



Rincon del Diablo Municipal Water District

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The minutes presented herewith are not a verbatim transcription of the regular Board meeting held April 10, 2007. 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 April 10, 2007

A regular meeting of the Board of Directors of the Rincon del Diablo Municipal Water District was held on Tuesday, April 10, 2007 at 6:00 p.m. at the offices of the District located at 1920 North Iris Lane, Escondido, California 92026.

DIRECTORS PRESENT: Ix, Towne, Quist, Drake

DIRECTORS ABSENT: Hinrichs

OTHERS PRESENT: Mitchell Dion, General Manager; Kathy Blakely, Executive Secretary; Darlene Lynn, Director of Finance; Clint Baze, Director of Operations; David Keller, Engineering Manager; Julia Escamilla, Public Information Officer; Scott Heil, Legal Counsel/Redwine and Sherrill; John Christopher, Consulting District Engineer/R W Beck; Tim Collie, Water Quality Supervisor; and Joe Wegand, Operations & Maintenance Manager/San Diego County Water Authority.

President Ix stated a quorum existed and called the meeting to order at 6:00 p.m.

ADDITIONS TO AGENDA:

There were none.

ORAL COMMUNICATIONS TO THE BOARD

- A. Presentation on the San Diego County Water Authority's (SDCWA) Aqueduct System by Mr. Joe Wegand, SDCWA Operations & Maintenance Manager

Mr. Wegand presented an overview of the infrastructure and facilities of the San Diego County Water Authority. In particular, Mr. Wegand reviewed the First Aqueduct including Pipelines 1 and 2, and the Second Aqueduct that includes Pipelines 3, 4, and 5. Mr. Wegand explained that these pipelines are 48 to 108 inches in diameter and can

carry either filtered or unfiltered water, with a combined capacity to carry 900 million gallons of water a day. Most of the pipelines in the system have been constructed to deliver water by gravity, and are strong enough to withstand pumping pressure that could send water in the opposite direction in case of an emergency. *Future plans include a pump station along the Northern cross-over that would provide the capability to bring water from the Twin Oaks Facility into the First Aqueduct system and Rincon.* President Ix, on behalf of the Board, thanked Mr. Wegand for taking time out of his busy schedule to brief them on the SDCWA's Aqueduct System.

This was an informational item only.

B. Presentation on the Integrated Hydraulic Analysis in Conjunction with the San Diego County Water Authority's Annual Winter Shutdown by John Christopher, District Consulting Engineer, and Clint Baze, Director of Operations

Mr. Baze and Mr. Christopher presented the results of an integrated hydraulic modeling study conducted to analyze hydraulic conditions between the Rincon del Diablo Municipal Water District and the City of Escondido water systems, beyond what was done in the 2005 Water Master Plan.

Mr. Baze reviewed eight different hydraulic modeling scenarios that Rincon staff conducted during the San Diego County Water Authority's recent winter shutdown to determine actual conditions. (Results are attached and included as part of the minutes).

Mr. Baze presented for Board consideration, the following proposed steps to take for improving hydraulic conditions between Rincon and the City of Escondido:

- ◆ Meet with the City of Escondido
- ◆ Calibrate the model with actual test data
- ◆ Formulate "ideal" solution
- ◆ Determine required facility changes
- ◆ Prioritize the above changes.

This was an informational item only.

SECTION 1 – CONSENT ITEMS

In a motion by Director Quist seconded by Director Towne and unanimously carried, the Board approved the following consent items on the agenda:

- 1-A Minutes of the Regular Board Meeting of March 13, 2007
- 1-B General Fund Disbursements, March 2007
- 1-C Investment Activities Report, February 2007
- 1-D Financial Statements, February 2007
- 1-E District Activities Report (DAR), March 2007
- 1-F Directors' Per Diem Fees/Expense Reports, March 2007

SECTION 2– FIRE SERVICES

2-A PUBLIC HEARING – Resolution No. 07-851.15, “Establishing a Fire Mitigation Fee Program for Improvement District “E”

Manager Dion informed the Board that proper notification had been made and published, and that no comments had been received from the public.

Ms. Darlene Lynn, Director of Finance, reviewed the Fire Mitigation Fee Program, which Rincon has participated in since 1985. This program must be reviewed and approved annually by the Board. Ms. Lynn explained that the County of San Diego’s Department of Planning and Land Use collect Fire Mitigation Fees on new development, and that these fees are used for the expansion of fire protection services, firefighting facilities and the purchase of firefighting equipment. Currently, the fire mitigation fees collected are being used to repay the General Fund for completion of Fire Station #5 built in 1999.

President Ix opened the public hearing to receive comments from the public. There being no one present, President Ix closed the public hearing.

In a motion by Director Quist seconded by Director Towne, and unanimously carried, the Board voted to adopt Resolution No. 07-851.15, “Establishing a Fire Mitigation Fee Program for Improvement District “E”.

SECTION 3– FINANCE, INSURANCE & PERSONNEL

3-A PUBLIC HEARING – Ordinance No. 07-98.15, “Fixing Capital Facility Fees”

Manager Dion informed the Board that proper notification had been made and published, and that no comments had been received from the public.

Ms. Lynn explained that as part of the recent 2005 Water Master Plan implementation, the Board directed staff to review the District’s Capital Facility Fees on an annual basis. As previously directed by the Board, recommendations for adjustments to these fees were to be based upon the Engineering News Record Construction Cost Index (ENR). Construction costs have increased significantly over the past several years, however, costs were generally maintained this year. These factors resulted in a moderate increase of 2.1% in the ENR index for 2006-2007, which has been applied to the District’s Capacity Fee Schedule being presented to the Board for approval.

President Ix opened the public hearing to receive comments from the public. There being no one present, President Ix closed the public hearing.

In a motion by Director Towne seconded by Director Drake and unanimously carried the Board voted to adopt Ordinance No. 07-98.15, "Fixing Capital Facility Fees" by the following roll call vote:

Ix	Aye
Towne	Aye
Hinrichs	Absent
Quist	Aye
Drake	Aye

3-B Annual Review and Adoption of Section 3200 (Investment Policies) of the Rincon del Diablo Municipal Water District Administrative Code, and Appointment of Investment Officer

Ms. Lynn reported that the Board is required to annually review the District's Investment Policy. Ms. Lynn reported that the Board of Directors had approved a comprehensive, revised District Investment Policy in September 2004 after formally being recognized for having its written investment policy certified by the Association of Public Treasurers of the United States and Canada.

Staff also recommended reappointment of Director of Finance Darlene A. Lynn as the Investment Officer for the District in accordance with the provisions of the Investment Policy.

Mr. Dion stated the policies adopted by the district establish the parameters for the investment policy. He characterized these as conservation to protect the investment and he requested that Ms. Lynn review for the Board how prudence is exercised in the investments are made by staff at Rincon. Ms. Lynn explained that prudence is exercised when all investments are made in compliance with specific requirements and objectives of the Board approved Investment Policy and Procedure Manual, which have been certified to contain all necessary elements to invest District funds in the State of California. In addition, the District's auditor reviews all investments to ensure compliance.

Ms. Lynn reviewed what prudence in investing for Rincon includes the following:

1. Balancing the bank account every day, which provides written documentation of funds available for investing.
2. Daily review of cash flows and funding requirements.
3. Providing the Board with a monthly investment report showing allowable investment categories, and how much is in each type.
4. Maintaining adherence to the percentage or dollar limitations for each type of investment.
5. Taking advantage of pooled programs for liquidity and fund management services provided.
6. Each year, a broker at Citigroup reviews Rincon's portfolio for reasonableness and comparison to other agencies of like size.

In a motion by Director Towne seconded by Director Quist and unanimously carried the Board voted to adopt the Investment Policy as required by the California Government Code and re-appoint the District's Director of Finance, Darlene A. Lynn, to manage the District's portfolio as Investment Officer in accordance with the provisions of the Investment Policy.

3-C Proposal from Rogers, Anderson, Malody & Scott to Perform Auditing Services for Fiscal Years Ended June 30, 2007 to June 30, 2009

Ms. Lynn reviewed the proposal from Anderson, Malody & Scott to perform auditing services for fiscal years ended 2006-2007, 2007-2008, and 2008-2009, in amounts not to exceed \$19,025, \$19,450, and \$20,025, respectively.

In a motion by Director Towne seconded by Director Quist and unanimously carried, the Board voted to approve the contract from Rogers, Anderson, Malody & Scott, as outlined above.

3-D Adopt Resolution No. 07-22.2 "Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)"

Ms. Lynn reported that due to the hiring of Mitchell Dion as Rincon's new General Manager, that a revised resolution is required denoting current names and titles of authorized signers for the Local Agency Investment Fund.

In a motion by Director Quist seconded by Director Drake and unanimously carried, the Board voted to adopt Resolution No. 07-22.2, "Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)".

3-E Set Public Hearing and Provide Notice of Possible Rate Increases

Mr. Dion requested that the Board approve setting a public hearing for June 12, 2007, and direct staff to provide notice to record owners, for the purpose of taking public testimony relating to possible increases to the District's rates, fees and charges in compliance with the legal requirements of the Big Horn decision and Proposition 218.

Mr. Scott Heil, Legal Counsel, explained that recent legislation has been introduced to clarify the definition of a "record owner". Currently, it is unclear whether "record owner" applies only to the actual property owner, or includes the person(s) who receives the service. Mr. Heil explained that he has advised the District to take the conservative approach and mail notices to both customers and property owners.

Ms. Lynn explained that Proposition 218 requires at least a 45-day notice prior to holding a public hearing, therefore, notices would have to be completed and mailed no later than April 27, 2007, in order for the Board to consider rate increases. In addition,

since budgetary information is still being compiled, staff proposes notification to contain various rate alternatives (i.e. 6%, 7%, 8%, etc.), or maximum amount, and the estimated impact on the customer's bi-monthly billing.

In a motion by Director Quist seconded by Director Towne and unanimously carried, the Board voted to set a public hearing date of June 12, 2007, and directed staff to provide notice to both customers and property owners, containing the various rate alternatives as suggested by staff.

SECTION 4– OPERATIONS; ENGINEERING & LONG-RANGE PLANNING

4-A Status Report/Appropriation of Funds, West Valley Parkway-Citracado Parkway to Eleventh Avenue (City of Escondido)

Mr. Dave Keller, Engineering Manager, briefed the Board on a City of Escondido project that was recently awarded to Southland Paving for \$3,799,223.88. This project will include the relocation of approximately 490 feet of District waterline, at a cost to the District of \$84,645. Mr. Keller explained that this relocation project is contained in the District's 2006-07 Budget, and staff is requesting that the Board appropriate \$84,645 for the District's portion.

In a motion by Director Quist seconded by Director Drake and unanimously carried, the Board voted to appropriate \$84,645 for the District's portion of the City of Escondido's Project on West Valley Parkway.

SECTION 5 – SDCWA DIRECTOR & BOARD OF DIRECTORS/STAFF ACTIVITIES REPORT

5-A Update on Various Matters by the SDCWA Director

Director Quist briefed the Board on the recent decision by the U.S. Ninth Circuit Court of Appeals to dismiss an environmental challenge raised by Mexican businesses, farmers and California environmental groups that stopped work on the concrete-lined replacement for a 23-mile stretch of Imperial Valley's earth-lined All American canal.

5-B This portion of the agenda may be used by directors or management to make informal oral reports on their activities

Directors or management had nothing new to report at this time.

5-C Report on Status of Merger Discussions with the City of Escondido

Directors Drake and Quist (Ad Hoc Committee regarding merger discussions with the city of Escondido) reported there was nothing new to report at this time. Director Drake

informed the Board he has placed phone calls to Mayor Pfeiler and Council Member Dick Daniels, but to date has had no contact from either official.

5-D This portion of the agenda may be used by directors to request items for future agendas

Mr. Dion requested that with the upcoming ACWA Conference and budget preparations, that the Strategic Plan be addressed after June. Mr. Dion explained that he is reviewing the following options for Board consideration in preparing the Strategic Plan:

- ◆ Development of a plan by staff for Board review
- ◆ Board Workshop using a facilitator
- ◆ Board Workshop led by Mr. Jay Malinowski
- ◆ Combination of the above

The Board suggested that the Strategic Plan be addressed at the July Board meeting.

5-E Discussion of Time Change for Regular Board Meetings

Vice President Towne requested that the Board consider changing the start time for Board meetings back to 7:00 p.m. With the majority of the Board satisfied with the Board meetings starting at 6:00, Director Towne withdrew her request.

5-F Formation of an Audit Committee

President Ix suggested that in order to provide additional in depth review of the District's financial resources that the Board consider forming an Audit Committee, especially with the District recently engaging in a contract with a new auditing firm.

After considerable discussion regarding the formation of the Audit Committee, Director Quist made the following motion:

In a motion by Director Quist seconded by Director Drake, and unanimously carried, the Board voted that the Finance, Insurance & Personnel Committee act as the Audit Committee. In addition, the Audit Committee, with staff's assistance, was directed to report back to the Board with goals and objectives of the duties of the Audit Committee.

SECTION 6- GENERAL MANAGER'S REPORT

General Manager Dion to report on items of interest or concern that are not detailed in the District's Activities Report (DAR) in Section 1-E

Mr. Dion briefed the Board on the following issues:

- ◆ First meeting of the “San Diego Desal Partners” held regarding desalination meetings between agencies, that have a contract or thinking about a contract with Poseidon Resources, to purchase desalinated water.
- ◆ Upcoming reception for Metropolitan Water District’s Chair, Mr. Tim Brick, being held at the Water Conservation Garden in El Cajon on April 25, 2007.

This was an informational item only.

SECTION 7 – LEGAL MATTERS

7-A District Counsel Oral Report

Nothing new to report at this time.

7-B Closed Session

The Board of Directors, Legal Counsel Scott Heil, General Manager Dion, Director of Finance Darlene Lynn and Director of Operations Clint Baze, recessed to closed session at approximately 8:40 p.m. to discuss the following matters:

1. Conference with Legal Counsel pursuant to Government Code Section 54956.9(a), Existing Litigation.
Name of Case: Crown Castle GT Company LLC, a Delaware Limited Liability Company
2. Conference with Legal Counsel pursuant to Government Code Section 54956.9(b),
Anticipated Litigation
Number of potential cases: 2

President Ix convened back to Open Session at approximately 9:10 p.m.

ADJOURNMENT

There being no further business before the Board, the meeting was adjourned by President Ix at approximately 9:15 p.m.

APPROVED:

Dr. Hanno E.G. Ix, President

ATTEST:

Mitchell S. Dion, Secretary