

**MINUTES OF THE REGULAR BOARD MEETING  
OF THE BOARD OF DIRECTORS OF THE  
RAINBOW MUNICIPAL WATER DISTRICT  
APRIL 24, 2012**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on April 24, 2012 was called to order by President McManigle at 1:02 p.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President McManigle presiding.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

**Present:** Director Lucy  
Director McManigle  
Director Sanford  
Director Brazier

**Absent:** Director Griffiths

**Also Present:** Finance Manager Buckley  
Human Resources Manager Bush  
District Engineer Lee  
General Manager Seymour  
Board Secretary Washburn  
Legal Counsel Lemmo  
Customer Service Manager Atilano  
Superintendent Maccarrone  
Superintendent Miller  
Superintendent Walker  
Utility Worker II Heincy  
Assistant Engineer Rebueno  
Crew Leader Rose  
Supervisor Zuniga  
Accountant Thomas

Six members of the public were present for Open Session.

4. **ADDITIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**

There were no revisions.

5. **ORAL/Written COMMUNICATIONS FROM THE PUBLIC  
OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING  
ITEMS NOT ON THIS AGENDA (Government Code § 54954.2).**

There were no comments.

(\*) - Asterisk indicates a report is attached.

**\*6. APPROVAL OF MINUTES**

**A. March 27, 2012 - Regular Board Meeting**

**Action:**

***Moved by Director Brazier to approve the minutes as revised. Seconded by Director Sanford.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Lucy, Director McManigle, Director Sanford and Director Brazier.

**NOES:** None.

**ABSTAINED:** None.

**ABSENT:** Director Griffiths.

It was noted President McManigle had pointed out two minor changes to Page 7 of the minutes to Ms. Washburn and she will correct those accordingly.

**7. BOARD OF DIRECTORS' COMMENTS/REPORTS**

Directors' comments are comments by Directors concerning District business, which may be of interest to the Board. This is placed on the agenda to enable individual Board members to convey information to the Board and to the public. There is to be no discussion or action taken by the Board of Directors unless the item is noticed as part of the meeting agenda.

**A. President's Report (Director McManigle)**

**1. SDCWA**

Director Sanford reported on the SDCWA Board meeting where discussions took place regarding the desalination plant in the Oceanside/Carlsbad area. He said although they were moving forward on the project, there was a great deal of discussion about costs, structure, etc. He pointed out it appeared as though RMWD would not be a part of the agreement. He expressed concern there was a huge amount of money being spent to study this project and why RMWD would be paying for the analysis when the District would not be purchasing the water it produces.

**B. Representative Report (Appointed Representative)**

**1. CSDA**

**2. LAFCO**

**3. San Luis Rey Watershed Council**

**4. Santa Margarita Watershed Council**

Director Brazier reported on the recent San Luis Rey Watershed Council meeting she attended on April 23, 2012 where they made a request that RMWD send a letter notifying them as to whether or not RMWD wants to be a voting member and that she was the District delegate. She noted the Council would not be meeting in May.

***Director Griffiths joined the meeting at 1:05 p.m. after being delayed due to a fatal car accident that occurred on Highway 76.***

(\*) - Asterisk indicates a report is attached.

**C. Meeting, Workshop, Committee, Seminar, Etc. Reports by Directors (AB1234)**

There were no reports.

**D. Directors Comments**

Director Lucy mentioned one of the Del Rey Avocado vehicles was involved in a tragic fatal car accident on Highway 76 today. He noted the Del Rey Avocado driver was okay; however, it is a tragedy.

President McManigle noted the request received from San Luis Rey Municipal Water District to add them to the RMWD agenda and agenda packet mailing distribution lists.

Director Griffiths stated he did not believe there was enough background information provided with the Board Agenda items in the packet.

**\*8. COMMITTEE REPORTS (Approved Minutes have been attached for reference only.)**

**A. Budget and Finance Committee**

**1. March 1, 2012 Minutes**

Mr. Carlstrom reported on the committee meeting held on April 5<sup>th</sup> where Mr. Buckley pointed out the proposed budget highlights in the 2012/2013 RMWD budget. He noted the next meeting would be a joint meeting with the Committee Members and RMWD Directors on May 3, 2012 to discuss and hopefully approve the budget for FY 2012/2013. He said as anticipated by a previous forecast, the completion of major CIP projects this year substantially stabilized the District's cash flow for Fiscal 2012/2013; however, the budget forecasts a 7.2% reduction in water sales compared to previous annual water sales forecasts of 20,000 acre feet. He pointed out this reduction and potential effects of the scheduled end of the IAWP and SAWR agricultural programs will add new challenges to the Board for providing for stable longer financing of RMWD.

Director Griffiths asked if he could contact anyone regarding the budget without violating The Brown Act. Mr. Carlstrom said he could contact him or Mr. Buckley without violating any rules.

Director Sanford asked if the combined meeting date of May 3<sup>rd</sup> could be changed so that he could be present. It was determined they would try to change the meeting to May 7<sup>th</sup>.

**B. Communications Committee**

**1. March 5, 2012 Minutes**

Mr. O'Leary reported on the Communications Committee where discussions took place relating to how to let the public know the current state of RMWD including projects, resolving turmoil, etc.; however, those discussions will need to continue before decisions are made. He noted Ms. Bednarski's appointment was on today's agenda for Board consideration.

- C. Engineering Committee
  - 1. March 6, 2012

Mr. Lee reported the committee continues to work on getting the Water Policy ready to bring back to the Board at their June meeting for recommended approval.

Discussion went to Item #12.

**9. UPDATE AND DISCUSSION REGARDING VARIOUS RMWD PAYMENT OPTIONS**

Mr. Atilano gave a presentation on the various RMWD payment options. He pointed out how individuals can sign up for online bill payments, follow RMWD on Twitter, or utilize Official Payments.

Discussion ensued regarding the fees involved with the various payment options.

Director McManigle asked for the options provided on the web be simplified and less redundant.

Mr. Buckley pointed out FPUD has expressed how much they like RMWD's billing options and this may be important in any consolidation efforts.

Discussion went to Item #10.

**10. INFORMATION REGARDING FISCAL YEAR 2012-2013 BUDGET**

Mr. Buckley mentioned scheduling the combined meeting with the committee with the staff was the main objective at this point. He stated he would prefer any noted concerns or changes be brought to his attention first.

It was determined to set the combined Committee and Special Board meeting for May 7<sup>th</sup> at 1:00 p.m.

**\*11. CONSENT CALENDAR**

**A. DISCUSSION AND POSSIBLE ACTION TO JOIN THE HEALTH BENEFITS PROGRAM OF THE ACWA JOINT POWERS INSURANCE AUTHORITY**

**B. DISCUSSION AND POSSIBLE ACTION TO APPOINT NEW COMMUNICATIONS COMMITTEE MEMBER**

**Action:**

***Moved by Director Brazier to approve the Consent Calendar. Seconded by Director Lucy.***

(\*) - Asterisk indicates a report is attached.

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Lucy, Director McManigle, Director Sanford and Director Brazier.  
**NOES:** Director Griffiths.  
**ABSTAINED:** None.  
**ABSENT:** None.

Discussion went to Item #13.

## **BOARD ACTION ITEMS**

### **12. DISCUSSION AND POSSIBLE ACTION REGARDING THE POTENTIAL CONSOLIDATION OF THE RAINBOW MUNICIPAL WATER DISTRICT AND FALLBROOK PUBLIC UTILITY DISTRICT OR THE FORMATION OF A JOINT POWERS AUTHORITY TO OVERSEE MANAGEMENT AND ADMINISTRATION OF BOTH ENTITIES**

Mr. Seymour introduced Brian Brady, General Manager of FPUD as well FPUD's Public Affairs Specialist, Noelle Denke. He explained how at the FPUD Board meeting on April 23<sup>rd</sup>, a presentation was made by Mr. Brady which was basically the same he will be giving to the RMWD Board. He noted; however, he had added a little more information regarding some questions received at the FPUD meeting during the presentation. (A hard copy of the presentation was provided to the Board and audience.)

Mr. Seymour pointed out that due to the outgrowth of the functional consolidation meetings held last year he and Mr. Brady had started talking early this year about other directions that could be taken including some type of merger of FPUD and RMWD. He noted they had put together an ad hoc committee with Board Members and general managers from both agencies and started meeting in March. He stated it was information from those meetings he would be presenting today.

Mr. Seymour explained how the ad hoc committee was looking at the opportunities that present themselves if the two districts would consolidate in some fashion including a complete consolidation or creating a joint powers authority.

Mr. Seymour stated they know administrative overhead could be reduced, such as having only one general manager, director of finance, etc. He talked about some of the ways both agencies could optimize their operating assets as well as the similarities of both agencies. He noted by combining these two agencies through some sort of consolidation or joint powers authority, an agency would be created that covers 122 square miles with a population of 53,000 and over 16,300 connections. He pointed out that when the agencies have to go out to seek loans or bonds it would give the district better bond ratings. He continued with the presentation.

He talked about Reductions in Forces including the impact on employees including that the ad hoc committee believes both agencies can get by with approximately 102 employees. He stressed they did not know which positions would be affected other than administrative. He stated obviously to get to this number some employees would have to leave. He noted LAFCO had provided the ad hoc committee some good advice regarding this matter and how they were less concerned with senior management. He continued to explain for the rank and file in relation to reduction in forces, the plan was to manage this through attrition or some sort

(\*) - Asterisk indicates a report is attached.

of downsizing where people are not handed pink slips but rather enticed to leave with separation incentives such as retirement benefits. He stated this has lessened the negative impact on the employees and will allow the employees to hopefully buy into the concept of a new organization. He pointed out it will take longer to achieve a full cost savings and delays full implementation of the optimum organization chart; however, it does support LAFCO's position for dealing with reductions in force. He explained how LAFCO basically told him and Mr. Brady they have never seen a reorganization go through successfully that did not address employee problems up front. He stressed the agencies need to make sure they were fair and equitable to the employees. He said the same goal could be achieved; however, it may take a couple more years.

Mr. Seymour continued by sharing a comparison of options between consolidating and creating a JPA. He noted consolidation versus formation of a JPA, consolidation reduces the number of public agencies and was in reality probably impossible to undo. He pointed out there was time and expense involved in the LAFCO review as well as their approval process. He said LAFCO anticipated that if both agencies had strong support from both of their Board Members regarding completing their application it may take three months or possibly less. He mentioned a new agency could create an opportunity to renegotiate labor contracts and eliminate the existing Boards and be replaced with some formal process yet to be determined. He addressed the concern regarding the loss of identity some members of the public may feel with a consolidation; however, he stated although the agency may cease to exist, new opportunities could be created.

Mr. Seymour stated the Joint Powers Authority would mean creating a new agency. He noted in LAFCO's mind this was the same as having three agencies instead of two. He said some may think this would be a good thing; however, on the flip side it could be a bad thing due to the fact it is relatively easy to back out and undo the JPA thereby losing all the savings achieved. He pointed out there was no LAFCO involvement with forming a JPA and the level of studying that would need to be conducted to provide the Board Members with enough information to make an informed decision would be very close to the cost associated for working with LAFCO. He mentioned existing labor contracts and boards would remain in place; however, the JPA would be overseen by a new Board.

Mr. Seymour stated the consolidation would provide the best opportunity to create the most effective organizational hierarchy with a chance to make a fresh start. He noted by ending employee ties to the old organization it would give them nowhere to revert back to and provide a fresh start. He said with JPA, it would be more difficult to merge the workforce to create the greatest efficiency especially when there could be potential for employee from both districts to perpetuate old mindsets and attitudes toward the old entities.

Mr. Seymour talked about the strengths of both options noting they would create an organization with much greater resources to better meet the means of the ratepayers, provide potential to share assets, as well as combine IT functions and SCADA.

Mr. Seymour referred to financial notes. He noted how a consolidated district could be financially stronger as well as some other advantages and issues. He noted there would be no combining of each district's respective debt due to the fact they would basically hold two checking accounts by one agency. He mentioned how concerns were raised at the FPUD meeting regarding RMWD's Ordinance 95-1. He stressed RMWD was not acquiring anyone, but RMWD would cease to exist. He said the ratepayers that reside in RMWD's old boundaries would remain subject to Ordinance 95-1 and those in Fallbrook's boundaries would not.

Mr. Seymour concluded by pointing out the potential consideration for cost savings of \$1-\$2 million per year within the first year and \$2-\$3 million per year within three years; however, this would need to be validated by a study. He pointed out most savings would be achieved through a reduction in labor costs with some savings achieved through combining assets.

Mr. Seymour addressed the concerns raised regarding RMWD's Ordinance 95-1. He pointed out RMWD was not acquiring anybody and the old RMWD would cease to exist. He said a new district would be formed where Ordinance 95-1 would apply to those customers that were a part of the old RMWD and not to those who were customers of FPUD. He did mention this will be confirmed with Legal Counsel. He said there appeared to be no downside to consolidating FPUD with RMWD either through forming a JPA or a full merger of the two districts.

Mr. Seymour talked about the cost estimates associated with forming a JPA as well as an actual LAFCO consolidation. He stressed everything required to be done must be in public forum. He mentioned the proposed conservative timeline for completing a full consolidation has an anticipated end date of July 1, 2013 and December, 2012 to form a JPA.

Mr. Seymour noted the recommendation today was to present findings to both full Boards for discussion and review and recommend that staff prepare a consolidation plan and not to approve a consolidation. He pointed out there was a suggested timeline involving coming back to the Board in May with a Memorandum of Understanding, work plan, budget and schedule with another presentation to the Board in July to consider the feasibility.

Mr. Carlstrom inquired as to how the sewer district would be addressed, if a vote of the public would be necessary, and if the costs would or would not impact cash flow. Mr. Seymour stated sewer districts should not be an issue and may actually benefit RMWD, the agencies would be financially separate entities, and community votes would depend on how well the concept is sold to the public as well as LAFCO. He said as a ratepayer he was extremely pleased Mr. Seymour was open to studying something of this nature.

Director Sanford mentioned the Rainbow Planning Group's discussions regarding this matter. He stated that no one from the public had anything negative to say.

Ms. Rhyne talked about the meeting she attended at the FPUD Board meeting. She expressed concern this may be moving too quick without going to the public for their consideration. She said although she does not oppose a study or consolidation, she would like to know more about it first.

Mr. Heincy, representative for the Rainbow employees, asked for clarification as to if there was any idea where in the timeline employees may find out which positions may be lost. He also asked with Mr. Seymour leaving in the next few years, would FPUD's General Manager take

over and whether or not that would lead to favoritism to keep FPUD employees as opposed to RMWD's. Mr. Seymour stated these were all good points; however, the study would need to be completed first in order to make such determinations. He noted when his agency in Orange County went through a consolidation like this, the reduction in staff was done through attrition and no one was fired and he hoped this would be the same case at RMWD.

Director Griffiths stressed concern about not seeing a report from the ad hoc committee meetings. He said this matter needed to be taken very seriously. He said although he was in favor of a consolidation due to the fact he did not believe high level staff needed to be highly paid for easy tasks, he wanted to know why Valley Center and Yuima dropped out of this functional consolidation process. He inquired about how they would address the matter of voters. He said he did not have a good feeling regarding all the bond debts FPUD currently has in place as well as any future bonds. He concluded by stating the main stumbling block for not consolidating these agencies seven years ago was due to Mr. Lewinger not being in favor of it and since he was now a consultant in this process, he would like RMWD to have their own consultant.

**Action:**

***Moved by Director Griffiths that RMWD carry on with the analysis of the possibility of the consolidation of FPUD, RMWD, Valley Center and Yuima. There was no second.***

It was noted this discussion did not involve Valley Center and Yuima due to the fact these agencies were not interested.

Director Brazier asked if informal sharing of activities between the other agencies would be beneficial. Mr. Seymour stated they would be interested in sharing activities; however, they were not interested in any formal consolidation.

**Action:**

***Moved by Director Sanford RMWD move forward with the feasibility study of consolidating RMWD and FPUD. Seconded by Director Lucy.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.

**NOES:** None.

**ABSTAINED:** None.

**ABSENT:** None.

Director Brazier stated she would be in favor of continuing with the study, but not for anything permanent at this point.

Director Lucy said as a member of the ad hoc committee, he assured the matter of employees was a big concern and both sides were taking this very seriously. He stated change was always difficult; however, there was models out there demonstrating this can be done very fairly.

(\*) - Asterisk indicates a report is attached.



Director Brazier inquired as to who would be conducting the feasibility study. Mr. Seymour stated he and Mr. Brady would be conducting most of the work with assistance from staff and possibly some outside consultants. Director Griffiths stated he wanted to see the general managers sign off on these things.

***President McManigle called for a break at 2:15 p.m.***

***The meeting reconvened at 2:27 p.m.***

*Discussion went to Item #9.*

**13. DISCUSSION AND POSSIBLE ACTION TO PLACE DISTRICT PROPERTY INTO A CONSERVATION BANK**

Mr. Seymour explained RMWD owns forty-four acres of land with approximately eight of those being the Northside Reservoir with the remaining acres being native land not suitable for much of anything. He noted this land sits adjacent to the Red Mountain Conservation Bank which was approved by the Fish and Wildlife Service in 2011. He stated the conservators of that bank have approached RMWD and are in the process of wanting to add land to that Conservation Bank. He pointed out the conservators will do all the labor to get the District's property included in the Conservation Bank and RMWD would receive 30% of the funds which would be approximately \$267,000. He stressed the land was raw and basically unusable and how this would be a good opportunity to receive some funds from it. Discussion ensued.

Director Brazier asked if there was any foreseeable need for this land by RMWD. Mr. Lee stated no.

Discussion continued regarding the property location, terrain, and accessibility.

Mr. Seymour suggested the Board approve this item subject final review by Legal Counsel and any changes be brought back to the Board for reconsideration.

**Action:**

***Moved by Director Sanford the Board approve this matter subject to legal approval.  
Seconded by Director Brazier.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Lucy, Director McManigle, Director Sanford and Director Brazier.  
**NOES:** Director Griffiths.  
**ABSTAINED:** None.  
**ABSENT:** None.

*Discussion went to Item #14.*

**\*14. RECEIVE AND FILE INFORMATION ITEMS FOR MARCH 2012**

**A. General Manager Comments**

- 1. Meetings, Conferences and Seminar Calendar**

(\*) - Asterisk indicates a report is attached.

- B. Construction & Maintenance Comments**
  - 1. Construction and Maintenance Report
  - 2. Valve Maintenance Report
  - 3. Garage/Shop Repair
- C. Engineering & Wastewater Comments**
  - 1. Engineering Report
  - 2. Project Management Report
  - 3. Wastewater Report
- D. Customer Service & Water Operations Comments**
  - 1. Water Operations Report
  - 2. Electrical/Telemetry Report
  - 3. Water Quality Report
  - 4. Field Customer Service Report
  - 5. Meters Report
  - 6. Cross Connection Control Program Report
- E. Human Resource & Safety Comments**
  - 1. Changes in Personnel
  - 2. Organizational Chart
  - 3. Safety Report

**Action:**

***Moved by Director Brazier to receive and file information items. Seconded by Director Lucy.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.  
**NOES:** None.  
**ABSTAINED:** None.  
**ABSENT:** None.

Mr. Seymour pointed out there will be a report of a RMWD fire hydrant being hit near Director McManigle's home published in The Village News. He also noted there was a break underneath the pool of a bank-owned property that was under investigation.

Director Lucy asked if RMWD prepares for fire protection in the event of a large area shut down. Mr. Maccarrone said the fire department is provided with notification and put on alert. Mr. Seymour pointed out theoretically RMWD was not required to provide service; however, if something like this would happen he was sure RMWD would be sued but he was not sure there would be success in recovering any losses. He stated this was why RMWD notifies the fire department and there was really nothing else RMWD could do.

Ms. Washburn pointed out the Engineering Committee has voted to officially change their meeting start time from 2:00 p.m. to 3:00 p.m. from this point forward.

Mr. Lee explained some of the computer issues RMWD was currently experiencing. He stated the server has crashed and steps were being taken to resolve the problems this caused. He also provided the Board Members with their new email accounts.

(\*) - Asterisk indicates a report is attached.

Mr. Lee updated the Board on the State Revolving Fund Loans noting the State was in the process of determining how much money would be offered to RMWD.

Director Griffiths referred to Page #14E2-1 and suggested eliminating any vacant slots on the Organization Chart. Mr. Seymour pointed out staff was in the process of revising RMWD's organizational structure and removing vacant slots.

Discussion ensued regarding the current status of the ITRON meter reads.

**\*15. RECEIVE AND FILE FINANCIAL STATEMENTS AND INFORMATION FOR MARCH 2012**

**A. Finance Manager Comments**

1. Visa Breakdown
2. Directors' Expense
3. Check Register
4. Water Purchases & Sales Summary
5. Statistical Summary
6. Cost Recovery of Repairs to District Property Caused by the General Public
7. Metropolitan IAWP Reduction Programs
8. San Diego County Water Authority SAWR Reduction Program
9. RMWD Domestic Reduction Program
10. RMWD Sewer Equivalent Dwelling Units (EDU's) Status

**Action:**

***Moved by Director Brazier to receive and file financial statements. Seconded by Director Sanford.***

***After consideration, the motion CARRIED by the following vote:***

**AYES:** Director Griffiths, Director Lucy, Director McManigle, Director Sanford and Director Brazier.

**NOES:** None.

**ABSTAINED:** None.

**ABSENT:** None.

Mr. Buckley pointed out there were some reports missing from this agenda packet due to the computer issues RMWD faced at the time it was prepared. He said it will get everyone up to date in May. He also noted the water CIP funds were being used up rather quickly; therefore, there may be an action item in the future to possibly transfer monies from the sewer funds.

Director Griffiths made several inquiries on Item #15A3.

Director Griffiths referenced Page #15A10 when he asked for confirmation of the real number of EDU's. He explained his concerns with the numbers.

*Discussion went to Item #16.*

(\*) - Asterisk indicates a report is attached.

**16. LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING**

It was noted a presentation on shutdown procedures should be given to ensure fire protection needs are met as well as the status of San Luis Rey Watershed Council should be on the next agenda.

**17. ADJOURNMENT - To Tuesday, May 7, 2012 at 1:00 p.m.**

***The meeting was adjourned with a motion made by President McManigle to a Special meeting on May 7, 2012 at 1:00 p.m.***

The meeting was adjourned at 3:35 p.m.

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**George McManigle, Board President**

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**Dawn M. Washburn, Board Secretary**