

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
SEPTEMBER 25, 2012**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on September 25, 2012 was called to order by President McManigle at 10:01 a.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 Griffiths
Director McManigle
Director Brazier

Absent: Director Lucy
Director Sanford

Also Present: Finance Manager Buckley
Human Resources & Safety Manager Bush
Assistant General Manager/District Engineer Lee
General Manager Seymour
Executive Assistant/Board Secretary Washburn
Legal Counsel Moser
Water Operations & Customer Service Manager Atilano
Superintendent Maccarrone
Superintendent Miller
Associate Engineer Plonka
Superintendent Walker

One public and approximately thirty-four staff members were present before Closed Session. Four members of the public were present for Open Session.

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

There were no changes to the agenda.

Time: 10:00 a.m.

5. **EMPLOYEE MEETING WITH BOARD OF DIRECTORS**

Mr. Seymour noted both Directors Sanford and Lucy apologized for not being able to attend this meeting.

(*) - Asterisk indicates a report is attached.

Tom Sjuneson asked what the general consensus after the meeting with the joint Boards on September 11, 2012. President McManigle pointed out approximately 90 people attended, it was reasonably well-presented, and LAFCO let everybody know what the procedure was going to be. He added he was very disappointed that the first gentlemen who stood up during the comment period said something about when Fallbrook takes over Rainbow and how he sent a message over to the LAFCO representative that nobody is taking over anyone who in turn made sure this was made public knowledge. He noted the comments from the group were below his expectation; however, it seemed that most everyone present was satisfied with what was presented and acknowledged there was a great deal more information to be researched before moving forward. He said all-in-all he had mixed feelings, but felt it was mostly positive.

Mr. Sjuneson inquired as to whether or not President McManigle would say this would be an ongoing topic perhaps with the RMWD employees. President McManigle answered absolutely, especially since the employees were a very important part of the public that has to be satisfied with how this thing comes into being.

President McManigle explained what took place at the meeting by noting it started with Boards opening the meeting with LAFCO taking over with giving an overview of what LAFCO does with their decision makers. He pointed out Michael Ott was tasked with explaining the procedural steps would take place as things move forward. He noted Mr. Ott's timeline was approximately one year due to the all the "nuts and bolts" that have to be looked at before any decisions are made.

Director Griffiths noted how eight years ago he was completely in favor of this type of activity of joining the two agencies due to the fact he saw two very inefficient outfits could be combined; however, RMWD was thrown out by FPUD at that time mostly because of the way RMWD was operating at the time. He said it was his opinion the general managers got together to push this thing through which makes sense if it can be balanced out. He expressed concern with the idea of separate accounting for the two entities due to the fact it was unclear exactly how much FPUD owes for a number of their facilities. He stated any merger was a long way off and he felt very strongly (as an elected official) the public members affected should have a vote as opposed to having a consolidation go through LAFCO. He said the idea was very good, but the implementation was problematic. He talked about FPUD's financials as well as about Beck Reservoir. He stated Directors are responsible for thinking 10-20 years ahead and he would be horrified to lose Beck Reservoir as a drinking water reservoir. He concluded by stating yes, he was in favor of this; however, not with the insufficiencies that still exist.

Director Brazier said she was distressed before the September 11, 2012 meeting even began. She pointed out at the July RMWD Board meeting, this Board of Directors did not know what the joint meeting would do. She noted FPUD's Board had a Special meeting on August 7th when they knew they wanted a cross-consultation between Boards. She said she found out in The Village News what was on the September 11th meeting's agenda and what the meeting would be. She said she found this worrisome as far as she was concerned in that there would be any sense of equal degree of cooperation due to the fact it appeared FPUD took the ball and ran and RMWD was left with its mouths hanging open. She said the fact that LAFCO seemed to be on a "meet and greet" meeting in many ways, there still was an impression that some people have that it is a done deal. She said she was delighted to hear Mr. Seymour say in the press on a number of occasions it is not done and was still under consideration whether or not to consolidate. She stressed although she was in favor of doing whatever RMWD can do to save money, she has grave concerns about consolidation. She stated at the September 11th meeting, Mr. Ott of LAFCO made it very clear that if not impossible, it would be nearly

impossible to undo a consolidation once it has been done. She noted it would require a substantial petition gathering of the people both to prevent it from being approved and to achieve a vote of people. She mentioned it seemed to her LAFCO was in business and on a mission to consolidate and to do away with Special Districts; therefore it was not surprising this was their attitude. She commented there were some things she will elaborate later on in this meeting that she found interesting in Dr. Brady's presentation. She noted her disappointment there was not an opportunity at the end the Directors' comments for the public to ask questions that may have arisen out of what they heard in either the presentations or the Directors' comments. She concluded by stating she hoped there would be more joint Board meetings in the future.

Chris Heincy talked about the merger that took place back in the 1990's and how those entities are still in the same situation they were 15-20 years ago and were now looking to RMWD. President McManigle asked Mr. Heincy to elaborate on the predicament those agencies were still in. Mr. Heincy explained they are both financially hurting and looking for RMWD to help them and that it was obvious the consolidation would put them in the black in three years. He asked what is to say now as one whole district we are not in the same situation those other merged agencies are in today in coming years, especially since they have already consolidated two other times that did not really benefit them (at least on paper). President McManigle reiterated nobody was taking over anybody and when and if this merger happens, it would be a completely new organization. He explained a consultant came in to provide an option which was divisional accounting that would fall under the one new organization. He stated all of RMWD's current and future obligations would go into one division of the new organization and all of FPUD's obligations would be under another division. He explained this gives the highest level at which to look after both of these divisional organizations. He noted RMWD would not be taking over FPUD's predicament nor were they taking over RMWD's. Mr. Heincy said in order for him to grasp a better understanding of this matter he asked if everything is going to be separate as everyone keeps saying and the only means of saving \$2.5M savings after three years was basically through downsizing of employees along with a few other items, then why would the agencies need to join to do such.

Director Brazier stated RMWD has had experience with divisional accounting between its water and sewer with monies being borrowed between the two accounts. She stated this causes concerns about the possibility that one division could borrow from another division on a vote of the Board or depending on how a vote is configured to look into that. She stressed a number of things have not been spelled out and a lot of questions have not answered. She noted one of her concerns; divisional accounting does not mean there is a firewall, but rather it is porous and more like a picket fence.

Director Griffiths stressed the fact he cannot get any clear information regarding recovered water as well as how very concerned he his about how FPUD handles their finances and expenses, especially with their purchase of a sewer treatment plant and other major purchases that do not make economic sense.

Mr. Seymour mentioned Gordon Tinker was the General Manager when FPUD did all their previous consolidations that went up in smoke in a round-about way. He estimated their savings were expected to be \$4M-\$5M combined which at that time really helped those agencies function. He pointed out even though there have not been additional savings since then, does not mean they should not have combined back at that time. He noted this was the same situation here in that should the consolidation go through, would it not make sense to have a per year savings and nothing more than not save every year.

Justin Demary commented on joining forces and how would they be able to implement rate increases for one division and not the other. He projected FPUD would have to raise their rates in the future due to the fact (as stated at the September 11th meeting) the \$3.5 savings will be wiped out in 3-5 years by Metropolitan and San Diego County Water Authority. President McManigle explained under one district, there would be two divisional departments; therefore, if one division needs to raise their rates it can be done without the other division doing the same. Mr. Demary clarified one division can have their rates increased \$.05 and the other \$.07. President McManigle confirmed this was true.

Legal Counsel pointed out there are numerous water districts that have different rates for different parts of their districts for various reasons (elevation, the reservoir serving the area, etc.). He stated there was no legal reason why one agency cannot have different rates for separate parts of the agency as long as that rate is justified with causes. He elaborated if costs are going to be spread across the district within the rate base the entire cost areas of the district served can be charged more in different areas.

Director Brazier pointed out any rate increases would be at the discretion of the one Board governing the new agency.

Midge Thomas stated what she has been seeing and hearing sounds as though there may be inefficient staff at RMWD. She said based on the fact a new general manager may not know each RMWD employee who very well could be very efficient in their job, will there be discussions held with someone who knows the employee job performances prior to deciding which employees may be let go. President McManigle noted Human Resources should have a record of employee performances and he was sure those personnel files would be evaluated during the discussions.

Legal Counsel noted there was a recent consolidation of Lakeside/Riverview in which two small organizations merged. He assured LAFCO will be looking for some kind of understanding of what the terms and conditions are going to be for employees and so one would hope that if this were to go through and follows the course that most of these mergers do, there would be live conversations with the employees at the beginning so they would know exactly what was going on and what was going to happen with the contract due to the fact LAFCO will be looking for employee issues to be dealt with in terms and conditions of the plan to come together. He said he would think management would have exactly these types of conversations due to the fact the agencies would want the employee issues dealt with early.

Kevin Miller noted his observation at the September 11th meeting was how the General Manager's presentation started out with comparing RMWD staff with FPUD's. He said in doing so he felt it was pretty one-sided and interesting due to the fact he did not hear Dr. Brady make any comparison of how FPUD could eliminate some positions to help out. Mr. Seymour asked for clarification. Mr. Miller explained it was in the beginning when Dr. Brady compared the RMWD sewer crew employees and how it did not seem to be a fair comparison or basically not a really true statement backed up with facts. Mr. Seymour explained the only direct comparison made was sewer cleaning and how Dr. Brady was not saying they would get rid of RMWD people, but rather if the agencies combine the total sewer employees, the newly formed agency could get by with eight or ten employees instead of fifteen. He pointed out Dr. Brady was not saying RMWD or FPUD employees are inefficient, just that by combining the two together would make the district more efficient by getting more work done with less people. Mr. Miller stated he did not think Dr. Brady was questioning the employee efficiency, but he found it to be

very clear or fair, especially to those who will be making the staffing decisions. He noted there were staff members doing various different tasks than may not be in their current job descriptions.

Director Griffiths agreed with Mr. Miller. He noted FPUD has a completely different setup for sewer including a sewer treatment plant and a true comparison between the two could not be done. He said to do so at a public meeting without making this point clear was a mistake. He stressed his opinion that RMWD appeared to be very lean in the field. Mr. Seymour pointed out Dr. Brady specifically stated those numbers provided did not include people working at the wastewater treatment plant. Director Griffiths stated he must have missed this part.

Director Brazier stated she has a problem with the method of basing the number of wastewater employees on per thousand water accounts. She pointed out it was very different reading 1,000 meters in RMWD than it is reading 1,000 meters in downtown Fallbrook. She stressed there is a very big difference in servicing pipeline to serve 1,000 meters in RMWD's rural and spread out district as opposed to taking care of pipeline to service 1,000 homes and developments in Fallbrook. She said she found a problem with the metric and it needed to be explored and explained.

Patricia Collings referenced the manner in which the merger of water lines and sewer lines was portrayed at the September 11th meeting. She pointed out although it was true FPUD has a little more to manage on the sewer side, RMWD has more on the water mains. She stated the comparison was kind of confusing because they put it to manpower and FPUD actually does have more manpower than RMWD. She suggested this also needed to be looked at.

Brian Fonseca stated he did not see how it would pan out that one combined district would be more efficient with less people and less equipment.

Director Brazier pointed out when another agency went through this and cut employees they outsourced.

Chris Heincy addressed Legal Counsel about the comment regarding the contracts presented to LAFCO prior to consolidating so that they would see how it will all be laid after which they would make their decision. He said quite honestly he does not know of any field employees that are for consolidating, but rather feel very intimidated by it and have the perception they are the potential "scapegoats". He said once the whole thing is laid out and approved by LAFCO, what is to say a year or two down the road when the MOU expires and a "free for all" on cutting, laying off, "golden handshakes", or whatever might be is created.

President McManigle asked the employees that feel they are currently irrelevant to this organization to raise their hands. It was noted nobody raised their hands. President McManigle asked the employees why they would think if a merger happens they would be irrelevant. Kirsten Plonka answered it was because the perception of Dr. Brady is bad. She was honest with the Board noting Dr. Brady does not have a good reputation as far being someone that people would want to work for. She pointed out the two cultures were very very different and after some RMWD employees have spoken with some FPUD employees it was discovered FPUD's employees were not happy with Dr. Brady either. She said the thought to go work for someone very different than Mr. Seymour (whom the employees love, think is a great general manager, and have overcome many strides with) who is unknown with a bad reputation possibly becoming their general manager does not make them happy.

Ms. Rhyne referred back to the sewer concerns raised by Mr. Heincy. She pointed out due to the fact she did not have sewer, she attended FPUD's meetings to find out how much she would be charged for their sewer service. She told the Board Mr. Price was the general manager at the time and the merger that took place was a hostile takeover and it did not reduce the ratepayer sewer bills at all. She stated she did not notice FPUD making any headway with the exception of having the same directors on the sewer as well as the water and it was a done deal. She concluded by stating there has to be an end put to making money out of taking over sewer.

Mr. Heincy spoke on behalf of the employees when he clarified the employees do not feel irrelevant at RMWD; however, there is a lot of uneasiness with the notion of consolidation. He said regardless of whether RMWD's general manager stays or not, it seems as though everything was focused on Dr. Brady. He revisited the sewer comment noted by FPUD's general manager, why did it appear the microscope was on RMWD. President McManigle asked where the comments were coming from. Mr. Heincy answered they were in what the employees read and hear.

Mr. Demary pointed out there were comments made by a FPUD Board Member in his paid advertisement published in The Village News regarding how they are going to takeover RMWD. Director Brazier explained The Village News now has a new policy where Board Members and Candidates for any organization cannot write Letters to the Editor. Mr. Seymour noted the policy in place may also be changed due to the inflammatory comments made in the most recent Board Member paid advertisement.

President McManigle suggested the employees not read The Village News due to the fact the information being put out there may not be accurate. Mrs. Plonka asked if the employees get these perceptions, would not the public get the same. President McManigle stated he supposed so.

Director Brazier pointed out how the RMWD Board Members searched and chose a general manager to serve this district's needs just as FPUD did to serve their needs; therefore, the district attitudes may not be the same. She questioned how then would a fair selection be made to choose who would lead the agency. She stressed the progress RMWD has made over the past five years is great and she would hate to see that damaged.

Mrs. Plonka asked the Board that when the staffing studies are done if they could be reviewed by current workforce due to the fact she cannot see anyone at RMWD who is not working 100% and to eliminate a position (even through attrition), it would take two people who are not working 100% to be able to consolidate that workload, including the general manager.

Mr. Sjuneson asked whether or not zoning has been discussed. President McManigle stated this has not been fully discussed as of yet due to the fact RMWD was divisional and FPUD was not. He noted this was going to be one of the major issues with consolidating.

Mr. Sjuneson inquired as to whether the RMWD Board has discussed what they would be fully satisfied with in order to make a decision to walk away or proceed. Director Griffiths stated this merger was not driven by the Board, but rather by the general managers after looking at a functional consolidation with other agencies. He pointed out from what he has observed he feels RMWD field staff was stretched very thin and he personally would not see cutting back on field forces; however, he was unsure whether or not FPUD's field staff would be moved over.

Director Brazier stated the Board knows as much as the employees based on the fact all of the information has been provided in public meetings and that there have been no closed door discussions.

Mr. Fonseca inquired as to why the other agencies had dropped out of consolidating functionally. Mr. Seymour pointed out Yuima has considerable amount of water resources and as a result they are able to keep their water rates down. He said Valley Center was hesitant to move towards a jurisdictional consolidation; however, they are still very interested in a functional consolidation. Mr. Fonseca asked whether or not RMWD wanted to risk all of the revenue it will be inheriting. Mr. Seymour reiterated if you keep the finances separate, this would not happen and how it will be treated just as Improvement Districts 1 and 6 have been. Mr. Fonseca asked with all the cost to switch everything over would it be recovered in 2-3 years. Mr. Seymour explained how within the first two years, there will still be a savings even after recovering all the costs to consolidate. He said after that point, the savings would be approximately \$2.5M per year. Mr. Fonseca inquired as to what happens if that money is not saved. Mr. Seymour stated they will have to see which will be accomplished by cutting the proposed number people. He pointed out both Boards have stated publicly the reduction in staff would be through attrition and how just in the first year the savings has already been met through current absorption of positions and layoffs, respectively. Mr. Fonseca questioned then why would RMWD want to consolidate. Mr. Seymour noted by consolidating you gain efficiencies as well as savings. He also pointed out new hires will have to pay more toward their insurance, etc. Mr. Fonseca said if RMWD was already cutting down in insurance and other things for new hires, why would we bring someone in a high rate that has the same retirement plan as RMWD. Mr. Seymour stated if the agencies do not consolidate, this probably would occur over time as some employees decide to leave for whatever reason. He clarified nobody would be forced out of their job with the exception of he and possibly Dr. Brady. He reiterated the districts were already half way to their savings goal for the first year along through attrition. Mr. Fonseca asked whether or not that money was being saved in a separate account. Mr. Seymour explained everything saved was going into operating funds and that as fast as RMWD was saving, it was being spent.

Mr. Seymour pointed out all the two districts were trying to do was to cut costs and save on expenses which was the same anyone would do with their personal financing. He talked about how something has to be done and that although a consolidation will not cure all the issues, it would most certainly help.

Chris Hand asked about savings generated from staff reductions. President McManigle said they would be reducing the higher level positions as well as not duplicating such which would eliminate salary, benefits, etc.

Mike Adams stated when one reduces overhead staff, many of times it in turn results in individuals being promoted to higher levels which is accompanied with a salary increase due to the fact they will be taking on more workload. He said it seems as though the organization does not necessarily save money when you take this into consideration.

Mr. Hand talked about how he does not see the point of having one supervisor and three superintendents. Mr. Seymour explained when you look at other agencies bigger than this consolidated district, they have one general manager, one engineer, and one finance manager. He stated whether you are managing an agency with 50 or 500 people, the workload of a general manager does not change and the bulk of the savings comes from not paying the

higher benefit costs. He mentioned those individuals working on their certificates, etc. may need to go on to other agencies in order to move up.

Director Brazier said she would like to see the Board pursue what the savings would be with a functional consolidation.

Justin Demary mentioned how in 2005 Pardee Homes approached RMWD who in turn turned their development away which was going to bring RMWD millions of dollars in revenue. He inquired as to why RMWD was not asking Pardee to come back. President McManigle said this was not entirely true due to the fact Pardee Homes was going to build a sewer treatment plant which they were going to turn over to RMWD to operate which was going to cost the district \$10M to run. He noted Pardee Homes may be "back in the game"; however, that was unclear at this point. Director Griffiths added RMWD would still say it was the district's desire not to have sewer ponds or a treatment plant, but rather transport the sewer down to the City of Oceanside which was now made possible.

Director Brazier gave a shout out to the RMWD Engineering Department. She pointed out she was present when engineering was outsourced which did not always work in the best interest of RMWD. She said for the past few years, this engineering department has managed to recalculate the number of gallons per EDU thereby enabling the district to serve more developments. She stressed this was an absolutely positive direction in which RMWD was heading. Mr. Demary reiterated with agriculture going away, RMWD will need more homes to be developed. Director Griffiths stated RMWD will get them. President McManigle pointed out if there agricultural goes away, residential water rates are going to skyrocket.

Kenny Diaz asked if the districts consolidate, would there be any forced layoffs. President McManigle said there was no plan to do such.

Director Brazier commented on agriculture and development. She said it was her understanding if development really wanted to come in and if they were willing to pay, it could be possible to expand at the City of Oceanside at a cost. She stressed there were numerous options and RMWD should not close its mind to any of them. Director Griffiths reiterated with the area being a nice place to live, homes will be developed.

Mr. Heincy asked whether or not fixed charges would offset the loss of agriculture and prevent residential prices from going "sky high". Director Griffiths pointed out expenses were pretty-well fixed and the only variables are water purchases and sales. He explained why he thought effectively there should be a high percentage of fixed charges versus consumption charges.

Ms. Thomas mentioned she has paid water bills to both RMWD and FPUD which appeared to be the same. She talked about the high cost of water in this area and how some may not realize how expensive it is to live here. She said based on this fact alone she understood RMWD looking at options to save money.

Mr. Fonseca asked if this was the case, then would it not be better to have more homes with a fixed rate as opposed to groves in the area. Mr. Seymour noted SDCWA and MWD have done numerous studies on what could be done should agricultural consumers leave the area and have found there may not be a means of setting the residential fees high enough to cover the agricultural losses and still have domestic rates stay tolerable for domestic ratepayers.

Mr. Heincy admitted he did not realize how much more this area was paying for water than those in Riverside County and asked whether or not research was being done on other water resources. Mr. Lee explained RMWD was looking at alternative water sources including groundwater from both the Rainbow and San Luis Rey River basins, possibly using recycled water, reclaimed water, etc. He said this research was being conducted regardless of consolidating or not. President McManigle added that the Board has been looking at options over the past three years including putting a tank at Beck Reservoir as well as whether or not to treat or cover it.

Discussion ensued regarding where reclaimed water originated at FPUD. Director Griffiths expressed concern the quality of reclaimed water was not good for agricultural use. He recommended ultra violet treatment be utilized at Beck Reservoir. It was also noted Beck Reservoir could provide water to all of RMWD including new developments.

Mr. Lee explained it would take a dual piping system to provide reclaimed water which was an enormous and expensive undertaking; therefore, studies were being conducted to determine what should be done as far as a delivery system. He agreed with Director Griffiths in the sense the water quality you receive from reclaimed is high in salts; however, studies were being conducted to see if this can be fixed. He concluded by stating the current research was a stepping stone and that the district was looking 5-15 years out for a resolution.

Mr. Adams thanked the Board for getting together with the employees; however, he was sad the employees would not be able to hear from Directors Lucy and Sanford.

Mr. Hand clarified his earlier comment.

Ms. Rhyne asked how many people present knew MWD charges San Diego a whole lot more for water than they do Riverside, Orange, and Los Angeles counties. She pointed out how agencies in these areas are putting San Diego down due to the fact they fear how much more they will pay for water if San Diego wins its lawsuit against MWD.

President McManigle encouraged the employees to read RMWD's monthly agenda. Ms. Washburn noted exactly where the agendas are posted including on the website.

Scott Simpson asked if the Board had an idea of where they came up with the number of staff for cost savings. Mr. Seymour stated he and Dr. Brady looked at both organizations and took their best guess as to what they needed to consolidate their organization until they agreed on a bottom line number. He stated they wanted to be sure to not over promise and under deliver; therefore, they believe the number was reasonable. Mr. Heincy pointed out there could be potential for this number to be wrong. Mr. Seymour replied he thought there was still room for being more conservative; however, when taking into consideration potential developments, they thought it would be better to not cut more positions. Director Brazier pointed out there how even at this point there was more demand for staff time in planning and preparing for those new developments.

Mr. Hand inquired as to the cost associated with the research that has been conducted so far in regards to consolidation. Mr. Seymour stated to date it has cost a combined total of approximately \$30,000. He confirmed there was still more research to be done; however, at this point the FPUD Board only approved a financial analysis at this time unlike the RMWD Board who approved studying all aspects of a potential consolidation. He noted they would be looking at spending approximately \$200,000 if they get to a point where the Boards feel

comfortable to decide to move forward. He pointed out for the amount of money that will need to be spent both Boards want to be certain. He also noted to spend \$200,000 to save millions was not a lot of money.

Mr. Hand asked that if FPUD wants this to go through so bad why would they not approve the studies. Mr. Seymour said he did not think FPUD's Board wanted this to go through any more than RMWD's Board due to the fact everybody wants more information before making a decision.

Ramon Zuniga inquired as to whether or not the proposed timelines would be pushed back a few years due to studies not being completed, holding meetings, etc. President McManigle explained the studies that have been determined to be necessary must be done in order for both Boards to make a decision.

Director Griffiths expressed his opinion it was now a matter of financial obligations. He also stressed RMWD was not in excess of staffing in the field and reiterated he would be against staff reduction in that area.

Director Brazier stated as a Board Member she was responsible for looking out for the financial welfare of this district and as the elected appointee and now candidate to represent Division one, she also has the responsibility of that particular division as well as the remainder of RMWD. She expressed her concern that when any efficiencies incurred will be at the sacrifice to service the district customers.

Kirsten Plonka asked the Board to review the next processes for this Board and what decisions they will have to make when FPUD was voting to do studies in steps. President McManigle confirmed he sees this Board needing to take a lot of votes prior to reaching a final decision. He said these votes will take place as things are presented to them as action items on the agenda.

Mr. Seymour pointed out a standing agenda item has been on RMWD's agenda for the past several months regarding consolidation. He said other than employee comments, there has not been too much information; however, they were hopeful to have a draft plan to present to LAFCO on the RMWD Board Meeting agenda at the end of the year for Board consideration. He said although this plan will be incomplete, it will at the very least answer almost all the questions other than governance and give the FPUD's Board incentive to approve the remaining necessary steps. He stated if they do not, then it will probably die.

Mr. Heincy asked if the plan to which Mr. Seymour was referring would include the employee makeup of the two districts combined. President McManigle noted it would have to according to LAFCO's terms. Director Brazier pointed out Dr. Brady told the FPUD Board yesterday the plan was almost finished.

Mr. Heincy inquired as to whether or not the plan being submitted would require meeting and conferring with employee groups or something totally separate. Mr. Seymour stated before the Board approves the plan, it would have to be discussed with employees to at least get their buy in. He emphasized he did not want to give employees a document prior to the Board receiving a copy. It was clarified this was a preliminary plan in draft form. Mr. Heincy pointed out how the timeline showed the two sets of employees would get together to "hash out" their MOU's. Mr. Seymour agreed this was their goal; however, the Board did not want to go that direction but rather look to see if there was any savings to be had before starting the rest of the process.

Mr. Demary asked whether or not future public forums could be held at a later time of day to accommodate the people who work during the day. He suggested 6:00 p.m. to give people a chance to get home or to the meeting. He also recommended these forums be better advertised.

Mr. Adams said although he wants to put his trust, faith, and loyalty into this Board, he was disappointed two directors were not present. President McManigle appreciated the comment; however, he would not pass judgment based on their absence due to the fact all of the Board Members have lives. Mr. Seymour stated he knows either of those directors would be more than welcome to meet with any employee at any time to answer questions.

Mr. Heincy told the Board all the employees appreciated the Board coming out and answering their questions. He stated everyone has pride in this District and are concerned about where the future was going when they have all helped build the District to where it is today. President McManigle stressed the Board too was very interested in the future of this district. He said this district was not just Board Members, but also employees who are the best workers and they want to encourage them. He reiterated he does not see anyone taking over anyone and RMWD was one large district that takes a whole lot of people to maintain.

Mr. Lee pointed out how he and Director McManigle have been at this district almost the same amount of time and that both of them were very proud of where this has come from where it was when they first came on board. He stated it was very difficult for him personally to be asked to give up a loyalty for a district he has worked so hard for. He noted it was not just a paycheck, but a loyalty issue due to the fact he was very proud of working for RMWD just as he was sure President McManigle was as well. He said staff has worked very hard together to get where they are and to be asked to shift that loyalty for an unknown was very difficult.

Mr. Heincy said he almost cringes at the fact an FPUD employee would be here working at some of the sites without the same pride or connection as a RMWD employee. President McManigle reminded the audience it would be a new organization with many unknowns; therefore, nobody has an inside track on this matter. Mr. Heincy explained the pride factor that causes uncertainty of melding staff together. President McManigle reiterated it was not necessarily true field staff would be going into unknown territory just because two organizations merged.

Mr. Sjuneson pointed out the unknown was very concerning to the employees. President McManigle agreed it was the same for the Board.

President McManigle encouraged staff to continue utilizing the suggestion boxes due to the fact the Board does receive and reads those comments. Director Griffiths told the employees not to be afraid to contact the directors personally if they have any serious concerns.

Director McManigle pointed out there has been a serious lack of news media present at RMWD meetings and a great deal of what has been reported was not the voice of RMWD by any means.

Mr. Hand asked whether or not the Directors would be willing to have more meetings such as this in the future. President McManigle and Director Brazier agreed this would be a good idea.

President McManigle called for a break at 11:55 a.m.

(*) - Asterisk indicates a report is attached.

The meeting adjourned to Closed Session at 12:00 p.m.

The meeting reconvened at 1:01 p.m.

Discussion went to Item #10.

6. CLOSED SESSION

A. Appointment; Employment; Evaluation of Performance – General Manager (Government Code §54957)

7. REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

This item was addressed under Item #11 herein.

Time Certain: 1:00 p.m.

8. PLEDGE OF ALLEGIANCE

9. REPEAT REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

This item was addressed under Item #11 herein.

10. REPEAT ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)

President McManigle noted Item #17 would be tabled.

Discussion went to Item #11.

11. ANNIVERSARY ACKNOWLEDGEMENT

A. Dave Seymour (5 Years)

President McManigle presented Mr. Seymour with his plaque and check in acknowledgement of his five years of outstanding service. He announced Mr. Seymour handed the Board his Letter of Resignation during the Closed Session to become effective before the end of the year. He noted Mr. Seymour assured the Board he would work with them to ensure they have the best opportunities as they look for another general manager.

Mr. Seymour stated the sole reason he was leaving was his voice. He said he loves it here and working with everyone; however, he does not feel he can be effective as the general manager without being able to vocalize as well. He thanked everyone for the past five years and noted he thoroughly enjoyed himself and has no regrets at all about the time he has spent at RMWD.

Discussion went to Item #12.

**12. 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.

***13. APPROVAL OF MINUTES**

A. August 28, 2012 - Regular Board Meeting

Action:

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

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director McManigle and Director Brazier.

NOES: None.

ABSTAINED: None.

ABSENT: Director Lucy and Director Sanford.

Director Griffiths referenced Page #13A3 and requested “does not” be changed to “may not” in his comment regarding a public vote. He also referenced Page #13A6, Item #14B where it mentioned Pardee Meters. It was decided to put the word “potential” before “Pardee Homes”. Director Griffiths pointed out the word “that” needed to be added after the word “all on Page #13A10.

Director McManigle referenced Page #13A6, top of the page, when he pointed out the word “from” should be “for”. He also noted the word “be” should be replaced with “been” on Page #13A7, the percentage on Page #13A8 should be “30%”, the word “minute” should be “meeting” on Page #13A-11, and that “a” should be added before “decision” on Page #13A-13 in the second line.

Discussion went to Item #14.

***14. REVIEW OF MINUTES FOR COMMENTS**

A. September 11, 2012 – Meeting of the FPUD and RMWD Joint Special Board Meeting/Public Forum

Mr. Seymour pointed out RMWD’s minutes from this particular meeting need to match FPUD’s minutes exactly; therefore, this was on the agenda for any changes or comments from the Board prior to approval. He noted this would be the only chance to make any comments.

There were no comments.

Discussion went to Item #15.

(*) - Asterisk indicates a report is attached.

15. 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)

B. Representative Report (Appointed Representative)

1. SDCWA

There was no report given.

2. CSDA

There was no report given.

3. LAFCO

There was no report given.

4. San Luis Rey Watershed Council

Director Brazier reported on the San Luis Rey Watershed Council meeting held on September 24, 2012 where discussion took place regarding plans of the Fallbrook Land Conservancy including the possibility of some hiking trails in the future. She also mentioned there have been squirrels found on Palomar with the plague.

Director Brazier expressed her uncertainty about being the appropriate person representing RMWD at these council meetings due to the fact she looked around the table and most of the participants were more knowledgeable in water. She told the Board if they wanted to appoint someone else as RMWD's representative, she would understand.

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

There were no reports.

D. Directors Comments

Director Griffiths mentioned his requests made to the Engineering Department over the past meetings for information regarding the present capacity of the line from Lift Station 2 to the Stallion Station. He also addressed Mr. Seymour about the "as built" drawings he was told they were not to be relied upon due to the fact they had not yet been checked. Mr. Lee pointed out the "as built" drawings were currently under review by the Engineering Department and they have not been accepted. He noted to be told not to rely upon them was common in the engineering industry. Mr. Lee clarified Directors Griffiths wanted to be notified by Engineering Department when the "as built" drawings are accepted.

Discussion went to Item #16.

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

A. Budget and Finance Committee

Mr. Carlstrom mentioned the committee did not meet last month due to the lack of a quorum. He also announced Mr. Petty has resigned from the committee. He mentioned even though they had enough committed members to hold their meetings, they are still looking for more volunteers.

B. Communications Committee

Ms. Washburn reported the Communications Committee met and focused mostly on the recent FPUD and RMWD Joint Board Meeting including how RMWD could be reporting information out to the public. She pointed out the committee had decided to continue relaying information via the monthly newsletter.

C. Engineering Committee

1. August 7, 2012 Minutes

Mr. Lee noted the committee met on September 11, 2012; however, they did not hold any significant discussions due to the fact the members were leaving to attend the RMWD/FPUD Joint Board Forum meeting.

Discussion went to Item #18.

BOARD ACTION ITEMS

***17. DISCUSSION AND POSSIBLE ACTION TO AWARD A PROFESSIONAL SERVICES CONTRACT TO DESIGN THE WASTEWATER OUTFALL REPLACEMENT PROJECT**

This item was tabled per Item #10 herein.

***18. DISCUSSION AND POSSIBLE ACTION REGARDING ACCEPTANCE OF STATE REVOLVING FUND LOANS FOR THE MORRO RESERVOIR AND/OR THE BECK RESERVOIR/PALA MESA TANK IF SUCH LOANS ARE OFFERED BY THE STATE OF CALIFORNIA**

Mr. Seymour explained RMWD was in the process of possibly being offered loans for the Morro Reservoir and Beck Reservoir/Pala Mesa tank any day; therefore, the District needs to decide what it wants to do should they be offered especially with Ordinance 95-1 coming into play. He stated Legal Counsel has some information to share with the Board on this matter.

Legal Counsel stated from the day the Board adopts a Resolution requiring an election on any Tuesday that is not a holiday or a regular election day it takes approximately 103 days for the election to be held. He said if Board wanted to actually call the election, they could do so at the next meeting. He noted it would take approximately three months for the election process.

(*) - Asterisk indicates a report is attached.

Director Griffiths stated was very disappointed the RMWD Board did not move ahead and anticipate getting this matter on the upcoming election ballot. He said he was not against getting the money; however, not without the public's permission. He concluded by stating it was the Board's fault for not getting this on earlier for this upcoming election.

Director Brazier stressed she was frankly uncomfortable with making any decisions today with two-fifths of the Board absent. Director Griffiths agreed and reiterated his concern about this not being on the November election. President McManigle pointed out the Board Members present do not have to take action, but can hold discussions.

Director Griffiths reiterated his concern that this was not prepared to be put on the November ballot. Mr. Seymour pointed out this Board, with the exclusion of Director Brazier who was not on the Board at the time, voted against taking this matter to an election including Director Griffiths. Director Griffiths questioned whether or not this was the case.

Legal Counsel mentioned when the District discussed this, it took a couple of meeting to get wording about what they wanted it to say. He said when it went to election approximately seven years ago for approval of financing, the criticism was that the language was not specific enough and the people thought the Board was trying to get out of Ordinance 95-1. He explained the Board was now between a "rock and a hard place" in terms of financing specifics in terms of which loans are being talked about, quantity, and were they going to ask for voter of a particular loan versus getting something in a "blanket" form that says if RMWD gets any SRF loans do the voters agree to take the money. He noted it was kind of a "balancing act".

Director Brazier noted it was hard to get specific when the District is unsure as to whether or not it will get the loan for sure.

Director Griffiths suggested if the District gets the loan, it can be accepted because there was a good explanation for why it needs the money. He said if RMWD gets the money, it would have the Board's approval.

President McManigle pointed out it would be best to have at least three items on any ballot that goes out including a modification of Ordinance 95-1 as well as for one or both of the loans. Director Brazier stated the modification of Ordinance 95-1 should have a sunset clause. Director Griffiths disagreed based on the past election on Proposition A.

Mr. Seymour asked the Board to clarify direction as to whether they want more information with this item on the next agenda or just an item for discussion. Director Brazier inquired as to whether or not there would be enough time to present draft modifications to Ordinance 95-1 as well as resolutions in regards to the loan at the next meeting. It was noted all this information should be included; however, it should be in draft form.

Director Griffiths suggested the Board do what they have the permission to do and be done with it. President McManigle agreed with the exception there needed to be an opportunity to look at Ordinance 95-1. Director Brazier stated she believed the public needed to be educated to the point we are now in the 21st century and that modifying Ordinance 95-1 was not such a bad idea.

Discussion went to Item #19.

19. DISCUSSION AND POSSIBLE ACTION TO CHANGE THE DATE OF THE DECEMBER BOARD MEETING

Mr. Seymour pointed out this was completely at the Board's discretion due to the fact he was assuming President McManigle would be attending the ACWA/JPIA conference in San Diego and Director Sanford has already stated he would not be available for this meeting.

Legal Counsel suggested the December 4th meeting be administratively adjourned to a later date in December. He pointed out if that later date is within five days of the December 4th meeting date, it would not need to be posted again.

Director Griffiths recommended the Board cancel the December meeting.

Action:

Moved by Director Brazier the Board adjourn the meeting of December 4th with the possibility of extending that adjournment date. Seconded by None.

It was decided to wait until the October meeting to address this matter.

Director Brazier withdrew her motion.

Discussion went to Item #20.

***20. DISCUSSION AND POSSIBLE ACTION TO CAST BALLOTS FOR LOCAL AGENCY FORMATION COMMISSION COMMISSIONER AND SPECIAL DISTRICT ADVISORY COMMITTEE MEMBERS**

President McManigle noted it has been reported Doug Humphrey was no longer in the running; therefore, he suggested they vote for the other eight individuals and for Polkington or Lorenz on the other ballot.

Action:

Moved by Director Griffiths the Board for all nominees listed minus Douglas Humphrey on the first ballot and Bud Polkington on the second. Seconded by Director Brazier.

After consideration, the motion CARRIED by the following vote:

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

Discussion went to Item #21.

***21. DISCUSSION AND POSSIBLE ACTION REGARDING RMWD AND FPUD JPA/CONSOLIDATION**

Director Griffiths said he would like to address the employee comments made with the heavy printed pages due to the fact there may be information to which they are unaware.

Mr. Seymour pointed out how during the July Board meeting someone had asked a question as to why Valley Center pulled out of the consolidation process and his response was a curt "because their GM didn't want to lose his job". He acknowledged his response was a very unfair thing for him to say about Gary Arant. He said he has a lot of respect for Mr. Arant and he knows Mr. Arant would not put his own personal gain above what he thought was best for the District. He stated for the record, their Board and Mr. Arant are still very interested in a functional consolidation; however, they did not feel a jurisdictional consolidation with RMWD and FPUD was a right fit for their agency at this time. He reiterated he wanted it on the record he should not have made that comment as it was an unfair characterization and representation of what Mr. Arant is like as a person. He apologized to the Board for making the sly comment and noted he has already apologized to Mr. Arant for the same.

Director Brazier reiterated her concern about the matrix that was put forth at the September 11th Special meeting. She expressed hope that someday during this investigation everyone can learn enough information to put the best foot forward. She said it was her thoughts that if the agencies are going to consolidate, there is a boundary in developing the facts which she thought was negatively expressed and would not win any fans. She pointed out the reason RMWD was here was due the fact it is strong because of employee dedication and loyalty. She encouraged any future presentations be mindful. She concluded by stating she did not think it was a valuable goal to destroy people, but rather look into something else.

Director Griffiths suggested the Board ask the FPUD Finance Committee how much their district owes as well as for the amount of their loan payments so RMWD knows exactly what they are getting into. He said he also wants to know exactly what they have planned in the future for distribution.

Mr. Carlstrom stated it was hard to understand if the RMWD Board of Directors has not asked or received answers to these types of questions or not in the course of their studies. He suggested if the RMWD Board wishes to engage the involvement of the RMWD Budget and Finance Committee in understanding consolidation and any financial impacts on both districts, that they take joint cooperation of both agencies in this regard. He reiterated he cannot imagine a RMWD committee member going to FPUD and asking these types of questions. Director Griffiths liked Mr. Carlstrom's suggestion. Mr. Carlstrom pointed out the present charter of the RMWD Budget and Finance committee does not involve the type of research being requested. Director Brazier pointed out FPUD does not have citizen committees, but rather committees made up of their own Board Members.

Ms. Rhyne asked whether or not the ad hoc committee has met more than twice. President McManigle pointed out the ad hoc committee has met twice at Pala Mesa as well as with a few political figures. Ms. Rhyne took exception to the fact the ad hoc committee members met with politicians to update them on the status of the consolidation when it was still being studied. President McManigle noted the three politicians they have met with have nothing to bring to the table with maybe the exception of Bill Horn due to his affiliation with LAFCO. Mr. Carlstrom stated it was wise to bring these types of matters up to the local politicians as opposed to surprising them after the fact. Discussion followed.

(*) - Asterisk indicates a report is attached.

Discussion went to Item #22.

***22. RECEIVE AND FILE INFORMATION ITEMS FOR AUGUST 2012**

- A. General Manager Comments**
 - 1. Meetings, Conferences and Seminar Calendar
- 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. 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 Griffiths.

After consideration, the motion FAILED by the following vote:

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

President McManigle inquired about the four complaints for no water list in the standby report. Director Brazier explained she was one of those calls and how it was due to the fact her water was not turned back on after her backflow device was inspected. Discussion followed.

Discussion ensued regarding backflow device repairs.

Mr. Lee mentioned the upcoming unscheduled ten-day shutdown. He noted they were working at getting quotes from Rain for Rent for facilities to assist with the shutdown; however, it was not a budgeted item due to the fact it was unanticipated.

(*) - Asterisk indicates a report is attached.

Mr. Atilano talked about the numerous calls being received from customers regarding the increase in their water bills.

Director Griffiths commented on Item #22E2. Mr. Seymour noted although the empty boxes were not on the organizational chart, the positions have not been eliminated by the Board.

***23. RECEIVE AND FILE FINANCIAL STATEMENTS AND INFORMATION FOR AUGUST 2012**

A. Finance Manager Comments

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

Action:

Moved by Director Brazier to receive and file financial statements and information. Seconded by Director McManigle.

After consideration, the motion CARRIED by the following vote:

AYES: Director Griffiths, Director McManigle and Director Brazier.

NOES: None.

ABSTAINED: None.

ABSENT: Director Lucy and Director Sanford.

Mr. Buckley reported RMWD has gotten off to a good start this summer. He also clarified the long-term debt on Page #23A1-5.

Director Griffiths made several inquiries on Page #23A5.

Discussion ensued regarding Item #23A12.

Discussion went to Item #24.

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

It was noted Item #17 herein, Ordinance 95-1, as well as rescheduling or adjournment of the December Board meeting should all be on the next agenda.

(*) - Asterisk indicates a report is attached.

25. **ADJOURNMENT - To Tuesday, October 23, 2012 at 1:00 p.m.**

Action:

Moved by Director Brazier to adjourn to Tuesday, October 23, 2012. Seconded by Director Griffiths.

After consideration, the motion CARRIED by the following vote:

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

The meeting was adjourned at 2:22 p.m.

George McManigle, Board President

Dawn M. Washburn, Board Secretary