suits and threats of law suits against districts with at large governances, therefore the Board decided to adhere to this position. She said when FPUD presented a hybrid as a compromise the District did not view it as a compromise. She agreed there were a lot of issues as well as governance which should have been discussed earlier under the NCJPA. Ms. Brazier pointed out that a breach of trust has occurred between FPUD and the District. Discussion ensued.

Ms. Brazier read from FPUD's application letter "all property whether real or personal including all monies, cash on hand, monies due to uncollected of the Rainbow Municipal Water District shall be transferred to and invested in Fallbrook Public Utility District including..." followed by a list of the District's property. She pointed out the District would then be dissolved. Mr. Saxon asked if the District had any background on the history of LAFCO regarding the process on similar situations. Ms. Brazier responded LAFCO admitted the last time they consolidated two entities where one entity was not in agreement was when FPUD took over the Sanitation Facility. Mr. Buckley said it appears LAFCO can approve a one sided application. He mentioned the Sanitation Facility had the same customers as FPUD and staff of approximately 10, which may have needed assistance contrary to this District. Discussion ensued.

Mr. Saxon asked if the District has access to FPUD's financial status. Mr. Buckley said the District has a copy of FPUD's audited financial statement for the past three years. He said when compared with the District both financial statements would reflect good and bad years the big difference was the District has a future with the upcoming developments and FPUD does

not. Mr. Buckley mentioned at two separate NCJPA meeting FPUD Board Members noted the District was enjoying most of the saving by 4 times and questioned what were the benefits for FPUD. Ms. Brazier pointed out the District in the past 3 years has saved \$1.75 million on its own. Mr. Buckley said the District lost 10 positions and filled only 2 where FPUD has lost 4 and filled 3 of them. Discussion ensued.

Mrs. Plonka asked if the two Districts were consolidated with two separate accounting systems what would happen when the water systems are changed. Ms. Brazier said the District would have to be advised by legal and maybe have contractual agreements and conditions set.

Mr. Prince asked when the public would be informed of the issues. Mr. Fekete mentioned the Village News prints weekly articles. Ms. Brazier said those were not the District's articles. Mr. Buckley said the District's April newsletter would include an article with the District's point of view. He mentioned the District sent a letter to LAFCO to be included with the initial study explaining the issue with the governance and that the District had decided to discontinue the consolidation. Discussion ensued.

Ms. Brazier suggested bringing back local meetings at Bonsall School and answer questions for the public keeping them informed of the issues. She mentioned there was a Special Board Meeting scheduled on April 7, 2014 at 3:00 p.m. here at the District for those who are interested.

7. DISCUSSION AND POSSIBLE ACTION REGARDING CIP UPDATE

Mrs. Plonka mentioned the District recently won an award from the American Society of Civil Engineers for outstanding water project for the Pala Mesa Tank.

Mrs. Plonka provided the following CIP updates:

Beck Reservoir: Conducted Beck Reservoir and Red Mountain site visits with Arcadis, in addition to reviewing and discussing the draft preliminary design report.

Ms. Brazier said her understanding was the Engineering Department would wait prior to hiring consultants until the current projects were reviewed to determine if a consultant was needed. Mrs. Plonka responded yes.

Water and Sewer Master Plans: On hold temporarily due to lack of staff time and the consultant that was working on the Master Plans has left to work for another firm.

Mrs. Plonka mentioned the draft Asset Management Plan identifies pipelines which need to be replaced within specific number of years and also identifies the cost of replacement. She stated the District should be reserving funds to cover the cost of replacing the pipelines. She mentioned eventually adding large infrastructure to the Asset Management Plan would help with the budget and finance planning of the District. Discussion ensued.

Mr. Carlstrom said he attended this meeting to inform the Engineering Committee Members that there needs to be better coordination with the Budget and Finance Committee. He pointed out in order to meet the District's needs both committees should develop a CIP spending plan

and work side by side with this coordinated plan. Mrs. Plonka said CIP emergencies and upcoming developments cause unexpected changes on a CIP plan. Mr. Saxon mentioned there will always be change and when changes do occur there should be a method in place to reevaluate priorities. He continued when funds are coming in and not being spent and yet rates go up without completing projects, as a rate payer he would not be content. Discussion ensued.

Mrs. Plonka said she does not have the staff time to gather the data for presentations. She needs someone to do data crunching. Mr. Saxon responded the committee would assist once the data was provided.

8. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT SCHEDULED ENGINEERING COMMITTEE MEETING

Mrs. Plonka would bring back the following agenda items:

- Asset Management Plan
- Maps on Beck and Pala Mesa Tank
- Update NCJPA

9. ADJOURNMENT

Moved by Member Saxon to adjourn the meeting at 5:06 p.m.

Kurt Saxon, Committee Chairperson

Dawn M. Washburn, Board Secretary