

The minutes presented herewith are not a verbatim transcription of the regular Board meeting held September 11, 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
September 11, 2007

A regular meeting of the Board of Directors of the Rincon del Diablo Municipal Water District was held on Tuesday, September 11, 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, Hinrichs, Quist, Drake

DIRECTORS ABSENT: None

OTHERS PRESENT: Mitchell Dion, General Manager; Kathy Blakely, Executive Secretary; Darlene Lynn, Director of Finance; Clint Baze, Director of Operations; Scott Heil, Legal Counsel/Redwine and Sherrill; Julia Escamilla, Public Information Officer; John Christopher, District Consulting Engineer/R W Beck; Donna Turbyfill, Deputy Director of Public Works, Vince Nicolletti/County of San Diego.

ADDITIONS TO AGENDA:

There were none.

ORAL COMMUNICATIONS TO THE BOARD

General Manager Dion introduced Ms. Negin Yazdani, who is taking part in the San Diego County Water Authority's Intern Program, which Rincon is a participant in. Ms. Yazdani briefed the Board on her background and her goals she hopes to achieve in the water industry. President Ix, on behalf of the Board of Directors, wished her well in all of her endeavors.

- A. Presentation by Donna Turbyfill, Deputy Director of Public Works, County of San Diego, on the California Community Facilities District Act (CFD), and Mello Roos CFD Funding of Infrastructure

Mr. Dion introduce Ms. Donna Turbyfill, Deputy Director of Public Works, Mr. Vince Nicolletti, with the County of San Diego, and Mr. Tom Zanic, President, New Urban West, Inc.

Mr. Dion updated the Board on the status of the Harmony Grove Village Development, which lies within the Rincon service area. Harmony Grove Village will consist of 742 homes built on approximately 468 acres located in the County of San Diego.

Ms. Turbyfill and Mr. Nicolletti outlined what a Community Facilities District (CFD) is, why the County of San Diego is developing a CFD for the Harmony Grove Village, and the benefits of a CFD, including the following:

- Methods of financing infrastructure, facilities, and services
- Special Taxes against real property within District
- Ability to fund roads, sewers, parks, open spaces, water systems, etc
- Bonds issued are municipal bonds issued by the lead agency (the County of San Diego)
- Fits with the County's General Plan for future development (mixed use, less sprawl)
- Several large planned communities that will provide sizeable infrastructure
- Infrastructure with bond financing can be better, faster, and cheaper
- Other jurisdictions in San Diego County have demonstrated success, and systems for setting up and administering are more sophisticated
- Allows infrastructure earlier in the development process
- Infrastructure financed with long-term municipal bonds (very cost effective)
- New developments cover costs of the new facilities they need

Ms. Turbyfill and Mr. Nicolletti also reviewed the benefits of a Community Facilities District (CFD) to Rincon del Diablo Municipal Water District, including the following:

- Harmony Grove Village will build the water system to Rincon's specifications
- Rincon will obtain the water facilities for the Harmony Grove Village water system only after Rincon has accepted the project, and that it has met all Rincon's specifications
- County of San Diego will take care of the financing through the Mello Roos district
- Harmony Grove Village will include a water reclamation system in partnership with the County's Sewer Maintenance District

Ms. Turbyfill reviewed the County of San Diego's Goals and Policies for CFD's, including the following:

- Protects homeowners through a cap on overall combined taxes and assessments of 1.86% of property value
- Establishes minimum credit quality from any developer before bonds are issued
- Outlines steps to inform future property owners (disclosure required)
- Sets conservative value-to-lien ratio

Ms. Turbyfill reviewed the following agreements that would need to be executed with Rincon:

- ◆ Joint Facilities Agreement, which would establish the County of San Diego as responsible for financing, then Rincon would take the system when it's completed and meets Rincon's standards and specifications.
- ◆ Acquisition Agreement, which states Harmony Grove Village will build the system, and Rincon will accept the facilities.

President Ix, on behalf of the Board, thanked Ms. Turbyfill, Mr. Nicolletti and Mr. Zanic for taking time out of their busy schedules to attend the meeting and update the Board on the status of the Harmony Grove Village.

This was an informational item only.

SECTION 1 – CONSENT ITEMS

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

- 1-A Minutes of the Regular Board Meeting of August 14, 2007
- 1-B General Fund Disbursements, August 2007
- 1-C Investment Activities Report, July 2007
- 1-D Financial Statements, July 2007
- 1-E Directors' Per Diem Fees/Expense Reports, August 2007
- 1-F Modification of Administrative Code Section 502, "Authorized District Memberships"

SECTION 2 – OPERATIONS; ENGINEERING & LONG-RANGE PLANNING

- 2-A Authorization to File Certificate of Completion and Final Acceptance, and Ratify Change Order #2, Vista Avenue and Ash Street Meter Vault Relocation Project, ID 1

Mr. Dave Keller, Engineering Manager, requested authorization to file the Certificate of Completion and Final Acceptance of the Vista Avenue and Ash Street Meter Vault Relocation project. In addition, ratify Change Order #2 in the amount of \$20,595.12. Mr. Keller reviewed the two Change Orders submitted, but explained Change Order #1 was a deduction for three 24-inch butterfly valves supplied by the District for a credit of \$13,414.89. Change Order #2 was to correct the alignment of the pipe that was different than depicted on the original improvement plans and bid package, at a cost of \$20,595.12. Mr. Keller explained that the cumulative total for Change Orders #1 and #2 was \$7,180.23, or 3.23% of the total bid amount of project.

In a motion by Director Drake seconded by Director Towne and unanimously carried, the Board voted to authorize staff to file the Certificate of Completion and Final Acceptance, and Ratify Change Order #2, Vista Avenue and Ash Street Meter Vault Relocation Project, ID 1.

SECTION 3 – FINANCE, INSURANCE & PERSONNEL

- 3-A Update by the Audit Committee (Quist & Drake) on the Meeting of August 21, 2007, and Receive and File the Agenda and Minutes

Mr. Dion reported that the District's auditors, Rogers, Anderson, Malody & Scott, LLP, recently completed the preliminary audit of the District's 2006/07 financial records, and that no notable findings were discovered. However, two items for discussion relating to segregation of duties – Investments and Payroll were addressed. Mr. Dion explained that because of limited staff having to perform multiple functions, segregation of duties is more challenging. Mr. Dion reported that he and Director of Finance Darlene Lynn met with the Audit Committee and Mr. Scott Manno/Auditor to discuss alternatives that could be implemented to address the above issues.

Directors Quist and Drake briefed the Board on the various requests and questions they asked regarding the auditing process, including the following:

- ✓ If the District could demonstrate the ability to recover and restore computer information in an emergency situation.
- ✓ Were there any unusual transactions noted during the interim audit?
- ✓ How did the District compare to other entities?
- ✓ How cooperative was District staff during the preliminary audit process?

Director Quist and Director Drake both commended Mr. Scott Manno on a comprehensive preliminary review of the District's 2006/07 financial records.

In a standing motion by the Audit Committee (Quist & Drake) and unanimously carried, the Board voted to receive and file the Agenda and Minutes of the Audit Committee Meeting of August 21, 2007.

SECTION 4 – PUBLIC INFORMATION & INTERGOVERNMENTAL RELATIONS

4-A Rincon del Diablo Municipal Water District's Board Nominations for the Local Agency Formation Commission (LAFCO), and the Special Districts Advisory Committee of San Diego County

Mr. Dion reviewed the nominations for the one seat available as the Local Agency Formation Commission (LAFCO's) Alternate Member, and the eight seats on the Special Districts Advisory Committee that will serve four-year terms expiring in 2011. The individual with the lowest number of votes will fill a ninth position as an Advisory Committee member with a term expiring in 2008. Mr. Dion explained that to date, Rincon had received letters of support from five of the eleven candidates, and their letters were included in the Board pack for review.

In a motion by Director Quist seconded by Director Drake, with Director Towne abstaining as she is a candidate for the Advisory Committee member, the Board voted for Mr. John Ingalls/Santa Fe ID as the Alternate LAFCO Member; Gary Croucher/Otay WD; John Pastore/Rancho Santa Fe CSD; Kimberly Thorner/Olivenhain MWD; Larry Jackman/San Miguel FD; Richard Olson/North County FPD; Diana Towne/Rincon del Diablo MWD; Judy Hanson/Leucadia Wastewater District and Jim Poltl/Vallecitos WD to the LAFCO Special Districts Advisory Committee.

4-B Association of California Water Agencies (ACWA) Region 10, Officer/Board Member Candidates: Nominating Committee's Slate Recommendations for the 2008/09 Term

Mr. Dion reviewed the slate of nominees presented for Board consideration. To date, Rincon has received one letter of support from Mr. Jacob J. Krauss/Olivenhain MWD.

In a motion by Director Towne seconded by Director Hinrichs and unanimously carried, the Board voted to concur with the Region 10 Nominating Committee's recommendation of Dr. Merle Aleshire/Valley Center MWD as Chair, Peer Swan/Irvine Ranch WD as Vice Chair, and Jan Debay/Orange County WD; Darrell

Gentry/Vallecitos WD; Susan Hinman/Municipal Water District of Orange County; Sandra Jacobs/Santa Margarita WD; Jo MacKenzie/Vista ID as Boardmembers.

4-C Ratify Letter to the Land Use Agencies in San Diego County Regarding Rincon del Diablo Municipal Water District's Position on Growth/Land Use Issues in Light of Water Resource Limitations

Mr. Dion distributed an updated letter for the Board to discuss and comment on before ratifying to send to the appropriate land use agencies stating the District's position on growth/land use issues in light of water resource limitations.

After considerable discussion, the Board commended Mr. Dion on a well-written letter and directed staff to send it to the appropriate land use agencies as well as the San Diego County Water Authority and its member agencies. In addition, a copy of the letter will be forwarded to the North County Times for placement in the newspaper in order to generate discussion and feedback.

In a motion by Director Quist seconded by Director Drake and unanimously carried, the Board voted to ratify the letter presented to the Board, with minor changes, and directed staff to mail it to the appropriate land use agencies, the San Diego County Water Authority, its member agencies, and also to forward a copy to the North County Times for publication.

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

5-A Update on Various Matters by the SDCWA Director

Dr. Quist summarized for the Board the formal actions of the San Diego County Water Authority's August 23rd Board meeting.

Director Quist briefed the Board and also distributed handouts from an Imported Water Committee Meeting he attended at the San Diego County Water Authority, that included the following:

- Presentation by Dennis Majors, Metropolitan Water District of Southern California on near-, mid-, and long-term Delta Improvements.
- Colorado River Water Report including graphs and charts depicting the storage in all reservoirs in the upper and lower basins that are at an all time low.

This was an informational item only.

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

President Ix briefed the Board on his, Mr. Dion, and Ms. Lynn's attendance at the California Special Districts Association's (CSDA) meeting held on August 16th to introduce the candidates seeking a seat as one of the Local Agency Formation Commission (LAFCO's)

Alternate District Member and Advisory Committee member. Dr. Ix reported that he represented and spoke on behalf of Director Towne, who could not attend the forum that evening.

This was an informational item only.

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

There were no requests for future agenda items by the Board.

SECTION 6– GENERAL MANAGER’S REPORT

6-A General Manager Dion reported on the following items of interest to the District

Mr. Dion briefed the Board on the following issues:

- Issues that will be addressed in the District’s Strategic Plan, including among other things:
 - ✓ Water Management
 - ✓ Energy
 - ✓ Sewer/Stormwater
 - ✓ Water Resources Planning
 - ✓ Recycled Water
 - ✓ Community Relations
 - ✓ Emergency Planning
 - ✓ Personnel Management
 - ✓ High Customer Service Oriented
 - ✓ Asset Management
 - ✓ Financial Management

Mr. Dion requested that he be authorized to bring in an intern, someone working towards an MBA or legal background, to assist him with the compilation of the Strategic Plan. The Board agreed by consensus that Mr. Dion look into an intern position. Director Quist suggested that Professor Steve Erie from UC San Diego might be able to assist Mr. Dion in his search for an intern.

- Upcoming annual Employee Awards Banquet at The Barn in San Marcos on Saturday, October 27th.

7-B District Activities Report (DAR), August 2007

Director Towne commended Kathy Blakely, Executive Secretary, on her 19 years of service with the District. In addition, Joann Ravago, Accounting Technician celebrating two years of service and Matt Boteler, Water Service Worker, celebrating one year of service.

In a motion by Director Drake seconded by Director Hinrichs and unanimously carried, the Board voted to receive and file the District Activities Report (DAR), August 2007.

SECTION 7 – LEGAL MATTERS

7-A District Counsel Oral Report

There was nothing new to report at this time.

ADJOURNMENT

There being no further business before the Board, the meeting was adjourned by President Ix at approximately 8:55 p.m.

APPROVED:

Dr. Hanno E.G. Ix, President

ATTEST:

Mitchell S. Dion, Secretary