

The minutes presented herewith are not a verbatim transcription of the regular Board meeting held September 8, 2009. 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 8, 2009

A regular meeting of the Board of Directors of the Rincon del Diablo Municipal Water District was held on Tuesday, September 8, 2009 at 6:00 p.m. at the offices of the District located at 1920 North Iris Lane, Escondido, California 92026.

DIRECTORS PRESENT: Towne, Drake, Ix, Bosch

DIRECTORS ABSENT: Quist

OTHERS PRESENT: Mitchell Dion, General Manager; Kathy Blakely, Executive Secretary; Darlene Lynn, Director of Finance; Clint Baze, Director of Operations; David Keller, Engineering Manager; Scott Heil, Legal Counsel/Redwine and Sherrill; Chief Mike Lowry and Division Chief Dominick Arena, City of Escondido Fire Department; Brent Helming, Project Manager, PlanCom, Inc.

ADDITIONS TO AGENDA

There were none

ORAL COMMUNICATIONS TO THE BOARD

There were none.

SECTION 1 – CONSENT ITEMS

Director Drake requested that item 1-G be pulled for further discussion.

President Towne pulled Item 1-G, and requested a motion for the remainder of the items under Section 1, Consent Items, excluding Item 1-G.

In a motion by Director Drake seconded by Director Ix, and unanimously carried, the Board approved the following Consent Items:

- 1-A Minutes of the Regular Board Meeting of August 11, 2009
- 1-B General Fund Disbursements, August 2009
- 1-C Investment Activities Report, July 2009
- 1-D Financial Statements, July 2009

- 1-E Directors' Per Diem Fees / Director/Staff Expense Reports, August 2009
- 1-F Agenda & Minutes of the Audit Committee (Quist & Bosch) Meeting of August 7, 2009

President Towne then requested that the Board of Directors address Item 1-G.

- 1-G Agenda & Minutes of the Engineering & Long-Range Planning (Ix & Drake) Meeting of August 13, 2009

Director Drake reported on the Gregory Canyon Landfill presentation by Mr. Keith Battle and Ms. Sarah Battelle at the Engineering & Long-Range Planning Committee Meeting held on August 13, 2009. The basic premise of their investigation related to whether or not water could be supplied for the construction and operations phase of the landfill. Director Drake reported on a question asked at that meeting by Director Ix, which was "How safe is the system for preventing water from getting into the groundwater?"

Director Drake reported on a nuance that they had not heard of before, and that being in the bottom of the landfill there are several impervious layers and in the middle of one of those sets of impervious layers, the water that leaches down through the landfill is collected and pumped out from pipes, and then that water is removed, which helps prevent any water from getting into the groundwater because they are controlling it. Then that leach eight water would be delivered in their current plant to the Hale Avenue Plant so it would be reclaimed and recycled. Director Drake explained that this got their ears perked up because they had never heard that leach eight water from the landfill would actually be part of the water stream at the Hale Avenue Plant, and the concern we have is that a landfill is a fairly well, but not really well controlled environment. In other words, all kinds of stuff gets into a landfill, and you really can't inspect every item. To address this, we may have a lot of explaining to do in terms of trying to reclaim the water at the HAARF for things like the Water Factory, or other applications where we are taking water into use for more intense uses later on, either as indirect potable reuse or reclaimed water for Title 22 applications. We expressed our concern to Mr. Battle and Ms. Battelle, who candidly provided an option to treat the water on site. We said that is a much better alternative because whatever problem you have, you can deal with then and there. Potentially there could be R/O Membrane filters, activated charcoals, and other activities that take place at the site rather than having it come back to the HAARF for processing. If so, we may have some more explaining to do. Director Drake stated that they did not come up with any great conclusions about this issue at the meeting, but at least expressed their concerns that this would be the last place (HAARF) we want that leach eight water to go.

In a motion by Director Towne seconded by Director Drake, and unanimously carried the Board voted to Receive and File the Agenda and Minutes of the Engineering & Long-Range Planning Meeting of August 15, 2009.

SECTION 2 – FIRE / EMERGENCY SERVICES; OPERATIONAL READINESS

- 2-A Report by Fire Safe Council Ad Hoc Committee (Ix & Drake), and Presentation and Discussions on Fire Issues Relating to Improvement District E (ID E)

There were no meetings held by the Fire – Emergency Preparedness Committee (Ix & Drake), as of this date.

Director Ix and General Manager Dion outlined the possible roles for the Rincon del Diablo Fire Protection District for review and consideration, which included the following:

- Fire Prevention
 - ✓ Awareness
 - ✓ Physical Preparation
 - Inspection
 - Landscape
- Fire Protection
 - ✓ Boots on Ground
- Fire Recovery
 - ✓ Insurance

Mr. Dion previewed sample websites for the Board of Director's review and consideration, which could be linked on the District's web site to serve as an information clearinghouse for many services, including, the following:

- Insurance and Rebuilding Information
- Links to Other Community Services
- Disaster Preparedness

Director Ix suggested the possibility of hiring a retired insurance person, who could answer questions and provide advice on demand to assist people in being better prepared.

Director Drake inquired of Chief Lowry if data was compiled of homeowners/renters of the October 2007 wildfires, including the following:

- How many homeowners had no insurance?
- How many were underinsured?
- How many were relatively satisfied?

Chief Lowry reported that he would provide a status of homes that were destroyed in both the Rincon and Escondido service areas, and bring the list back to the Board of Directors.

After considerable discussion, President Towne suggested that this issue be taken up in Committee to better formulate a process, and determine what priorities we pursue and report back to the full Board for further discussion.

Chief Mike Lowry, Escondido Fire Department commended Mr. Dion and the Board of Directors for their continuing efforts in educating the Rincon constituents in Fire Preparedness.

This was an informational item only.

President Towne reordered the agenda to Section 5-B, Authorize the General Manager to Execute a Joint Lease Agreement Between Rincon del Diablo Municipal Water District,

City of Escondido, and Verizon Wireless, for the Use of Property Located on Hubbard Hill Property Site, under Operations; Engineering & Long-Range Planning.

5-B Authorize the General Manager to Execute a Joint Lease Agreement Between Rincon del Diablo Municipal Water District, City of Escondido, and Verizon Wireless, for the Use of Property Located on Hubbard Hill Property Site

Mr. Baze requested that the Board of Directors authorize the General Manager to execute a joint lease agreement between Rincon del Diablo Municipal Water District, City of Escondido, and Verizon Wireless for the use of approximately 869 square-feet of property located on the Hubbard Hill property site, jointly owned by the City of Escondido and Rincon del Diablo MWD. Mr. Baze explained that the proposed facility would be located adjacent to the existing T-Mobile facility, and would include a new enclosure, an emergency stand-by generator, and antennas mounted on an individual 35-foot-mono-pole, as well as surrounded by a new chain link fence.

Mr. Baze also reported that this item had been presented to the Engineering & Long-Range Planning Committee (Ix & Drake) at their August 13, 2009 meeting for review and consideration. At that Committee meeting, Mr. Baze reported that he had reviewed the proposed contract submitted by Verizon Wireless, and informed the Committee that he would like to make some corrections to the contract. The Committee agreed with Mr. Baze's assessment of the contract, and directed him to return to the full Board with the request when he was satisfied.

Mr. Baze introduced Mr. Brent Helming, Project Manager, with PlanCom, Inc., who briefed the Board of Directors on an overview of the proposed project, and the status of the agreement process with the City of Escondido.

In a motion by Director Drake seconded by Director Ix and unanimously carried, the Board of Directors authorized the General Manager to Execute a Joint Lease Agreement, upon review by Rincon's legal counsel, Between Rincon del Diablo Municipal Water District, City of Escondido, and Verizon Wireless, for the Use of Property Located on Hubbard Hill Property Site.

President Towne thanked Mr. Helming for taking time out of his busy schedule to attend tonight's meeting.

President Towne reordered the agenda to Section 5-A, Request Approval for the General Manager to Execute a Memorandum of Understanding (MOU) for the Water Retrofit Pilot Program Funding Agreement Between Rincon del Diablo Municipal Water District and the Escondido Unified School District, Under Operations; Engineering & Long-Range Planning.

5-A Request Approval for the General Manager to Execute a Memorandum of Understanding (MOU) for the Water Retrofit Pilot Program Funding Agreement Between Rincon del Diablo Municipal Water District and the Escondido Unified School District

Mr. Dion requested that the Board of Directors authorize the General Manager to execute a Memorandum of Understanding (MOU) for the Water Retrofit Pilot Program Funding Agreement Between Rincon del Diablo Municipal Water District and the Escondido Unified School District (School District). Mr. Dion briefed the Board of Directors on the Level II Drought Alert declared by the Board in April 2009, and reported that with the current drought response plan, the District has a fixed allocation on the amount of water available from our wholesaler. New meter connections are restricted, however, as a policy direction, new development is allowed to continue as "No Net Demand" on the existing system. District personnel have worked on a conceptual agreement with an applicant allowing the project to proceed, if offset demands can be provided. The School District has identified several projects that, if implemented, would achieve real water savings.

This Memorandum of Understanding (MOU) provides for funding of various retrofit projects to achieve water savings within the District. When a project proponent requests water service for a project, they will need to provide new water or water savings to the existing system in an amount equal to two times their estimated use. This agreement spells out the requirements and conditions for the District to pass through funds, as available, to the School District, with all funds to be provided by Developers. Although this particular agreement is with the School District, it may serve as a template and master agreement to be used on other projects, within Rincon's service area.

The concept of an offset program is currently being developed by the San Diego County Water Authority (SDCWA) on a regional basis, and the District has used some of those core concepts as the guide for its efforts. Once the MOU with the School District is in place, it will be possible for developer projects, such as the Makena Medical Center, to proceed with "No Net Demand" on their system. In this case, schools will benefit from new fixtures and reduced water consumption, while we make our current water allocation go further.

In a motion by Director Drake seconded by Director Ix and unanimously carried, the Board of Directors authorized the General Manager to execute a Memorandum of Understanding (MOU) for the Water Retrofit Pilot Program Funding Agreement Between Rincon del Diablo Municipal Water District and the Escondido Unified School District

President Towne reordered the agenda back to Section 3-A, "Focus on Conservation" – Update on District Conservation Programs, Issues Regarding Regional Water Supply, and a Statewide Water Resources Outlook

SECTION 3– PUBLIC INFORMATION & INTERGOVERNMENTAL RELATIONS

3-A "Focus on Conservation" – Update on District Conservation Programs, Issues Regarding Regional Water Supply, and a Statewide Water Resources Outlook

Mr. Dion reviewed the U.S. Seasonal Drought Outlook Valid 09/03/2009 through November 2009, effective September 3, 2009.

In addition, Mr. Dion presented for Board of Directors' review and consideration, the most recent updates on major reservoir levels and conditions in California, which included the following:

- ✓ Shasta Reservoir
- ✓ Lake Oroville
- ✓ Folsom Lake
- ✓ San Luis

Mr. Dion also outlined for Board of Directors' review and consideration the daily water levels for the last 150 days for Lake Mead and Lake Powell.

Mr. Dion also briefed the Board of Directors on the District's overall water usage and target allocation for July, August, and September 2009, which included the following breakdown:

July:

- | | |
|--|-----------------------|
| • IAWP – 28 acre-feet – Actual Usage | 62 acre-feet - Target |
| • District – 637 acre-feet –Actual Usage | 1008 acre-feet Target |

August:

- | | |
|--|-----------------------|
| • IAWP – 31 acre-feet – Actual Usage | 55 acre-feet - Target |
| • District – 702 acre-feet –Actual Usage | 969 acre-feet Target |

September:

- | | |
|---|-----------------------|
| • IAWP – N/A (at this time) acre-feet – Actual Usage | 52 acre-feet - Target |
| • District – N/A (at this time) acre-feet –Actual Usage | 903 acre-feet Target |

Mr. Dion also outlined proposed legislation from Sacramento, which includes the following:

- Levee & Flood Control
- Recreation
- Agricultural
- Hydro
- Other Mitigation
- Delta – A Sense of Place
 - Fishing
 - Ag
 - Recreation
 - Open Space

In addition, Mr. Dion reviewed Interim Measures being promoted, including the following:

- Innovative Fish Controls
- Levee Monitoring/Preemptive Repairs
- Water Conservation/Demand Reduction
- Awareness

Mr. Dion also outlined a location map indicating the proposed Sites Reservoir in Colusa County in Northern California.

This was an informational item only.

3-B National Water Resources Association (NWRA) Board of Directors Call for Nominations for the 2010/2011 Term

There was no interest by the Board of Directors.

No action taken by the Board of Directors on this item.

3-C Association of California Water Agencies (ACWA) Region 10, Officer/Board Member Candidates: Nominating Committee's Slate Recommendations for the 2010/11 Term

Mr. Dion reviewed the slate of nominees presented for Board of Director consideration. To date, Rincon has received no letters of support for any candidate.

In a motion by Director Drake seconded by Director Ix and unanimously carried, the Board voted to concur with the Region 10 Nominating Committee's recommendation of Peer Swan/Irvine Ranch WD as Chair, Keith Lewinger/Fallbrook PUD as Vice Chair, and Jan Debay/Orange County WD; Darrell Gentry/Vallecitos WD; Sandra Jacobs/Santa Margarita WD; and Richard Vasquez/Vista ID, as Board Members.

SECTION 4- FINANCE, INSURANCE & PERSONNEL

4-A Request Approval of Carlsbad Seawater Desalination Project Agreement with Metropolitan Water District of Southern California

Mr. Dion requested that the Board of Directors approve the Carlsbad Seawater Desalination Project Agreement between the Metropolitan Water District of Southern California (MET), San Diego County Water Authority, and the nine retail water agencies that have entered into agreements with Poseidon Resources to receive desalinated water from the Carlsbad Seawater Desalination Project. The nine retail water agencies are: Carlsbad MWD, City of Oceanside, Olivenhain MWD, Rainbow MWD, Rincon del Diablo MWD, Santa Fe ID, Sweetwater Authority, Vallecitos WD and the Valley Center MWD. This draft agreement, upon adoption by the Metropolitan Water District Board, will provide access to Metropolitan Water District's funding over the 25-year life of the agreement providing financial incentives for the seawater desalination project. Poseidon Resources has now progressed through the regulatory process nearing construction, and is considered a viable alternative supply to the degree that MET now is willing to commit financial support to the local agencies via the San Diego County Water Authority. With this commitment from each of the above-mentioned local agencies, the MET Board of Directors will take action to approve the final agreement. Mr. Dion reported that the agreement will be considered by the Metropolitan Board at its October 2009 Board meeting. Rincon will receive incentives up to \$250 per acre-foot from MET to be credited to desalinated water deliveries from the Carlsbad Seawater Desalination Project. Mr. Dion reported that it should be noted that as the differential price of water between the desalinated source and the imported water decreases, MET will reduce payment of this incentive.

In a motion by Director Bosch seconded by Director Drake, and unanimously carried, the Board of Directors authorized the General Manager to execute the Carlsbad Seawater Desalination Project Agreement with Metropolitan Water District of Southern California.

4-B Amend Section 3200 (Investment Policies) of the Rincon del Diablo Municipal Water District Administrative Code

Ms. Darlene Lynn, Director of Finance, reported that in response to the current investment environment, the Federal Deposit Insurance Corporation (FDIC) temporarily increased the amount that could be deposited in CD's, and still be guaranteed by the Federal Government, from \$100,000 to \$250,000. Ms. Lynn reported that is unknown at this time if this modification will become permanent. In order to accommodate current and future fluctuations in the amounts guaranteed for deposits in CD's, Ms. Lynn recommended that the Board of Directors amend Section 3200, Subsection 7 - A (2), as outlined.

In a motion by Director Drake seconded by Director Ix, and unanimously carried, the Board of Directors amended Section 3200 (Investment Policies) of the Rincon del Diablo Municipal Water District Administrative Code, as outlined.

4-C Adopt a Resolution that Approves an Agreement and Election to Pre-Fund Other Post Retirement Benefits (OPEB) Through the California Public Employees' Retirement System (CalPERS), and Authorizes the General Manager to Delegate Disbursements From the Fund as Necessary for Retiree Health Benefits

Mr. Dion reviewed the Board meeting of July 14, 2009, whereby the Board of Directors approved funding for the first years' annual required contribution (ARC), required by the Governmental Accounting Standards Board, order number 45, (GASB 45) for retiree health benefits, in the amount of \$255,932. In addition, the Board of Directors also approved the placement of these funds into a trust established by the California Public Employees' Retirement System.

Mr. Dion requested that a resolution be adopted by the Board of Directors to complete this process, approving an agreement and election to pre-fund other post retirement benefits through the California Public Employees' Retirement System, and authorizing the General Manager to delegate disbursements from the fund as necessary for retiree health benefits.

In a motion by Director Bosch seconded by Director Drake and unanimously carried, the Board of Directors adopted Resolution No. 09-73, Agreement and Election of the Rincon del Diablo Municipal Water District to Pre-fund Other Post Employment Benefits Through Participation in CalPERS California Employer's Retiree Benefit Trust Program (CERBT).

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

6-A Update on Various Matters by the SDCWA Director

Director Dion briefed the Board of Directors on the Summary of the SDCWA Formal Board of Directors Meeting of August 27, 2009, including brief reports on the following items:

- *San Diego Association of Government's (SANDAG's) 2050 Regional Growth Forecast* for the San Diego County Region (included in Board Pack). The 2050 growth forecast will be used by SANDAG as the foundation for the 2050 Regional Transportation Plan and Regional Comprehensive Plan update. SANDAG growth forecasts also are used by local governments for facilities planning, including San Diego County Water Authorities' Urban Water Management Plan.
- Positions by the SDCWA on Legislative Issues in Washington DC and Sacramento, including the Bay-Delta Legislative package.

This was an informational item only.

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

Mr. Dion brought to the Board of Director's attention the memo from Director Quist regarding his activities for the month of August, due to his absence at tonight's meeting.

Director Bosch reported on his and Director Quist's audit process review conducted on Tuesday, August 25th on the Auditors while they were at the District to perform the regular Audit during the week of August 24th. Mr. Dion reported that additional auditors have selected Rincon's audit, as part of the "peer review" process.

Director Drake reported on his attendance at the League of Cities meeting he attended, as well as his attendance at the upcoming Tri-State Seminar being held in Primm, Nevada on September 22nd – 24th.

President Towne reviewed the recent Finance, Insurance & Personnel Meeting she and Director Quist attended on September 3, 2009, which included discussions on the following items:

- Discussion of General Manager's Evaluation and Compensation
- Consideration of Modifications to the District's Compensation Program (Bonus Portion)
- Discussion of Inclusion of Life Insurance Modifications
- Salary Grade Reassignment for Two Positions within the District;

This was an informational item only.

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

No new 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;

- Association of California Water Agencies (ACWA) Committee Appointment Nominees for the 2010-2011 term.
- California Special Districts Association (CSDA) Committee Participation for the 2010 term.
- Letter from Mr. Randy Record (Eastern Municipal Water District) requesting support for his candidacy as ACWA's Vice President.

Mr. Clint Baze, Director of Operations, briefed the Board of Directors on a recent leak discovered on Friday, August 21st when water was reported surfacing near a brow ditch above the residence at 2345 Viewridge Place. Operation's personnel attempted to isolate the leak and found the main line valve to be inoperable. Because of the leak's location, the quickest solution was to excavate the valve, install a blind flange, and develop alternatives for the line's repair. The remote location of the leak presents a series of challenges that currently remain in discovery mode. Solutions to the repair and options for the continued service of this pipeline will be presented to the Engineering Committee at an upcoming meeting.

This was an informational item only.

7-B District Activities Report (DAR), August 2009

There were no questions on the DAR Report for August 2009.

President Towne commended Kathy Blakely, Joann Ravago, and Matt Boteler on all their years of service at the District.

In a motion by Director Drake seconded by Director Ix and unanimously carried, the Board of Directors voted to receive and file the District Activities Report (DAR) for August 2009.

SECTION 8 - LEGAL MATTERS

8-A District Counsel Oral Report

Nothing new to report at this time.

ADJOURNMENT

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

APPROVED:

Diana L. Towne, President

ATTEST:

Mitchell S. Dion, Secretary