

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
NOVEMBER 19, 2013**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on November 19, 2013 was called to order by President McManigle at 1:01 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: General Manager Brady
Assistant General Manager Buckley
Executive Assistant/Board Secretary Washburn
Legal Counsel Lemmo
Water Operations & Customer Service Manager Atilano
Superintendent Maccarrone
District Engineer Plonka
Superintendent Walker
Associate Engineer Rebueno

There were three FPUD employees present and seven members of the public present for Open Session.

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

There were no amendments.

5. **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 none.

(*) - Asterisk indicates a report is attached.

***6. APPROVAL OF MINUTES**

A. October 22, 2013 - Regular Board Meeting

Action:

Moved by Director Sanford to approve the minutes as revised. 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 referenced Page #6A-9 noting "Commissioner" should be "Commission" and that "1,000 parts per million would not be accepted by the Avocado Commission".

President McManigle referenced Page #6A-10 pointing out the first word "prior" should be deleted, the first "she" should be removed on Page #6A-14, and "here" should be "hear on Page #6A-16.

Director Griffiths requested his request on Page #6A-18 be clarified.

7. 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 had nothing to report.

B. Representative Report (Appointed Representative)

1. SDCWA

Dr. Brady reported the main focus at the last meeting was the Bay Delta Plan with the main issue for SDCWA being how much San Diego County agencies would be paying for the multi-billion dollar project. He noted the Board made it very clear what issues SDCWA wanted to negotiate. He also noted a Cost of Survey for allocating desalination costs was being implemented with emphasis on emergency storage. Discussion ensued regarding the lawsuits associated with the Bay Delta Plan.

2. CSDA

President McManigle noted the meeting would be on November 21, 2013.

(*) - Asterisk indicates a report is attached.

3. LAFCO

Dr. Brady reported the Advisory Committee discussions were regarding the Meadowwood annexation with Valley Center MWD. He noted both he and Mr. Arant (General Manager of Valley Center MWD) recused themselves from the discussion due to implications. He stated the committee did pass on to the full commission recommendation to move forward with the understanding LAFCO cannot impose conditions from another agency on a private developer as requested by the San Luis Rey Municipal Water District.

4. San Luis Rey Watershed Council

Director Brazier reported the November 18th meeting was a directors/officers election meeting which included discussions regarding vacancies on the Board for one environmental and one agricultural representative for anyone interested. She also announced there was a clean up day being planned for January as she solicited for location ideas.

5. Santa Margarita Watershed Council

There was no report given.

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

Director Griffiths suggested going without a meeting until the end of January was too long in light of all the current district activities. It was noted there was talk of possibly holding a Special Meeting in December.

D. Directors Comments

There were none.

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

A. Budget and Finance Committee

1. September 5, 2013 Minutes
2. October 3, 2013 Minutes

Mr. Stitle expressed concern regarding the very large problem facing RMWD in terms of needing to spend approximately \$14M in district costs on the expansion of Route 76. He recommended having a joint meeting with the Board of Directors and Budget and Finance Committee in December to discuss this matter and possibly reach some type of resolve. It was noted this would be addressed further under Item #13 herein. Discussion ensued.

B. Communications Committee

1. September 9, 2013

Dr. Brady reported the committee discussed the draft "Road Show" for talking to community groups (copies were provided) as well as finalizing the November "Communicator".

C. Engineering Committee
1. October 8, 2013 Minutes

Mrs. Plonka reported how at the October meeting the committee discussed staffing, impact fees, and the future of the engineering committee. She noted the committee voted that the following statement be given to the Board: "The Engineering Committee made up of volunteer ratepayers provides a service to the District and its customers and we recommend that the committee be maintained through any change of organization".

Director Lucy confirmed the Budget and Finance committee would concur 100% that they remain in effect through the consolidation as well.

Time Certain: 1:00 p.m. Public Hearing

***9. PUBLIC HEARING FOR THE PURPOSE OF SOLICITING PUBLIC INPUT REGARDING PROPOSED INCREASE IN WATER RATES OR SERVICE CHARGES IN COMPLIANCE WITH ARTICLE XIID, SECTION 6(A) OF THE CALIFORNIA CONSTITUTION. DISTRICT STAFF AND THE FINANCE COMMITTEE HAVE RECOMMENDED SPECIFIC INCREASES IN WATER RATES AND RELATED CHARGES. THE DISTRICT BOARD OF DIRECTORS WILL CONSIDER ADOPTION OF THOSE RATES AND CHARGES AFTER RECEIVING PUBLIC INPUT AT THE PUBLIC HEARING**

President McManigle opened the public hearing at 1:32 p.m.

Dr. Brady pointed out RMWD has complied with the Proposition 218 notification requirements.

Don Schneller stated that after hearing the preliminary discussions today his concerns may be trivial compared to the difficulties and problems facing RMWD. He noted his encouragement over the past years that RMWD was consumer-oriented than state and administrative oriented up until the time when a sewer program was implemented. He asked why the sewer charges and fixed fees have increased approximately 10%. Mr. Buckley explained the sewer rates were reduced by 30% a few years ago realizing RMWD did not need to build up capital reserves for replacement and repair; however, there was a \$13 million sewer item coming for which funds need to be built up to pay. He also noted this Board has always wanted to remain conservative in raising water rates; however, this could be problematic should the District fall behind. He pointed out how over the last eight years RMWD has increased their piece of the water rate 22% over the entire eight year period when wholesalers (SDCWA and MWD) have increased their rates 73%. Mr. Schneller thanked the Board for the explanations as well as their efforts in running the organization professionally during the past few years.

Lada Zajicek expressed concern that with raising rates the avocados will leave the area and then there will be nothing to hold the soil and the terrain will turn to desert and mud slides. He also asked should RMWD and FPUD merge how outstanding bonds for either agency will be addressed. He also inquired about the projected savings associated with the consolidation were anticipated to be \$800,000 on management and now recent reports state \$570,000. He talked about the issues agricultural users are facing and urged the Board to do something to help the growers in the area.

Dr. Brady addressed the matter of RMWD and FPUD clarifying the agencies were saving more than the estimated \$800,000 annually. He also pointed out RMWD and FPUD do not have any outstanding bonds. Mr. Buckley explained there was a small parcel charge for special assessment that will appear on property tax bills; however, there were no RMWD bonds.

(*) - Asterisk indicates a report is attached.

Jack Trendel thanked the Board for the opportunity to speak. He said he appreciates what RMWD and FPUD have done regarding costs; however, he was under the impression the reason for merging was to ease up on the ratepayers. He talked about his family's avocado groves that were started in 1968 and how he and his siblings were concerned they may not be able to keep from shutting down the groves due to increased water rates. He inquired as to whether the Board thought about what will happen in ten years when RMWD no longer has growers purchasing large amounts of water. It was confirmed the Board has taken this into great consideration. He also asked what steps have been taken with Metropolitan Water District (MWD) in relation to their increased costs.

Dr. Brady explained SDCWA was the largest purchaser of imported water that comes through MWD. He noted it was the San Diego member agencies opinion that MWD was over charging SDCWA by \$40M-\$80M per year; therefore, a lawsuit has been filed by SDCWA and its member agencies with an anticipated ruling on the matter in early 2014. He noted; however, it will most likely go through the appeals process before being resolved. He mentioned there was a discounted rate currently available to agricultural users which was also being sought for another possible extension beyond the end of 2014. He briefly talked about desalination also being discussed for the benefit of the agricultural users. He noted although these things may not resolve all the issues or keep rates from rising; however, the District keeps fighting and advocating for the farming industry as much as possible.

Mr. Trendel said they were very serious at looking at alternative water systems to more intelligently water their groves, but they are still not making a profit to make their time spent worthwhile. Director Sanford stated with less water sold to the ratepayers, there are still fixed costs that will be spread out to all customers.

Mr. Trendel requested someone communicate with him what the Board has been talking about in order to provide the agricultural customers in the area with more information in terms of what they can expect. He also suggested the rate increase sheets show percentages as well as dollars and cents.

Director Brazier stated the level of input today has been very thoughtful and helpful.

President McManigle closed the Public Hearing at 2:08 p.m.

BOARD ACTION ITEMS

- *10. APPROVAL OF ORDINANCE 13-09 TO ADJUST RMWD WATER AND SEWER RATES INCLUDING PASS THROUGH RATES FROM WHOLESALERS SAN DIEGO COUNTY WATER AUTHORITY (SDCWA) AND METROPOLITAN WATER DISTRICT (MWD)**

Action:

Moved by Director Lucy to approve staff recommendation to adopt Ordinance 13-09 and Appendix A directing the General Manager to implement the new fee schedule beginning with meter readings on or after January 1, 2014. 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.

(*) - Asterisk indicates a report is attached.

ABSTAINED: None.

ABSENT: None.

Director Brazier explained the consolidation will not prevent water rates from increasing; however, it will slow the progression.

***11. DISCUSSION AND POSSIBLE ACTION TO AWARD A PROFESSIONAL SERVICES CONTRACT TO COMPLETE ENVIRONMENTAL PERMITTING AND DESIGN FOR A UV DISINFECTION FACILITY FOR BECK RESERVOIR**

Dr. Brady explained this was to specifically address the matter of emergency storage at Beck Reservoir.

Jack Bebee said as a FPUD employee, he has been assisting RMWD with the Beck Reservoir project. He stated staff's recommendation to award Arcadis the environmental permitting and design contract. It was noted Arcadis conducted the initial comparison between utilizing UV at Beck and covering it as well as involved with the Red Mountain project at FPUD.

Dr. Brady pointed out should the Board approve this contract, staff will start negotiations.

Director Griffiths asked whether or not a preliminary schedule was provided for this project. Mr. Bebee stated they have and he would provide Director Griffiths with a copy.

Action:

Moved by Director Griffiths to authorize staff to enter into negotiations with Arcadis and execute a professional services contract for a price not-to-exceed \$1,232,246. 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.

Mr. Bebee confirmed the more challenging aspect will be the community due to Beck's location. Dr. Lucy pointed out there will be public community workshops implemented to gather input.

Director Lucy asked if there were any concerns regarding the circulation of the water due to the shape of the reservoir. Mr. Bebee explained why staff was not too concerned with this aspect due to discussions to include proper facilities based on California Department of Public Health requirements. He said there would not be an issue where this does not work, but there may be some steps that need to be taken to meet regulatory requirements.

President McManigle referenced the last paragraph on Page #11-3 when he inquired by disinfection byproducts that may adversely affect the Beck zone. Mr. Bebee explained the concern had to do with the water already being chlorinated; however, facts will be provided to California Department of Public Health to help address these concerns.

Director Griffiths urged staff to seriously address the matter of noise mitigation.

12. DISCUSSION AND POSSIBLE ACTION TO AWARD A PROFESSIONAL SERVICES CONTRACT TO COMPLETE A STUDY FOR THE SAN LUIS REY GROUNDWATER SUPPLY PROJECT

Dr. Brady pointed out item had to do with a recently completed water supply feasibility study to evaluate alternative water supply options and to focus on groundwater supplies within the San Luis Rey basin.

Mr. Bebee explained staff interviewed two firms and came up with a team consisting of West Yost acting as the primary consultant. He noted this was an attempt to get some control over RMWD's water costs. Director Griffiths stressed the objective should be to get RMWD a well. Mr. Bebee stated the primary purpose for this contract was to get a firm answer as to whether or not there was anything available with the San Luis Rey groundwater supply.

Director Lucy inquired as to whether the money for this project would be taken from the special assessment funds. Mr. Buckley stated it was coming from the special assessments.

President McManigle asked if the abandoned wells throughout the District were going to be looked into. Mr. Bebee confirmed part of this study will include looking at the facilities are already in place and the best location at which to do installation.

Director Sanford requested an update on the private organization that wanted to sell RMWD water from their well. Dr. Brady said it has been found this would be fairly expensive.

Director Brazier asked how much money was in the assessment account for this project. Mr. Buckley answered approximately \$600,000-\$700,000.

Action:

Moved by Director Sanford to authorize staff to enter into negotiations with West Yost and execute a professional services contract for a price not-to-exceed \$399,352. 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.

***13. DISCUSSION AND POSSIBLE ACTION TO APPROVE EXECUTION OF CALTRANS UTILITY AGREEMENT FOR THE EAST SEGMENT WIDENING**

Action:

Moved by Director Brazier to approve staff's execution of Caltrans Utility Agreement. Fiscal impact is estimated to be \$13,920,000 to be paid over 3 years. Seconded by Director Lucy.

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.

Ms. Rebueno explained this was the last phase of the Caltrans State Route 76 widening that encompasses a 2-4 lane highway widening from Mission Road to the interchange. She noted as recommended in the RMWD 2006 Wastewater Master Plan, this project will cover upsizing the existing 12" sewer line starting from Sweetgrass to Gird Road (approximately two miles long) to an 18" sewer line. She pointed out because RMWD has prior rights to the water lines, with the middle segment and the interchange project, Caltrans will cover waterline relocation, but unfortunately this segment of the Highway 76 includes a majority of the District's sewer lines in Caltrans right-of-way without prior rights therefore creating the significant expense. She mentioned similar with the middle segment and the interchange, there are several benefits to include district work with Caltrans work. She stated although this was not negotiable, staff did negotiate with Caltrans to break payments into three installments as opposed to having to pay the entire amount up front as Caltrans initially wanted. She noted utility agreements have been executed for the middle and interchange project. She said although there were conflicts, there were some sections of the line RMWD was relocating that do not need to be upsized such as from the interchange to Gird Road since it was already a 24".

President McManigle asked if the price presented was fixed. Ms. Rebueno explained RMWD hired Tetra Tech to design the relocation and upsize and the numbers presented are their engineer's estimate. She stated the project goes out to bid at the end of the year at which time the bid hopefully will come in lower.

Director Sanford inquired as to whether an 18" pipe will suffice for all future development. Mrs. Plonka stated for the known planned development and based on RMWD's General Plan states for the densities, this pipe will be sufficient. Discussion ensued.

Director Griffiths asked whether RMWD could have its own easement. Ms. Rebueno answered the District could not due to the fact Caltrans owns the land. He stressed staff should not put too much faith in the 2006 Wastewater Master Plan.

It was noted staff selected the least expensive alternative and best option for RMWD at Live Oak Creek Bridge.

Director Lucy asked whether or not RMWD should have fought the routing of this highway harder to avoid paying such a significant amount of money. Mrs. Plonka stated Ms. Rebueno fought as hard as she could for the District to get the best pricing possible.

(*) - Asterisk indicates a report is attached.

Ms. Rebueno explained this project involved the highway widening, installation of draining crossings, wild animal crossings, as well as the infrastructure that goes into a pipeline and other utilities. She added Caltrans has purchased and plans to purchase additional 2" water meters which in turn will bring RMWD some revenue.

The Board decided to hold a Special Joint Board and Budget and Finance Committee Meeting on December 10, 2013 at 1:00 p.m.

***14. DISCUSSION AND POSSIBLE ACTION REGARDING EXECUTION OF A JOINT USE AGREEMENT (JUA) WITH SDG&E**

Dr. Brady explained this was regarding extension of a Joint Use Agreement with SDG&E. Ms. Rebueno noted this was for a 37 lot development behind McDonald's for which SDG&E was requesting a Joint Use Agreement with RMWD to put facilities in the road due to the District's exclusive easement.

Action:

Moved by Director Lucy to approve staff recommendation Option 1 – Authorize the General Manager to execute a Joint Use Agreement with SDG&E. 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.

***15. DISCUSSION AND POSSIBLE ACTION TO ADOPT ORDINANCE 13-08 AMENDING AND UPDATING RMWD ADMINISTRATIVE CODE SECTION 5.03.220-CASH RESERVES POLICY**

Action:

Moved by Director Brazier to adopt Ordinance 13-08 amending and updating the RMWD Administrative Code Section 5.03.220-Cash Reserve Policy. 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.

(*) - Asterisk indicates a report is attached.

Mr. Buckley pointed out this entire section would be new to the Administrative Code and will formalize what RMWD has been practicing for several years with the exception of the new Operating Reserve fund to be used for specified special purposes. Dr. Brady added this reserve fund was a prudent investment to have on hand to smooth out the financial operation of RMWD.

16. DISCUSSION AND POSSIBLE ACTION REGARDING GENERAL MANAGER CONTRACT

Action:

Moved by Director Sanford to concur with the action of the FPUD Board with the understanding that future discussions of this nature be placed on a RMWD agenda for consideration. Seconded by Director Lucy.

After consideration, the motion carried by the following vote:

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

NOES: Director Brazier.

ABSTAINED: None.

ABSENT: None.

Dr. Brady noted on October 21, 2013, the FPUD Board adjusted the General Manager's contract and increased the base monthly salary by \$1,000 plus a COLA adjustment which totals \$1,367.00 per month. He said RMWD would not be billed until that Board has had an opportunity to talk about it. He confirmed his salary has not been increased since the JPA started.

Director Brazier stated this matter brings up her concerns from the very beginning of institution of the JPA in having one person wearing three hats because it puts RMWD in a very difficult position where it has to live with decisions made by others. Director Sanford said if RMWD voted this down, then FPUD would carry the full burden since it was their decision. Director Brazier said she felt FPUD should be solely responsible for the increases they approved.

Mr. Schneller inquired as to the total percentage being paid by RMWD. Dr. Brady stated the increase was a 5-5.5% salary and an additional 2% COLA toward the retirement system.

Director Lucy said he would be willing to approve the revised contract; however, he would like the RMWD Board to go back to the JPA to discuss this to prevent something like this happened in the future between the two agencies. He agreed to vote for this with the understanding this must be solved in order to be fair to both districts.

Director Sanford amended his original motion.

Legal Counsel suggested RMWD consider revising the Employee Leasing Agreement to amend this particular part of the contract to be ratified by both Boards. Dr. Brady agreed to put this before both the FPUD and RMWD Boards to revisit and consideration.

***17. DISCUSSION AND POSSIBLE ACTION INSTRUCTING STAFF TO PREPARE AN APPLICATION FOR CONSOLIDATION WITH SAN DIEGO LAFCO**

Action:

Moved by Director Sanford to accept Option 1 - that the Rainbow MWD Board of Directors approve moving forward with the consolidation approval with timelines being discussed at the December 4, 2013 NCJPA Regular Board meeting. 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 Griffiths stated he was for consolidation; however, he was against being pushed through the LAFCO process and that he would like a vote of the public for approval.

Director Brazier asked for clarification that this approval was to merely instruct staff to prepare an application with no submission to be brought back to the Board for consideration. It was confirmed this was true. Director Brazier referred to the first paragraph when she inquired as to whether the member agencies apply to LAFCO or would it be NCJPA. Dr. Brady answered the two agencies. Director Brazier asked if the drafts would be presented at the agency or NCJPA levels. Dr. Brady explained it would be at the agency level; however, the NCJPA Board instructed him to bring the application back at their December 4, 2013 meeting. He pointed out one reason for the draft was to get some clarity as to whether staff should be spending time on this matter or not. He stressed this was clearly a draft and that the process would be extensive.

Director Brazier expressed concern with the timeframe since the applications of the two districts will be different and how the RMWD Board has not had an opportunity to discuss the pertinent issues such as possibilities for governance, financing, and staffing. Dr. Brady pointed out the application presented to LAFCO would have to be identical for both RMWD and FPUD with the exception of supporting data.

Dr. Brady stated at a recent meeting Mr. Ott had said he was working on an updated draft application which was handed out at this meeting. He noted some of the information would need to be provided in the application process. He stated with Board approval to move forward, staff will start completing the application with both RMWD and FPUD Board input. Legal Counsel stated going through the application process was quite lengthy at the district level and could be with LAFCO also.

Director Brazier asked if this was a "point of no return" for the consolidation. Legal Counsel stated it was not and that the application could be theoretically before LAFCO takes any action on it at all. Director Sanford asked even if after LAFCO approves the application it could still be

(*) - Asterisk indicates a report is attached.

withdrawn. Legal Counsel explained if LAFCO approves the application and it does not go through the protest procedure, they will formalize the reorganization at which time they will be acting as a subdivision of the legislature that must also give final approval. He confirmed RMWD could rescind its action any time between today and the time LAFCO gives their final approval. He also pointed out LAFCO could still proceed with a reorganization process on their own which has always been a part of their power.

Director Griffiths suggested putting a proposal together from both agencies with specified conditions for combining the districts and put it out for a vote of the people. Director Griffiths said he was dead against the public not having anything to say. President McManigle pointed out regardless of the people's input, LAFCO has the final say.

Director Brazier asked at what point in the process would discussions about what sort of agency is wanted, governance, etc. will take place. Legal Counsel answered throughout the application process. Director Brazier wanted clarification that even though the application would be filled out and ready for approval by NCJPA on December 4th, the Board would not have had an opportunity to discuss the options at that point which could bring RMWD implications based on decisions made on the district's behalf. Director Sanford said by taking this action, the RMWD Board goes on record as saying it is in favor of the consolidation and on December 4, 2013 the NCJPA Board would start to hammer out the governance, financial, etc. decisions which may take months to resolve. He noted it was his understanding it was after reaching a resolve the NCJPA would make a recommendation back to each respective agencies. Director Brazier was concerned that should the NCJPA approve something not in RMWD's interest the district would be stuck. Director Sanford said he saw the NCJPA considering both the FPUD and RMWD side of things, blend them together, and then come back with the recommendation to the individual agencies and then RMWD will decide if they like what is being proposed. Director Lucy agreed this was exactly how he sees the process working with the NCJPA taking the leadership and then the individual Board's giving final approval.

Director Griffiths suggested Dr. Brady make proposals to the respective boards to bring to the NCJPA for consideration and if they give approval it should simply go forward. He reiterated his desire to allow the people to vote on the matter.

Dr. Brady said the idea was for him to basically fill out the application as best as possible and then take it before the NCJPA Board for immediate feedback and then go from there. He mentioned this was going to take quite a bit of staff time and possible outside help to complete and right now staff was seeking authorization to spend some money and staff time on the application. He stated the reason this was going before the NCJPA Board was due to the fact it was the next scheduled meeting. Director Brazier asked for assurance the draft application will not be written in stone at this point. Dr. Brady assured her it would not.

Director Brazier asked for clarification the costs provided on Page #17-3 were an estimate for LAFCO fees as a whole. Dr. Brady said there were two specified costs associated with LAFCO which may get capped at \$35,000.

Legal Counsel said based on his experience the most meaningful and helpful tool for starting discussion would be a completed draft application by staff.

***18. DISCUSSION AND POSSIBLE ACTION REGARDING RMWD AND FPUD JPA/CONSOLIDATION**

Legal Counsel briefed the Board on the various types of government options available when two agencies consolidate. He stated the two obvious choices would be a public utility district or municipal water district which has a great deal of overlapping authority with the public utility district capable of doing a great deal more. He pointed out the agencies were not restricted to these options. He noted another option could be to dissolve both agencies and form as a county water district which has no statutory bidding threshold. He mentioned the difference with irrigation districts is the way divisions are constituted with property ownership requirement for board membership. He suggested the county water district model would probably be a good one if the district wants to think outside the box. Director Brazier if a county water district would include the same options as a public utility district in regards to parks, etc. Legal Counsel said it would be relevant to water, sewer, fire protection, recreational use of water, garbage and trash service, hydropower, and directly serve tribes. He concluded with adding if the agencies "convert" into a county water district, it will be a principal act district if it were to merge or consolidate with other districts.

Director Griffiths asked if FPUD has found any problems associated with being a public utility district. Dr. Brady said not to his knowledge. Director Griffiths suggested it may be better to have latent powers due to the valuable location of the RMWD.

Director Sanford inquired as to whether a county water district can operate a hotel, water park, and things of that nature. Legal Counsel said no; however, if it were a public utility district it could operate in public recreational facilities such as playgrounds, play fields, etc.

President McManigle asked if a county water district or public utility district has more latent power. Legal Counsel said a county water district will probably have fewer latent powers such as playgrounds and parks, golf course bidding, building and maintaining roads. He noted the best benefit of the county water district model is the flexibility for contract bidding. Discussion ensued regarding parks falling into the category of public utility or irrigation district.

Legal Counsel pointed out LAFCO may not agree with the application and deny the proposed desired type of district.

Mr. Buckley asked how the ability to place liens on the properties would be impacted. Legal Counsel stated any water purveyor under the Water Code has this power.

Director Sanford inquired as to which type of district will allow the new agency to elect directors by division. Legal Counsel stated this was available with the structuring of how this wants to be addressed in the application including the methodology for figuring out where the different divisions will be located. He pointed out this could be controversial where people protest and do not like the application process. He added, however, divisions are more common in this type of organizations than at-large. President McManigle pointed out there were several lawsuits happening right now in California regarding this matter.

Director Lucy stated everyone he has solicited for an opinion has said they would like divisional elections.

(*) - Asterisk indicates a report is attached.

Director Brazier asked with two agencies so demographically different as RMWD and FPUD, would it pose problems for which there have been solutions. Legal Counsel explained this would be part of the organizational plan structured by the agency. Director Brazier pointed out RMWD would have half as many divisions as FPUD; therefore, RMWD would be at distinct disadvantage in this area from the very beginning. She inquired as to whether there was any way to counteract this or would RMWD be stuck being the minority partner. Dr. Brady said in his experience with Irvine Ranch when things were redrawn in a transitional phase one area would not be too concentrated. Dr. Brady said the divisional accounting would not be impacted by the election structure; however, this should be discussed as part of the reorganizational plan. Legal Counsel explained how divisional accounting would work depending on how the governance is designed. Director Brazier noted the board would be voting for individual projects that spend money from individual accounts; therefore, there may be a majority representing one financial division making decision as to how the other spends its money. Dr. Brady referenced Rancho Water where decisions are being made all the time and how he has never run into anyone trying to disadvantage one versus the other. He stressed with divisional accounting, one is not to be subsidize the other regardless.

It was agreed this would need to be discussed by the Board to avoid any potential conflicts of interest between ratepayers in one division and those in another who would like to see things done and worrying who the Board would support and how. Dr. Brady said strong divisional accounting and having the rules set up well and very clearly takes a great deal of these concerns away in that the goal is to make it very hard to cross subsidize.

No action taken.

Discussion returned to Item #18.

Director Brazier referenced the employee comment on Page #18-6 regarding the safety issue. Dr. Brady said after speaking with Mrs. Bush on this matter, they were unaware of anything that has gone by the wayside.

Dr. Brady mentioned the employee concerns regarding forklift training and how it was determined by senior staff only 13 employees required recertification as opposed to 33. He noted he also ran down some of the other confusion relating to this training and found the training was different than what RMWD employees are used to; however, he was satisfied the appropriate training was being provided.

Director Brazier pointed out her question had to do with the defibrillators being routinely checked. Mr. Atilano said the pads are routinely checked.

Dr. Brady asked if there were any other questions regarding the employee comments.

Director Griffiths inquired as to the outcome of the hard hat situation. Dr. Brady said wearing hard hats would not be required in a caged environment.

Director Sanford asked about the concerns relating to the Golden Handshake inquiries. Dr. Brady explained there has been a great deal of interest in this incentive; however, there are strings attached to offering a golden handshake including the provision that if someone takes the offer, the district cannot replace that classification for basically a two-year period. He explained if and when he makes a recommendation that the Board offer this incentive, a business decision will need to be made as to whether it should be offered to everyone qualified or only to certain classifications. He noted this offer would not be made available until maybe the end of the first

or possibly the second quarter of 2014 when the districts really know where they are going and maybe longer. He concluded by stating he felt positive about the incentive in that it helps people to make a decision to retire as well as airs out the organization allowing for more opportunity for promotion within.

Mr. Buckley mentioned interim procedures were being implemented to assist customers with making payments at the FPUD office location. Dr. Brady added the improvements being made at the FPUD offices include being compliant with ADA which will make it much easier for customers with disabilities to conduct transactions with the district.

Discussion returned to Item #19.

***19. RECEIVE AND FILE INFORMATION ITEMS FOR OCTOBER 2013**

- A. General Manager Comments**
 - 1. Meetings, Conferences and Seminar Calendar
 - 2. North County Joint Powers Authority Report (NCJPA)
- B. Construction & Maintenance Comments**
 - 1. Construction and Maintenance Report
 - 2. Valve Maintenance Report
 - 3. Garage/Shop Repair
- C. Engineering & Wastewater Comments**
 - 1. Engineering Report
 - 2. Wastewater Report
- D. Customer Service & Water Operations 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

Action:

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

After consideration, the motion CARRIED by the following vote:

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

Dr. Brady reported FPUD was continuing with the tenant improvements associated with the relocation of customer service and still working toward a transition to start in December.

(*) - Asterisk indicates a report is attached.

Dr. Brady talked about the monitoring program including the Regional Board accepting RMWD's modified schedule. He pointed out there was a new tab on the RMWD website for accessing monitoring group information. He also presented the newly proposed program provided from the Regional Water Quality Control Board which he will provide to the Directors electronically.

Discussion returned to Item #18.

Discussion ensued regarding Item #19C.

Mr. Atilano updated the Board on customer service and water operations matters.

Director Lucy excused himself from the meeting at 3:50 p.m.

President McManigle addressed the employee concerns regarding who will remain at RMWD in Customer Service. He recommended a rotating schedule. Mr. Atilano agreed a rotating schedule would be desirable; however, Dr. Brady would make the ultimate decision.

Director Griffiths requested the organizational chart be provided in larger print.

***20. RECEIVE AND FILE FINANCIAL STATEMENTS AND INFORMATION FOR OCTOBER 2013**

A. Finance Manager Comments

1. Monthly Investment Report
2. Directors' Expense
3. Check Register
4. Water Purchases & Sales Summary
5. Statistical Summary
6. RMWD Sewer Equivalent Dwelling Units (EDU's) Status

Action:

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

Mr. Buckley explained the reason some of the reports were missing was due to the meeting being scheduled for earlier than normal. He also mentioned although the month of October had typical water sales, the district was behind in budgeted water sales which is concerning. He reported \$2.3M in loan funds has been received with the next sum being quite large.

Several inquiries were made on Item #20A3.

Director Lucy rejoined the meeting at 3:54 p.m.

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

(*) - Asterisk indicates a report is attached.

There were no suggested agenda items.

22. ADJOURNMENT - To Tuesday, December 10, 2013 at 1:00 p.m.

The meeting was adjourned with a motion made by Director Brazier and seconded by Director McManigle to a Special Joint meeting with the Budget and Finance Committee on Tuesday, December 10, 2013 at 1:00 p.m.

The meeting was adjourned at 3:59 p.m.

George McManigle, Board President

Dawn M. Washburn, Board Secretary