

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

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

DIRECTORS ABSENT: Towne, Quist

OTHERS PRESENT: Mitchell Dion, General Manager; Kathy Blakely, Executive Secretary; Darlene Lynn, Director of Finance; Dave Keller, Engineering Manager; Vicki Wing, Human Resources/Office Services Manager; Scott Heil, Legal Counsel/Redwine and Sherrill; Julia Escamilla, Public Information Officer; Tim Collie, Water Quality Supervisor; Chief Vic Reed and Division Chief Mike Lowry/City of Escondido Fire Department; Dale Kimmey/Fire Prevention Services, Inc., Maureen Stapleton/General Manager & Fern Steiner/Chairman of the San Diego County Water Authority, John Ingalls/Board Member, Santa Fe Irrigation District.

ADDITIONS TO AGENDA:

There were none.

ORAL COMMUNICATIONS TO THE BOARD

Mr. John Ingalls, Board Member of the Santa Fe Irrigation District, introduced himself to the Board, and reported he currently serves as an alternate member on Local Agency Formation Commission (LAFCO), and that he was seeking re-election in the upcoming LAFCO election.

A. Presentation on Water Supply Outlook by Fern Steiner, Chairman, and Maureen Stapleton, General Manager, San Diego County Water Authority

Ms. Steiner and Ms. Stapleton presented to the Board an overview of the water supply reliability for San Diego County, which included the following:

- ◆ Drought Headlines from 1991
 - San Diego County Water Authority (SDCWA) experienced 31% cutback in supplies from Metropolitan Water District (MWD) in 1991, and faced 50% cutbacks to the region. "Miracle March" rains saved the SDCWA from the 50% cutbacks; however, the 31% cutback from MWD was devastating to the region's economy.

- ◆ SDCWA Water Supply Portfolio Diversification since 1991
 - In 1991 the SDCWA was 95% dependent on the MWD.
 - By 2007, the SDCWA and its member agencies have added a number of significant new water resources to our region, including the following:
 - ✓ Conservation
 - ✓ Recycling
 - ✓ Groundwater Recovery
 - ✓ Imperial Irrigation District Transfer
 - ✓ Canal Lining program (for CY 2007, 21,500 AF from the Coachella Canal project). Reduced Region's dependence on MWD by 20%, since 1991
- ◆ Supply Development
 - Colorado River Quantification Settlement Agreement
 - ✓ 277,700 AF/Yr by 2021; 71,500 AF in 2007
 - ✓ Imperial Irrigation District Transfer: 200,000 AF/Yr, up to 75 years
 - ✓ Canal Lining Projects: 77,700 AF/Yr for 110 years
 - Conservation
 - ✓ Projected 94,000 AF/Yr in 2020 (51,000 AF in FY 2006)
 - ✓ Increased emphasis on outdoor conservation
 - Groundwater
 - ✓ Projected 52,600 AF/Yr in 2020 (14,956 AF in FY 2006)
 - Recycled Water
 - ✓ Projected 52,300 AF/Yr in 2020 (14,828 AF in FY 2006)
 - Seawater Desalination
 - ✓ Projected 56,000 AF/Yr in 2020 (0 AF in FY 2006)
- ◆ SDCWA Water Supply Portfolio in 2020
 - A fully diversified water supply portfolio in 2020, in partnership with its member agencies by the following breakdown:
 - ✓ Conservation – 11%
 - ✓ Seawater Desalination – 10%
 - ✓ Recycled Water – 6%
 - ✓ Local Surface Water – 7%
 - ✓ Groundwater – 6%
 - ✓ Canal Lining Transfer – 9%
 - ✓ Imperial Irrigation Transfer (IID) – 22%
 - ✓ Dependency on MWD – 29%
- ◆ SDCWA Water Facilities/Projects, which include:
 - Olivenhain Dam & Reservoir
 - Lake Hodges
 - San Vicente Dam Raise & Pipeline
 - Canal Lining Projects
 - Twin Oaks Water Treatment Plant
 - Pipeline Replacement/Relining
 - New Transmission Pipelines
 - Emergency Storage Project
 - Hydropower Projects: 45MW
 - Investing \$617 million over next 2 years
 - 76 Construction projects to meet region's needs through 2030

- \$3.4 billion budget
- ◆ MWD Water Supply Planning, which include the following three fundamental water resource shifts:
 - Increased emphasis on local resources development to meet half the future growth in demand
 - Increased emphasis on variable supplies (storage and transfers)
 - Shifted baseload from Colorado River to State Water Project
- ◆ Drought Conditions: California and Colorado River Watersheds
- ◆ California Snowpack Conditions
- ◆ Sacramento Four River Unimpaired Runoff
- ◆ Delta Pumps and Water Supply Reliability
- ◆ MWD Drought Planning – Projected Supplies in 2019
- ◆ Interruptible Agriculture Water Program (IAWP) Potential 2008 Reductions, include the following:
 - MWD Potential Reduction Notice for 2008
 - Impacted Member Agencies Meeting on July 10th to coordinate preparation of reduction plans
 - Coordination with other impacted MWD agencies on July 19th
 - MWD/member agencies meeting the week of July 23rd
 - Individual Member Agency Reduction Plans due September 28th
- ◆ IAWP – Reduction Issues, include the following:
 - Determination of Baseline Year
 - Program Consistency among agencies to ensure integrity of Program
 - ✓ Exiting and re-entry in Program
 - ✓ Length of reduction obligation
 - Methodologies for Verification Process to ensure no offset by firm deliveries
 - Financial Penalties for non-compliance
 - ✓ Penalty rate
 - ✓ Reconciliation period
 - Proposition 218 implications
- ◆ Key Actions of the SDCWA to date, include the following:
 - Activated Water Authority Drought Management Plan
 - Launching communication programs to increase conservation
 - Evaluating supplemental supply needs (amount) and opportunities (options) for 2008, 2009, 2010
- ◆ Summary/Next Steps for the SDCWA include the following:
 - Continue to diversify San Diego region's water supply
 - Implement water transfer and canal-lining projects
 - In partnership with member agencies, achieve local supply development goals
 - Continue enhance conservation efforts
 - Focus MWD efforts on water supply reliability
 - Aggressively pursue storage opportunities
 - Implement additional Drought Management Plan action steps as warranted

After considerable discussion, the Board thanked Ms. Steiner and Ms. Stapleton for taking time out of their busy schedules to update the Board on the water supply reliability for San Diego County.

This was an informational item only.

SECTION 1 – CONSENT ITEMS

In a motion by Director Drake 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 June 12, 2007
- 1-B General Fund Disbursements, June 2007
- 1-C Investment Activities Report, May 2007
- 1-D Financial Statements, May 2007
- 1-E Directors' Per Diem Fees/Expense Reports, June 2007
- 1-F Agenda and Minutes of the Finance, Insurance & Personnel Committee (Towne/Quist) Meeting of June 21, 2007

SECTION 2– FIRE SERVICES

- 2-A Resolution 07-869.24, "Confirming Weed Abatement Report and Fixing Liens on Affected Parcels for 2007"

Division Chief Mike Lowry, Escondido Fire Department, reviewed the weed abatement process, provided documentation, and briefed the Board on the 2007 Weed Abatement Report being submitted, that will place liens with the county of San Diego on three (3) affected parcels.

In a motion by Director Drake seconded by Director Hinrichs and unanimously carried, the Board voted to adopt Resolution 07-869.24, "Confirming Weed Abatement Report and Fixing Liens on Affected Parcels" for 2007".

SECTION 3 – FINANCE, INSURANCE & PERSONNEL

- 3-A Resolution 07-817.17 "Establishing the Limit for Appropriations of Proceeds of Tax Subject to Limitation for Fiscal Year 2007-2008 in Compliance with Article XIII-B of the Constitution of the State of California"

Darlene Lynn, Director of Finance reported that this item is brought to the Board annually for review and consideration. According to the defined formula for determining excess property tax revenues, the District will not exceed the appropriations limits, and therefore will not be required to refund any property tax proceeds for fiscal 2007-2008.

In a motion by Director Drake seconded by Director Hinrichs and unanimously carried, the Board voted to adopt Resolution No. 07-817.17, "Establishing the Limit for Appropriations of Proceeds of Tax Subject to Limitations for Fiscal Year 2007-2008 in Compliance with Article XIII-B of the Constitution of the State of California".

3-B Write-off of Uncollectable Accounts Receivable for Fiscal Year 2006-07

Ms. Lynn reviewed the write-off of uncollectable accounts for fiscal year 2006-07, and said the increase in this year's write-off amounts is reflective of various factors including a significant rise in property foreclosures and bankruptcies. Staff continues to diligently work with the District's collection agency to ensure timely collection efforts are maintained.

In a motion by Director Hinrichs seconded by Director Drake and unanimously carried, the Board voted to authorize staff to write-off accounts deemed uncollectable for Fiscal Year 2006-2007 in the amount of \$5,397.74.

3-C Market Adjustment to District Salary Grades, and Authorization to Reassign the Executive Secretary Position to Grade 6

Ms. Wing, Human Resources Manager, reviewed the recent meeting of the Finance, Insurance & Personnel Committee (Towne & Quist) who met to review the methodology and results of the 2007 Compensation Study performed by Ms. Wing.

Ms. Wing reviewed Board direction to staff back in 1998/99 fiscal year, which was to develop a program that would incorporate a comprehensive benefit package with a pay for performance salary structure to include the following:

- Base Salary: wages paid for the performance of assigned duties
- Merit Pay: increase to an employee's base salary for the successful completion of targeted goals and objectives
- Team Based Pay: bonus awarded for the successful completion of a District designated project.

This structure replaced the previous salary step structure that provided annual increases based on longevity and cost of living adjustments with little emphasis on meritorious performance. The framework for the Performance Appraisal Compensation Evaluation (PACE) pay for performance program was constructed using the following objectives:

- Define each position within the District
- Establish an associated market value
- Assign each position to an appropriate salary grade

To maintain the competitive nature of the PACE program, it was determined that salary compensation studies, using the original program methodologies would be conducted every three years to ensure the following:

- Salary grade midpoints are still aligned with the market value of each position
- Individual positions are assigned to the correct salary grade based on their establishing job description and its associated market value

Ms. Wing explained that based on the findings of the survey, combined with the information from various comparative sources, the following actions are indicated:

- Salary Grade Structure Adjustment – In order to bring the majority of salary grade midpoints in alignment with the current market values, it was recommended to the Committee that the minimum (floor) and maximum (ceiling) of all grades be increased

by 10%. This will bring the grade midpoints within 5% of the market value indicated in the survey for all but two positions assigned within each grade.

- Grade Reassignments – There are two positions within the District whose assigned salary grade midpoints will still exhibit a negative differential to their market value by over 10% even with the above-referenced structure adjustment. These positions include the Executive Secretary and Facilities/Landscape Maintenance Worker.

This information was presented to the Finance, Insurance & Personnel Committee (Towne & Quist) at their June 21, 2007 meeting. The committee recommended approval of the proposed salary grade adjustments as outlined above, and reassignment of the Executive Secretary position to Grade 6, effective July 1, 2007.

In a standing motion by the Finance, Insurance & Personnel Committee (Towne & Quist), the Board voted to approve the recommendations of the Committee, as outlined above.

SECTION 4 – OPERATIONS; ENGINEERING & LONG-RANGE PLANNINGS

- 4-A Tentative Approval, Escondido TPM 2004-08, Diana Schulman, Four (4) Residential Lots (With One Remainder Lot), 2530 Kauana Loa Drive, ID"1"

Dave Keller, Engineering Manager, reviewed this project for the Board's consideration.

In a motion by Director Drake seconded by Director Hinrichs, and unanimously carried, the Board voted to grant Tentative Approval, Escondido TPM 2004-08, Diana Schulman, Four (4) Residential Lots (With One Remainder Lot), 2530 Kauana Loa Drive, ID "1"

- 4-B Quitclaim of Easement Request, Assessor's Parcel Number (APN) 232-040-21, JRM-ERTC I, L.P., Lots 3 and 4 of Escondido Tract No. 834 (Citracado Parkway), ID"1"

Mr. Keller briefed the Board on a developer who had granted a waterline easement to the District back in 1989, when he planned to build Tract 531. The project was never developed, and the property is now part of the ERTC project. As the easement is no longer required, the current property owner is requesting that the District approve a quitclaim of the waterline easement.

In a motion by Director Drake seconded by Director Hinrichs, and unanimously carried, the Board voted to grant a Quitclaim of Easement Request, Assessor's Parcel Number (APN) 232-040-21, JRM-ERTC I, L.P., Lots 3 and 4 of Escondido Tract No. 834 (Citracado Parkway), ID"1"

- 4-C Ratify Change Order #1 / Status Report on Vista Avenue and Ash Street Meter Vault Relocation Project, ID "1"

Mr. Keller reported that because backup documentation regarding the change order for the Vista Avenue and Ash Street Meter Vault relocation project was not yet available, he requested that the item be pulled, and that he would bring the item back to the Board for

ratification in August. Mr. Keller briefed the Board on the status of the project, and reported that a progress payment had been submitted for approximately 87% of the work.

It is anticipated that by the end of July, all items will be completed, and that the project will be brought to the Board for a request to file the Notice of Completion at the August 14th meeting.

This was an informational item only.

4-D Status of Waterline Improvements, City of Escondido Project, Citracado Parkway/Auto Parkway, ID "1

Mr. Keller briefed the Board on the City of Escondido's expansion of Citracado Parkway from Highway 78 to the entrance of the Escondido Research & Technology Center (ERTC). Rincon's hydraulic analysis has indicated congestion in the District's distribution system at this location. Currently, there is approximately 800-feet of 8-inch waterline between the 12-inch in Citracado Parkway at the ERTC, and the 14-inch at Alpine Way. By replacing the 8-inch line with a 16-inch line, the District can eliminate pressure deficiencies that may be created with new development, and maintain adequate flow throughout the distribution system, especially the proposed hospital site.

Mr. Keller also briefed the Board on the City of Escondido's plan to construct a major "connector" road known as Citracado Parkway, that will extend south from Highway 78 at Mission Road, through the ERTC to Del Dios Highway at Valley Parkway, and then to I-15 at Felicita Road, and how these phase(s) will impact the District's infrastructure.

This was an informational item only.

SECTION 5 – PUBLIC INFORMATION & INTERGOVERNMENTAL RELATIONS

5-A 2006 Consumer Confidence Report (CCR)

Julia Escamilla, Public Information Officer, reviewed the 2006 Consumer Confidence Report (CCR) developed and distributed in partnership with the City of Escondido. Ms. Escamilla reported that Rincon's total savings by producing the CCR with the City of Escondido was approximately \$9,850.

The Board of Directors commended Ms. Escamilla for another outstanding job, especially producing such a user-friendly CCR.

This was an information item only.

SECTION 6 – SDCWA DIRECTOR & BOARD OF DIRECTORS/STAFF ACTIVITIES REPORT

6-A Update on Various Matters by the SDCWA Director

With Director Quist not in attendance at tonight's meeting, Mr. Dion reported that the Summary of Formal Board of Directors' Meeting held on June 28th was attached for the Board's review.

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

Director Drake briefed the Board on the recent groundbreaking ceremony held at the new Fire Station 3 on Nutmeg Avenue, that he and Mr. Dion attended.

This was an informational item only.

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

There was nothing requested for future agenda items at this time.

SECTION 7- GENERAL MANAGER'S REPORT

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

Mr. Dion briefed the Board on the following issues:

- ◆ CalPers rate hike to the health care program for 2008.
- ◆ Metropolitan Water District's proposed cutbacks to the Interruptible Agricultural Water Program (IAWP) beginning in June 2008, and meetings being held at the San Diego County Water Authority to discuss a realistic base year for the member agencies to use when submitting their draft plans to the SDCWA for a 30% cutback in "ag" water by July 30th.
- ◆ Vicki Wing, Risk Manager, briefed the Board on a quarterly Emergency Management Meeting she attended addressing response and recovery training
- ◆ San Diego County Water Authority's upcoming planned shutdown.
- ◆ ACWA/JPIA's review of their per diems and travel policies
- ◆ Talking points for the SDCWA's "20 Gallons Per Day" cutback campaign.
- ◆ Communications with Eric Larson, Executive Director of the Farm Bureau of San Diego County, regarding the upcoming proposed cutback on agricultural water.
- ◆ Rincon's billing statements, beginning in August, will reflect changes to the description of the Metropolitan Water District and the San Diego County Water Authority, that more accurately describes their function and charges to the Rincon ratepayer.

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

There was no discussion on this report.

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), June 2007.

SECTION 8 – LEGAL MATTERS

8-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 9:35 p.m.

APPROVED:

Dr. Hanno E.G. Ix, President

ATTEST:

Mitchell S. Dion, Secretary