

**MINUTES OF THE SPECIAL BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
JANUARY 10, 2018**

1. **CALL TO ORDER** - The Special Meeting of the Board of Directors of the Rainbow Municipal Water District on January 10, 2018 was called to order by President Brazier at 1:03 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Brazier presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Director Mack, Director Brazier, Director Hamilton, Director Stewart (via teleconference), Director Gasca.

Also Present: General Manager Kennedy, Legal Counsel Smith, Executive Assistant Washburn, Operations Manager Milner, Finance Manager Martinez, Administrative Analyst Gray, Associate Engineer Powers, Accounting Specialist Rubio.

Absent: Human Resources Manager Harp, Superintendent Maccarrone, Superintendent Zuniga, Superintendent Walker, Legal Counsel Pellman, Interim Engineering Manager Gerdes.

Six members of the public were present.

4. **PUBLIC COMMENT RELATING TO ITEMS ON THE AGENDA**

Dennis and Patricia Vansandt addressed the Board regarding their water charges. Mr. Vansandt talked about how other water districts fixed fees are much lower than RMWD's. He urged the Board to look at the fixed fees and possibly adjust the higher rates according to actual usage as opposed to being fixed. Mrs. Vansandt added the water rates they pay for their northern residence is much less than it is at RMWD.

President Brazier noted this was the public comment period to which the Board cannot reply; however, the Board did hear their comments. Mr. Kennedy noted he will try to address their concerns during his presentation.

Discussion went to Item #5.

Discussion returned from Item #6.

Joe Byer addressed the Board noting how thankful he was for the fire departments' firefighting efforts during the Lilac Fire that did in fact catch his home's roof on fire. He also thanked RMWD for having water available to put it out. He mentioned he found RMWD's current newsletters to be fantastic with pictures and valuable information. He suggested RMWD utilize The Village News to circulate notices of meetings and hearings as well as actions taken by the Board of

(*) - Asterisk indicates a report is attached.

Directors. He recommended the billing categories be expanded to six or eight if possible. He encouraged the Board to always keep agriculture in mind and to hold as many rate hearings as possible with one scheduled in the evening to allow for maximum customer attendance.

Discussion returned to Item #6.

5. LILAC FIRE ACTIVITIES UPDATE

Mr. Kennedy noted the morning of the fire he attended the SDCWA Board meeting when he requested RMWD's senior staff to hold a meeting regarding what would need to happen should a fire start within the District boundaries. He said unbeknownst to himself and staff, the Lilac Fire started immediately after the meeting concluded and spread quickly due to the high winds causing an evacuation of administrative staff members as well as equipment. He stated the Emergency Operating Center (EOC) was set up at the District offices and other members of personnel were staged at offsite locations. He talked about the steps that took place as water pressure was increased to assist the fire fighters with stopping the fire. He mentioned the various agencies that participated in the fire fight. He pointed out RMWD responded to eight water main breaks during the fire; however, crews restored service as quickly as possible. He added there was flood damage to a home caused by a line break which will be addressed by the Board at their January 23rd meeting. He stated the costs associated with this damage and all other costs associated with the fire activities will be included in the submittal for reimbursement to FEMA. Mr. Kennedy pointed out a portion of the fees paid by RMWD customers goes to fire protection services.

Mr. Kennedy explained how the power outages impacted the District and what resources had to be deployed to various facilities that operated by fuel. He stated a member of staff was currently conducting a study of what types of backup power should be in place throughout the District boundaries to provide the Board with a recommendation for the next budget cycle for their consideration.

Mr. Kennedy stated although the EOC operated generally well, staff will be working on strengthening some of the procedural, administrative, and operational processes of readiness preparedness should another emergency occur. He mentioned RMWD was very thankful to the fire fighters for their efforts and will be providing the local fire districts with handouts showing the various pressure zones throughout the District.

Director Mack suggested RMWD hold an EOC drill. Mr. Kennedy agreed there will be more drills as well as a meeting to discuss the Lilac Fire activities with key staff to address some of the areas that could use some strengthening.

Director Gasca inquired as to who is responsible to pay for the water use for fighting the fire. Mr. Kennedy explained every RMWD customer pays for the use of water the fire agencies use in their efforts to fight the flames due to the fact every customer benefits from those resources being available. He added; however, the cost of the water was minimal compared to the overall costs involved with the Lilac Fire. He confirmed RMWD would be submitting a claim for reimbursement from FEMA since it was declared an emergency.

(*) - Asterisk indicates a report is attached.

President Brazier asked when there would be more discussion regarding this matter. Mr. Kennedy stated most likely during the budget process.

6. CONSIDER SETTING A TIME AND PLACE FOR A PUBLIC HEARING TO CONSIDER ADOPTING A 5 YEAR RATE SCHEDULE FROM 2018-2022 FOR RAINBOW MUNICIPAL WATER DISTRICT SERVICE FEES, AND TO CONSIDER ADOPTING AN ORDINANCE AUTHORIZING THE DISTRICT TO PASS THROUGH CERTAIN INCREASED COSTS ALLOWED BY LAW (Public Hearing tentatively scheduled for February 27, 2018 – 1:00 p.m.)

Mr. Kennedy noted should the Board act to approve this item today, the required 45-day notice period will start January 12, 2018 and notices will be sent to all property owners and the person named on each account. He stated staff worked with the Budget and Finance Committee looking at the information to be presented in detail in terms of how RMWD's current rate structure will address the District's needs. He pointed out findings show the rate structure has not been efficient to deliver funds to RMWD's capital reserves to deal with its aging infrastructure. He explained now that the detailed Condition Assessment Program has completed, RMWD has a good forecast of what the District's costs will really be as well as a plan ramped up to meet that revenue need over a five-year plan. He stated the rate plans being presented today are designed to facilitate this.

Mr. Kennedy gave a presentation on both the water and wastewater studies conducted by Raftelis noting it will address key assumptions, system overviews, financial planning, proposed rates, pumping charges, and customer impacts.

Mr. Kennedy referenced the "Systems Demands: Annual & Detailed w/Budget Variance in AF" handout. He explained the criticality of the assumptions to be made based on the information provided.

Mr. Kennedy pointed to 68% of the costs are pass-through charges from San Diego County Water Authority (SDCWA) and that those increases will be automatically passed on to the customers.

Director Gasca added unlike other water agencies, RMWD operates on 100% imported water. Mr. Kennedy noted approximately one-half the fixed costs charged to customers goes directly to SDCWA.

Mr. Kennedy explained without having a baseline revenue, it would be a recipe for financial problems. He stated one of the items included in RMWD's Mission Statement adopted by the Board is the District be fiscally responsible to make sure the system is always up and running and maintaining a high level of service. He pointed out service density was another variance to take into consideration.

Mr. Kennedy stressed the anticipated development was not included in this model; only projects currently in development. He explained should additional developments happen that were not anticipated, it would benefit the ratepayers by stabilizing or eliminated the future rate increases.

(*) - Asterisk indicates a report is attached.

Mr. Kennedy pointed out the proposed revenue adjustments for 2018 is 5.5% including the SDCWA purchased water costs. He confirmed this percentage would be an overall revenue increase. He added all further purchased water increases will be passed through to customers at the time the increases are received from SDCWA. He explained the information to be provided in the Proposition 218 notices. He mentioned these proposed rates would be presented to the Board for consideration; however, the Board can change the proposed rate increases as they deem necessary.

Director Gasca added there was extensive discussion with the Budget and Finance Committee considering assessing every parcel's water availability charges as a means of maximizing the customer's contribution to the benefit of having fire protection and water service while trying to keep the cost of actual water usage to a minimum. Discussion followed.

Mr. Kennedy pointed out the Board sets rates and budgets every year after looking at particulars. He referenced the presented financial model giving examples of what these may be. He concluded noting there were two different components to the meter charge; one from RMWD, the other a direct pass through from SDCWA. He explained the various elements.

Director Stewart disconnected from the meeting at 2:10 p.m.

Director Stewart conferenced back into the meeting at 2:18 p.m.

Director Stewart stated the discovery of the capability to availability charge was a good idea in that it will involve property owners who pay nothing for having their properties served as well as having fire protection. He said he does like that RMWD now has all the data necessary to make proper projections and assumptions including operations and labor. He said he is very supportive of the letter drafted by the committee as well as looking forward to hearing public comment at the February meeting. He thanked the Board for the opportunity to participate.

Director Stewart disconnected from the meeting at 2:21 p.m.

Mr. Kennedy continued by demonstrating how each customer class would be impacted by the proposed rate increases. He pointed out there were multiple calculations and options researched; however, the proposed increases were found to be the most equitable.

Director Gasca addressed the matter that 68% of the costs for RMWD water is solely pass through charges from SDCWA and MWD. He pointed out RMWD has capital projects and plans in place to find alternative water resources as a means of reducing the water purchasing costs as well as the customer water rates. Discussion followed regarding alternative water resources.

President Brazier called for a break at 2:33 p.m.

The meeting reconvened at 2:42 p.m.

Discussion returned to Item #4.

Discussion returned from Item #4.

(*) - Asterisk indicates a report is attached.

Mr. Kennedy presented the Wastewater Rate Study including key assumptions, system overview, operating expenses, capital projects, and capital financing plan. He mentioned once some of the capital projects are completed, RMWD will not necessarily have to do a great deal of capital expansion until a new development comes to the area. He brought attention to the capital financing plan and RMWD's reserve funds. He reviewed each of the proposed wastewater rate options under consideration including the customer impacts.

Mr. Kennedy explained the purpose of this item was to seek authorization from the Board for staff to send the required Proposition 218 notices to the customers outlining the information presented today. He mentioned the same type of presentation will be given at the public hearing. He stated for the rates to be officially protested, RMWD would need to receive a majority of protests from the customers; all of which will be heard by the Board.

Legal Counsel inquired as to whether Raftelis would be attending RMWD's upcoming meetings. Mr. Kennedy stated he can present the information and presentation without Raftelis; however, they may be present at future meetings. He noted the final rate study report will be published on the District website.

Motion:

To set the time and place for the Public Hearing for February 27, 2018 time certain at 1:00 p.m. to consider adopting a five-year rate schedule from 2018-2022 for RMWD services fees, and to consider adopting an ordinance authorizing the District to pass through certain increased costs allowed by law. Instructions were given to staff to release the required notices.

Action: Approve, Moved by Director Hamilton, Seconded by Director Gasca.

Vote: Motion carried by unanimous vote (summary: Ayes = 4).

Ayes: Director Mack, Director Brazier, Director Hamilton, Director Gasca.

Absent: Director Stewart.

Discussion ensued regarding when discussions will be held regarding the availability charges. Mr. Kennedy noted this would be on the February 13, 2018 Budget and Finance Committee agenda for discussion which may result in a committee recommendation to the Board.

President Brazier pointed out the proposed rate increases would be setting the framework for what may or may not need to be done in terms of future rates.

7. AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

Director Hamilton submitted a request to attend the CSDA Special District Leadership Academy scheduled for February in La Quinta. He pointed out he was still working on adjusting his schedule and would confirm his attendance within the next week. He affirmed he was requesting compensation for two full days of attendance.

(*) - Asterisk indicates a report is attached.

Motion:

To approve Director Hamilton's request presented to attend the CSDA Special District Leadership Academy for February in La Quinta.

Action: Approve, Moved by Director Gasca, Seconded by Director Mack.

Vote: Motion passed (summary: Ayes = 3, Noes = 0, Abstain = 1).

Ayes: Director Mack, Director Brazier, Director Gasca.

Abstain: Director Hamilton.

Absent: Director Stewart.

President Brazier mentioned she and Director Stewart are due to update their AB1234 Ethics Training in 2018 and that this training is being made available at Vista Irrigation District in February at a cost of \$25.00 per person. She requested authorization to attend. Ms. Washburn reported Director Stewart made a verbal request to her for this same training prior to this meeting. President Brazier stated the entire cost to RMWD would be \$50.00 for registration and mileage which may be only for one should they be able to make carpool arrangements.

Motion:

To accept both requests for the AB1234 Ethics Training.

Action: Approve, Moved by Director Hamilton, Seconded by Director Gasca.

Vote: Motion carried by unanimous vote (summary: Ayes = 4).

Ayes: Director Mack, Director Brazier, Director Hamilton, Director Gasca.

Absent: Director Stewart.

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

It was noted the Condition Assessment study, contract approval for property water damage, several Administrative Code proposed revisions, and a resolution for wage rates will be on the next Board meeting agenda.

Mr. Kennedy announced Mrs. Kirkpatrick has resigned from the District in early January 2018.

Discussion ensued regarding status of an ongoing claim matter.

Director Gasca mentioned his request for including operations to the Engineering Committee. Mr. Kennedy explained this would be brought to the February Engineering Services Committee meeting which he encouraged Director Gasca to attend and provide information to the committee members.

(*) - Asterisk indicates a report is attached.

9. ADJOURNMENT - To Tuesday, January 23, 2018 at 1:00 p.m.

The meeting was adjourned with a motion made by Director Brazier to a regular meeting on January 23, 2018, at 1:00 p.m.

The meeting was adjourned at 3:37 p.m.

Helene Brazier, Board President

Dawn M. Washburn, Board Secretary

(*) - Asterisk indicates a report is attached.