

The minutes presented herewith are not a verbatim transcription of the Regular Board meeting held May 16, 2017. The intent is to provide a synopsis of key points of discussion and to chronicle decisions and actions taken by a quorum of the Board of Directors (ref: Roberts Rules of Order, Section 48). For more information or background, please refer to the applicable board packet.

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
RINCON DEL DIABLO MUNICIPAL WATER DISTRICT
May 16, 2017**

A Regular meeting of the Board of Directors of the Rincon Del Diablo Municipal Water District was held on Tuesday, May 16, 2017 at 6:00 p.m. at the offices of the District located at 1920 North Iris Lane, Escondido, California 92026.

Directors Present: Murtland, Lump, Quist, and Towne.

Directors Absent: Drake.

District Staff Present: Greg Thomas, General Manager; Clint Baze, Director of Engineering & Operations; Julia Escamilla, Public Services Information Officer; Tish Berge, Director of Administration and Finance; Andrew Stibel, Management Analyst; and Josefina Washington, Accountant.

Legal Counsel Present: Gerald Shoaf, Legal Counsel, Redwine & Sherrill.

Fire Services Staff Present: Rick Vogt, Fire Chief.

Guests Present: Meena Westford, Metropolitan Water District. The families of Madyson Sprankles, Ally McKinly, and Olivia Louis Bulow; and Mrs. McCann.

President Murtland called the meeting to order at 6:00 p.m. Director Lump then led the Board of Directors and attendees in the Pledge of Allegiance to the Flag of the United States of America.

ADDITIONS/CHANGES TO AGENDA

Agenda Items 3-B and 4-B will be moved to the beginning of the meeting.

ORAL COMMUNICATIONS TO THE BOARD

There were none.

SECTION 1 - CONSENT ITEMS

In a motion by Director Towne and seconded by Director Quist, by a vote of 4-0, the Board of Directors passed the following consent items unanimously:

- 1-A. Minutes of the Regular Board of Directors Meeting of April 11, 2017.
- 1-B. General Fund Disbursements, April 2017.
- 1-C. Investment Portfolio Report, March 2017.
- 1-D. Financial Statements, March 2017.
- 1-E. Quarterly Financial Report, FY 2016-2017, 3rd Quarter, March 31, 2017.
- 1-F. Board of Directors' Per Diem Fees and/or Expense Reports, April 2017.

SECTION 2 – EMERGENCY PREPAREDNESS & FIRE SERVICES

- 2-A. PUBLIC HEARING – Adopt Resolution No. 17-858.25, “Reaffirming an Already Established Special Tax for Fiscal Year 2017-18 on Properties within the Boundaries of Improvement District E (ID E).”

President Murtland opened the Public Hearing at 6:15 p.m. to receive comments regarding Resolution No. 17-858.25, “Reaffirming an Already Established Special Tax for Fiscal Year 2017-18 on Properties within the Boundaries of Improvement District E (ID E).”

General Manager Greg Thomas provided an overview of Resolution No. 17-858.25, “Reaffirming an Already Established Special Tax for Fiscal Year 2017-18 on Properties within the Boundaries of Improvement District E (ID E).” This is an annual event. After the overview and there being no further discussions from staff or public, President Murtland closed the Public Hearing at 6:18 p.m. and called for a motion:

In a motion by Director Quist, seconded by Director Towne, by a vote of 4-0 the Board of Directors Adopted Resolution No. 17-858.25, “Reaffirming an Already Established Special Tax for Fiscal Year 2017-18 on Properties within the Boundaries of Improvement District E (ID E)” by the following roll call vote:

**Murtland: Aye
Lump: Aye
Drake: Absent
Towne: Aye
Quist: Aye**

- 2-B. Adopt Resolution No. 17-851.25, "Establishing a Fire Mitigation Fee Program for Improvement District E (ID E)."

General Manager Greg Thomas provided an overview of Resolution No. 17-851.25, "Establishing a Fire Mitigation Fee Program for improvement District E (ID E)."

This is a two tier annual event. The first tier is the approval of the resolution, which establishes the fire mitigation fee. Last month was the public hearing for this resolution. No public comments were received. The second tier occurs in August, when the actual application of the funds from the fire mitigation fee are received and the general fund is reimbursed for what has been given to the fire fund. After the overview, President Murtland called for a motion:

In a motion by Director Quist, seconded by Director Towne, by a vote of 4-0 the Board of Directors adopted Resolution No. 17-851.25, "Establishing a Fire Mitigation Fee Program for Improvement District E (ID E)" by the following roll call vote:

**Murtland: Aye
Lump: Aye
Drake: Absent
Towne: Aye
Quist: Aye**

- 2-C. Oral Report by Escondido Fire Department Regarding Current Events and Community Fire Readiness Relating to Improvement District E.

Fire Chief Rick Vogt provided updates on the following:

- The new Fire Marshall, Al Dobyne, was introduced to the Board.
- CAL Fire will be conducting property inspections for defensible space in the State Responsibility Area. Inspections will be taking place in mid-July.
- The Fire Expo, in conjunction Rincon Water will be held on June 3rd. The Expo will include a Public Works vehicle, a fire safety trailer, a helicopter, a CAL Fire Brush Engine, and fire engine rides.
- The Fire Department has partnered with the American Red Cross in a Smoke Detector Program. The Red Cross has committed to donating 1,000 smoke detectors to install in mobile home parks in the community. The kick-off will be held June 27th at Eastwood Meadows Mobile Home Park, followed by another installation at Mobile Park West.
- Fire Data from May of 2016 to May of 2017 was presented to the Board. During that period, there were 100 fires. 21 percent of those fires had

smoke detectors. Fire Chief Vogt also reported the current data collection system will be updated soon.

SECTION 3 – PUBLIC INFORMATION & INTERGOVERNMENTAL RELATIONS

- 3-A. Receive and File Public Information & Intergovernmental Relations (PIIGR) Committee Meeting Minutes of April 25, 2017.

Director Towne requested staff forward minutes for her review prior to going to the Board.

Received and filed Public Information & Intergovernmental Relations (PIIGR) Committee meeting minutes of April 25, 2017.

- 3-B. Ratify Selection of Nominees for the North County Water Agencies 2017 Poster Contest.

President Murtland provided an overview of the North County Water Agencies 2017 Poster Contest and called for a vote to ratify the selection of nominees for the North County Water Agency 2017 Poster Contest. After a motion by Director Lump and a unanimous vote, the selection of nominees was approved. General Manager Thomas then introduced Julia Escamilla, Public Services Information Officer, who provided an overview of the poster contest. Following the overview, General Manager Thomas announced the winners of the 2017 Water Awareness Poster Contest. Contestants are fourth graders who attend one of two local elementary schools in Rincon Water's service area. This is part of the greater North County Water Agencies (NCWA) outreach and conservation effort. Students received a certificate and gift card. Third Place was awarded to Olivia Bulow, a student from North Broadway Elementary School, who received a \$50.00 gift card; Second Place was awarded to Ally McKinley, a student from Reidy Creek Elementary School who received a \$75.00 gift card; and First Place was awarded to Madyson Sprankles, a student from Reidy Creek Elementary School who received an \$100.00 gift card. Additionally, teacher incentives of \$100 for classroom art supplies were awarded to the teacher for each of his/her students that placed in the poster contest.

- 3-C. Focus on Conservation – Update on District Conservation Programs, Regional Water Supplies, and Statewide Water Resource Outlook.

Public Services Information Officer Julia Escamilla provided an update and presentation on the drought, District Conservation Programs and the status of current state water project allocations, water restrictions and potential water allocations due to drought.

Ms. Escamilla reported Northern Sierra precipitation is currently at 200 percent of average. Lake Shasta is at 112 percent of historical average and Lake Oroville at 91 percent of historical average. For the Colorado River basin condition, Lake Mead is 40 percent full and Lake Powell is 47 percent full. Overall precipitation for Colorado Basin is at 117 percent of normal, with snowpack at 110 percent of normal.

The Drought Monitor shows no changes since the April Board meeting. San Diego County still shows as Abnormally Dry (Level 1).

For the month of April, the District water conservation was at 22 percent. Overall District cumulative savings are at 28.4 percent for June 2015 to April 2017 as compared to 2013. The Residential GPCD increased to 115, but is well below the District's SBX7-7 (20% of 2020) goal.

The wildland-urban fire potential indicates no change for Southern California at this time due to the above normal rain levels, while Arizona and Florida are experiencing above normal fire potential.

Following Ms. Escamilla's report, General Manager Thomas announced Governor Brown issued Executive Order B-40-17, effective April 7, 2017, rescinding the majority of emergency drought orders for California. A number of orders and provisions will remain in force to eliminate wasteful water use.

Mr. Thomas provided the legislative update. General Manager Thomas provided a timeline for legislation and an update on key bills introduced on long-term water use efficiency. Key bills include AB 869 (Rubio), which will be determined on Wednesday, May 17th. AB 968/1654 (Rubio), AB 1667/1668, AB 1669 (Friedman) and AB 1323 (Weber) are all in Appropriations. Any bill with a fiscal impact will be reviewed with the Appropriations Committee. The deadline for the Legislature to pass the budget bill and send it on to the Governor is June 15th. Legislators will be on summer recess starting on June 21st and will resume on August 21st.

Mr. Thomas then reported the Little Hoover Commission will be meeting on June 22, 2017 to discuss Special Districts.

In closing, Ms. Berge provided the Drought Impact on Financials Report. Customers conserved at 22 percent which slowed down the budget deficit. The FY 2017 budget is projected to have an \$800,000 deficit. Projections are based on average monthly contributions, and actual contributions are significantly affected by weather. Staff recommends coming back at the end of the fiscal year with recommendations on addressing any revenue shortfall.

SECTION 4 – FINANCE, INSURANCE & PERSONNEL

- 4-A. Receive and File Finance, Insurance & Personnel (FIP) Committee Meeting Minutes of April 13, 2016. Director Lump requested additional details regarding the Two-Tier Program. General Manager responded to the request and provided an update on moving the process forward.

Received and filed Finance, Insurance & Personnel (FIP) Committee meeting minutes of April 13, 2017.

- 4-B. 2017 Tyler Public Sector Excellence Award.

Tish Berge, Director of Administration and Finance, presented the Board of Directors with the 2017 Tyler Public Sector Excellence Award for its use of Tyler Technologies Incode Solution.

Tyler Technologies established the Tyler Public Sector Excellence Awards to recognize and reward end-users for achievements in an industry that is ever-changing. Rincon was selected out of more than 2,000 eligible users. Entries are judged on:

- Organizational Efficiency and Productivity
- Organizational Responsiveness
- Business Value
- Innovation

The Finance Department was instrumental in implementing the utility billing, financial management, and personnel management components of the software. In addition to budget savings, the software will improve customer service.

- 4-C. Transitional Special Agricultural Water Rate (TSAWR).

Ms. Berge brought forward the TSAWR Program. Staff is requesting the Board confirm whether to participate or leave the Transitional Special Agricultural Water Rate (TSAWR) program with the San Diego County Water Authority. The Finance, Insurance, and Personnel Committee is recommending termination of the Program. Should the District decide to leave the TSAWR program, it can re-enter at any time. The Finance, Insurance & Personnel Committee is recommending termination of the Program.

The TSAWR program is a local agricultural water rate program that was approved by SDCWA and the Rincon Board of Directors in 2008. TSAWR

participants pay MWD's full service Tier 1 rate in return for a lower level of water supply reliability. The customer savings are a pass thru from SDCWA, however the District is not reimbursed for the cost to administer the program.

The program provided less than \$10,000 in rebates to the 19 customers who currently qualify for the program. Staff estimates that the District's annual cost to administer the TSAWR program is \$12,500.

After discussion, a motion was made:

A motion to terminate the Transitional Special Agricultural Water Rate (TSAWR) Program was made. By a vote of 1-3, the Board of Directors voted not to approve the termination of the Transitional Special Agricultural Water Rate (TSAWR) Program, therefore, the program will continue.

**Drake – Absent
Lump – Aye
Murtland – Nay
Quist – Nay
Towne – Nay**

After the vote, it was requested additional data be brought back at a later date for further discussion.

4-D. Update on Low Income Assistance Program.

General Manager Thomas provided an update on the Low Income Assistance Program. The Board has discussed this item at previous meetings.

Mr. Thomas reported this item was discussed at a recent ACWA meeting. The State Board will be issuing a report based on a UCLA study, no later than February of 2018. The report will make recommendations on low income assistance, which may include a public goods charge which would be state managed. The District will continue to hold discussions on this item.

4-E. Fiscal YR 2017-2018 Budget Scenarios.

Tish Berge presented the Fiscal Years (FY) 2017-18 and 2018-19 Budget Scenarios. The District is preparing the multi-year budget which will be adopted by the Board for revenues and expenditures. The budget will be reviewed at the May 23rd Budget Workshop and approved at a Budget Meeting scheduled for June 27th.

Rates for FY 2017-18 and 2018-19 were already passed by the Board of Director in 2015. The Operating and Capital Budget for FY 2017-18 and 2018-19 was drafted as a balanced budget reflecting revenue sufficient to cover operational expenses and capital costs while utilizing or funding reserves. Additional revenue requirements are primarily driven by increased expense of water purchases and the necessity to fund capital improvement and replacement costs.

The Operating and Capital Budget for FY 2017-18 and 2018-19 is based on the assumptions and findings of the 2015 Comprehensive Water Cost of Service and Rate Study and provides coverage for increased operating expenses.

Ms. Berge then presented three scenarios, based on conservation, water sales, and rate level. Staff requested Directors select a scenario, which will be used to prepare the final FY 2017-18 and 2018-19 budgets.

After a lengthy discussion, Directors selected a variation of Option 1, with a 20 percent Conservation Level and Level 1 Rates.

After discussion, President Murtland asked for a motion:

A motion for a new scenario, Scenario 1.5, which is a variation of Scenario 1 with Conservation at 20 percent with Level 1 Rates was made by Director Quist and seconded by Director Lump. By a vote of 3-0-1-1, the Board of Directors approved Scenario 1.5.

**Drake – Absent
Lump – Aye
Murtland – Aye
Quist – Aye
Towne – Abstain**

4-F. Annual Review of the District's Administrative Code Section 3200, Investment Policy.

General Manager Thomas presented Annual Review of the District's Administrative Code Section 3200, Investment Policy at the April 11th Board meeting. At that time, Director Towne expressed concerns with the "SLMA" or "SallieMae" fund and requested staff research this fund as it relates to the District's policy. Staff reported the "SallieMae" agencies are still government-sponsored and available on the resale market and therefore fall under the parameters of the Investment Policy. As a result, staff is recommending no changes to the Investment Policy.

In a motion by Director Quist, seconded by Director Lump, by a vote of 4-0, the Board of Directors approved no changes to the District's Administrative Code Section 3200.

SECTION 5 – OPERATIONS; ENGINEERING & LONG-RANGE PLANNING

5-A. Approve and Adopt Resolution 17-05, "Labor Compliance Program."

Director of Engineering and Operations Clint Baze presented Approve and Adopt Resolution 17-05, "Labor Compliance Program." The District approved a Labor Compliance program in 2014. To receive grant funding from the State of California Department of Water Resources requires a resolution to confirm Rincon Water does have a Labor and Compliance program in place.

President Murtland then asked for a motion:

In a motion by Director Towne seconded by Director Quist and unanimously carried, the Board of Directors approved and adopted Resolution 17-05, "Labor Compliance Program."

Ayes: Murtland, Lump, Towne, and Quist
Noes: None
Abstain: None
Absent: Drake

SECTION 6 – SDCWA DIRECTOR'S REPORT & DIRECTORS/STAFF ACTIVITIES REPORT

6-A. This portion of the agenda may be used by the San Diego County Water Authority (SDCWA) representative to make informal reports on activities.

President Murtland provided a written report on the April 27, 2017 San Diego County Water Authority to Directors.

6-B. This portion of the agenda may be used by the Board of Directors or management to make informal oral reports on their activities.

- Director Lump had nothing to report.
- Director Towne recapped the ACWA Conference and Sexual Harrassment Training.
- Director Quist recapped the ACWA Conference.
- Director Murtland recapped the ACWA Conference and COWU.

- 6-C. This portion of the agenda may be used by the Board of Directors to request items for future agendas.

There were no items.

- 6-D. Request Approval for a Board Member(s) to Attend Upcoming Meetings; Conferences; or Seminars for Those Not Authorized in the District's Administrative Code, Section 502 "Authorized District Memberships."

There were no requests.

- 6-E. District Activities Report (DAR), April 2017.

The following were discussed:

- Director Towne had questions regarding General Manager Thomas' meetings.
- The CSDA Quarterly Dinner will take place on May 15th at 6:00 p.m.
- The Budget Workshop will be held on Tuesday, May 23rd at 6:00 pm.
- The Regular Board Meeting will take place on June 13th.
- The Budget Meeting will take place on Tuesday, June 27th.
- The Engineering and Long Range Planning (ELRP) Committee meeting will be on Wednesday, June 28th.
- August 16th - 18th will be the Urban Water Institute's Fall Conference.
- A Special Meeting to discuss the District's request to provide waste water service will be scheduled for June.

- 6-F. San Diego County Water Authority Presentation by General Manager, Maureen Stapleton.

San Diego County Water Authority General Manager Maureen Stapleton presented the San Diego County Water Authority (SDCWA) Issues Update. The presentation began with facts on SDCWA and proceeded with updates on the Drought, Litigation between Metropolitan Water District (MWD) and the San Diego County Water Authority (SDCWA), and Financial Practices of MWD and the Risk to Southern California Ratepayers.

The drought update included data related to the drought and provided information regarding the April 2017 State Framework and SDCWA's concerns with that framework.

Following the Drought Update, Ms. Stapleton provided an update on the MWD Rate Case. The lawsuit stems from MWD overcharges estimated to be more

than \$537 million over eight years and up to \$7.4 billion over 45 years. The case was based on violations of Proposition 26, California Wheeling Statutes, Government Code Section 54999.7(a), and Common law rules limiting rates to cost of service. San Francisco courts ruled in favor of SDCWA in Nov. 18, 2015, however, MWD is continuing to set rates using the same formula ruled illegal by the Courts.

MWD has filed an appeal and a decision is expected in summer or fall of 2017.

In closing an update on the financial practices of MWD and the risks to Southern California Ratepayers was presented. The data indicates what appears to be excessive spending and very little transparency.

SDCWA is requesting agencies address the spending and lack of transparency by:

- Requesting that agencies be informed,
- Engage elected officials and customers, and
- Consider adopting a resolution or preparing a letter of support for the SDCWA.

After the presentation, Meena Westford of MWD provided a MWD Fact Sheet and presented a rebuttal to the SDCWA allegations and the negative public relations campaign the SDCWA has undertaken, at a cost of over \$1.3 million. Ms. Westford also discussed the long-term partnership MWD and SDCWA have had and that SDCWA is still reliant on MWD water and other pursuits. At the end, she extended an offer to General Manager Kightlinger to speak to the allegations at a future Rincon Water Board meeting or in a larger forum.

6-G. General Manager Evaluation Process Discussion.

General Manager Thomas began the discussion on the General Manager's evaluation process and form. At the April Board meeting, the Board had a discussion regarding the General Manager's evaluation and the need to redesign the evaluation form and process. Directors felt expectations and goals should be a stronger part of the evaluation process. At the meeting, General Manager Thomas was asked to research consultants who conduct evaluations. General Manager Thomas reported his results, including the consultant's processes and costs. After discussion, the Board agreed the evaluation process for the general manager will move forward using last year's forms and process. In addition General Manager Thomas will contact neighboring agencies for their evaluation processes and an ad hoc committee consisting of Director Drake and Director Towne will meet to develop an evaluation process and goals for next year's evaluation.

6-H. Legal Counsel Discussion.

At the April Board meeting, Legal Counsel Gerry Shoaf announced changes in Redwine and Sherrill. Mr. Shoaf clarified future plans for the firm and the ability to continue to provide legal services to Rincon Water for several months more. A brief discussion followed.

6-I. Discussion on "Other Items for Discussion" on Board or Committee Agendas.

The Board had a brief discussion regarding the potential for Brown Act violations with an "Other Items for Discussion" item on the Agenda.

6-J. ACWA Region 10 Nominations.

After a brief discussion, the Board recommended the nomination of Director Murtland. This item will be brought back to the June Board meeting for the required resolution for the nomination.

In a motion by Director Quist, seconded by Director Lump, by a vote of 4-0, the Board of Directors nominated Director Murtland for ACWA Board of Directors for Region 10.

SECTION 7 – GENERAL MANAGER’S REPORT

7-A. General Manager’s Oral Report.

General Manager Thomas reported on the following:

- White Nelson Diehl Evans will be conducting the annual audit starting in June. A letter from the consultants was provided to Directors.
- Peter Kuchinsky of JPIA met with Director of Administration and Finance Tish Berge and Director of Engineering and Operations Clint Baze. Mr. Kuchinsky reported Rincon has had three years with no workers compensation claims, a very worthwhile and noted endeavor.
- An update regarding appeals on the SDCWA and MWD litigation was given.
- Rincon Water was asked to annex a portion of property out of the parent and ID-A District. The Hindu Temple approached the District previously however, it was expensive for the Temple to tie to the Rincon System. Because the City of Escondido is unable to annex, the District will annex and execute an exchange agreement with the City.
- General Manager Thomas met with LAFCO to discuss extending latent powers for waste water. Mike Ott of LAFCO, who will be retiring in August, indicated Rincon Water should acknowledge and assess all impacts to Harmony Grove and possibly conduct a full Municipal Service

Review. A special meeting to discuss options on how to proceed with extending latent powers for waste water will be scheduled for June.

SECTION 8 – LEGAL MATTERS

8-A. Legal Counsel Report

General Manager Thomas provided an update on the Ruiz case.

8-B. Closed Session.

No action was taken.

ADJOURNMENT

There being no further business before the Board of Directors, the meeting was adjourned by President Murtland at 9:30 p.m.

APPROVED:



James B. Murtland, President

ATTEST: Wanda Cassidy
Wanda Cassidy, Board Secretary