

**MINUTES OF THE BOARD OF DIRECTORS OF THE FALLBROOK
PUBLIC UTILITY DISTRICT AND RAINBOW MUNICIPAL
WATER DISTRICT JOINT SPECIAL BOARD MEETING/PUBLIC FORUM
SEPTEMBER 11, 2012**

1. **CALL TO ORDER** - The Board of Directors of the Fallbrook Public Utility District and Rainbow Municipal Water District Joint Special Board Meeting/Public Forum on September 11, 2012 was called to order by Mr. Andrew Vanderlaan at 4:01 p.m. at the Bonsall Community Center located at 31505 Old River Road, Bonsall, CA 92003. Andrew Vanderlaan, Commissioner of the San Diego County Local Agency Formation Commission (LAFCO) moderating.

Mr. Vanderlaan stated for this meeting he was a resident of Bonsall and not affiliated with LAFCO for this meeting, but rather a member of the public.

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL:**

Present: Director Griffiths
Director Lucy
Director Sanford
President McManigle
Director Brazier

Absent: None

Also Present: FPUD Director McPhee
FPUD Director McDougal
FPUD Director Hayden
FPUD Director Davies
FPUD Director Gebhart
FPUD General Manager Brady
FPUD Board Secretary Boultinghouse
RMWD General Manager Seymour
Executive Assistant Washburn

There were approximately 100 people present including a combined total of 37 Rainbow Municipal Water District and Fallbrook Public Utility District staff members.

(*) - Asterisk indicates a report is attached.

BOARD INFORMATION ITEMS

4. INFORMATION ITEM/NO ACTION TO BE TAKEN

A. INFORMATIONAL FORUM REGARDING THE POTENTIAL CONSOLIDATION OF THE FALLBROOK PUBLIC UTILITY DISTRICT AND THE RAINBOW MUNICIPAL WATER DISTRICT MODERATED BY MR. ANDREW VANDERLAAN, COMMISSIONER OF THE SAN DIEGO COUNTY LOCAL AGENCY FORMATION COMMISSION (LAFCO)

- i. Presentation/Slide Show:** Dr. Brian J. Brady, General Manager of the Fallbrook Public Utility District and Mr. David Seymour, General Manager of the Rainbow Municipal Water District

Dr. Brady said although it will look as though he was the only one giving the presentation; however, due to the fact Mr. Seymour was still recovering from recent throat surgery, he would be doing most of the talking. He stated he would give a condensed presentation with backup slides providing statistical information. He pointed out the short presentation would be in four parts including a quick background as to why a consolidation was being looked into, the options for governance, the savings they believe are available in some type of merger, and some financial aspects. He continued by giving the presentation.

Mr. Vanderlaan thanked Dr. Brady and Mr. Seymour for the presentation. He pointed out the presentation was well done and for the purpose of giving everyone the facts and time to look at the figures and get any concerns addressed. He stated should this merger in fact go forward and to LAFCO for analysis, the numbers will be looked at as well. He polled the audience to see who was here from the Rainbow Municipal Water District and Fallbrook Public Utility District, respectively.

Mr. Vanderlaan introduced Mr. Ott.

- ii. Presentation:** Mr. Michael D. Ott, Executive Officer of San Diego County LAFCO

Mr. Ott gave a brief history on the formation of LAFCO. He pointed out LAFCO was an impartial entity that will take in the information supplied to them from the various parties involved and look into, address, and resolve all the issues and concerns brought up as well as ensure the required amount of significant community outreach is met prior to giving consolidation consideration.

Mr. Ott provided the state mandated steps in the process that must take place within San Diego County prior to considering any type of consolidation proposal. He noted there was not an automatic process where a “green light” is given without the due diligence. He elaborated on the District Consolidation-Registered Voter District slide/handout by pointing out the consolidation has a very unique initiation step whereby a majority of the Boards of Directors of two Special Districts (in this case RMWD and FPUD) initiate an application with LAFCO and provide the application backup materials which in turn results in the application LAFCO will be considering. He pointed out before any of this occurs, the two agencies need to have meetings such as this, show LAFCO a document that they conducted outreach and responded to the questions and concerns of the public. He pointed out he

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would be very reluctant to schedule a consolidation proposal for consideration with the commission until he was comfortable that in a good faith effort the districts involved have identified issues and made a serious attempt to resolve them including those of the ratepayers. He mentioned it has been LAFCO's experience that a number of proposals such as consolidation can pass the muster and reach the point of feasibility if good faith is used in trying to identify and resolve any issues before a local hearing with his commissioners.

Mr. Ott talked about the next series of steps provided on the District Consolidation-Registered Voter District slide/handout noting the three most popular mechanisms by which to initiate a consolidation. He pointed out the vast majority of the 80 consolidations that have come before LAFCO during his "watch" came in by resolution. He pointed out in this case the two agencies were looking at coming in by petition due to the fact the agencies themselves have the most knowledge as to how to achieve efficiencies, combine budget, services, etc.

Mr. Ott noted the next step would be the LAFCO meeting. He stressed before the LAFCO meeting is held, he would be the person holding that door open or closed to determine whether or not there will be a good faith effort to identify and resolve the wide issues. He pointed out the agencies will have to provide him a record of evidence that they not only made a good faith effort to identify issues, but also met with their public and tried to resolve them as best they can. He noted this was a power San Diego LAFCO has bestowed upon their leadership staff (such as himself) to go through the materials and determine whether or not they are adequate enough to schedule a hearing. He added in the event of an impasse, the item would still go to LAFCO's decision making department made up of eight commissioners and then will be in the hands of the commission in terms of the issues and solutions. He pointed out it often makes for a very messy situation when issues are not resolved and an entity such as LAFCO is forced to resolve them for the community. He also noted this could be cause for great delays in the process.

Mr. Ott said it appears there seemed to be confusion in terms of the next several steps such as LAFCO approval or denial. He explained if the majority of the Boards' Directors of the two districts adopt resolutions initiating proceedings and submit a complete application to LAFCO and have satisfied the outreach requirement, there was a requirement by state law that LAFCO approve the consolidation. He pointed out the reason for this requirement is there has been state interest in the subject for quite some time that there are too many special districts in California. He noted there was a state directive to encourage consolidations where they make sense where economies will occur, better accountability, capital, and most importantly accountability to the residents will improve. He reiterated there was a state-wide push to encourage consolidation; however, there were also provisions whereby if the majority of the districts adopt these initiated resolutions there may not necessarily be an

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election. He recognized this part may be controversial due to the fact some may believe the law should allow for automatic elections for consolidation. He pointed out the legislature has made it very clear that if consolidation is something promising and the due diligence has been done, we should try to streamline the process. He explained the reasoning behind this was the Boards of Directors who represent the community decide (based on the information they reviewed) consolidation is feasible, makes sense, and will make for an accountable agency, that the “green light” should be given for that case. He added; however, there are protest provisions.

Mr. Ott explained even if the Boards agree with consolidation and LAFCO approves such, there is a protest provision whereby 25% of the voters or landowners protest, could launch a subsequent LAFCO hearing. He pointed out the 25% would be total combined area of Rainbow and Fallbrook. He added there was a provision in the state law that says in that election, the simple majority must approve the consolidation in each of the districts that are subject to the consolidation. He clarified this means the majority of voters in the former RMWD and former FPUD must support consolidation in that election and if district residents support consolidation in one of the districts and not in the other, it would veto consolidation and consolidation would fail. He reiterated this was state law and this process involved a simple majority of the voters. He put a caveat out there that as long as there are tax assessments, it would be a simple majority and if there was any idea a consolidation would need to be balanced on a new tax it could trigger something higher than a simple majority under Constitutional provisions.

Mr. Ott concluded by mentioning this was the rather convoluted process the State has set forth and laid out and implemented throughout California including eighty times within San Diego County.

Mr. Ott provided information regarding who sits on the San Diego Commission. Mr. Vanderlaan added there was also a Special District Advisory Committee.

Mr. Vanderlaan said it was his sense that one of the provisions LAFCO works under was the efficiency of government and that efficiency deals with the things talked about so far today. He noted the presentation seen was great showing cost effectiveness and potential savings with the avoidance of increasing water rates. He pointed out one of the big issues affecting many cities has to do primarily with water concerns.

iii. Public Comments/Questions

Members of the public are invited to address the Board of Directors on agenda items. The Board President may limit comments to 3 minutes each.

Mr. Vanderlaan addressed the speaker slips submitted by members of the audience.

Joe Bator addressed the Fallbrook Board of Directors. He said he was a small grower who had agricultural water for a number of years that has recently pretty much disappeared. He asked if FPUD takes over RMWD, who has fewer customers but sells more water, where would the water come from to support the development that will take place on Highway 76 and Interstate 15.

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Dr. Brady acknowledged the question being whether or not there would be enough water. He said both districts receive water from the San Diego County Water Authority; therefore, the important thing for water reliability in Fallbrook, Bonsall, and Rainbow is the reliability of San Diego County Water Authority. He noted both districts do not have any ground water or any other source of supply. He noted the San Diego County Water Authority recently voted to extend their SAWR agricultural discount until January 1, 2015. He stated there would not be a situation where one district would receive water and the other not due to the fact both agencies were in this together. He clarified San Diego County Water Authority was looking 25 years out in terms of water reliability and was on a path to increase water reliability over the next 20-25 years including water storage.

Mr. Vanderlaan clarified the proposed consolidation/merger being discussed at this time was not a take over from one district to another. He also explained that as far as the Board of Directors are concerned there were different processes by which to determine the number of board members that will be part of directing the new organization. He noted this would be done through the LAFCO process as well as communications with both of the Boards. He added this was one of the most difficult processes during reorganizations and something that would need to be worked out, especially with the Rainbow board being elected by division and the Fallbrook board elected at large.

Gordon Tinker introduced himself as a Fallbrook resident of 37 years who served as the General Manager of the Fallbrook Public Utility District from 1980-1999 during which time they went through two consolidations. He provided a brief history of both consolidations noting there were no two mergers alike. He congratulated both the Rainbow and Fallbrook Board Members for doing this the right way stating the public needs to really understand what it was all about and that it is in their best interest. He said the financial savings being presented in this case are considerably more than the smaller organizations he mentioned previously. He encouraged the Boards to move forward, keep the public involved, and hopefully all will be happy.

Justin Demary introduced himself as a Rainbow Municipal Water District employee. He addressed his question to Mr. Seymour as he asked about the \$2.7M that is supposed to be saved. He said at an all hands meeting on August 30th it was stated by Mr. Seymour the water rate increases over the next three years would wipe the proposed savings out. He asked what would be the future of Rainbow and Fallbrook if that savings is gone and what are the districts looking forward to by joining two districts if there is not a continuous savings over a longer period of time. He stated he could understand if the savings would last for 10-15 years; however, in three years it will go away and will increase more with future revenue. He inquired as to where the plan was to get water in-house due to the fact this was the only way both Rainbow and Fallbrook would survive.

Mr. Seymour stated he actually said that the whole savings of \$2.7M would be wiped out the first year by the Metropolitan rate increases; however, it was an approximately \$86 per acre foot savings to the ratepayers which would carry on forever. He agreed this was a one time savings, but still a savings to the ratepayers who would be paying that much less forever. He said as far as water for RMWD or FPUD there was a plan currently in motion by the RMWD Engineer as well as a consultant on staff already to look at alternative water supplies. He pointed out one of the greatest opportunities was the Rainbow Valley where the agencies could get up to 5,000 acre feet of water a year out of the ground; however,

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there were numerous political and technical issues that go with that. He noted this was being looked at as well as a lot of other options; therefore, they were trying to do exactly what Mr. Demary suggests to find other ways and other sources of water. He mentioned Fallbrook has been working the Santa Margarita project for the past twenty years or more. He said it was not easy. He acknowledged the savings would be gone with one Metropolitan increase, but it was still a savings and they are looking for other sources of water that can at least give the districts a little bit more of a reliable slide. He stated this would probably not do anything to reduce costs; however, right now the goal was to prevent future cost increases.

Mr. Demary asked what happens in six or nine years down the road when water will only get more and more expensive and when is Rainbow's and Fallbrook's timeframe of actually saying San Diego County Water Authority and Metropolitan is too much. He pointed out if the districts have to throw in \$30M-\$50M to get their own water supply how long are the agencies going to wait before they lose their agricultural users. He mentioned he was born in Fallbrook and how he sees a lot of areas where the agriculture is disappearing.

Mr. Seymour stated all the other sources Mr. Demary references are still more expensive than Metropolitan. He said even though the district was a part of the desalination project the water now is close to \$2,000 an acre foot which farmers cannot afford. He clarified it would cost approximately \$120M just to get a pipeline from the desalination project. He reiterated they were looking at local supplies; however, desalinating the Rainbow Valley Water would still be too expensive to the farmers as well. He concluded by stating this was why they were looking at things like consolidation so they can give back the cost of that water by offsetting administrative costs.

Pat McPhee said she was still undecided about the consolidation; however, she really wanted to know how much LAFCO was going to be paid for all their services associated with this consolidation and whether or not the costs would be ongoing. She asked how much the ratepayers can expect to pay for LAFCO's services.

Mr. Ott explained consolidation was a type of activity that legislative board encourages; therefore, they provide an incentive by charging a fee for all LAFCO services on a sliding scale with a cap. He stated a rough estimate in terms of LAFCO costs would be under \$20,000 for approximately one year's worth of processing analysis in this case. He said if there were any financial hardships demonstrated and justified to LAFCO, a reduction in those fees could be granted. He suggested not looking at the LAFCO fees as an impediment in any way for a consolidation due to the fact it is what the people and districts want and they would not be a party to stand in the way. He explained LAFCO would want to see something happen and the fees they would charge were reasonable in terms in the amount of resources and activities that would be put into the overall process. He continued to note all the local agencies in San Diego County contribute to LAFCO to offset the costs of any type of proposals that may be initiated through annual apportionment to Special Districts, City, and County government based upon their total revenues through a formula-driven approach ordained by statute.

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Bob Leonard asked whether or not copies of the completed studies will be available to the public for review as a download or something else so that they can see in more detail what has been looked at and the assumptions. He also requested a better job be done in explaining what the individual benefits will be from a cost savings whether it be in the form of reduced costs or keeping costs more solid. He inquired as to the goals of this objective of consolidation and what do they mean for the people and not just the operation of the district.

Dr. Brady stated the completed studies as well as backup slides will be added to the website for public access. He also referred to the Consolidated Pro-Forma Summary of the analysis conducted to address the second part of the question.

Leonard Campbell said he would like to see a list of advantages and disadvantages for the ratepayers of both districts. He pointed out both agencies have assets that have not been discussed here and would like to know how those assets can benefit one district to the other as well as the disadvantages of this consolidation.

Dr. Brady mentioned Noelle was writing down issues so that if there is some not being answered right away they can work toward getting the answers as soon as possible.

iv. Board of Directors Comments/Questions

Director McPhee said it was his understanding when De Luz and FPUD joined it was under the Public Utility District Act as opposed to LAFCO. He pointed out the agency was currently governed by the Public Utility District Act. He referenced Code 1351 and 1356 requires development of the utility of Rainbow for annexation; however, indebtedness of the District involves a two-thirds majority that its ratepayers has required. He referenced Codes 16841-16846 and 16801-16807 of the Public Utility District Act and how it notes 15% of the ratepayers can vote for or against consolidation. He said this has never been mentioned here and he wanted to know why.

Mr. Ott pointed out LAFCO was not a party to the consolidation or Joint Power Authority, but rather a review of consolidation as they did when Fallbrook and De Luz consolidated. He noted LAFCO was a state-chartered organization. He reiterated according to LAFCO law consolidation occurs without an election unless there is protest if that consolidation is supported by the Board of Directors of each of the affected districts as noted in the 56000 Section of the Government Code. He said whatever citations being referred to by Director McPhee are not applicable for consolidations and the only prevailing law would be the 56000 Section of the Government Code. He stated again LAFCO would not be a party to the consolidation but a regulatory agency that would give its approval and consideration.

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Director McPhee asked if Mr. Ott was essentially saying that five people would be making a decision for 10,000-12,000 people. Mr. Ott backed up to his earlier comment that the individual Board Members for Rainbow and Fallbrook hold tremendous authority in their hands by deciding whether or not to initiate consolidation. He explained the initiation would take place locally and would tie LAFCO's hands in that they will need to review the terms and conditions to make sure the proposal is financially feasible but ultimately the authority rests at home here with the Board of Directors collectively. Director McPhee stressed ratepayers could also activate a consolidation or at least vote on it. Mr. Ott said they can initiate a consolidation by submitting a petition to LAFCO.

Director McDougal mentioned he was involved in the very beginning of this when the ad hoc committees were formed and took a very close look at a number of issues to get where they are today. He said all businessmen need to look at operational costs and as stated earlier over 60% of the costs that both districts incur are the costs of water. He pointed out there was very little that could be done about that unless they find a new source of water something which both agencies are working on. He explained 60% of the districts' costs are virtually uncontrollable due to the fact they are tied into San Diego County Water Authority and Metropolitan. He noted the next largest cost to both organizations are in labor and this was where the savings comes in by being able to combine labor sources to try to become more efficient as an operation. He highlighted how the sharing of assets can benefit both organizations. He added Fallbrook had assets that were not being totally utilized such as recycled water due to the fact they do not have a source to utilize all that water. He said in reverse of that Rainbow has no recycled water because they do not do their own wastewater treatment; therefore, it was conceivable Rainbow could rent a reservoir to Fallbrook so that this water could be used when water is in short supply or be used for Rainbow customers who can use recycled water at a lower cost. He stressed he has looked at this very thoroughly and he really feels there is a value of consolidation not only from a business sense but also from being able to share and utilize assets from both organizations collectively rather than those organizations operating independently. He concluded by stating it was not very often that opportunities like this come along, but he thinks the timing is right to take a very hard look at it.

Director Hayden stated he has not made a decision on this issue, but he does support to the absolute length and extent of the full exploration of the matter. He said he has heard the comments from the audience and he, too, is interested in the details. He noted his background was working in the County as a financial planner tasked with building the County's \$2 billion dollar budget and there was an incredible amount of detail involved there and he was looking forward to seeing these details as well. He concluded by stressing he wants to be compelled to cast his vote which he was looking to.

President Davies talked about his affiliation with both the sewer and water districts for almost thirty-one years. He briefly spoke of the past merger Mr. Tinker mentioned earlier. He mentioned he also worked for the fire department at the time LAFCO assisted with its consolidation. He noted he was also on the ad hoc committee along with Director McDougal to see if there was enough going on to look into a possible consolidation, especially upper ranks leaving (or nearly leaving) offers an incredible opportunity. He mentioned the water program Fallbrook has been chasing for almost 70 years over getting their rightful share out of the Santa Margarita River to which they are closer now than ever to achieving. He noted if the two districts became one agency he believed this water could

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be shared as well as a number of other resources with better management under one house. He mentioned Fallbrook would not take on Rainbow's debt or vice versa, but they have administratively put an umbrella over both entities and each job is charged to whichever entity that is being performed under. He stressed one of the number one things that Mr. Ott will make sure happens is that the employees are taken care of and if that is not addressed, the districts will have problems as Mr. Ott holds their feet to fire as he has done many times before in this community. He stated nobody was going to lose their job, but this would be done through attrition, people leaving voluntarily, and reassignments. He told everyone the number one problem was how ten people are going to figure out which of the Board Members was going to go away. He concluded by stating he was obviously in favor of consolidation due to the fact he has seen enough of the numbers and is convinced the time is now and the place is here.

President McManigle stated at this point he is in favor of the consolidation; however, there were still a load of questions to answer. He pointed out there will be a great deal of development happening in the Rainbow area and one of the things everyone was concerned about was how to keep the two agencies' bills separate. He noted consultants were brought in who told everyone about divisional accounting which was a means to keep Rainbow and Fallbrook separate with the advantage of bringing those resources together. He stressed there are a lot of resources that have not been analyzed as of yet; therefore, the savings may even be greater than expected.

Director Sanford made mention of his comments to his fellow Board Members that if this makes economic sense then he is all for it and if it does not it will not fly as far as he is concerned. He said from what he has seen so far it is a tough argument to not win given the numbers they have been looking at. He stated to him saving \$2M or saving \$500,000, it was certainly better than wasting that money.

Director Griffiths mentioned how he was in all in favor of consolidations eight years ago; however, Fallbrook Public Utility District threw Rainbow Municipal Water District out due to the fact Rainbow Municipal Water District was looking at spending millions of dollars on its system. He pointed out Rainbow had decided to pay as they go over the past several years and was now in a very good financial situation and effectively free and clear of debt. He said now Rainbow Municipal Water District needed to look at its future obligations such as developments as well as whether or not Fallbrook Public Utility District would be facing pretty heavy expenditures on their wastewater system as well as on anything coming from Camp Pendleton. He said although this may not be exactly right, it was his feeling at the moment and before he wants to jump in and "get married" per say, he wants to know if the suitor is in or expecting to be in deep financial trouble. He also commented on recycled water was quite expensive at the moment. He added how normally the rate of recycling water was not quite good enough for general purpose agriculture.

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Director Griffiths expressed serious concern that regardless of what the law says or what anything says, we have some sort of democracy. He said he does not see the authority other than Government Code Section 56853 that says the districts do not need an election. He stressed this may be okay for some; however, the ratepayers will have to live with what was going to happen and they should at least have an opportunity to voice their opinion. He pointed out the other argument was that the Board was elected by the people they represent; therefore, the Board should be able to decide. He concluded by stating in order to have a consolidation without an election there must be 25% more of the affected population to protest it; therefore, he would like to find out if all the members of both Boards of Directors equals 20% of the voters, they will need a 4-1 election majority to go forward without an election.

Mr. Ott reiterated the protest provisions are not very complicated. He explained after LAFCO gives its approval to a consolidation there is a 30-day protest period allows for which 25% of the voters or landowners can register protest. He pointed out if this does happen, an election will be triggered. He said absent that 25% threshold, the consolidation would be ratified without an election. He noted this was the law today which has been in place for approximately fifteen years in terms of this format.

Director Griffiths expressed concern the threshold was too high and the requirements were ridiculous and would never be achievable; therefore, it was written that way. He added, however, he stated the people should be able to take a vote if they so desire regardless of what Sacramento says. He stressed he would seriously protest anything that takes away the right to public vote. He noted although he was quite an admirer of LAFCO, he felt strongly this process to be very unfair and if he were LAFCO he would be very reluctant to tell the people they do not need an election when they are the ones who have to pay the bills and live with the consolidation. He stressed everyone has a responsibility to the people.

Director Lucy stated he was in the agricultural business as well as a member of the consolidation ad hoc committee. He noted how the country talks about efficient government and why Washington and Sacramento were not more efficient. He pointed out these two districts have an opportunity to try to be more efficient here and there were some people who have been balking at that. He said much like Director McManigle, he was unsure of all the details and what was happening and what will be found out over the next six months; however, it was very intriguing idea with some amazing possibilities. He said the presentations given by the general managers so far have been right on the mark and these were good, honest men. He stressed efficient government should be the goal.

Director Lucy talked about the concern regarding whether or not this consolidation would be done on the back of the Rank In File employees. He noted this was very important to everyone on the ad hoc committee and the general managers convinced them this would not happen, but rather be done in a very fair manner. He talked about how the idea of

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divisional accounting was also critical to the committee in that people would not be taking on the burdens of other districts. He stated this too appears to be very fair and workable as it has been done before. He spoke of the ad hoc committee having a very difficult challenge with not wanting to go too far down the line to have it appear they were already setting the path, but also wanted to make sure everyone had a fair input on this matter. He concluded by expressing he felt the committee has done a pretty fair job at getting the public involved as well as trying to find the best solutions for both districts.

Director Brazier although she was new to the RMWD Board, she has been spent more than fifteen years sitting in the back row in the audience of her own water district expressing opinions, gathering information, and watching it turn a very deep corner. She asked two questions that could be answered simply by Mr. Ott. She first asked for clarification on the subject of whether or not a complete consolidation was difficult to undo when it was her understanding that it was virtually difficult to undo.

Mr. Ott stated nothing is impossible, but it is very difficult to reverse. He noted before consolidating every aspect of due diligence must be conducted and all questions answered prior to deciding to merge completely. He said much of this burden is placed on the two districts to be able to show LAFCO that the answers to those questions have been answered through variable outreach efforts in order to provide a confidence level that the public was also engaged and supported by these actions that the next step would be to approve it.

Director Brazier said she does not make decisions easily without a sufficient amount of information at this point on this issue she certainly does not have it. She next asked Mr. Ott if her understanding was correct in that each have a vote at San Diego County Water Authority and should they consolidate they would lose a vote. Mr. Ott deferred this question to Dr. Brady who in turn explained each of the districts has a percentage vote and whether it was one individual on that board or two on the board, that percentage would not change. He added it may be possible to petition to maintain two members on the SDCWA Board of Directors. He pointed out in either case they would maintain that collective percentage.

Director Brazier commented on the fact that Rainbow Municipal Water District was understaffed, especially with the proposed development across Highway 76. She pointed out the construction crews borrow people from other crews to do the work and the engineering department is severely stressed due to the fact it is doing work in anticipation of and preparation for the proposed new development. She said rather than being able to spare people, the Rainbow Municipal Water District was understaffed now and any savings to be achieved by cutting staff at the district she cannot see at this point. She noted her second issue was in regards to how much effort was put into consideration of functional consolidation with four districts at the very beginning of these talks and if the savings between that and formal consolidation were considered because after all formal consolidation was a serious issue and we ought to spend a great deal of time getting to the bottom of every question that needs to be answered before moving into such a serious circumstance

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Mr. Vanderlaan solicited for any final comments from the members of the audience and Board Members.

Director Hayden asked how long the timeline on the LAFCO process would be once it has been decided to initiate consolidation. Mr. Ott explained LAFCO's processing time was around 6-12 months with a great deal of it depends on the completeness of the application presented to them. He said a more reasonable time frame would probably be twelve months.

Mr. Ott made talked about some of the "killers" to consolidation. He pointed out they have had as many consolidations cancel as they have had consolidation efforts succeed in this county. He noted the killers are when there is going to be a portion of bad threat to employees of the successor district, i.e., districts that want to consolidate and use cost savings associated with combining resources sharing infrastructure, equipment, facilities, etc. but those cost savings are not put back in terms of direct benefits to the ratepayers but instead to the employees. He stressed this was not unheard of and has been proposed in front of their commission before and they are "killers". He stated even though he has talked about various paths where there is mandatory LAFCO approval for consolidation, you can believe LAFCO will find a way to derail an effort if it is going to misuse public funds such as that. He concluded by noting all the questions of the audience in terms of what are the benefits as well as what will be done with the cost savings were all excellent questions which was exactly he wants to see not only in terms of bullet points, but as evidence to support a merger.

Mr. Vanderlaan noted this was the start of the process of "waking up the town and tell the people". He encouraged members of the audience to get the ratepayers to attend their respect Board meetings. He said the concern about five directors making a decision as to whether or not they are going to go forward for each of the groups was really up to ratepayers due to the fact they have elected these officials and their attendance at meetings or getting in contact with them certainly has an effect on how they vote. He stated the bottom line was that he thought was what was being demonstrated here was government at it best. He pointed out it was not too often an opportunity comes up for someone to attend an open meeting like this and be able to speak on an issue before it has even gone through the voting process. He stressed it really was the votes of the public that count and even though it would take a lot to go through a protest provision of 25%, the ratepayers can go directly to the Board Members and state their comments and concerns. He closed by providing a brief history of his involvement with LAFCO first as a member of the Special District's Advisory Committee for approximately eighteen years and was now into his fourteenth year on the Commission and by pointing out this community was very fortunate to have the excellent staff and very balanced Board they have in place at San Diego County LAFCO.

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5. **ADJOURNMENT - To Tuesday, September 25, 2012, at 1:00 p.m.**

Action:

Moved by Director Brazier to adjourn the meeting to a regular Board meeting on Tuesday, September 25, 2012 at 1:00 p.m. Seconded by President McManigle.

After consideration, the motion CARRIED by the following vote:

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

NOES: None.

ABSTAINED: None.

ABSENT: None.

The meeting was adjourned at 5:56 p.m.

George McManigle, Board President

Dawn M. Washburn, Board Secretary

(*) - Asterisk indicates a report is attached.