

The minutes presented herewith are not a verbatim transcription of the regular Board meeting held November 10, 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
November 10, 2009

A regular meeting of the Board of Directors of the Rincon del Diablo Municipal Water District was held on Tuesday, November 10, 2009 at 6:00 p.m. at the offices of the District located at 1920 North Iris Lane, Escondido, California 92026.

DIRECTORS PRESENT: Towne, Quist, Drake, Ix, Bosch

DIRECTORS ABSENT: None

OTHERS PRESENT: Mitchell Dion, General Manager; Kathy Blakely, Executive Secretary; Vicki Wing, Human Resources/Risk Manager; Darlene Lynn, Director of Finance; Clint Baze, Director of Operations; David Keller, Engineering Manager; Scott Heil, Legal Counsel/Redwine and Sherrill; Chief Mike Lowry, Division Chief Dominick Arena, City of Escondido Fire Department, Michael Stiff, and Gary Bousquet/SDCWA

ADDITIONS TO AGENDA

There were none

ORAL COMMUNICATIONS TO THE BOARD

President Towne reordered the agenda to Section C, under Oral Communications to the Board, "Presentation by Mr. Michael T. Stiff, P.E., Director of Engineering, San Diego County Water Authority, on the Lake Hodges Pump Station Project".

C. Presentation by Mr. Michael T. Stiff, P.E., Director of Engineering, San Diego County Water Authority, on the Lake Hodges Pump Station Project

General Manager Dion introduced Mr. Stiff, Director of Engineering, and Mr. Gary Bousquet, Engineering Manager, who briefed the Board of Directors on the Lake Hodges Pump Station project, using a PowerPoint presentation, included as part of the minutes.

Mr. Stiff reviewed for Board of Director's consideration the Lake Hodges Project, which includes the Lake Hodges to Olivenhain pipeline, and the Lake Hodges Pump Station Inlet/Outlet.

Mr. Stiff and Mr. Bousquet, outlined the pump house detail of the project, including the inlet/outlet anticipated conditions, as well as the required fix and additional supports needed.

Mr. Stiff reviewed the pump station equipment challenges that have occurred, which included the following:

- Safety – Code Compliance
- Equipment and System Maintenance Access
- Sizing for Loads/Function

Mr. Stiff also reviewed the work remaining on the Lake Hodges Pump Station Project, which includes the following”

- Sub-system startup and testing
- Overall facility commissioning
- Commercial Operation July 2010
- Final Completion – September 2010

Information only.

- A. Reception Honoring Retiring City of Escondido Division Chief Dominick Arena

Information only.

- B. Adopt Resolution No. 09-75, “Expressing Their Appreciation and Commending Dominick M. Arena for His Outstanding Public Service as Division Chief for the City of Escondido and Fire Marshal on Behalf of the Rincon del Diablo Fire Protection District”

In a motion by Director Quist seconded by Director Drake, and unanimously carried, the Board of Directors adopted Resolution No. 09-75, “Expressing Their Appreciation and Commending Dominick M. Arena for His Outstanding Public Service as Division Chief for the City of Escondido and Fire Marshal on Behalf of the Rincon del Diablo Fire Protection District”

SECTION 1 – CONSENT ITEMS

Director Drake requested that item 1-A be pulled for further discussion, as Director Drake had a question.

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

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

- 1-B General Fund Disbursements, October 2009

- 1-C Investment Activities Report, September 2009
- 1-D Financial Statements, July, August and September 2009
- 1-E Directors' Per Diem Fees / Expense Reports, September & October 2009
- 1-F Agenda and Minutes of the Fire / Emergency Preparedness Committee (Directors' Ix & Drake) Meeting of October 27, 2009
- 1-G Extension of Auditing Services from Rogers, Anderson, Malody & Scott, LLP to Perform Auditing Services for Fiscal Years Ending June 30, 2010, and June 30, 2011

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

- 1-A Minutes of the Regular Board Meeting of October 13, 2009

Director Drake asked for clarification on the minutes with regards to the Makena Medical Building project, and their off-set requirements. Mr. Dion reviewed and provided clarification to Director Drake.

In a motion by Director Drake seconded by Director Quist, and unanimously carried the Board voted to approve the Minutes of the Regular Board Meeting of October 13, 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 Drake brought to the Board of Director's attention a recent article that appeared in the local newspaper regarding California Insurance Commissioner, Steven Poizner, announcing that the state Department of Insurance had helped San Diego County residents recover more that \$27 billion dollars from their insurance companies over the last two years with regards to the wildfires.

This was an informational item only.

- 2-B Update by Ms. Vicki Wing, Risk Manager, on the Emergency Exercise Drill Conducted by District Personnel on Thursday, October 15, 2009

Ms. Wing reported, as part of the Safety and Health Week of October 13th, the District conducted a full scale emergency preparedness drill based on the effects of an H1N1 pandemic. The drill was a "hands on" exercise where District personnel dealt with such difficulties as an actual flow reduction from the San Diego County Water Authority, calls from distressed customers, exposure to obviously ill customers, and the disruption of the District's computer network.

President Towne, on behalf of the Board of Directors, commended Ms. Wing on a job well done.

This was an informational item only.

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 11/05/2009 through January 2010, effective November 5, 2009.

In addition, Mr. Dion reviewed the current conditions for the following reservoirs:

- ✓ Shasta Reservoir – 62%
- ✓ Lake Oroville – 59%
- ✓ Folsom Lake – 69%
- ✓ San Luis – 47%
- ✓ Pyramid Lake – 104%
- ✓ Trinity Lake – 56%
- ✓ Don Prado -109%
- ✓ Millerton – 163%
- ✓ Castaic – 85%
- ✓ New Melones – 85%

Mr. Dion also briefed the Board of Directors on the District’s overall water target and results for October 2009, including year-to-date target and year-to-date results, using the following breakdown:

	<u>Oct. Target</u>	<u>Oct. Results</u>	<u>YTD Target</u>	<u>YTD Results</u>	<u>Variance</u>
M & I	659.8	567.4	35.40	3080	(13%)
SAWR	1.4	2.0	7.1	8.5	19%
IAWP	42.7	27.8	414	301	(26%)

Mr. Dion also updated the Board of Directors on the District’s Water Efficiency status, including the following:

- Water Audits
- Monthly Billing
- Newsletter
- Rebates and Incentives

In conclusion, Mr. Dion brought to the Board of Director’s attention that it was the 234th anniversary of the United States Marine Corps.

This was an informational item only.

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

President Towne reported that this item had been brought before the Board of Directors at the October 13th meeting, however, because both Directors' Quist and Drake were not in attendance at that meeting, President Towne had suggested that this item be tabled until tonight's meeting for further consideration. Mr. Dion reviewed the candidates for the NWRA Board of Directors for the 2010/2011 term. After some discussion, the following motion was made:

In a motion by Director Quist, seconded by Director Drake, with Director Ix abstaining, and Director Towne and Director Bosch voting aye, the Board of Directors voted for: David Breninger/Placer County Water District; Wayne Clark/Municipal Water District of Orange County; E.G. "Jerry" Gladbach/Castaic Lake Water Agency; Lawrence Libeu/Rancho California Water District; and Charles Muse/Helix Water District.

3-C Designate One Individual to Cast the Vote for the Association of California Water Agencies (ACWA) Officers, on Behalf of Rincon del Diablo Municipal Water District at the Upcoming ACWA Fall Conference

In a motion by Director Towne seconded by Director Bosch, and unanimously carried, the Board of Directors designated Director Drake to cast the vote for the Association of California Water Agencies (ACWA) Officers, on Behalf of Rincon del Diablo Municipal Water District at the Upcoming ACWA Fall Conference

SECTION 4- FINANCE, INSURANCE & PERSONNEL

4-A Presentation of Annual Audited Financial Statements for Fiscal Year 2008-2009 by Mr. Scott Manno/Rogers, Anderson, Malody & Scott, LLP

Director of Finance Darlene Lynn made a presentation and answered questions relating to the responsibilities of the Audit Committee, Board of Directors, the duties of management, and the duties of the auditor, which includes a detailed review of 1) the District's financial records, 2) Committee and Board Meeting minutes, and 3) review of District contracts to ensure compliance with accounting requirements contained therein.

Ms. Lynn and Mr. Scott Manno briefed the Board on the Auditor's Calendar of Events for this year's audit, which included the following:

- | | |
|-----------------------|--|
| May 29, 2009: | Met with Audit Committee. |
| July 27 – 30, 2009: | Performed Interim Audit and Internal Control Review |
| August 24 – 27, 2009: | Year-End Audit Field Work which included among other things the following: |
| | ➤ Conducted detailed review of financial records |
| | ➤ Inspected relevant documentation |

- Observed employee performance
- Inquired about policies, procedures, transactions, and events
- Confirmed balances and transactions with outside parties
- Performed analytical procedures

Mr. Manno reviewed the questions from the Board of Directors, which are detailed below:

- Were there any new accounting pronouncements implemented, and how did they affect the District financially?
 - The new accounting pronouncement for this year related to audit standards that have been addressed. Were there any unanticipated/unexpected transactions that impacted the District's financial status?
 - There were no unanticipated transactions.
- What issues were discussed with management and how were they resolved?
 - Issues were discussed that have been identified for several years, but for which the District cannot currently resolve due to staffing limitations relating to separation of duties, and recommendations for computer reporting changes. What level of audit opinion did the District receive?
 - As in prior years, the District received an unqualified audit opinion.
- What should the Board review in order to maintain the highest level of fiduciary responsibility?
 - The Board should continue to review the monthly financial statements and the Investment Report.
- Are the current policies in place too restrictive, and do they require more effort than necessary?
 - The current policies are in keeping with the District's current staffing levels and accounting requirements.

Mr. Manno also addressed the issues for Auditor discussion with the Board of Directors, which include the following:

- What are the District's greatest financial risks?
- Does the District's financial staff have sufficient competency to handle their responsibilities?
- How many auditor journal entries were proposed, if any?
- What was the condition of the "financial records"? Was everything easy to find, organized, and available?
- Are the District's internal controls adequate?

Ms. Lynn reviewed the next steps in the audit process, which includes:

- Distribution of Management Letter to the Board
- Presentation of CAFR at the December 8, 2009 Board meeting.
- Audit Committee to meet quarterly to discuss the following issues:
 - Work with auditors to identify areas for review

- Determine tentative audit schedule for fiscal year 2009-2010
- Review employee leave balances and financial data

President Towne on behalf of the Board of Directors commended the auditors and staff for a job well done.

In a motion by Director Quist seconded by Director Drake and unanimously carried, the Board voted to Receive and File the Annual Audited Financial Statements for Fiscal Year 2008-2009.

4-B Review of the District's First Quarter (July, August, September, 2009) Financial Statements

Ms. Lynn reviewed the District's first Quarter Financial Statements for the Board of Director's review, which included an overview of the following:

- Factors and Assumptions affecting the Budget
 - ✓ Substantial increases in variable and fixed water costs
 - ✓ Allocations for all water categories
 - ✓ Decreases in interest earnings
 - ✓ Property tax issues
 - ✓ Maintaining 150% debt ratio
 - ✓ Funding of Capital Improvement Projects
- Estimated 2009-10 Budget, including Budget revenues and expenses
- Water Allocations (San Diego County Water Authority Allocation Estimates)
- Financial Review as of September 30, 2009 (25% of Budget)
- Revenue (Average overall 23.7% of Budget)
- Revenue – Water Sales and Charges (Average overall 24.8% of Budget)
- Revenue – Other (Miscellaneous) –(Average overall 23.2% of Budget)
- Water Purchases –Budgeted to Actual (July 2009 – September 2009)
- Expenses – Transmission and Distribution
- Expenses – Engineering
- Expenses – Administrative
- Expenses – Capital Outlay – Capital Projects
- Expenses – Debt
- Current Appropriated Fund Balance Totals
- Expenses – 2nd Quarter Projections
- Financial Review Results

Ms. Lynn also reviewed staff's recommendations for Board of Director's review and consideration, which included the following:

- Maintain current commodity rates
- Maintain current monthly meter-related charges
- Review and report next quarter results

This was an informational item only, no action required by the Board of Directors.

Because of time constraints, President Towne requested that Item 4-C, "Overview of the District's Workforce Development Work Plan Timeline", be tabled until the December 8th Board Meeting, so that adequate time can be dedicated to this issue.

4-C Overview of the District's Workforce Development Work Plan Timeline. This Plan is Intended to Review and Update the District's Current Employment Policies and Practices, Including Compensation, Benefits and Operation Considerations, to Ensure Their Alignment with the District's Goals and Objectives, as Established by the Board of Director's Strategic Plan

No action taken by the Board of Directors on this item, tabled until the December 8, 2009 Board meeting.

4-D Adopt Resolution No. 09-76, Authorizing an Amendment to the Rincon del Diablo Municipal Water District's 457 (b) Governmental Deferred Compensation Plan

Ms. Wing reported that recently the Internal Revenue Service modified their regulations regarding 457(b) Governmental Deferred Compensation plans to more closely resemble those governing the more common 401(k) plans. These modifications now allow participants of 457 plans to obtain loans against their deferred contributions, once a contract amendment has been approved by the administrator of the plan, Rincon del Diablo Municipal Water District.

In a motion by Director Drake seconded by Director Bosch, and unanimously carried, the Board of Directors adopted Resolution No. 09-76, Authorizing an Amendment to the Rincon del Diablo Municipal Water District's 457 (b) Governmental Deferred Compensation Plan.

SECTION 5 - OPERATIONS; ENGINEERING & LONG-RANGE PLANNING

5-A Adopt the Notice of Exemption, East-West Feeder Pipeline Replacement Projects

Engineering Manager David Keller requested that the Board of Directors makes a finding, in accordance with the California Environmental Quality Act (CEQA), that the District's East-West Feeder Pipeline Replacement Projects are categorically exempt, and adopts the attached Notice of Exemption (NOE) presented for Board of Director's review. Mr. Keller summarized for Board of Director's consideration the CEQA's Article 19 Categorical Exemptions, Sections 15300, 15301 and 15301.

In a motion by Director Drake seconded by Director Ix, and unanimously carried the Board of Directors adopted the Notice of Exemption (NOE), for the East-West Feeder Pipeline Replacement Projects.

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 October 29, 2009, including brief reports on the following SDCWA's Emergency Storage Projects:

- San Vicente Pipeline and Pump Station Project.
- Lake Hodges Pipeline and Pump Station Project.

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

Director Drake briefly reported on an issue relating to the Engineering Committee, and that the Committee is working with Mr. Dion on some details about potential personnel planning issues, which will be brought for future action by the Board of Directors.

Director Bosch reported on his attendance at the following meetings:

- Water Agencies Association of San Diego County meeting, which included a presentation by Mr. Robert Poor and Mr. Thomas G. Johnsen, with Fieldman, Rolapp & Associates, on the "Top 10 Actions to Improve Your Bond Rating", in addition a presentation by Mr. Mark Weston, Helix Water District, discussing issues related to creating a new non-profit association.
- Council of Water Utilities (COWU) meeting, which included a presentation by Jeremy Jungreis, Director of Water Resources at Camp Pendleton Marine Corps Base, and a program entitled "Camp Pendleton – A Marine's Perspective on Water Supply & Reliability"

In addition Director Bosch briefed the Board of Directors on his upcoming Colorado River Aqueduct Tour hosted by Metropolitan Water District of Southern California and San Diego County Water Authority to be held on November 14th and 15th.

Director Towne reported that she would be attending the upcoming LAFCO meeting to be held on Friday, November 20th.

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:

- Attendance by Mr. Dion to address the Board of Directors at the Metropolitan Water District of Southern California's (MET) Board Meetings held on November 9th and November 10, regarding MET entering into a Seawater Desalination Program Agreement with the San Diego County Water Authority, and its local retail agencies for the Carlsbad Seawater Desalination Project.

Mr. Clint Baze, Director of Operations, briefed the Board of Directors on a water leak that District personnel discovered on October 6th where water was found leaking from a valve box near 928 Andreason Drive. Mr. Baze previewed the valve and explained that the bonnet bolts of the main line valve had corroded, allowing water to penetrate the gasket and make its way to the surface. A new gasket was made, new bolts were installed, and the valve temporarily placed back in service until a new one could be ordered and installed, which took place on October 29th.

This was an informational item only.

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

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

In a motion by Director Ix seconded by Director Bosch and unanimously carried, the Board of Directors voted to receive and file the District Activities Report (DAR) for October 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 9:45 p.m.

APPROVED:

Diana L. Towne, President

ATTEST:

Mitchell S. Dion, Secretary