

**MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS OF THE
RAINBOW MUNICIPAL WATER DISTRICT
FEBRUARY 28, 2017**

1. **CALL TO ORDER** - The Regular Meeting of the Board of Directors of the Rainbow Municipal Water District on February 28, 2017 was called to order by President Brazier at 11:03 a.m. in the Board Room of the District, 3707 Old Highway 395, Fallbrook, CA 92028. President Brazier presiding.

2. **ROLL CALL**

Present: Director Brazier, Director Hamilton, Director Mack, Director Stewart
(Director Stewart arrived at 11:03 a.m.)

Absent: None

Also Present: General Manager Kennedy, Legal Counsel Smith, Executive Assistant Washburn, Administrative Analyst Gray, Associate Engineer Powers, Engineering Manager Kirkpatrick, Finance Manager Martinez, Human Resources Manager Harp, Operations Manager Milner, Superintendent Walker, Superintendent Zuniga, Crew Leader Diaz.

No members of the public were present before Open Session. Eight members of the public were present for Open Session.

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

Mr. Kennedy announced there would be the addition of an emergency item to consider approval of a resolution with a finding of a public health and safety emergency related to the Moose Creek pipeline. He noted the pier got knocked out from underneath the pipeline due to the rains and the pipe itself was dented thereby causing a break in the main pipeline.

It was noted this item would be added as Item #25A.

4. **ORAL/WRITTEN COMMUNICATIONS FROM THE PUBLIC
OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING
CLOSED SESSION AGENDA ITEMS (Government Code § 54954.2).**

There were no comments.

The meeting adjourned to Closed Session at 11:05 a.m.

5. CLOSED SESSION

A. Conference with Labor Negotiators (Government Code §54957.6 and §54957)

Agency Designated Representatives

Tom Kennedy
Karleen Harp

Discussions regarding labor negotiations for:

Rainbow Employee Association
Rainbow Association of Supervisor and Confidential Employees
Rainbow Exempt Employees

B. Conference with Legal Counsel–Anticipated Litigation (Government Code §54956.9(d)(2))

- One Matter

The meeting reconvened at 1:02 p.m.

6. REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

Legal Counsel reported the Board met in Closed Session conferencing with labor negotiators pursuant to Government Code Sections 54957.6 and 54957 and there was no reportable action. He noted Closed Session with resume Closed Session discussion at the conclusion of the Open Session.

Discussion returned from Item #27.

Legal Counsel reported the Board met in Closed Session conferencing with Legal Counsel anticipated litigation pursuant to Government Code Sections 54956.9(d)(2). He noted the Board discussed this matter and there was no reportable action.

Legal Counsel reported the Board resumed Closed Session conference with labor negotiators pursuant to Government Code Section 54957.6 and 54957 and there was no reportable action.

Discussion returned to Item #28.

Time Certain: 1:00 p.m.

7. PLEDGE OF ALLEGIANCE

Discussion went to Item #10.

8. REPEAT REPORT ON POTENTIAL ACTION FROM CLOSED SESSION

This item was addressed under Item #6.

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

President Brazier stated Item #25A was added to the agenda as an emergency item regarding the Moosa Crest pipeline.

(*) - Asterisk indicates a report is attached.

Discussion went to Item #7.

**10. 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 oral or written communications from the public.

11. ANNIVERSARY ACKNOWLEDGEMENT

A. Wayne Nault (10 Years)

Mr. Kennedy recognized Wayne Nault as one of the Crew Leader on the Construction and Maintenance crew. He noted Mr. Nault came to RMWD from SDG&E and he was now one of the crew members out in the middle of the night when leaks take place making sure everything gets put back together correctly. He presented Mr. Nault with a plaque and check in recognition of his tenure.

***12. APPROVAL OF MINUTES**

A. January 24, 2017 - Regular Board Meeting

Director Stewart pointed out under Item #5, the word “not” should be removed.

Motion:

To approve the minutes as amended.

Action: Approve, Moved by Director Hamilton, Seconded by Director Mack.

Vote: Motion carried by unanimous vote (Summary: Ayes=4).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart.

***13. 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 Brazier)

No report given.

B. Representative Report (Appointed Representative)

1. SDCWA

A. Summary of Board Meeting January 26, 2017

Mr. Kennedy referenced the handout provided providing a description of the Metropolitan Water District (MWD) lawsuit and how the matter was at the Appellate Level and should it prevail what amount RMWD could receive which was approximately \$7 Million. He provided a brief background on how the lawsuit came about.

(*) - Asterisk indicates a report is attached.

Mr. Kennedy pointed out the projections provided on the back of the handout noting if SDCWA wins the lawsuit with MWD, by fiscal year 2020, there would be a savings of approximately \$2.1 Million in costs that go straight to MWD every year.

2. CSDA

Mr. Kennedy reported on the February 16, 2017 which was his first meeting as the Chapter President and the speaker was Scott Barnett of the Little Hoover Commission. He explained the Little Hoover Commission was set up at the statewide level to evaluate effectiveness of governance and how Mr. Barnett has unique ideas about special districts in that there are too many, wasteful, and not transparent enough and all special districts should have a “sunset clause” with a public vote to determine which districts should remain in place. He mentioned some of the questions and concerns raised by some of the local special districts at the meeting. Discussion ensued regarding some of the feedback from the meeting attendees.

Mr. Kennedy announced he passed the Special District Administrator Exam and will receive the certification at the next CSDA meeting.

3. LAFCO

Mr. Kennedy noted there was nothing to report from the recent Special District Advisory Committee meeting.

4. San Luis Rey Watershed Council

Director Stewart reported he was unable to attend the meeting.

5. Santa Margarita Watershed Council

Director Hayden reported there was a new court appointed Watermaster and that the meetings will be moved to Rancho Water District until further notice. He mentioned another issue discussed was the Federal Reserve Water Rights for the Indian tribes.

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

Director Mack reported on the recent Council of Water Utilities meeting where there was some new stuff coming out ACWA would like the local agencies to support. Mr. Kennedy explained what some of these items were and why ACWA was seeking support.

D. Directors Comments

Director Hayden stated he picked up from the California San Diego County Farm Bureau Association Newsletter that the State of California Senate and Assembly combined to introduce 2,495 Bills in time for the January 23, 2017 submission deadline and how there were two Bills of interest. He noted AB1369 would require the Department of Water Researchers to identify the current statewide water storage capacity prepared and implementation plan on or before January 1, 2019 to achieve an expansion of statewide water storage capacity and AB1442 would redirect high-speed rail bonds to an unspecified water project.

Director Stewart commented on how his small community of 34 attached single family homes has repaved their streets in April 2016 and how since that time the water system has experienced seven major main line water breaks. He asked if RMWD's operations and maintenance department could see if there are any preventative measures that could be used short of taking up and replacing the entire system to assist in avoiding additional breaks in the future. He talked about the extensive processes that take place involving RMWD staff when these breaks happen which are very costly to RMWD. Mr. Kennedy reported there will be a Condition Assessment Program contract presented to the Board for consideration at the next Board meeting which will address these exact types of matters.

E. Legal Counsel Comments

1. Attorney Report: Brown Act Update (150152-0005)

Legal Counsel summarized his written report provided on the Brown Act Update regarding superficial descriptions on meeting agendas. He mentioned RMWD does very well at providing agenda item information on its agendas.

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

A. Budget and Finance Committee

1. January 10, 2017 Minutes

Mr. Stittle reported RMWD may be faced with replacing its accounting system. Mr. Kennedy explained there may be a need to find a software system with more flexibility to meet the needs of the District and how staff will be researching this matter further.

B. Communications Committee

1. January 9, 2017 Minutes

Mrs. Gray reported the committee has been working on possibly attending the Avocado Festival, members attended the Fallbrook Chamber of Commerce event, and will continue to work on the possible renaming some of RMWD's facilities as well as the imported water return flow project.

C. Engineering Committee

1. January 4, 2017 Minutes

Mrs. Kirkpatrick noted the committee was working on some Administrative Code changes which will be brought to the Board for consideration in the near future. She noted there was discussion on multiple meters on the same parcel, right-of-way management, and capacity fee updates.

BOARD ACTION ITEMS

***15. DISCUSSION AND POSSIBLE SELECTION OF DIVISION THREE DIRECTOR AND APPROVAL OF RESOLUTION NO. 17-05, A RESOLUTION APPOINTING _____ AS DIRECTOR OF DIVISION THREE OF THE RAINBOW MUNICIPAL WATER DISTRICT**

President Brazier pointed out should RMWD Board not make an appointment at this meeting, the County Board of Supervisors will appoint someone on the District's behalf.

(*) - Asterisk indicates a report is attached.

Cristal Punaro introduced herself to the Board noting she was relatively new to the area and how her background is primarily in finance including working with employee benefits. She stated her primary interest was to serve the community by being involved in the water district. She concluded by noting she has been reading up on RMWD.

James Fergus noted he was a 30-year RMWD ratepayer retired from community development including dealing with raw land through entitlements such as RMWD. He stated he enjoys the water business and has the time to serve on this Board. He mentioned he has experience in the public sector keeping organizations in a risk-free position.

Miguel Gasca talked about his background in civil engineering as well as his career in the aerospace industry for the Air Force and other government agencies mostly on the infrastructure side. He stated he and his wife moved to the area after completing school and how he started up a consulting firm. He commended the Board and District for all the fantastic things that have been done. He mentioned he has read all the minutes back to 2012 and would like to continue his research by reviewing other documents not currently available on line. He said he would be delighted to provide the Board with support if they so choose. He concluded by noting his familiarity with both water and wastewater considerations.

Director Stewart said he would like seat all three candidates as they are all very impressive. He expressed gratitude to each candidate for their interest and encouraged those not selected to become active with the District by serving on any one of the three committees.

Legal Counsel confirmed there was no statutory requirement for the method of selection; therefore, it was completely up to the Board of Directors how they would like to proceed.

Director Stewart said based on the fairly new makeup of the current Board, it may be helpful to have someone with municipal board experience fill this vacancy at this juncture. He reiterated he could not be more thrilled with the quality of the all three interested candidates.

President Brazier encouraged the candidates to not give up as this Board and District is ever evolving. She pointed out the committees make recommendations to the Board; therefore, they would have a voice serving on such in that the Board are very good at listening to comments from attendees as well as the committee memberships.

Motion:

Appoint Miguel Gasca as the Division 3 representative.

Action: Approve, Moved by Director Stewart, Seconded by Director Hamilton.

Vote: Motion carried by unanimous vote (summary: Ayes = 4).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart.

Mr. Kennedy administered the Oath of Office for Miguel Gasca. Director Gasca was immediately seated on the Board of Directors.

***16. ADOPT RESOLUTION NO. 17-07 FIXING THE TIME AND PLACE OF HEARING AND MEETING ON PROPOSED WATER AVAILABILITY CHARGES FOR IMPROVEMENT**

Roxanne Shepherd explained this was an annual levy on each parcel. She noted Resolution No. 17-07 initiates the process with final action scheduled to be taken on May 23, 2017 at the RMWD regular Board meeting.

Motion:

Adopt Resolution No. 17-01.

Action: Approve, Moved by Director Stewart, Seconded by Director Mack.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***17. DISCUSSION AND POSSIBLE ACTION TO CHANGE THE STATUS OF INACTIVE SERVICE ACCOUNTS TO ACTIVE TO BE IN COMPLIANCE WITH PROPOSITION 218**

Mr. Kennedy explained after having a situation brought to the District's attention regarding an inactive meter due to the Rice Canyon Fire, staff researched all inactive accounts to determine whether they should be made active. He stated before changing inactive accounts to active, staff would like Board approval prior to making any changes.

Mrs. Martinez mentioned 29 inactive accounts have been identified and of those 23 have service immediately available. She stated should the Board adopt Staff Recommendation Option 1, these 23 accounts will be notified with a sixty-day notice providing those customers with the same options made available last year to other inactive accounts.

She explained the remaining six accounts have paid their capacity fees; however, they are not connected to the lateral and are not receiving any water services. She stated should those customers decide to connect their meters, they would need to go through the proper procedures.

Director Mack suggested staff send a letter to the remaining six customers reminding them the meters have been purchased and find out if they are interested in connecting to the system.

Motion:

To adopt Staff Recommendation 1 - Authorize and direct the General Manager to move forward in pursuing charging the 23 inactive accounts the monthly fixed fees that have water service "immediately available". Prior to doing so, staff will contact each potentially affected property owner in writing of the intent of the District and give 60 days' advanced notice of the initiation of the monthly fixed fees. We will also attempt contact by telephone where valid numbers are available. Advise the property owners the option to downsize to lessen the monthly fixed fee or abandon the meter if they choose not to incur a monthly fix fee - with the proviso RMWD notify the six properties who have no current lateral to the property of their status.

Action: Approve, Moved by Director Stewart, Seconded by Director Mack.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***18. DISCUSSION AND POSSIBLE ACTION TO APPROVE APPRAISAL OF THE WATER AND WASTEWATER SYSTEMS OWNED BY RAINBOW MUNICIPAL WATER DISTRICT**

Mr. Kennedy recalled Willdan Financial Services was contracted to produce the appraisal as part of the capacity study to assist RMWD with accurately assess the actual value of its system. He noted the total valuation was approximately \$440 Million. He explained should the Board approve this report it will be taken to the District auditors for review and then be incorporated into RMWD's future financial statements and balance sheet.

Mr. Kennedy noted there are depreciation impacts; however, these are some of the things staff will work through with the Budget and Finance Committee to make determinations. He pointed out this study will be helpful should the District ever need to enter into debt management in the future in terms of grants and other programs.

Director Mack asked if this document needed to be filed with the State. Mrs. Martinez explained RMWD files a financial report with the State once adjustments are made and it is accepted by the auditors for fiscal year reporting.

Director Stewart talked about the importance of properly stating the District value noting without such RMWD will have a difficult time determining how much money to set aside in reserves at any given time. He applauded the fact this study was conducted and thanked the Engineering Committee for their work on this project.

Motion:

Staff Recommendation Option 1 - Approve the July 13, 2016 Appraisal Report by Willdan Financial Services.

Action: Approve, Moved by Director Hamilton, Seconded by Director Mack.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***19. DISCUSSION AND POSSIBLE ACTION TO APPROVE PURCHASE OF PROPERTY FOR THE POTENTIAL LIFT STATION 1A SITE**

Mrs. Kirkpatrick noted as part of RMWD's Capital Improvement Program (CIP), Lift Station 1 was in design right now for upsizing the lift station and the surrounding pipelines for ultimate flow. She noted RMWD was currently in design with Kennedy Jenks. She explained part of this project was to upsize the sewer siphon which would involve a deeper siphon under Camino Del Rey which was not a good alternative for RMWD as determined by the wastewater staff as well as the Engineering Committee. She said to move the sewer siphon, a site would need to be found on which to locate a pump station to pump wastewater through the area. Mr. Kennedy added why construction in the current area would be virtually impossible due to the location of the existing manhole.

Mrs. Kirkpatrick explained the project would split existing Lift Station 1 into Lift Station 1A and Lift Station 1B. She noted this item was specifically for the Lift Station 1A site and how after looking at several potential sites, it was recommended the new site be located at the lot for sale adjacent to the shopping center where the Post Office and Ringers Cocktail Lounge located in Bonsall.

Discussion ensued regarding the other site locations.

Mrs. Kirkpatrick explained this item was solely for the purchase of the land. She noted CEQA has been completed for the purchase should the design of Lift Station 1 moves forward. She noted the proposed land was currently owned by Larry Lushanko.

Director Hamilton inquired about Option 2 being a possibility for recovering purchasing costs. Discussion ensued.

Mr. Kennedy mentioned the land appraised for less than the initial asking price.

Director Mack inquired as to whether the area residents would oppose the lift station being located near their homes. Mr. Kennedy explained when built correctly, there would be minimal impact to the residents. Director Stewart pointed out the Board spent time researching each of the alternative sites as well as all the options.

Mr. Zuniga talked about how the proposed new facility and location would benefit RMWD staff in the event of an emergency. Mr. Kennedy noted new facility would look more appealing as opposed to those lift stations constructed in the past.

Motion:

To approve Option 1 - Authorize General Manager to execute purchase agreement with the Lushanko Family 2001 Trust for APN 126-452-01 for a total of \$740,000.

Action: Approve, Moved by Director Hamilton, Seconded by Director Stewart.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***20. DISCUSSION AND POSSIBLE ACTION TO APPROVE CONTRACT CHANGE ORDER FOR INSPECTION SERVICES FOR THE HORSE CREEK RIDGE DEVELOPMENT**

Mrs. Kirkpatrick announced Horse Creek Ridge was currently in the process of grading as well as installing sewer lines. She noted this item was to approve a contract change order with one of RMWD's added inspection services consultant, Hoch Consulting, so their firm would be specifically inspecting the Horse Creek Ridge development to include sewer pipeline, water pipelines, the lift station located on Pankey Road.

Mr. Kennedy pointed out his authority was limited to a certain amount and that any change orders over \$50,000 must come back to the Board for consideration and approval. He noted Hoch utilized qualified individuals who have done good work for the District; therefore, staff was seeking an extension to the current contract to include inspection services as opposed to going out for a new procurement.

Director Mack asked how the developer pays for the inspection services. Mr. Kennedy stated the developer has already provided RMWD with a deposit and that the goal was to ensure the ratepayers do not pay for these services.

Motion:

Approve Staff Recommendation Option 1 - Authorize General Manager to execute change order for As-Needed Inspection Services contract with Hoch Consulting not to exceed \$279,220.50.

Action: Approve, Moved by Director Stewart, Seconded by Director Hamilton.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***21. FISCAL YEAR 2016-17 MID-YEAR BUDGET REVIEW AND BUDGET ADJUSTMENTS**

Mr. Kennedy noted this was something not done in the past; however, it should be recurring each year going forward.

Mrs. Martinez explained staff went through an extensive mid-year review of the actual budget projections to make some modest adjustments. She said due to the conservative approach in the budget, the adjustments are minimal. She referenced the breakdown list provided in the agenda packet as she explained each of the proposed adjustments.

Mrs. Martinez briefly updated the Board on the audit noting although it was late, she updated the Board on some unaudited numbers.

Mr. Kennedy explained RMWD was looking better until the weather changed. He noted if the turn of events in the weather were included in the rate setting process, the outcome would have been better. He said all RMWD can do right now is hold the line, remain responsible, and continually monitor the situation.

Discussion ensued regarding what steps would be taken should the wet weather continue.

Director Stewart stated he was pleased with having this mid-year budget review and the opportunity to make any necessary adjustments. Director Hamilton suggested offering a rate increase at one time as opposed to making several small adjustments over a period of time in order to lessen customer disapproval.

Mrs. Martinez confirmed any money shifted would not impact the areas from which it was taken.

Motion:

Adopt Staff Recommendation Option 1 - Approve Amended Budget FY 2016-17 as provided in Exhibit A with a Net Neutral Fiscal Impact.

Action: Approve, Moved by Director Stewart, Seconded by Director Hamilton.

(*) - Asterisk indicates a report is attached.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

- *22. CONSIDER ADOPTION OF RESOLUTION NO. 17-09 (1) AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (THE "AUTHORITY") TO FORM A COMMUNITY FACILITIES DISTRICT WITHIN THE TERRITORIAL LIMITS OF THE RAINBOW MUNICIPAL WATER DISTRICT TO FINANCE CERTAIN PUBLIC IMPROVEMENTS AND DEVELOPMENT IMPACT FEES; (2) EMBODYING A JOINT COMMUNITY FACILITIES AGREEMENT SETTING FORTH THE TERMS AND CONDITIONS OF THE COMMUNITY FACILITIES DISTRICT FINANCING; (3) APPROVING AN ACQUISITION AGREEMENT BETWEEN THE DISTRICT AND THE DEVELOPER; AND (4) AUTHORIZING STAFF TO COOPERATE WITH THE AUTHORITY AND ITS CONSULTANTS IN CONNECTION THEREWITH**

Mr. Kennedy pointed out staff was seeking action on four items related to this matter as noted in Resolution No.17-09. He explained since RMWD joined CSCDA, District staff and attorneys have been working with CSCDA staff on the contracts. He said he was confident after working through the documents with the assistance of RMWD legal counsel. He noted any additional items that may arise will be brought to the Board for consideration.

It was noted the bond would be funded sometime next year once the signature value requirements are met.

President Brazier stated she was philosophically opposed to Mello Roos. She stated after intense research she found the purpose at the time Mello Roos was established in 1982 was to enable individuals who might not be able to get the money from the money market to finance and encourage development. She said she found it unfair for someone wanting to make money to put the cost to make that money on the people who are pay for the product. She said based on what she has ascertained, D.R. Horton would make a great deal of money not having to get their own money out of the money market. She expressed concern the \$2.75 million would not be funded by D.R. Horton, but rather by RMWD's future ratepayers.

Mr. Kennedy pointed out there was an additional item related to this matter for Board consideration coming up next on this agenda. He explained there were rationales to say Mello Roos is bad; however, there is a benefit to the RMWD ratepayers as a whole relative to this development that will get them closer to what should have been paid for sewer capacity had the purchases been made at a later date.

President Brazier recommended this Board adjust RMWD's current policies to ensure that carrying multi-generational agreements does not happen in the future.

President Brazier stated beside her philosophical disagreement with the Mello Roos concept, it is well known Mello Roos is not popular with most home buyers. She noted the only other District in the County that has Mello Roos was Borrego Water District that was initiated in 1982 and since that time they have defaulted a third time and are now in the middle of another refinance. She stressed there was no guarantee that people will not be paying forever or anything because things happen.

Mr. Kennedy pointed out the CSCDA agreement for the bond issuance and actual indebtedness on the properties, the properties take on the sole responsibility for repaying of the bonds through their property tax. President Brazier stated this where RMWD would receive \$2.75 million from.

President Brazier expressed concern that in agenda Item #23 it states D.R. Horton has no responsibility should things go array and those funds do not get paid. Mr. Kennedy explained D.R. Horton has no obligation to increase their sewer capacity fee and RMWD had no obligation to join the CSCDA to facilitate this Mello Roos; therefore, it is a quid pro quo agreement to where in exchange for them bringing the capacity fees closer to what RMWD expected to receive, the District agreed to move forward in this direction. He added RMWD did not have any leverage in the District's agreement telling D.R. Horton to give RMWD \$2.75 million, but this opportunity allowed for the District to use some leverage in order to receive these monies.

Mr. Kennedy recalled when this matter was discussed with the Board at their meeting last month, the Board directed him to try to negotiate RMWD receiving more money. He stated during those discussions, D.R. Horton was very clear that from a marketing perspective they cannot put too much Mello Roos on the property because they would not sell the house.

Sunit Patel, representing D.R. Horton, noted there was a requirement to disclose the CFD special taxes. He pointed out there was already a CFD on this project with the County for maintenance and how this CFD would be in addition to the one already in place. He stated there are CFD's that have historically have had trouble; however, there are not any modern day CFD's that have defaulted due to protections that have been put in place to prevent them from failing. He talked about several protections and obligations added over the last decades that have advancements in the way this type of financing is structured. He continued by explaining some of the protection measures and the steps involved with each so that people do not just default.

Discussion ensued.

President Brazier asked should this not go through what would happen. Kurt Hubbell with D.R. Horton explained why this was nothing more than a financing function and should there not be a CFD, D.R. Horton will proceed with funding and building everything and in turn sell the homes for higher cost. He stated the other option would be to use this CFD financing mechanism which saves some money on the financing, thus allowing the homes to be sold for a lower price point. He stressed they were very sensitive with their buyers and the special tax threshold on the taxes. He noted the average price of a home currently projected for this development was approximately \$400,000. He explained the project will no longer have attached homes, but rather single family detached homes on multi-family lots which will make for the most affordable housing in San Diego County.

Director Mack said even if RMWD does not do a CFD, the developer will use alternative financing options which in turn will mean RMWD would not collect the \$2.75 million. He talked about how San Marcos has been very successful with creating a CFD in that the properties are very nice and well maintained. He said he found this matter to be a win-win for RMWD and its ratepayers.

President Brazier clarified she was not challenging the properties to be established, but rather the process and whether RMWD was setting itself up for having this happen repeatedly in the future in that it would be the only option.

Director Gasca inquired as to the valuation of the infrastructure improvements. Mr. Kennedy replied \$13 Million between capacity fees and pipelines, lift stations, etc. Director Gasca asked for the percentage increase in valuation for the District. Mr. Kennedy stated \$13.5 Million was the amount looking to be funded through the acquisition agreement. It was confirmed \$8 Million is the increase in infrastructure valuation and the remainder was in capacity fees.

Mr. Kennedy confirmed it would be a 30-year assessment. Discussion followed.

Motion:

To approve Resolution No. 17-09 to include the four items in the title as well as authorize the General Manager to execute Second Amendment to Amended and Restated Sewer Service Agreement with Passerelle and D.R. Horton provided under agenda Item #22A.

Action: Approve, Moved by Director Stewart, Seconded by Director Mack.

Vote: Motion passed (summary: Ayes = 4, Noes = 1, Abstain = 0).

Ayes: Director Hamilton, Director Mack, Director Stewart, Director Gasca.

Noes: Director Brazier.

***22A. DISCUSSION AND POSSIBLE ACTION REGARDING EXECUTION OF THE SECOND AMENDMENT TO AMENDED AND RESTATED SEWER SERVICE AGREEMENT BETWEEN RAINBOW MUNICIPAL WATER DISTRICT, PASSERELLE AND D.R. HORTON**

This item was addressed and voted on under Item #22.

***23. DISCUSSION AND POSSIBLE ACTION TO APPROVE RESOLUTION NO. 17-06 NOMINATING CANDIDATE(S) TO THE ACWA JPIA EXECUTIVE COMMITTEE**

Mr. Kennedy noted RMWD does not qualify to be on the Board of Directors; however, there are other agencies seeking concurring support for candidates they have nominated. He provided a brief background on the nominated candidates for Board consideration.

Motion:

To approve Resolution No. 17-06 supporting the nomination of Mr. Drake and Mr. Dorey, respectively, Action: Approve, Moved by Director Gasca, Seconded by Director Mack.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***24. DISCUSSION AND POSSIBLE ACTION TO APPROVE RESOLUTION NO. 17-08 NOMINATING CANDIDATE(S) TO THE SPECIAL RISK MANAGEMENT AUTHORITY (SDRMA) BOARD OF DIRECTORS**

Discussion ensued regarding what it would entail to serve on the Board of Directors as well as how it would benefit RMWD to have a Director serve.

There was no action taken.

25. DISCUSSION AND POSSIBLE ACTION TO APPROVE AN RMWD AWARD PROGRAM FOR THE 2017 SAN DIEGO CHAPTER CALIFORNIA SPECIAL DISTRICTS ASSOCIATION PUBLIC OUTREACH PROGRAM

Mr. Kennedy stated as part of CSDA, an annual video contest program was implemented for local high schools that has a \$1,000 prize with half going to the school and half to the student. He said he was asking the Board to add incentive to the local high school video contest by including an additional prize such as a Go Pro to add to the prize pool to be awarded to the winner. He noted the prize would be purchased through already accumulated American Express points and would not be a direct cost to the District.

Motion:

Approve Option 1 - Approve supporting the 2017 San Diego CSDA Chapter Public Outreach Program by offering additional incentives to the video contest prize pool.

Action: Approve, Moved by Director Brazier, Seconded by Director Hamilton.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

25A. DISCUSSION AND POSSIBLE ACTION TO APPROVE RESOLUTION NO. 17-10, FINDING OF PUBLIC HEALTH AND SAFETY EMERGENCY AND APPROVING REPLACEMENT OF THE MOOSA CREST PIPELINE

This was an emergency item added per Item #3.

Mr. Kennedy explained in 1960 RMWD installed a pipeline across Moosa Creek just west of the 15 freeway. During an unusually heavy rain event on February 27th, the storm swollen creek carried huge quantities of water and debris and severed the 16" pipeline. This pipeline had been damaged from a storm on January 20th but did not fail and the more recent damage occurred as staff was preparing to replace a damaged support pier. Mrs. Kirkpatrick presented photos that showed the condition of the pipeline before and after the more recent rainstorm of the pipeline under consideration. Mr. Kennedy said after consulting with Tory Walker about what had transpired, Mr. Walker explained how the channel was being scoured due to excess flows related to the construction of the 15 freeway.

Discussion ensued regarding the timeframe for the project to be completed. Legal Counsel stated it needed to be completed as quickly as reasonably practical to mitigate the situation. Mr. Kennedy assured the Board staff would be working diligently to get this project completed as soon as possible.

Motion:

Approve Staff Recommendation Option 1 - Approve Resolution 17-10, finding the Moosa Crest Pipeline replacement project and emergency so the General Manager can proceed with replacement of the pipeline per Section 1.04 Emergency Authority and increase emergency authority to a not to exceed amount of \$500,000.

Action: Approve, Moved by Director Stewart, Seconded by Director Gasca.

(*) - Asterisk indicates a report is attached.

Vote: Motion carried by unanimous vote (summary: Ayes = 5).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

***26. RECEIVE AND FILE INFORMATION AND FINANCIAL ITEMS FOR NOVEMBER/DECEMBER 2016 AND JANUARY 2017**

- A. General Manager Comments**
 - 1. Meetings, Conferences and Seminar Calendar
- B. Operations Comments**
 - 1. Operations Report
- C. Engineering Comments**
 - 1. Engineering Report
- D. Human Resource & Safety Comments**
 - 1. Human Resources Report
- E. Customer Service Comments**
 - 1. Customer Service Report
- F. Finance Manager Comments**
 - 1. Credit Card Breakdown
 - 2. Directors' Expense
 - 3. Check Register
 - 4. Water Sales Summary
 - 5. RMWD Sewer Equivalent Dwelling Units (EDU's) Status

Mr. Kennedy referenced the article published in Land and Water Magazine provided under separate cover to the Board and how it mentions Morro Reservoir.

Motion:

To receive and file the information and financial items.

Action: Approve, Moved by Director Hamilton, Seconded by Director Stewart.

Vote: Motion carried by unanimous vote (summary: Ayes = 4).

Ayes: Director Brazier, Director Hamilton, Director Mack, Director Stewart, Director Gasca.

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

It was noted the condition assessment, capacity fees including preventing future funding gaps be on the next agenda.

The meeting adjourned to Closed Session at 3:53 p.m.

The meeting reconvened at 5:51 p.m.

Discussion returned to Item #6.

28. ADJOURNMENT - To Tuesday, March 28, 2017 at 1:00 p.m.

The meeting was adjourned with a motion made by Director Hamilton and seconded by Director Mack to a regular meeting on March 28, 2017 at 1:00 p.m.

The meeting was adjourned at 5:52 p.m.

Helene Brazier, Board President

Dawn M. Washburn, Board Secretary