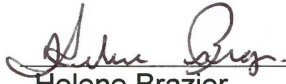


10. ADJOURNMENT

ATTEST TO POSTING:



Helene Brazier
Secretary of the Board

9-2-16 @ 2:00 PM

Date and Time of Posting
Outside Display Cases

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**MINUTES OF THE ENGINEERING COMMITTEE MEETING
OF THE RAINBOW MUNICIPAL WATER DISTRICT
AUGUST 3, 2016**

1. **CALL TO ORDER** – The Engineering Committee Meeting of the Rainbow Municipal Water District on August 3, 2016 was called to order by Chairperson Prince at 3:00 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. Chairperson Prince, presiding.
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL:**

Present: Member Prince, Member Stitle, Member Taufer, Member Murray, Member Brazier, Member Kirby, Member Ratican, Alternate Robertson, Alternate Marnett

Absent: None

Also Present: General Manager Kennedy, Associate Engineer Powers, Eng. Tech Rubio

Members of the public present: Ms. Hollis (Willdan), Mr. Katzen and Mr. Havelaar (ABM), Mr. Lewinger (SDCWA Board Member).
4. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**

Mr. Kennedy requested to move Item #9 before Item #8.
5. **PUBLIC COMMENT RELATING TO ITEMS NOT ON THE AGENDA**

There were not comments.

COMMITTEE ACTION ITEMS

- *6. **APPROVAL OF MINUTES**
A. July 6, 2016

Motion: Accept the minutes as drafted.

Action: Approve, Moved by Member Brazier, Seconded by Member Murray.

Mr. Stitle requested to add clarification on Item #9, second paragraph, to include that he was President of “this ABM subsidiary”.

Amended Motion: Accept the draft minutes as amended.

Action: Approve, Moved by Member Brazier, Seconded by Member Stitle.

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Vote: Motion carried by unanimous roll call vote (summary: Ayes = 7).

Ayes: Member Prince, Member Stitle, Member Taufer, Member Murray, Member Brazier, Member Kirby, Member Ratican.

7. PRESENTATION ON THE APPRAISAL REPORT

Mr. Kennedy introduced Ms. Hollis from Willdan Financial Services contracted to perform an asset valuation study in order to evaluate the capacity fees based on the appraised value of the District's current systems. Ms. Hollis provided a brief overview on the Asset Valuation Appraisal Report's analysis and results. She pointed out the three typical valuation approaches and how they are reconciled:

1. Cost – Placing a value on the assets based on original, replacement or reproduction costs.
2. Income – The income generated from the assets.
3. Market/Comparable Sales – Other transactions that occur within the industry and used to compare with the District's systems.

Ms. Hollis explained all three typical approaches provide different insights to the valuation expert; each method has advantages and disadvantages and no single method was valid without the valuation expert's reconciliation.

Ms. Hollis stated due to the District's location, rural area and it being spread out there are a lot more assets per customer, which required adjustments to the comparable sales analysis. She said the District's linear foot of pipe and the large storage capacities, plus due to the remoteness requires in-house services not normally provided in-house, which added to the value. Discussion ensued.

Ms. Hollis said the replacement cost approach assumes that replacing the System, is one large project, with inherent economies of scale that are represented in the determination of replacement cost. She continued it includes indirect cost allocations and depreciation based on average service lives for each major category of assets. She went over the replacement cost approach amounts for water, wastewater and other assets and in summary the Replacement Cost New Less Depreciation was calculated at \$440M. Mr. Kennedy pointed out the Valuation Report was still in draft form and not ready for Board approval. Discussion ensued.

Ms. Hollis said though considered, the income approach was not applicable to the District due to being a not-for-profit entity. Discussion ensued.

Ms. Hollis said regarding the market approach (comparable sales) there are water and wastewater utilities purchased and sold throughout the United States. She stated it is difficult to find comparable systems due to the uniqueness of the District's system, therefore some adjustments had to be made. Discussion ensued.

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Mr. Kennedy stated the District would like an open and fair analysis of its asset valuation since the current books were not accurate.

Discussion went to Item #9.

8. DISCUSSION AND POSSIBLE ACTION REGARDING WATER RECLAMATION PLANT PRE-DESIGN REPORT

Mr. Kennedy and Mr. Metts met with Oceanside to discuss the water reclamation plant cost analysis. He mentioned the possibility of planning a town home meetings with the agricultural community to determine if there was a need in the future for cheaper water. He said the biggest variables were whether the District would be able to sell the water; and could the water be sold long enough to recover the revenue to cover the cost, and could it be built with Oceanside. Discussion ensued.

9. DISCUSSION AND POSSIBLE ACTION REGARDING INVESTMENT GRADE AUDIT FROM ABM ENERGY SOLUTIONS

Mr. Kennedy introduced Mr. Katzen representing ABM Building Services and disclosed that Mr. Stitle use to work for ABM. He also introduced Mr. Lewinger former General Manager of Fallbrook Public Utility and a current Water Authority Board Member representing the City of Carlsbad. He said ABM services provides a process to review the District's energy consumption and under sourced efficiency measures that might be revamped to identify the possibility of delivering a project through a more innovative project delivery system. He continued this would allow the District to get the project financed and use the energy and other efficiency savings to pay for the project.

Mr. Katzen pointed out ABM has changed dramatically in the last 25 years and has been around for more than 100 years. He said a few months ago ABM conducted a Preliminary Energy Assessment (PEA) for the District and would be presenting these results. He explained during the assessment ABM looked for any opportunity that could lower the energy or operational costs of the District. He said ABM also looked for any opportunity to create new revenue enhancement through finding unbilled water loss through the meter system to consider the possibility of new renewable or potential alternative energy systems, also lowering the carbon footprint to make the District a more responsible environmental steward.

Mr. Katzen stated for ABM to accomplish all of this bundled project requiring zero out of pocket capital from the District, that would pay for itself with the savings and/or created revenue with a significant long term cash flow and placing all of the financials guaranteed by ABM, therefore removing any risk from the District.

He explained the objectives of the preliminary energy assessment was to cut operational costs for the District and create long term savings by:

- Achieving significant long-term cost savings through reduced energy usage.
- Upgrading old/or inefficient systems which are now near or at the end to their useful life.
- Maintaining District functionality and compatibility with existing equipment.
- Increasing annual District revenue by reducing water loss and increasing operation savings.
- Exploring clean, alternative and renewable energy options for further energy savings.

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Mr. Katzen mentioned for most of the water districts ABM has worked with energy costs were typically in the top three line items of funds spent on the operational side and also one of the most controllable expenses. He said out of the District's top eight energy accounts with SDG&E account for 90% of the total annual energy usage. He pointed out the top two significantly highest users were Huntley Pump Station and Pump Station 1. He mentioned the potential savings opportunities after the improvements would pay for the improvements. He introduced Mr. Havelaar to present the potential energy conservation measures.

Mr. Havelaar discussed various energy conservation measures for potential savings opportunities. He pointed out Solar and AMI/Meter Replacement would provide significant savings to the District. He said in order to determine the AMI/Meter potential savings additional data collection, modeling, testing per AWWA standards would be used to determine the overall weight of the meters, which would provide the data necessary to calculate the potential revenue opportunity. Discussion ensued.

Mr. Katzen said this project would not be funded by capital funds it would be funded through the procurement method of the California Government Code 4217.10, which is an energy services used for energy efficiency measures with the caveat that these projects must pay for themselves. He explained the vehicle used to fund this project would be through the Tax Exempt Lease Purchase Agreement (TELP). He said TELP agreements are common low cost public sector financing alternatives that allow repayment from operating expense dollars rather than capital expense dollars. Discussion ensued.

Mr. Katzen summarized the energy savings guarantee of this project as follows:

- ABM can structure this energy efficiency project funded from energy savings and annual revenue enhancement, with no financial risk.
- No capital outlay is required.
- The project will allow RMWD to make capital improvements while reducing operating costs, conserve resources, reduce emissions, improve sustainability and address any budget shortfalls with no financial risk.
- If ABM cannot achieve the guaranteed energy savings, they would pay the difference between what was guaranteed and what was actually achieved – for the term of the contract.
- 100% of any excess savings, over and above what is guaranteed, goes to RMWD.

Mr. Katzen said the next step would be to proceed with the Level II - Investment Grade Audit to provide the data needed for the District to make an investment decision. Mr. Kennedy said he had an ABM agreement to execute with the understanding that if the audit shows a cost recovery and the District decides not to proceed there would be a fee due. He asked the Engineering Committee for feedback regarding this project. Mr. Stitle said he would like to see it done. Mr. Murray asked what the approximate cost was for this project. Mr. Katzen responded approximately \$5M. Mr. Kennedy said there would be additional costs associated with replacing the meters. Discussion ensued.

Discussion went to Item #8.

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10. STRATEGIC PLAN UPDATE

This Item was passed over in the interest of time.

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

The following items were suggested for the combined Board of Directors and Engineering Committee Meetings on August 23, 2016: Dudek Water Reclamation Plant Presentation and the Strategic Plan Update

The following item was suggested for the next Engineering Committee Meeting on September 7, 2016: Housekeeping the Committee Structure.

12. ADJOURNMENT

Motion: To adjourn the meeting.

Action: Adjourn, Moved by Member Brazier, Seconded by Member Stitle.

Timothy Prince, Committee Chairperson

Dawn M. Washburn, Board Secretary