

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
MAY 22, 2012**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on May 22, 2012 was called to order by President McManigle at 1:05 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President McManigle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Director Griffiths
Director Lucy
Director McManigle
Director Sanford
Director Brazier

Absent: None

Also Present: Finance Manager Buckley
District Engineer Lee
General Manager Seymour
Board Secretary Washburn
Legal Counsel Moser
Customer Service and Water Operations Manager Atilano
Superintendent Maccarrone

Four members of the public were present.

4. **ADDITIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**

There were no revisions.

Discussion went to Item #5B.

5. **ANNIVERSARY ACKNOWLEDGEMENTS**

A. Midge Thomas (15 Years)

Mr. Seymour pointed out Ms. Thomas has been working with RMWD for fifteen years where she spent a great deal of time working in the warehouse and after returning to school seven years ago she was promoted to the finance department where she is currently RMWD's Senior Accountant.

Discussion went to Item #6.

(*) - Asterisk indicates a report is attached.

B. Andrew Echols (5 Years)

Mr. Seymour stated Mr. Echols started working for RMWD in the wastewater collection crew and then took over the warehouse responsibilities when Midge Thomas was promoted. He thanked Mr. Echols for a great job and presented him with a check and plaque.

Discussion went to Item #5A.

**6. ORAL/WRITTEN COMMUNICATIONS FROM THE PUBLIC
OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING
ITEMS NOT ON THIS AGENDA (Government Code § 54954.2).**

There were no comments.

***7. APPROVAL OF MINUTES**

A. April 24, 2012 - Regular Board Meeting

Action:

Moved by Director Sanford to approve the minutes as submitted. Seconded by Director Brazier.

Director Sanford withdrew his original motion.

Director Griffiths asked that it be noted he was late getting to the meeting due to a fatal traffic accident that occurred on Highway 76 that delayed traffic.

Action:

Moved by Director Sanford to approve the minutes as amended. Seconded by Director Brazier.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.

NOES: None.

ABSTAINED: None.

ABSENT: None.

(*) - Asterisk indicates a report is attached.

8. BOARD OF DIRECTORS' COMMENTS/REPORTS

Directors' comments are comments by Directors concerning District business, which may be of interest to the Board. This is placed on the agenda to enable individual Board members to convey information to the Board and to the public. There is to be no discussion or action taken by the Board of Directors unless the item is noticed as part of the meeting agenda.

A. President's Report (Director McManigle)

President McManigle mentioned the upcoming Mission Resource Conservation District's Free Agricultural Workshop being held on May 29' 2012. Discussion ensued regarding the benefits of the workshop as well as how it fulfills the two hour education requirement for the Ag Waiver.

Discussion went to Item #8C.

B. Representative Report (Appointed Representative)

1. SDCWA
2. CSDA
3. LAFCO
4. San Luis Rey Watershed Council

President McManigle reported on the CSDA meeting he attended on May 17th where six presentations were given by other agencies. He pointed out although the information was mostly focused on elementary schools it was interesting to see the level of support for the kids.

Discussion went to Item #8A.

Director Sanford reported on the recent SDCWA meeting where the focus was primarily on their potential rate increases.

Discussion returned to Item #8D.

C. Meeting, Workshop, Committee, Seminar, Etc. Reports by Directors (AB1234)

Director Brazier mentioned FPUD's calendar program they have for their community children where the kids enter drawings for display in the FPUD calendar. She suggested that RMWD possibly consider having a similar program.

Discussion returned to Item #8A.

D. Directors Comments

Director Lucy thanked Ms. Rebueno for the tour of the Pala Mesa Tank. He also said he appreciated Item #10 being on this agenda for discussion.

Discussion went to Item #8B.

Director Griffiths commented on the tour of the Pala Mesa Tank where although the wrapping was not quite ready, the RMWD inspector was present to answer questions. Discussion ensued regarding the pressure station at the site.

(*) - Asterisk indicates a report is attached.

Director Griffiths inquired as to the map of the new divisions since the boundary changes. Mr. Lee stated staff was currently working on the final maps and will provide copies to the Board once they are finalized and submitted to the County.

Discussion went to Item #9.

9. COMMITTEE REPORTS (Approved Minutes have been attached for reference only.)

A. Budget and Finance Committee

1. April 5, 2012 Minutes

Mr. Buckley reported the Committee Chairperson will be out of town for the summer. He mentioned the last committee meeting combined with a Special Meeting of the Board where discussions were focused on the 2012/2013 Budget.

B. Communications Committee

1. April 2, 2012 Minutes

Mr. Seymour reported the committee spent most of the last meeting discussing reporting the findings of the consolidation study as well as the State Revolving Funds should those monies be offered to RMWD.

C. Engineering Committee

Mr. Lee reported the committee focused only on the Water Policy at their last meeting.

10. PRESENTATION REGARDING RMWD'S SHUTDOWN PROCEDURES AND FIRE PROTECTION

Mr. Maccarrone explained the procedures that take place in the event of an emergency during a prepared shutdown. He pointed out from the hours of 7:00 a.m. and 5:00 p.m. RMWD can call the dispatch number and the emergency will be put out to all the corresponding fire departments in the area and after 5:00 p.m., holidays, and weekends, an Emergency Communications Center number would be called and the information would be dispatched to all corresponding fire departments. He stated RMWD was to notify the fire department of any outages that will last one hour or more.

It was decided RMWD would invite someone from the Fire Department to attend the next Board meeting and explain the steps taken on their end when it comes to District shutdowns.

BOARD ACTION ITEMS

11. UPDATE, DISCUSSION AND POSSIBLE ACTION ON THE FALLBROOK PUBLIC UTILITIES DISTRICT/RAINBOW MUNICIPAL WATER DISTRICT CONSOLIDATION STUDY

Mr. Seymour provided copies of a handout on the Fallbrook Public Utilities Corporation and Rainbow Municipal Water District Consolidation update. He mentioned Mrs. Bush and Ms. Walters of the FPUD and RMWD Human Resources Departments are working on comparisons of the current employee Memorandum of Understandings to see where the contracts may overlap. He stated he and Mr. Brady have met with all of their respective staff members to let

(*) - Asterisk indicates a report is attached.

them know what was happening. He pointed out since the discussions as to whether or not to consolidate have started FPUD has had two positions come open and RMWD has three of which none were being filled at this time.

Mr. Seymour asked everyone to keep in mind they are talking about maintaining separate financing for both districts; therefore, if RMWD had horrible infrastructure its ratepayers would end up paying the bill, not FPUD's and vice versa.

Mr. Seymour talked about the recent meeting he and Mr. Brady had with staff at LAFCO. He mentioned each district will have to pay the LAFCO fee of approximately \$5,500 each for a Sphere of Influence and a combined application fee of \$5,500 for the new agency for a total of \$8,000 each if the agencies decide to consolidate. He pointed out LAFCO suggested early determinations be made regarding the structure of a potential successor agency as well as the composition of the Board.

Director Griffiths stressed RMWD needed to make sure they did not come up with some sort of organization that tries to get around the conditions of Ordinance 95-1. He said any other organization must include Ordinance 95-1. Director Lucy asked if this was a statement of the full Board. It was noted this was not a statement of the Board, but Director Griffiths' personal opinion.

Mr. Seymour mentioned LAFCO staff had indicated the CEQA requirements could probably be met with a simple "categorical exemption". Legal Counsel explained the meaning of a "categorical exemption" as instead of having to do a Negative Declaration the Environmental Impact Report would stay the same due to the fact there would be no change to the environment.

Mr. Seymour provided an update of the costs to consolidate.

Mr. Seymour mentioned the FPUD Board approved the \$12,000 financial review component which would be the next phase. He said they will try to come up with a three year proforma budget that will hopefully prove whether or not there will be a cost savings. He said the next step would be moving forward with the due diligence portion of the legal work where the legal team would draft a Memorandum of Understanding and possibly a draft resolution at which time both agencies will get into the discussion points about what kind of agency the new agency would want to be as well as how many Board Members. He said hopefully when all the due diligence work has been completed, the Boards can look at that information and make an informed decision as to whether or not they want to go forward and if it would be to form a JPA or LAFCO consolidation.

Mr. Seymour stressed that the options were only being studied at this time. He said from a business standpoint there are many values telling the agencies they should consolidate; however, he understood from a political standpoint there may be reasons they would not want to merge.

Mr. Seymour pointed out people are more skeptical about there really being a cost savings and can the agencies do with fewer staff. He said if the agencies needed the same number of people in the field and in the offices, just with his, Mr. Sneed's and eventually Mr. Buckley's positions there really was no reason that one person could not do those jobs with one General Manager, one Operations Manager, and one Financial Manager which would save approximately \$100,000 per year. He said he honestly believes both agencies could achieve the other staffing reductions.

Mr. Brady pointed out he made a very similar presentation to his Board on May 21, 2012 as Mr. Seymour made today. He mentioned he had more active Board comments than Mr. Seymour, but generally he thought they were working very well together on the next step which was looking at the three year proforma and putting things together with both Human Resource Managers. He stated he believed they would have a more complete picture to present the Boards in June. He said they ultimately want to drill down to what they believe are the absolute minimum savings both agencies would receive from this merge.

Director Sanford asked what some of the negative Board comments were at the FPUD meeting. Mr. Brady noted the paid advertisement put in The Village News explained one Board Members' views and two others were concerned this may be a "pie in the sky" scheme due to the fact they have only received snapshots of the discussions taking place at the ad hoc committee meetings. He stated he was encouraged with the Board as a whole and optimistic they will come to a good outcome.

Director Griffiths said he felt there was a great deal of good feedback from RMWD due to the fact this was brought up several years ago when FPUD rejected the idea. He stated it seems as though now it would be sensible to go forward. He said RMWD was not against consolidating; however, they want to make sure all the protections or safeguards are in place. He said he would like to see both agencies become one financial unit eventually.

Director Lucy expressed his thoughts that all employees should realize the first bullet point was the Human Resource review and how one thing Mr. Brady and Mr. Seymour have done was take a look at the human side of this things. He said the General Managers should be complimented and all employees should be reassured. He also commented on Director Griffiths' concern with Ordinance 95-1 and said he was unsure as to whether or not this was a good or bad thing, but he did know nothing should hold back making a very efficient district whatever the type of district.

Director Brazier pointed out the press has not done a good job in covering this matter. She stressed her opinion that this was not a process RMWD can do quickly. She said the more carefully each component is reviewed and anticipated problems are addressed a more informed decision can be made.

***12. DISCUSSION AND POSSIBLE ACTION REGARDING PREANNEXATION AGREEMENT BETWEEN RMWD AND PAPPAS INVESTMENTS**

Action:

Moved by Director Brazier to approve the Preannexation Agreement between RMWD and Pappas Investments. Seconded by Director Sanford.

Director Griffiths stated although he agrees with the Preannaxation Agreement, he would like the Board to state they are in a good faith agreement as opposed to signing anything due to the fact it would not take place for another several years. He expressed concern with Items #6, as well as Paragraph 3 Line 4 on Page #12-6. He stressed his vote that RMWD does not want any of the water treatment or operational activities being proposed. He also asked if the studies were being paid by the developer. Mr. Lee stated all studies would be prepared by the appropriate organizations and will be paid by the developer.

Director Griffiths referenced Item #9 of the agreement when he expressed his concern the developer would pre-approve legal counsel. Mr. Lee explained the reason this was covered under Item #9 was due to the fact the developer would be essentially defending RMWD for errors or anything else that may happen and RMWD wants to have the right to say who although the developer would be responsible for defending RMWD, RMWD would like to have a say in who would provide the necessary legal representation.

Director Griffiths referenced Item #14 when he stated he would not like any Mello-Roos financing falling on RMWD. Mr. Lee explained Mello-Roos runs with the properties of the development and the burden was on the property. Mr. Seymour assured Director Griffiths RMWD would not be responsible for Mello-Roos financials. Discussion continued.

Director Lucy asked who wrote the agreement and who has had a chance to review the document. Mr. Lee stated he and the Pappas Investment representative present, Thad, wrote the document and both sides solicited input from their respective legal counsels which in turn resulted in only one change. Director Lucy suggested all four individuals who are responsible for preparing this Agreement nod in agreement on each point in order to avoid any future problematic situations. Mr. Lee said he believed this was a fair agreement for RMWD as well as the developer. He pointed out the developer has agreed to bring themselves current with the annexation fee. Thad stated Pappas Investment also believed this was a reasonable document.

Legal Counsel stated Preannexation Agreements do not often look as simple as this document presented in this case. He stated the reason this one was simpler than many others was that RMWD was not asking the developer to build infrastructure necessary for the development due to the fact there was not a great deal of infrastructure required. He stated nothing with the development will go as expected; therefore, the agreement provides timeframes to address the unexpected.

Director Lucy inquired as to whether or not the residents of San Luis Rey Water District have been informed of what was happening and will those residents be impacted. Legal Counsel explained he did not know if those residents were consulted due to the fact they are a paper district; however, this will go through a LAFCO process at which time they will have an opportunity to make any statements they deem necessary. Discussion ensued.

Director Lucy asked about water rights. Mr. Lee pointed out water rights run with the property and Pappas owned the property.

Director Griffiths asked why this was not being done in two stages. Mr. Lee stated the entire reason this was being done as one piece was due to the question as to whether or not RMWD was truthful in their negotiations based on past history and the developer wanted to make sure once they annex into RMWD, they would have access to water and sewer.

Mr. Lee noted the comments made by Legal Counsel regarding Section #16.3 in regards to multiple successors. Legal Counsel stated this again was written to anticipate the property possibly being divided into two or more developments so that RMWD would know exactly what transpires throughout the development of the property to avoid any future confusion on the matter. He confirmed this was more of a clerical “clean up”. Mr. Lee stated he would

Director Brazier amended her original motion.

Action:

Moved by Director Brazier to approve the Preannexation Agreement between RMWD and Pappas Investments subject to agreement on the changed language in Section #16.3. Seconded by Director Sanford.

After consideration, the motion carried by the following vote:

AYES: Director Lucy, Director McManigle, Director Sanford and Director Brazier.
NOES: Director Griffiths.
ABSTAINED: None.
ABSENT: None.

Discussion ensued regarding whether or not wastewater was included in the Agreement. Mr. Lee explained they were not entering into a developer agreement at this time and the document presented was a draft. Legal Counsel pointed out the Paragraph 5 of the agreement described the attachment.

Mr. Seymour noted at the time the Pardee Preannexation Agreement was done under the Board at that time was a good document; however, when the Board changed with members opposed to the development everything changed. He said he could not promise the Board that five years from now this agreement could change too as well. He pointed out for what they were trying to do right now this was a good document.

Director Brazier mentioned a conversation she had with a constituent of Division 1 who inquired about legal counsel involvement in annexation agreements. She said she had to remind the constituent RMWD was client of Legal Counsel’s that can give suggestions, but have to respect their client’s requests and wishes.

Director Griffiths suggested to remove “or other wastewater treatment options” from Page 5. President McManigle pointed out the remainder of the sentence addressed Director Griffiths’ concern. Legal Counsel pointed out this was a fair share cost paragraph. Director Brazier stated she did not support the language change.

Director Brazier modified her original motion.

13. DISCUSSION AND POSSIBLE ACTION TO AWARD CONSTRUCTION CONTRACT FOR MORRO RESERVOIR CHLORAMINATION INJECTION SYSTEM

Director Griffiths inquired as to whether or not there was a picture or drawing of the injection system to demonstrate the actual work to be completed. Director Lucy agreed the scope of work was not provided. Director Brazier pointed out the complete description of work was provided on Page #13-2 of the agenda packet.

Mr. Lee explained this was an extension to the work previously completed at the reservoir. He pointed out the Board approved awarding the design contract for the injection system after which time staff solicited for proposals.

Director Lucy suggested the staff recommendation include “for the construction of the Morro Reservoir”. Mr. Lee agreed stating it could read “authorize staff to execute construction contract in the amount of \$709,999 to Falcon General Engineering for the construction of the Morro Reservoir chloramination injection system.

Mr. Lee pointed out RMWD would be essentially be building an injection system and the pipelines and control systems associated with that will enable RMWD to inject ammonia and chloramines into the system automatically utilizing computers.

Discussion ensued regarding digital measurements.

Mr. Lee noted Falcon had done work for RMWD previously that went quite well without any problems.

Discussion ensued regarding the breakdown of the budget information provided.

Action:

Moved by Director Brazier to award the construction contract for the Morro Reservoir Chloramination injection system to Falcon General Engineering. Seconded by Director Sanford.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.

NOES: None.

ABSTAINED: None.

ABSENT: None.

14. DISCUSSION AND POSSIBLE ACTION TO DETERMINE WHETHER OR NOT RMWD WOULD LIKE ITS APPOINTED REPRESENTATIVE TO PARTICIPATE AS A STAKEHOLDER VOTING MEMBER OF THE SAN LUIS REY WATERSHED COUNCIL

Mr. Seymour explained when the Board appointed Director Brazier to be the representative at the San Luis Rey Watershed Council, the Council has asked for something in writing from RMWD stating the District wants her to be a stakeholder voting member.

(*) - Asterisk indicates a report is attached.

Action:

Moved by Director Griffiths to approve Director Brazier be a stakeholder voting member with the additional obligation of the RMWD representative also attend the San Luis Rey Municipal Water District Board meetings and appoint the Division 4 representative as the second delegate. Seconded by none.

Mr. Seymour recommended a staff member be named the second delegate. Director Griffiths did not agree with this recommendation.

Action:

Moved by Director Lucy to approve Staff Recommendation #3-Authorize the appointed representative to attend the San Luis Rey Watershed Council meetings without voting on critical matters as a stakeholder, authorize staff to pay San Luis Rey Watershed Council \$100 annually for membership dues in order to allow the Board-appointed representative to participate in votes taken pertaining to critical matters as a stakeholder, and the second delegate be chosen by the General Manager as needed. Seconded by Director Brazier.

Director Lucy amended his motion.

Action:

Moved by Director Lucy to approve Staff Recommendation #2 – Authorize staff to pay San Luis Rey Watershed Council \$100 annually for membership dues in order to allow the Board-appointed representative to participate in votes taken pertaining to critical matters as a stakeholder with the addition of a staff-appointed second delegate. Seconded by Director Brazier.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.
NOES: None.
ABSTAINED: None.
ABSENT: None.

Director Griffiths requested an item on the next agenda to address the appointed representatives attending the San Luis Rey Water District meetings.

***15. RECEIVE AND FILE INFORMATION ITEMS FOR APRIL 2012**

A. General Manager Comments

1. Meetings, Conferences and Seminar Calendar

B. Construction & Maintenance Comments

1. Construction and Maintenance Report
2. Valve Maintenance Report
3. Garage/Shop Repair

(*) - Asterisk indicates a report is attached.

- C. Engineering & Wastewater Comments**
 - 1. Engineering Report
 - 2. Project Management Report
 - 3. Wastewater Report
- D. Water Operations and Customer Service Comments**
 - 1. Water Operations Report
 - 2. Electrical/Telemetry Report
 - 3. Water Quality Report
 - 4. Field Customer Service Report
 - 5. Meters Report
 - 6. Cross Connection Control Program Report
- E. Human Resource & Safety Comments**
 - 1. Changes in Personnel
 - 2. Organizational Chart
 - 3. Safety Report

Action:

Moved by Director Brazier to receive and file information items. Seconded by Director Lucy.

After consideration, the motion CARRIED by the following vote:

- AYES:** Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.
- NOES:** None.
- ABSTAINED:** None.
- ABSENT:** None.

Director Lucy stated he found the information in Item #15C-1 to be great news. Mr. Lee announced that pending RMWD's final payment for the application process, a permit will be issued to operate the dam at Beck Reservoir.

Discussion ensued regarding the maintenance of RMWD's tanks.

Director Griffiths made inquiries on Items 15B1, 15B2, and 15B3. Mr. Maccarrone provided responses.

Director Griffiths asked whether or not the manuals were received on the emergency generator. Mr. Lee stated yes and they could not leave the District premises but were available for review.

Director Griffiths inquired as to who the consultant was mentioned under Item 15C1. Mr. Lee stated it was J.C. Heden & Associates.

Director Griffiths made more inquiries and comments on Items #15C and #15D.

President McManigle made an inquiry on Item #15C2. Mr. Seymour provided a response.

(*) - Asterisk indicates a report is attached.

***16. RECEIVE AND FILE FINANCIAL STATEMENTS AND INFORMATION FOR APRIL 2012**

A. Finance Manager Comments

1. Interim Financial Statement
2. Monthly Investment Report
3. Visa Breakdown (March and April)
4. Directors' Expense
5. Check Register
6. Office Petty Cash
7. Water Purchases & Sales Summary
8. Statistical Summary
9. Cost Recovery of Repairs to District Property Caused by the General Public
10. Metropolitan IAWP Reduction Programs
11. San Diego County Water Authority SAWR Reduction Program
12. RMWD Domestic Reduction Program
13. Projected CIP Cash Flow Report
14. RMWD Sewer Equivalent Dwelling Units (EDU's) Status

Action:

Moved by Director Brazier to receive and file financial statements and information. Seconded by Director Sanford.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.
NOES: None.
ABSTAINED: None.
ABSENT: None.

Discussion ensued regarding unfavorables.

Discussion ensued regarding the room rental for the Consolidation Ad-Hoc Committee lunch meeting.

Director Griffiths made inquiries on Item #16A5.

17. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING

It was decided to have a presentation from the Fire Department, appointment of a representative to attend the San Luis Rey Water District meetings, as well as an item requested by Director Griffiths regarding the Assistant General Manager assignment be done by the Board of Directors be on the next meeting's agenda.

18. ADJOURNMENT - To Tuesday, June 26, 2012 at 1:00 p.m.

The meeting was adjourned with a motion made by Director Brazier and seconded by Director Lucy to a regular meeting on June 26, 2012 at 1:00 p.m.

(*) - Asterisk indicates a report is attached.

Action:

Moved by Director Brazier to adjourn. Seconded by Director Lucy.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.
NOES: None.
ABSTAINED: None.
ABSENT: None.

The meeting was adjourned at 2:54 p.m.

George McManigle, Board President

Dawn M. Washburn, Board Secretary